

**DOCKET NOS. RR06-1-012 AND RR07-7-002**

**COMPLIANCE FILING OF THE  
NORTH AMERICAN ELECTRIC RELIABILITY CORPORATION  
IN RESPONSE TO MARCH 21, 2008 ORDER**

**ATTACHMENT 11**

**REVISED AMENDED AND RESTATED DELEGATION AGREEMENT  
BETWEEN NERC AND  
WESTERN ELECTRICITY COORDINATING COUNCIL**

**ATTACHMENT 11A: CLEAN VERSION**

**ATTACHMENT 11B: REDLINED VERSION**



**Louise McCarren**  
Chief Executive Officer

801.582.0353  
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July 18, 2008

Mr. David N. Cook  
Vice President, General Counsel, and Director of Regulatory Services  
North American Electric Reliability Corporation  
116-390 Village Boulevard  
Princeton, New Jersey 08540-5721

Dear Mr. Cook:

The Western Electricity Coordinating Council will be prepared to execute the revised delegation agreement following receipt of Commission approval in Docket No. RR07-7-002.

Sincerely,

*Louise McCarren*

Louise McCarren  
Chief Executive Officer  
Western Electricity Coordinating Council

**ATTACHMENT 11A**

**CLEAN VERSION**

**AMENDED AND RESTATED DELEGATION AGREEMENT BETWEEN  
NORTH AMERICAN ELECTRIC RELIABILITY CORPORATION  
AND WESTERN ELECTRICITY COORDINATING COUNCIL**

DELEGATION AGREEMENT (“Agreement”) made as of \_\_\_\_\_, 2008, between the North American Electric Reliability Corporation (“NERC”), an organization certified by the Federal Energy Regulatory Commission (“Commission”) pursuant to Section 215(c) of the Federal Power Act to establish and enforce Reliability Standards for the bulk power system, and the Western Electricity Coordinating Council (WECC), an organization established to develop and enforce Reliability Standards within the geographic boundaries identified on **Exhibit A** to this Agreement, and for other purposes. NERC and WECC may be individually referred to herein as “Party” or collectively as “Parties.”

**WITNESSETH**

**WHEREAS**, Subtitle A of the Electricity Modernization Act of 2005 added Section 215 to the Federal Power Act (16 U.S.C. § 824n) (hereafter “the Act”) and, among other things, provides for the establishment of an electric reliability organization (“ERO”) to develop and enforce Reliability Standards applicable to all owners, operators, and users of the bulk power system;

**WHEREAS**, the Commission has adopted regulations for the implementation of the Act set forth at Chapter I, Title 18, Code of Federal Regulations, Part 39, as adopted by Commission Order No. 672 in Docket No. RM05-30-000 on February 3, 2006; (114 FERC ¶ 61, 104; hereafter “Order 672”);

**WHEREAS**, the Commission has certified NERC as the ERO that will, in accordance with the Act, establish and enforce Reliability Standards for the bulk power system, subject to certain delegation provisions described below;

**WHEREAS**, the Act recognizes the international interdependency of electric reliability within North America and envisions the ERO and such applicable Regional Entities as international organizations;

**WHEREAS**, the Act and Section 39.8 of the Commission’s regulations provide for the delegation by the ERO of authority to propose and enforce Reliability Standards to regional entities such as WECC provided that:

(A) The Regional Entity is governed by —

- (i) an independent board;
- (ii) a balanced stakeholder board; or
- (iii) a combination independent and balanced stakeholder board.

(B) The Regional Entity otherwise satisfies the provisions of Section 215(c)(1) and (2) of the Act; and

(C) The agreement promotes effective and efficient administration of bulk power system reliability;

**WHEREAS**, certain Regional Entities are organized on an Interconnection-wide basis and are therefore entitled to the presumption set forth in the Act that: “[t]he ERO and the Commission shall rebuttably presume that a proposal for delegation to a Regional Entity organized on an Interconnection-wide basis promotes effective and efficient administration of bulk power system reliability and should be approved”;

**WHEREAS**, the Act further provides that the ERO shall rebuttably presume that a proposal from a Regional Entity organized on an Interconnection-wide basis for a Reliability Standard or modification to a Reliability Standard to be applicable on an Interconnection-wide basis is just, reasonable, and not unduly discriminatory or preferential, and in the public interest;

**WHEREAS**, WECC is organized on an Interconnection-wide basis and therefore is entitled to the rebuttable presumptions accorded such an entity;

**WHEREAS**, NERC will work through WECC to carry out certain of its activities in furtherance of its responsibilities as the electric reliability organization under the Act; and

**WHEREAS**, NERC has concluded that WECC meets all requirements of the Act, the Commission's regulations, and the NERC Rules of Procedure as approved by the Commission ("NERC Rules") necessary to qualify for delegation;

**NOW, THEREFORE**, in consideration of the mutual covenants and agreements herein contained, NERC and WECC, agree as follows:

**1. Definitions.** The capitalized terms used in this Agreement shall be defined as set forth in the Act, the Commission's regulations, or the NERC Rules or, if not so defined, shall be defined as follows:

(a) Breach means (i) the failure of a Party to perform or observe any material term, condition or covenant of the Agreement or (ii) a representation in Section 2 of the Agreement shall have become materially untrue.

(b) Cross-Border Regional Entity means a Regional Entity that encompasses a part of the United States and a part of Canada or Mexico.

(c) Delegated Authority means the authority delegated by NERC to WECC to propose and enforce Reliability Standards pursuant to the Act.

(d) WECC Rules means the Bylaws, a rule of procedure or other organizational rule or protocol of WECC.

(e) NERC Rules means the NERC Rules of Procedure.

(f) Reliability Standard means a requirement approved by the Commission under Section 215 of the Federal Power Act to provide for reliable operation of the bulk power system. The term includes requirements for the operation of existing bulk power system facilities, including cyber security protection, and the design of planned additions or modifications to such facilities to the extent necessary for reliable operation of the bulk power system; but the term does not include any requirement to enlarge such facilities or to construct new transmission capacity or generation capacity.

## 2. Representations.

(a) For purposes of its Delegated Authority, WECC hereby represents and warrants to NERC that:

(i) WECC is and shall remain during the term of this Agreement validly existing and in good standing pursuant all applicable laws relevant to this Agreement and that no applicable law, contract or other legal obligation prevents it from executing this Agreement and fulfilling its obligations hereunder. WECC is governed in accordance with its Bylaws by a combination independent and balanced stakeholder board. Pursuant to these Bylaws, no two industry sectors can control any WECC decision and no single industry sector can veto any WECC decision. The WECC Bylaws are attached hereto as **Exhibit B** and as so attached are in full force and effect.

(ii) As set forth in **Exhibit C** hereto, WECC has developed a standards development procedure, which provides the process that WECC shall use to develop Regional Reliability Standards and that are proposed to NERC for adoption.

(iii) As set forth in **Exhibit D** hereto, WECC has developed a regional compliance enforcement program, which provides for the enforcement of Reliability Standards within its geographic boundaries.

(b) NERC hereby represents and warrants to WECC that:

(i) It is and shall remain during the term of this Agreement validly existing and in good standing pursuant all applicable laws relevant to this Agreement and that no applicable law, contract or other legal obligation prevents it from executing this Agreement and fulfilling its obligations hereunder; and

(ii) It has been certified as the ERO by the Commission pursuant to the Act.

(iii) Attached are copies of all documents incorporated by reference that are not included elsewhere in this Agreement.

## 3. Covenants.

(a) During the term of this Agreement, WECC shall maintain and preserve its qualifications for delegation pursuant to the Act and shall not amend the WECC Rules without NERC's approval, which shall not be unreasonably withheld or delayed and which shall, in the

case of a Regional Entity organized on an Interconnection-wide basis, be governed by the presumptions provided for in Section 215(d)(2) and (e)(4)(C) of the Act, and be subject to any required Commission approval.

(b) During the term of this agreement, NERC shall maintain its qualification and status as the ERO pursuant to the Act and, subject to the provisions of Sections 16 and 17 of this Agreement, NERC shall not adopt amendments to the NERC Rules that conflict with the rights, obligations or programs of WECC under this Agreement without first obtaining the consent of WECC, which consent shall not be unreasonably withheld or delayed.

(c) During the term of this agreement, NERC and WECC shall adhere to and require that all participants in their respective activities under this Agreement follow and comply with the NERC Antitrust Compliance Guidelines.

#### 4. Delegation of Authority.

(a) Based upon the representations, warranties and covenants of WECC in Sections 2 and 3 above, the corporate governance documents set forth in **Exhibit B**, the standards development process set forth in **Exhibit C**, and the regional compliance enforcement program set forth in **Exhibit D**, NERC hereby delegates authority, pursuant to Section 215(e)(4) of the Act, to WECC for the purpose of proposing to NERC and enforcing Reliability Standards within the geographic boundaries set forth on **Exhibit A**. No further redelegation of authority or responsibility, in total or in part, under this Agreement is allowed without NERC's express consent.

(b) The authority delegated by this Agreement extends only to the portion of the region identified on **Exhibit A** that is within the United States. Any delegation of authority by governmental authorities in Canada or Mexico shall be governed by a separate agreement and is outside the scope of this Agreement; provided, however, that both WECC and NERC shall endeavor to ensure that this Agreement and such separate agreements are compatible.

(c) As a condition to this delegation of authority and subject to the provisions of section 16 of this Agreement, WECC shall comply with the applicable provisions of NERC's Certificate of Incorporation, Bylaws, Rules of Procedure, and Reliability Standards, as from time to time adopted, approved, or amended.



## 5. Reliability Standards.

- (a) In connection with its Delegated Authority, WECC shall be entitled to:
- (i) propose Reliability Standards or modifications thereof to NERC, which shall be considered by NERC through an open and inclusive process for proposing and adopting Reliability Standards that affords WECC reasonable notice and opportunity to be heard; and
  - (ii) develop Regional Reliability Standards through WECC's process as set forth in **Exhibit C**. Reliability Standards approved through WECC's process shall be reviewed by the NERC Board of Trustees after NERC provides notice and an opportunity for interested persons to comment. Comments shall be limited to the factors identified in Section 215(d)(3) of the Act. The NERC Board of Trustees shall promptly thereafter consider such proposed Regional Reliability Standard and either approve the proposed standard and submit it to the Commission for approval, or disapprove it in writing setting forth its reasons. WECC may appeal any disapproval of a proposed Regional Reliability Standard to the Commission.
- (b) Pursuant to Section 215(d)(3) of the Act, NERC shall rebuttably presume that a proposal from WECC for a Regional Reliability Standard or modification thereof to be applicable on an Interconnection-wide basis is just, reasonable, and not unduly discriminatory or preferential, and in the public interest. Any person challenging such proposal from the WECC shall have the burden of proof. NERC shall not find that this presumption has been rebutted except based upon substantial evidence that has been disclosed to, and been subject to comment by, the WECC during NERC's review of the proposal.

## 6. Enforcement.

- (a) In connection with its delegated authority pursuant to this Agreement, WECC shall enforce Reliability Standards (including Regional Reliability Standards) within the geographic boundaries set forth in **Exhibit A** through the compliance enforcement program set forth in **Exhibit D**. NERC and WECC agree that this program meets all applicable requirements of the Act, Order 672 and the Commission's regulations, including, *inter alia*, the requirement for an audit program pursuant to Section 39.7(a) of the Commission's regulations, the assessment of penalties pursuant to Section 39.7(c) through 39.7(g) of the Commission's regulations and the requirements for due process. WECC may not change its compliance enforcement program set forth in **Exhibit D** absent NERC's approval, which shall not be

unreasonably withheld or delayed. Subject to the rights and limitations of Sections 16 and 17 of this Agreement, WECC agrees to comply with the NERC Rules in implementing this program.

(b) Where WECC performs functions not under this Agreement, the WECC shall maintain a segregation of responsibilities to ensure that no conflicts of interest that would cast doubt on the ability of WECC staff and any contractor of the WECC to act with total objectivity with regard to the overall interests of the compliance program and its applicability to those entities subject to Reliability Standards.

(c) As often as NERC deems necessary, but no less than every three years, NERC shall review WECC's compliance enforcement program to ensure that: (i) the program meets all applicable legal requirements; (ii) actual practices reflect the requirements; and (iii) the program administered pursuant to the Delegated Authority promotes consistent interpretations across North America of Reliability Standards and comparable levels of sanctions and penalties to violations of Reliability Standards constituting comparable levels of threat to reliability of bulk power system.

(d) WECC shall modify its compliance enforcement program as needed to reflect additions to, deletions from, or modifications of Reliability Standards and, subject to the rights and limitations of Section 16 and 17 of this Agreement, shall modify its compliance enforcement program as needed: (i) to reflect amendments to the NERC Rules; (ii) to comply with NERC directives resulting from the review of compliance enforcement programs as provided in Section 6(c) of this Agreement; or (iii) to resolve a conflict with a function, rule, order, tariff, rate schedule, or agreement accepted, approved, or ordered by the Commission.

(e) NERC shall conduct a review with the Regional Entities that provides for the exchange of information on practices, experiences, and lessons learned in the implementation of compliance enforcement programs.

**7. Delegation-Related Services.** NERC will engage WECC on its behalf to carry out certain of its activities that are in furtherance of its responsibilities as the ERO under the Act or in support of delegated functions, as specified in the NERC Rules and listed on **Exhibit E**.

**8. Funding.** WECC and NERC shall ensure that the delegated functions and related activities listed on **Exhibit E** have reasonable and adequate funding and resources by undertaking the following:

(a) NERC shall fund WECC activities necessary for WECC to carry out its Delegated Authority under this Agreement, including the functions listed on **Exhibit E**, and shall not impose any obligation or requirement regarding Delegated Authority upon WECC without providing appropriate funding to carry out such mandates;

(b) WECC and NERC agree that costs of carrying out WECC's responsibilities under the Delegation Agreement will be equitably allocated among end users within the geographic boundaries described in **Exhibit A** and recovered through a formula based on net energy for load, or through such formula as is proposed by WECC and approved by NERC and the Commission. If WECC proposes to use a formula other than net energy for load beginning in the following year, WECC shall submit the proposed formula to NERC in sufficient time that NERC may review and approve the proposed formula and file it with the Commission for approval by May 15, and the proposed formula shall be effective for the following year if approved by the Commission on or before the date the Commission approves the annual business plan and budget submitted by NERC and WECC to the Commission pursuant to 18 C.F.R. §39.4 for such year.

(c) NERC will ensure that the costs for its responsibilities are first allocated fairly among the interconnections and regions according to the applicability of this work to those interconnections and regions, and then equitably among the end users of the applicable interconnections and regions as appropriate. Allocation on a net energy for load basis will be presumed to satisfy this equitability requirement.

(d) NERC shall provide WECC with the form for budget submittal no later than April 30 of the prior year.

(e) WECC shall submit unaudited quarterly interim financial statements in form provided by NERC no later than 20 days after the end of the fiscal quarter (March 31, June 30, September 30, and December 31).

(f) WECC shall submit audited financial statements annually including supporting materials in a form provided by NERC no later than 150 days after the end of the fiscal year.

(g) NERC shall have the right to review from time to time, in reasonable intervals but no less than every three years, the financial records of WECC in order to ensure that the documentation fairly represents in all material respects appropriate funding under this Agreement.

(h) **Exhibit E** to this Agreement sets forth the mechanism through which WECC shall offset penalty monies it receives (other than penalty monies received from an operational function or division or affiliated entity) against its next year's annual budget for carrying out functions under this Agreement and the mechanism by which WECC shall transmit to NERC any penalty monies received from an operational function or division or affiliated entity of WECC..

**9. Assignment.** This Agreement may be assigned by either Party only with the prior written consent of the other, which consent shall be granted or withheld in such non-assigning Party's sole discretion, and shall be subject to approval by the Commission. Any assignment under this Agreement shall not relieve a Party of its obligations, nor shall a Party's obligations be enlarged, in whole or in part, by reason thereof. WECC may not delegate in whole or in part its Delegated Authority to any other entity; provided, however, that nothing in this provision shall prohibit WECC from contracting with other entities to assist it in carrying out its Delegated Authority, provided WECC retains control and responsibility for such Delegated Authority.

**10. Default and Cure.** Upon a Breach, the non-breaching Party shall give written notice of such Breach to the breaching Party (the "Default Notice"). Subject to a suspension of the following deadlines as specified below, the breaching Party shall have thirty (30) calendar days from receipt of the Default Notice within which to cure such Breach; provided however, that if such Breach is not capable of cure within thirty (30) calendar days, the breaching Party shall commence such cure within thirty (30) calendar days after notice and continuously and diligently complete such cure within ninety (90) calendar days from receipt of the Default Notice; and, if cured within such time, the Breach specified in such notice shall cease to exist. Subject to the limitation specified in the following sentence, if a Breach is not cured as provided in this article, or if a Breach is not capable of being cured within the period provided for herein,

the nonbreaching Party shall have the right to declare a default and terminate this Agreement by written notice at any time until cure occurs, and be relieved of any further obligation hereunder. The deadlines for cure and the right to declare a default and terminate this Agreement shall be suspended during the pendency of any efforts or proceedings in accordance with Section 17 of this Agreement to resolve a dispute as to whether a Breach has occurred. The provisions of this article will survive termination of this Agreement.

**11. Term and Termination.**

(a) This Agreement shall become effective thirty (30) days after the date of issuance of a final Commission order approving this Agreement without requiring any changes to this Agreement unacceptable to either Party.

(b) The initial term of the Agreement shall be three (3) years from the original effective date of May 2, 2007, prior to which time NERC shall conduct an audit to ensure that WECC continues to meet all applicable statutory and regulatory requirements necessary to maintain its eligibility for delegation. If WECC meets such requirements, this Agreement may be renewed for another five (5) year term. If this Agreement is not renewed or becomes subject to termination for any reason, the Parties shall work to ensure a transition of WECC's Delegated Authority to NERC or to another eligible entity. The termination of this Agreement shall not take effect until such transition has been effected, unless the transition period exceeds one year, at which time WECC may unilaterally terminate.

(c) If any provision of this Agreement, or the application thereof to any person, entity or circumstance, is held by a court or regulatory authority of competent jurisdiction to be invalid, void, or unenforceable, or if a modification or condition to this Agreement is imposed by a regulatory authority exercising jurisdiction over this Agreement, the Parties shall endeavor in good faith to negotiate such amendment or amendments to this Agreement as will restore the relative benefits and obligations of the signatories under this Agreement immediately prior to such holding, modification or condition. If either Party finds such holding, modification or condition unacceptable and the Parties are unable to renegotiate a mutually acceptable resolution, either Party may unilaterally terminate this Agreement. Such termination shall be effective one year following written notice by either Party to the other Party and to the Commission, or at such other time as may be mutually agreed by WECC and NERC.

(d) Notwithstanding any termination of this Agreement, provisions contained in Limitation of Liability (Section 12), No Third Party Beneficiaries (Section 13) and Confidentiality (Section 14) shall survive this Agreement in accordance with their terms until sixty (60) days following the expiration of any applicable statute of limitations.

**12. Limitation of Liability.** WECC and NERC agree not to sue each other or their directors, officers, employees, and persons serving on their committees and subgroups based on any act or omission of any of the foregoing in the performance of duties pursuant to this Agreement or in conducting activities under the authority of Section 215 of the Act, other than seeking a review of such action or inaction by the Commission. NERC and WECC shall not be liable to one another for any damages whatsoever, including without limitation, direct, indirect, incidental, special, multiple, consequential (including attorneys' fees and litigation costs), exemplary, or punitive damages arising out of or resulting from any act or omission associated with the performance of the WECC's or NERC's responsibilities under this Agreement or in conducting activities under the authority of Section 215 of the Act, except to the extent that the WECC or NERC is found liable for gross negligence or intentional misconduct, in which case WECC or NERC shall not be liable for any indirect, incidental, special, multiple, consequential (including without limitation attorneys' fees and litigation costs), exemplary, or punitive damages.

**13. No Third Party Beneficiaries.** Nothing in this Agreement shall be construed to create any duty to, any standard of care with reference to, or any liability to any third party.

**14. Confidentiality.** During the course of the Parties' performance under this Agreement, a Party may receive Confidential Information, as defined in NERC's Rules of Procedure. Except as set forth herein, the Parties agree to keep in confidence and not to copy, disclose, or distribute any Confidential Information or any part thereof, without the prior written permission of the issuing Party, unless disclosure is required by subpoena, law, or other directive of a court, administrative agency, or arbitration panel, in which event the recipient hereby agrees to provide the Party that provided the Confidential Information with prompt notice of such request or requirement in order to enable such issuing Party to (a) seek an appropriate protective order

or other remedy, (b) consult with the recipient with respect to taking steps to resist or narrow the scope of such request or legal process, or (c) waive compliance, in whole or in part, with the terms of this Section. In the event a protective order or other remedy is not obtained or that issuing Party waives compliance with the provisions, the recipient agrees to furnish only that portion of the Confidential Information which the recipient's counsel advises is legally required and to exercise best efforts to obtain assurance that confidential treatment will be accorded to such Confidential Information. In addition, each Party shall ensure that its officers, trustees directors, employees, subcontractors and subcontractors' employees, and agents to whom Confidential Information is exposed are under obligations of confidentiality that are at least as restrictive as those contained herein. This confidentiality provision does not prohibit reporting and disclosure as directed by NERC, as set forth in Section 6 of this Agreement.

**15. Amendment.** Neither this Agreement nor any of the terms hereof, may be amended unless such amendment is made in writing, signed by the Parties, and filed with and approved by the Commission.

**16. Amendments to the NERC Rules.** NERC shall not adopt amendments to the NERC Rules that conflict with the rights, obligations, or programs of WECC under this Agreement without first obtaining the consent of WECC, which consent shall not be unreasonably withheld or delayed. To the extent WECC does not consent, NERC shall have the right to invoke the dispute resolution provisions of Section 17 and, if such effort fails to resolve the dispute, to petition the Commission to adopt the amendment to the NERC Rules. To the extent that the Commission issues an order amending or materially affecting the rights or obligations of WECC under this Agreement, WECC shall have the option, exercisable no later than 60 days after issuance of such order, to terminate this Agreement. Such termination shall be effective one year following written notice by WECC to NERC and the Commission, or at such other time as may be mutually agreed by WECC and NERC.

**17. Dispute Resolution.** In the event a dispute arises under this Agreement between NERC and WECC, representatives of the Parties with authority to settle the dispute shall meet and confer in good faith in an effort to resolve the dispute in a timely manner. In the event the

designated representatives are unable to resolve the dispute within thirty (30) days or such other period as the Parties may agree upon, each Party shall have all rights to pursue all remedies, except as expressly limited by the terms of this Agreement. Neither Party shall have the right to pursue other remedies until the Dispute Resolution procedures of this Section 17 have been exhausted. This Section 17 shall not apply to enforcement actions against individual entities.

**18. Notice.** Whether expressly so stated or not, all notices, demands, requests, and other communications required or permitted by or provided for in this Agreement shall be given in writing to a Party at the address set forth below, or at such other address as a Party shall designate for itself in writing in accordance with this Section, and shall be delivered by hand or reputable overnight courier:

If to NERC:  
North American Electric  
Reliability Corporation  
116-390 Village Blvd.  
Princeton, NJ 08540-5721  
Attn: David Nevius  
Facsimile: (609) 452-9550

If to WECC:  
Western Electricity Coordinating Council  
615 Arapeen Drive, Suite 210  
Salt Lake City, Utah 84108-1262  
Attn: Louise McCarren  
Facsimile: (801) 582-3918

**19. Governing Law.** When not in conflict with or preempted by federal law, this Agreement will be governed by and construed in accordance with the laws of New Jersey without giving effect to the conflict of law principles thereof. The Parties recognize and agree not to contest the exclusive or primary jurisdiction of the Commission to interpret and apply this Agreement; provided however that if the Commission declines to exercise or is precluded from exercising jurisdiction of any action arising out of or concerning this Agreement, such action shall be brought in any state or federal court of competent jurisdiction in New Jersey. All Parties hereby consent to the jurisdiction of any state or federal court of competent jurisdiction in New Jersey for the purpose of hearing and determining any action not heard and determined by the Commission.

**20. Headings.** The headings and captions in this Agreement are for convenience of reference only and shall not define, limit, or otherwise affect any of the terms or provisions hereof.



21. **Savings Clause.** Nothing in this Agreement shall be construed to preempt or limit any authority that WECC may have to adopt reliability requirements or take other actions to ensure reliability of the bulk power system within the geographic boundaries described in **Exhibit A** that are outside the authority delegated from NERC, as long as such reliability requirements and actions are not inconsistent with Reliability Standards applicable to the region described in **Exhibit A** and do not result in a lessening of reliability outside the region described in **Exhibit A**.

22. **Entire Agreement.** This Agreement constitutes the entire agreement, and supersedes all prior agreements and understandings, both written and oral, among the parties with respect to the subject matter of this Agreement.

23. **Execution of Counterparts.** This Agreement may be executed in counterparts and each shall have the same force and effect as the original.

**NOW THEREFORE**, the parties have caused this Agreement to be executed by its duly authorized representatives, effective as of the date first above written.

NORTH AMERICAN  
ELECTRIC RELIABILITY CORPORATION

WESTERN ELECTRICITY  
COORDINATING COUNCIL

By: \_\_\_\_\_

By: \_\_\_\_\_

Name: David A. Whitely  
Title: Executive Vice President  
Date: \_\_\_\_\_

Name: V. Louise McCarren  
Title: Chief Executive Officer  
Date: \_\_\_\_\_

# **EXHIBIT A**

WECC's physical boundaries coincide with the boundaries of the Western Interconnection. The Western Interconnection consists of the synchronously operated electric transmission grid in the western part of North America, which includes parts of Montana, Nebraska, New Mexico, South Dakota, Texas, Wyoming, and Mexico and all of Arizona, California, Colorado, Idaho, Nevada, Oregon, Utah, Washington and the Canadian Provinces of British Columbia and Alberta. The WECC region encompasses approximately 1.8 million square miles.

WECC's northern border runs along the northern border of British Columbia and Alberta. The western border extends along the western coast of North America from British Columbia into northern Baja California, Mexico. The southern border traverses northern Baja and extends along the southern United States border to Texas. The eastern border bisects North America from Alberta, Canada through the states of Montana, South Dakota, Wyoming, Nebraska, Texas and New Mexico to the southern United States border.

# **EXHIBIT B**

## Exhibit B – Governance

Exhibit B shall set forth the Regional Entity’s bylaws, which NERC agrees demonstrate that the Regional Entity meets the following criteria:

**CRITERION 1:** The Regional Entity shall be governed by an independent board, a balanced stakeholder board, or a combination independent and balanced stakeholder board. (Federal Power Act § 215(e)(4)(A), 18 C.F.R. § 39.8(c)(1), Order No. 672 at ¶ 727.)

**CRITERION 2:** The 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. Federal Power Act § 215(c)(2)(A) and (e)(4), 18 C.F.R. § 39.8(c)(2), Order No. 672 at ¶¶ 699, 700.)

**CRITERION 3:** If the Regional Entity has members, the Regional Entity has established rules that assure that its membership is open, that it charges no more than a nominal membership fee and agrees to waive the fee for good cause shown, and that membership is not a condition for participating in the development of or voting on proposed Regional Reliability Standards. (Federal Power Act § 215(c)(2)(A) and (e)(4), 18 C.F.R. § 39.8(c)(2), Order No. 672 at ¶¶ 170-173.)

**CRITERION 4:** The Regional Entity has established rules that assure balance in its decision-making committees and subordinate organizational structures and assure no two industry sectors can control any action and no one industry sector can veto any action. (Federal Power Act § 215(c)(2)(A) and (e)(4), 18 C.F.R. § 39.8(c)(2), Order No. 672 at ¶ 728.)

**CRITERION 5:** The Regional Entity has established rules that provide reasonable notice and opportunity for public comment, due process, openness, and balance of interests in exercising its duties. (Federal Power Act § 215(c)(2)(D) and (e)(4), 18 C.F.R. § 39.8(c)(2).)

**BYLAWS**  
**OF**  
**THE**  
**WESTERN ELECTRICITY COORDINATING COUNCIL**

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**BYLAWS**  
**Of**  
**The**  
**WESTERN ELECTRICITY COORDINATING COUNCIL**

**1. Mission.**

The Western Interconnection is the geographic area containing the synchronously operated electric grid in the western part of North America, which includes parts of Montana, Nebraska, New Mexico, South Dakota, Texas, Wyoming, and Mexico and all of Arizona, California, Colorado, Idaho, Nevada, Oregon, Utah, Washington and the Canadian provinces of British Columbia and Alberta.

The Western Electricity Coordinating Council (“WECC”) is a Utah nonprofit corporation with the mission to do the following consistent with these Bylaws: 1) maintain a reliable electric power system in the Western Interconnection that supports efficient competitive power markets (“Reliability Mission”); and 2) assure open and non-discriminatory transmission access among Members and provide a forum for resolving transmission access disputes between Members consistent with FERC policies where alternative forums are unavailable or where the Members agree to resolve a dispute using the mechanism provided in Section 11 (“Transmission Access Mission”).

**2. Furtherance of the WECC’s Mission**

**2.1 Activities to Carry Out WECC’s Reliability Mission.**

- 2.1.1 Compliance with the Federal Power Act. The WECC will carry out responsibilities and exercise rights of a Regional Entity organized on an interconnection-wide basis pursuant to Section 215 of the Federal Power Act, including any responsibilities and rights delegated to it by the ERO pursuant to a Delegation Agreement.
- 2.1.2 Agreements with Canada and Mexico. The WECC will carry out responsibilities and exercise rights pursuant to International Reliability Agreements with Canadian or Mexican authorities.
- 2.1.3 Regional Coordination. The WECC will act as a coordinating entity for the entire Western Interconnection for activities of regional organizations with responsibilities for reliability and market functions.
- 2.1.4 Standard Setting. The WECC will develop and adopt reliability, operating, and planning standards, criteria and guidelines necessary to maintain the reliable operation of the Western Interconnection’s interconnected bulk power system, including seeking, as appropriate, variances from standards of the ERO (or any

successor organization which may be created by legislation or otherwise), as well as providing a process for regional variances.

- 2.1.5 Certification of Grid Operating Entities. The WECC will certify Grid Operating Entities in the Western Interconnection.
- 2.1.6 Reliability Assessment. The WECC will ensure that interconnected bulk electric system reliability assessments are conducted as needed. The WECC will do this work in conjunction with the Regional Entities to the greatest extent possible. The WECC will also facilitate coordinated reliability assessments among Regional Entities.
- 2.1.7 Compliance Activities. With respect to enforcement of reliability standards, the WECC will:
  - 2.1.7.1 implement the Reliability Management System in effect as of the WECC's formation and as the Reliability Management System may be subsequently modified in accordance with its terms;
  - 2.1.7.2 implement any enforcement mechanisms delegated to it pursuant to Section 215 of the Federal Power Act and any Delegation Agreement with the ERO, or required by any International Reliability Agreement with a Canadian or Mexican authority; and
  - 2.1.7.3 administer any other enforcement mechanisms developed through voluntary processes after the WECC's formation, where the WECC is designated to perform administration.
- 2.1.8 Coordinated Regional Planning. With respect to the coordination of regional planning activities, the WECC:
  - 2.1.8.1 will develop coordinated planning policies and procedures for the Western Interconnection, including facilitation of market-based solutions, consistent with WECC/ERO standards and FERC policy.
  - 2.1.8.2 will review and assess Local Regional Entity planning processes to determine whether WECC planning procedures have been satisfied;
  - 2.1.8.3 will refer planning matters back to the originating Local Regional Entity for revision or other corrective actions when the WECC Board determines that WECC planning procedures have not been satisfied; and
  - 2.1.8.4 may perform other interconnection-wide studies as needed.
- 2.1.9 Coordinated Operations. With respect to coordinating reliable operating activities within the Western Interconnection, the WECC will develop, coordinate and promote

consistent interregional operating policies and procedures for the Western Interconnection, consistent with WECC/ERO standards and FERC policy.

2.1.10 Market Interface Issues. With respect to Market Interface issues the WECC will:

2.1.10.1 facilitate development of compatible and efficient practices across the Western Interconnection; and

2.1.10.2 exercise Backstop Authority where an unresolved Market Interface issue will cause Material External Impacts by taking some or all of the following actions: 1) providing a forum for and coordinating voluntary solutions among Members; 2) recommending specific solutions for voluntary adoption by Members; and 3) if necessary, proposing solutions to an Applicable Regulatory Authority.

2.1.11 Dispute Resolution. The WECC will provide a process for the timely resolution of disputes between WECC Members as set forth in Section 11.

## **2.2 Activities to Carry Out WECC's Non-Discriminatory Access Mission.**

2.2.1 In accordance with Section 10 of these Bylaws, the WECC will ensure the provision of non-discriminatory transmission access between Members.

2.2.2 In accordance with Section 10 of these Bylaws, the WECC will provide for the submission of Open Access Transmission Tariffs (or petitions for exemption) by all Members that own or operate Transmission Facilities.

## **2.3 Organizational Characteristics.**

As the WECC carries out activities to fulfill its mission, it will seek to develop and maintain the following characteristics:

2.3.1 dedication to serving the individuals, businesses, and other organizations that generate, transmit, distribute, market, and use electrical energy in the Western Interconnection;

2.3.2 efficiency in its administration, decision-making, policy and standards development, and dispute resolution processes;

2.3.3 the ability to maintain status as an Interconnection-wide regional reliability entity and be afforded deference and delegation by ERO (or successor organization); and

2.3.4 fair and open processes through which practices, policies, and standards are developed and implemented based on sound technical and policy analysis.

2.3.5 Promote an efficient western electric market by reducing or eliminating conflict, duplication and overlap among electric organizations in the Western Interconnection.

### **3. Definitions.**

#### **3.1 Affiliate.**

An Entity that directly or indirectly through one (1) or more intermediaries, controls, or is controlled by, or is under common control with, another Entity. An Entity “controls” any Entity in which it has the power to vote, directly or indirectly, 5% or more of the voting interests in such entity or, in the case of a partnership, if it is a general partner. Notwithstanding the foregoing definition, for purposes of these Bylaws: 1) electric distribution cooperatives that are member-owners of a generation and transmission cooperative are not Affiliates of the generation and transmission cooperative or of each other; 2) an entity controlled by or operating as a unit, agency, or subdivision of a local, state, provincial, or U.S. federal or Canadian or Mexican national government will not be considered an Affiliate of any other entity controlled by or operating as a unit, agency, or subdivision of a local, state, provincial, or federal government; 3) separate agencies of a single state or province, or of the U.S. federal or Canadian or Mexican national government will not be considered Affiliates of each other, regardless of any commonality of political control; 4) members of any joint powers authority, and such joint powers authority, will not be considered Affiliates of each other; and 5) members of an RTO will not be considered Affiliates of such RTO or of each other solely as a result of such membership.

#### **3.2 Annual Meeting.**

The annual membership meeting of WECC, as described in Section 5.3.

#### **3.3 Applicable Regulatory Authority.**

The FERC or any state or provincial government agency with jurisdiction to regulate or directly affect the transmission of electricity within the Western Interconnection.

#### **3.4 Backstop Authority.**

The ability, obligation, or responsibility of the WECC to address an issue when the WECC Board determines that a Local Regional Entity(ies) holding Primary Authority has not resolved an issue, has created incompatible resolutions or has not acted. In each case where these Bylaws authorize the WECC to exercise Backstop Authority, the provisions that authorize Backstop Authority will also specify the conditions necessary to trigger Backstop Authority and the actions that fall within the WECC’s exercise of Backstop Authority.

#### **3.5 Board of Directors (Board).**

WECC Board of Directors, collectively, as described in Section 6.

#### **3.6 Canadian Delegation.**

Canadian WECC Members.

- 3.7 Canadian Director.**  
A member of the WECC Board of Directors that is either a representative from a Canadian Member of WECC or an individual currently residing in Canada and qualified to provide expertise on Canadian interests on the WECC Board of Directors.
- 3.8 Class.**  
A grouping of Members described in Sections 4.2.1 through 4.2.7 and 4.3.
- 3.9 Commercial Practices.**  
The products and practices involved in trading electricity. The term “Commercial Practices” only refers to an interaction among market entities that does not affect or require assistance from Grid Operating Entities that have grid reliability responsibilities.
- 3.10 Compliance Hearing Body.**  
The hearing body formed in accordance with procedures established in the WECC Delegation Agreement with the ERO for the purpose of providing a balanced compliance panel to conduct hearings for the resolution of disputes concerning compliance with or enforcement of Reliability Standards that may arise between WECC (acting as Compliance Enforcement Authority for the Western Interconnection) and a Registered Entity.
- 3.11 Control Area.**  
An electric power system (or combination of electric power systems) to which a common automatic generation control scheme is applied in order to: 1) match, at all times, the power output of the generating units within the electric power system(s), plus the energy purchased from entities outside the electric system(s), minus energy sold to entities outside the electric system(s), with the demand within the electric power system(s); 2) maintain scheduled interchange with other Control Areas, within the limits of Good Utility Practice; 3) maintain the frequency of the electric power system(s) within reasonable limits in accordance with Good Utility Practice; and 4) provide sufficient generating capacity to maintain operating reserves in accordance with Good Utility Practice.
- 3.12 Cross-Border Regional Entity.**  
A Regional Entity that encompasses a part of the United States and a part of Canada or Mexico, and may therefore be delegated authority to propose and enforce Reliability Standards in Canada or Mexico by virtue of applicable contractual or regulatory mechanisms.
- 3.13 Delegation Agreement.**  
An agreement between the ERO and the WECC pursuant to Section 215 of the Federal Power Act by which the ERO delegates to the WECC designated powers, rights and responsibilities regarding the administration within the Western Interconnection of electric Reliability Standards adopted or approved by the ERO and the FERC.
- 3.14 Director.**  
An individual member of the WECC’s Board of Directors.



- 3.15 Electric Line of Business.**  
The generation, transmission, distribution, or trading of electricity or the provision of related energy services in the Western Interconnection.
- 3.16 Electric Reliability Organization (ERO).**  
The organization certified by FERC under 18 C.F.R. §39.3, the purpose of which is to establish and enforce Reliability Standards for the bulk-power system in the United States, subject to FERC review.
- 3.17 Entity.**  
Any individual, person, corporation, partnership, association, governmental body or organization of any kind.
- 3.18 FERC.**  
The Federal Energy Regulatory Commission or any successor.
- 3.19 Good Utility Practice.**  
Any of the practices, methods and acts engaged in or approved by a significant portion of the electric utility industry during the relevant time period, or any of the practices, methods and acts which, in the exercise of reasonable judgment in light of the facts known at the time the decision was made, could have been expected to accomplish the desired result at a reasonable cost consistent with good business practices, reliability, safety and expedition. Good Utility Practice is not intended to be limited to the optimum practice, method, or act to the exclusion of all others, but rather to be acceptable practices, methods, or acts generally accepted in the region.
- 3.20 Grid Operating Entity.**  
Any operating entity, such as a control area operator, that is certified pursuant to Section 2.1.5 of these Bylaws to be responsible for reliable operation of a portion of the Western Interconnection.
- 3.21 Participating Stakeholder.**  
Any person or entity that is not a WECC Member, but is an interested stakeholder and has applied and been granted, pursuant to Section 8.6.2, the participation and voting rights set forth in Section 8.6.1.
- 3.22 International Reliability Agreement.**  
An agreement between the WECC and any appropriate Canadian or Mexican authority related to WECC's powers, rights and responsibilities regarding the administration within the Western Interconnection of electric Reliability Standards.
- 3.23 Local Regional Entity.**  
A regional transmission organization or some other formally or informally constituted regional organization or group within the Western Interconnection, including but not limited to a Control Area, a group of Control Areas acting in concert, or a group of Entities that own or operate Transmission Facilities acting in concert. These Local

Regional Entity boundaries can be reevaluated or modified over time.

**3.24 Market Interface.**

Market Interface involves all interactions among market entities and Grid Operating Entities related to transmission service and physical delivery.

**3.25 Material External Impacts (MEI).**

Significant effects on another Local Regional Entity or market within the Western Interconnection but outside of the Local Regional Entity or market adopting a policy, standard, practice or procedure, or implementing an action.

**3.26 Member.**

Any entity that has applied and been accepted for membership in the WECC and is current in the payment of dues.

**3.27 Member Class Director.**

A Director elected by a Class in accordance with Section 6.4 of these Bylaws.

**3.28 Mexican Delegation.**

Mexican WECC Members.

**3.29 Mexican Director.**

A member of the WECC Board of Directors that is either a representative from a Mexican Member of WECC or an individual currently residing in Mexico and qualified to represent Mexican interests on the WECC Board of Directors.

**3.30 Non-Affiliated Director.**

A Director elected by the Members who satisfies the requirements of Section 6.5.1 of these Bylaws.

**3.31 Open Access Tariff.**

A tariff offering transmission service which meets the requirements applicable to FERC orders regarding open access.

**3.32 Organizing Meeting.**

The first formal membership meeting of the WECC.

**3.33 Primary Authority.**

The ability, obligation, or responsibility of an entity to address an issue in the first instance.

**3.34 Regional Entity (RE).**

An entity having enforcement authority pursuant to 18 C.F.R. §39.8.

- 3.35 Regional Transmission Organization (RTO).**  
An entity approved by the Federal Energy Regulatory Commission as meeting the requirements and performing the functions of a regional transmission organization pursuant to FERC Order 2000 and subsequent related orders.
- 3.36 Registered Entity.**  
An owner, operator, or user of the bulk-power system or the entities registered as their delegates for the purpose of compliance in the North American Electric Reliability Corporation Regional Compliance Registry.
- 3.37 Reliability Management System**  
The contracts, separate from these Bylaws, by which Members and other parties agree to certain procedures and sanctions intended to enforce specified Reliability Practices to maintain reliable electric service throughout the Western Interconnection.
- 3.38 Reliability Practices.**  
Policies, practices and standards designed to ensure the adequacy and security of the Western Interconnection in accordance with applicable reliability criteria (e.g. ERO, WECC, Local Regional Entity criteria).
- 3.39 Reliability Standard.**  
A requirement approved by FERC under section 215 of the Federal Power Act, to provide for reliable operation of the bulk-power system in the United States. The term includes requirements for the operation of existing bulk-power system facilities, including cybersecurity protection, and the design of planned additions or modifications to such facilities to the extent necessary to provide for reliable operation of the bulk-power system, but the term does not include any requirement to enlarge such facilities or to construct new transmission capacity or generation capacity. A Reliability Standard for the Western Interconnection may also be approved by Canadian and Mexican regulatory authorities.
- 3.40 Reliability Standards Development Procedures.**  
The Process for Developing and Approving WECC Standards (or its successor) attached as Exhibit C to the Delegation Agreement between WECC and North American Electric Reliability Corporation.
- 3.41 Transmission Facilities.**  
Those facilities that are defined as “transmission facilities” by FERC for purposes of the open access requirements of Section 210 and 211 of the Federal Power Act or any facilities which would be so defined if the Member were subject to FERC jurisdiction.
- 3.42 Western Interconnection.**  
The geographic area containing the synchronously operated electric transmission grid in the western part of North America, which includes parts of Montana, Nebraska, New Mexico, South Dakota, Texas, Wyoming, and Mexico and all of Arizona, California, Colorado,

Idaho, Nevada, Oregon, Utah, Washington and the Canadian Provinces of British Columbia and Alberta.

#### **4. Members and Membership.**

##### **4.1 Voluntary Membership.**

Except as otherwise may be required by applicable authority, membership in the WECC is voluntary. A Member may withdraw upon giving the Secretary thirty (30) days' advance written notice. Notwithstanding such notice of withdrawal, all contracts (including any Reliability Management System Agreement), FERC orders, unpaid Member costs, decisions of arbitration and requests for transmission service made to the withdrawing Member in effect or pending as of the date of the written notice of withdrawal will be followed through to completion, pursuant to these Bylaws, by the withdrawing Member; however, pending requests for transmission service to be provided to such withdrawing Member will be void for the purposes of these Bylaws. Nothing herein will relieve any Member withdrawing from the WECC from any obligation it may have under applicable law including, but not limited to, Section 215 of the Federal Power Act. A Member that withdraws is obligated to pay any unpaid dues owed through the remainder of the fiscal year in which its resignation becomes effective. Any Director employed by a withdrawing Member will be deemed to have resigned pursuant to Section 6.8.

##### **4.2 Eligibility for Membership.**

Subject to Section 4.5, any Entity that is an interested stakeholder or that meets the criteria for membership in the membership classes described in Sections 4.2.1 through 4.2.7 may be a Member of the WECC:

- 4.2.1 Class 1. Electric Line of Business Entities owning, controlling or operating more than 1000 circuit miles of transmission lines of 115 kV and higher voltages within the Western Interconnection.
- 4.2.2 Class 2. Electric Line of Business Entities owning, controlling or operating transmission or distribution lines, but not more than 1,000 circuit miles of transmission lines of 115 kV or greater, within the Western Interconnection.
- 4.2.3 Class 3. Electric Line of Business Entities doing business in the Western Interconnection that do not own, control or operate transmission or distribution lines in the Western Interconnection, including power marketers, independent power producers, load serving entities and any other Entity whose primary business is the provision of energy services.
- 4.2.4 Class 4. End users of significant amounts of electricity in the Western Interconnection, including industrial, agricultural, commercial and retail entities as well as organizations in the Western Interconnection that represent the interests of a substantial number of end users or a substantial number of persons interested in the impacts of electric systems on the public or the environment.

- 4.2.5 Class 5. Representatives of states and provinces in the Western Interconnection, provided that such representatives will have policy or regulatory roles and do not represent state or provincial agencies and departments whose function involves significant direct participation in the market as end users or in Electric Line of Business activities.
- 4.2.6 Class 6. Canadian members of other classes pursuant to Section 4.3.
- 4.2.7 Class 7. Members at large, that is, entities that are not eligible for membership in the other Member Classes and who have a substantial interest in the purposes of the WECC.

### **4.3 Designation of Membership Class.**

A Member of WECC may not belong to more than one Class except that for purposes of electing Canadian Directors and for populating the Governance and Nominating Committee, there shall be a Class 6 composed of all Canadian Members from any of the Member Classes defined in Section 4.2 except Class 7. An applicant for membership will designate the Class for which it qualifies based upon the criteria for membership set forth in Section 4.2 and these additional requirements: 1) all Members that are Electric Line of Business Entities must belong to Classes 1, 2 or 3; and 2) any Member owning, controlling or operating Transmission Facilities or distribution facilities must belong to Class 1 or 2 unless the Board grants the Member's petition for a change in Member Class pursuant to the provisions of Section 4.4 of these Bylaws. Applications for membership will be submitted to the WECC. WECC staff will review the application to verify eligibility for membership and Member Class designation. An applicant whose application has been rejected or any Member who disputes the WECC staff's determination regarding the appropriate Member Class designation may request review by the Governance and Nominating Committee. If the applicant or any Member disagrees with the Governance and Nominating Committee's decision, the applicant or such Member may appeal this decision to the Board.

### **4.4 Changes in Membership Class.**

Notwithstanding any other provision of these Bylaws, upon a petition from a Member, the WECC staff (subject to review by the Governance and Nominating Committee and appeal to the Board) may allow the Member to change Member Class if the interest of the Member is more closely aligned with the proposed Class than the Member's current Class.

### **4.5 Affiliates and Distinct Business Entities.**

An Affiliate of a Member that satisfies the membership qualifications may also become a Member provided:

- 4.5.1 The Affiliate applying for membership and the Member disclose to the Chief Executive Officer all Affiliates that are WECC Members and the Classes to which the Affiliates belong. Every Member will promptly notify the Chief Executive Officer whenever it becomes, or ceases to be, an Affiliate of any other Member.

- 4.5.2 Affiliates may be members of the same Class; provided, however, a group of Affiliates within a single Class may only have one vote in any WECC forum. A group of Affiliates within a single Class may, by providing written notice to the Chief Executive Officer, split their single vote pro rata or designate a single Affiliate as the group's voting Member.
- 4.5.3 For good cause shown and with the express approval of the Board, a company or organization containing functionally distinct entities within it may obtain separate memberships for such entities; provided that such entities will be considered Affiliates.
- 4.5.4 The Board may adopt a policy regarding whether Members may share the benefits of membership (including the right to receive information that is only available to Members) with a non-member Affiliate.

#### **4.6 Rights and Obligations of Membership.**

Except as otherwise provided in these Bylaws or other applicable authority, Members of the WECC have the following general rights and obligations:

- 4.6.1 The right to elect and remove Directors as described in Sections 6.4, 6.5 and 6.7;
- 4.6.2 The right to amend these Bylaws, and to review and rescind any Board amendment of these Bylaws, in accordance with Section 13;
- 4.6.3 The right to receive appropriate meeting notices, as well as reports and information produced by the WECC;
- 4.6.4 The right to attend, participate and vote in all WECC Member meetings and the right to attend Board meetings (other than closed sessions of Board meetings) and to comment upon all matters considered in such meetings;
- 4.6.5 The right to be a member of, attend meetings of, and to introduce motions, debate and to vote in the deliberations of WECC committees, subject to the limitations of these Bylaws and such other reasonable limitations as the Board may adopt from time to time;
- 4.6.6 The right to obtain non-discriminatory transmission access from other Members in accordance with applicable law and Section 10 of these Bylaws;
- 4.6.7 The right to invoke the dispute resolution provisions of these Bylaws;
- 4.6.8 The right to petition the Board to take any action consistent with applicable law (including Section 215 of the Federal Power Act and implementing orders and regulations), these Bylaws and the articles of incorporation and to have such petition voted upon in a reasonable and timely manner;

- 4.6.9 The obligation to abide by these Bylaws, decisions resulting from the dispute resolution process, and all standards or decisions of the WECC, subject to the exceptions set forth in Section 4.7 and the enforcement provisions of Section 4.8.
- 4.6.10 For Members owning or operating Transmission Facilities, or possessing transmission capacity rights by contract, the obligation to provide non-discriminatory transmission access to other Members through a regional transmission organization, the submittal of an Open Access Tariff with the FERC or in accordance with Section 10 of these Bylaws;
- 4.6.11 The obligation to notify the Chief Executive Officer promptly of changes with respect to Affiliates as provided in Section 4.5.1 of these Bylaws; and
- 4.6.12 The obligation to pay in a timely manner the membership dues pursuant to Section 12.
- 4.6.13 The obligation to provide system data that the Board has determined is necessary for WECC functions and does not impose an undue burden on the Members; provided, however, that the Board shall adopt appropriate limitations on this obligation or procedures that protect, and avoid the unnecessary collection of, confidential, privileged, trade secret, cybersecurity or critical energy infrastructure information or other information that the Board determines merits such protection consistent with applicable law.

## 4.7

### **Limitations on Member Obligations.**

The obligation of Members pursuant to Section 4.6.9 will not require any Member to take any action which the Member in good faith determines: 1) would exceed the physical capabilities of the Member's electric system (or any part of another's electric system that the Member has the legal right to cause to comply with a WECC action governed by Section 4.6.9); 2) would create serious and immediate risks to public health or safety (provided, however, that the shedding of load shall not in and of itself be deemed a serious and immediate risk to public health and safety for the purpose of this section); 3) would create an immediate risk of serious damage to facilities or equipment within its electric system or cause it to operate any of its electric facilities or equipment in an unsafe manner; 4) would cause the Member to violate or improperly implement an applicable law, regulation, rule, order, FERC license provision or other legal obligation; or 5) would conflict with any non-power requirement applicable to the Member (including without limitation any obligation under environmental laws, regulations, court and administrative decisions or biological opinions).

Each Member shall retain sole control of its facilities and the use thereof, and a Member shall not be required to construct or dedicate facilities for the benefit of any other Member, or be required to take action, or refrain from action, as may be deemed necessary to maintain reliable service to its own customers and/or to fulfill its obligations to third parties; provided, that a Member shall comply with duly-adopted reliability standards applicable to its system and shall comply with any directives under existing security coordination agreements.

Nothing in these Bylaws is intended to preclude application of Section 210 or 211 of the Federal Power Act and Section 10 of these Bylaws. The above limitations shall not be construed as altering a Member's obligation to comply with applicable Reliability Standards or enforcement orders, or any other obligation arising under 18 C.F.R. Part 39.

#### **4.8 Compliance and Enforcement.**

The power of the WECC to enforce Member obligations other than compliance with Reliability Standards and other obligations arising under 18 C.F.R. Part 39 and applicable Canadian and Mexican regulatory requirements is limited to suspension or termination of membership as set forth in this Section; provided, however, that: 1) nothing in this Section will limit the power of Members to agree to additional enforcement provisions in separate contracts (such as contracts pursuant to the Reliability Management System); 2) nothing in this Section will limit the power of the WECC to propose solutions regarding Market Interface issues to any Applicable Regulatory Authority as described in Section 2.1.10; and 3) nothing in this Section will limit WECC's delegated authority under Section 215 of the Federal Power Act and 18 C.F.R. Part 39 and applicable Canadian and Mexican regulatory requirements to enforce Reliability Standards and perform other delegated functions within the Western Interconnection. The Board may suspend or, to the extent consistent with applicable law, terminate the membership of any Member for a material failure to meet any obligation of membership set forth in these Bylaws, including, but not limited to: 1) non-payment of dues sixty (60) days after the dues become delinquent; 2) intentionally or repeatedly violating any WECC Bylaw; 3) materially breaching or intentionally violating any FERC order or arbitration decision issued pursuant to these Bylaws; or 4) willfully obstructing any lawful purpose or activity of the WECC. The Board will give the affected Member not less than twenty-one (21) days prior written notice of any proposed suspension or termination, which will include the specific basis for the proposed action and, if applicable, instructions on curing the problem.

4.8.1 Suspension. The suspension of a Member will not affect the Member's rights and obligations other than that the Member, and any Director employed by or affiliated with the Member, will not be entitled to vote at any meeting of the Members, Classes, Directors, or any committee until the suspension is removed except that a suspended Member may vote in WECC committee and subcommittee meetings on proposed Reliability Standards or revisions to Reliability Standards.

4.8.2 Termination. The termination of membership will have the same effect, and be subject to the same continuing obligations, as such Member's withdrawal pursuant to Section 4.1 (including the provision therein regarding resignation of any Director employed by such Member), except that it will be effective immediately upon the noticed date pursuant to Section 4.8.

#### **4.9 WECC Structure and Governance Review Related to Regional Transmission Organizations.**

At least each five years, the Board of Directors will conduct a thorough assessment of whether the WECC is fulfilling its purposes in a manner that is consistent with: 1) the provisions of Section 2.3 of these Bylaws; and 2) the then-current state and the expected future evolution of the electric power industry within the Western Interconnection. In



particular, the Board will focus on whether the standards, obligations, processes, and decisions the WECC imposes on its Members are timely, fair, effective, and reasonable in view of the commercial, legal, regulatory, and economic needs and objectives of the affected Members. The Board will evaluate the WECC's Board composition, Member Class structure, committee structure and activities, and staff responsibilities as they relate to the foregoing considerations. The assessment required by this Section 4.9 will be accompanied by Board recommendations for any changes the Board determines are warranted by the assessment. The assessment and recommendations prepared by the Board in accordance with this Section 4.9 will be submitted in writing to the Members at the first annual Member meeting held after they are completed.

## **5. Procedures for Member Decisions.**

### **5.1 Quorum.**

Members may conduct business and take votes only at duly noticed Member meetings. Members may not conduct any business of the membership as a whole at any meeting unless a quorum is first established. A majority of all Members, including a majority in at least three (3) Classes, will constitute a quorum for all meetings of the membership as a whole. A majority of the members of a Class will constitute a quorum for all Member Class meetings. Inactive Members, as defined in Section 5.9 of these Bylaws, will not be counted in determining a quorum at membership or Member Class meetings. A quorum, once established, will be deemed to continue for the balance of any Member or Member Class meeting, except that no election of Directors may occur without a quorum being present. Members may designate an alternate representative or submit an absentee ballot in a form consistent with Section 6.6 for any Member or Member Class meeting. No Class may elect Member Class Directors without a majority of the members of the class being present either in person, or by designation of an alternate representative, or by the submission of an absentee vote. At a duly noticed meeting of the membership as a whole where a quorum of the membership has not been established, or at any duly noticed meeting of a Class meeting on its own, a Class may elect Member Class Directors notwithstanding the lack of quorum for action by the membership as a whole, provided a majority of the Members of a Class are present in person, or by designation of an alternate representative, or have submitted an absentee vote.

### **5.2 General Membership Meetings.**

All business of the Members acting as a whole will be conducted at meetings called by advance notice to all WECC Members provided in accordance with Section 5.5. Unless stated otherwise in these Bylaws, decisions at all meetings of the Members or of Member Classes will be by simple majority vote of the Members present or otherwise represented in accordance with these Bylaws, with each Member having one vote. The Chair of the Board will preside over all Member meetings.

### **5.3 Annual Member Meetings.**

The WECC will hold an Annual Meeting of all Members at a time and place determined by the Board. At the Annual Meeting, in addition to such other actions the Members may take, all Member Classes together will elect Non-Affiliated Directors and each Class eligible to do so will elect Member Class Directors.

**5.4 Special Member Meetings.**

Members may hold special meetings whenever called by the Board. The Board will call special Member meetings whenever a majority of the Members of any Class request a special meeting or at such other times as it deems appropriate. The Chair of the Board will preside over all special Member meetings.

**5.5 Member Class Meetings**

An individual WECC Member Class, including Class 6 consisting of the Canadian Delegation, may hold a meeting for any purpose relevant to the interests of Class Members, including the election of Member Class Directors by Classes eligible to do so. Such meeting will be initiated by request by one or more Class Member(s), and agreement by at least fifty percent (50%) of Class Members.

**5.6 Notice of Member Meetings.**

5.6.1 Annual Meeting. The Chief Executive Officer will provide at least thirty (30) days' advance notice to all Members and the Board of the date, place and time of the Annual Meeting of the Members and an agenda of the business to be conducted at such meeting.

5.6.2 Other Member Meetings. The Chief Executive Officer will provide notice of regularly scheduled and special meetings of the Members to the Members not less than fifteen (15) days before the meeting if delivered by first-class mail, or not less than ten (10) days before the meeting if the notice is delivered personally, by telephone, by facsimile, electronic mail or express mail. Notice of meetings may not be sent solely by electronic mail. If mailed, such notice will be deemed given when deposited in the United States mail, with first-class postage thereon prepaid, addressed to a Member. Such notice will state the date, time and place of the meeting and the meeting agenda.

5.6.3 Public and Web Site Notice. Public notice of each meeting of the Members will be placed on WECC's Web site at least ten (10) days before such meeting. In addition, the Chief Executive Officer will provide notice in the same manner and time as set forth in Section 5.6.2 of each meeting to each member of the public who so requests and who has provided appropriate information regarding delivery of notice.

**5.7 Open Meetings.**

All Membership meetings are open to observation by the public.

**5.8 Policymaking Authority.**

The Board of Directors may adopt policies for the interpretation and implementation of the meeting and voting procedures established in this Section 5.

**5.9 Minimum Participation Requirement.**

In order to be counted for quorum purposes at a meeting of the membership as a whole or Class meeting, a WECC Member must actively participate (by attending in person, sending

an alternate, or voting absentee) in at least one WECC meeting (including meetings of the Board, committees and subcommittees) each year. At least two weeks prior to the WECC Annual Meeting, WECC staff will send a notice to any Member that has, according to organizational records, not satisfied this minimum participation requirement within the previous year. The notice will inform the Member that in order to be counted as an active Member of WECC for voting and quorum purposes, the Member must at a minimum either register for an attend the Annual Meeting and associated Class meetings or participate in the Annual Meeting and associated Class meetings by casting an absentee ballot. If the Member does not meet this minimum participate requirement, the Member will be considered an “inactive” Member until its active status is restored by participation in a WECC Annual Meeting. An inactive Member will not be counted toward establishing a quorum of the membership as a whole or of a Class, and an inactive Member will not be entitled to vote at WECC meetings until the Member is reinstated to “active” status by attending in person, sending an alternate or voting absentee at an Annual Meeting and associated Class meetings. An applicant for WECC membership or a WECC Member may at any time self-designate itself an inactive Member. Such designation will be effective until the Member is reinstated to “active” status.

## **6. Governance.**

### **6.1 Board of Directors.**

Subject to those matters expressly requiring approval of the Membership, a Board of Directors elected by the Members will govern the WECC.

### **6.2 Composition of the Board.**

Except as provided in Sections 6.2.1 and 6.2.2, the Board consists of thirty-two Directors as follows: 1) twenty-four (24) Member Class Directors elected by the Member Classes eligible to do so, including Class 6 as defined in Section 6.2.1, (four from Classes 1 through 6); 2) seven (7) Non-Affiliated Directors elected by the WECC Members as a whole (which may include the Chief Executive Officer), and 3) one Mexican Director elected according to Section 6.2.2. As indicated in Section 6.2.1, if there is no Non-affiliated Director whose background and experience would provide the Board expertise on Canadian interests, then the Board size would be increased by one more Director elected by Class 6.

6.2.1 Canadian Interests. For purposes of providing fair and adequate representation of Canadian Interests in numbers that are approximately proportionate to the contribution of net energy for load in that portion of the Western Interconnection located in Canada, the Canadian Delegation shall constitute Class 6 and shall elect four (4) Canadian Directors, provided that at least one of these Canadian Directors must be affiliated with each of Member Classes 1, 3, and 5. Members of the Canadian Delegation shall vote for Directors in this Class 6 and shall not vote in other Member Class elections. In the initial election of these four Class 6 Directors, one shall have a term of four years, one shall have a term of three years, one shall have a term of two years, and one shall have a term of one year. Thereafter all Canadian Directors will serve a term of three years. Class 6 will also elect a fifth Canadian Director if, following the election of Non-Affiliated Directors at the

Annual Meeting, there is no Non-Affiliated Director qualified by virtue of background and experience in Canadian industry or government to provide Board expertise on Canadian interests. This fifth Canadian Director shall serve until the earlier of: 1) the end of a three-year term (provided that this provision will remain in effect and may continue to cause the election of an additional Director); or 2) the election by the Members of a Non-Affiliated Director with the background and experience described in this Section.

6.2.2 Mexican Interests. Whenever there are at least two (2) Members whose head offices and principal place of business are in Mexico or there is one such Member that operates a portion of the Western Interconnection and has signed the Reliability Management System agreement or has agreed to abide by any successor standards compliance system and no person has been elected to the Board by the Classes or Members whose experience or affiliation reflects Mexican interests, the number of Class Member Directors will be expanded by one (1) and the additional Member Class Director will be elected by the Mexican Delegation. This Mexican Director will serve until the earlier of: 1) the end of a three-year term (provided that this provision will remain in effect and may continue to cause the election of an additional Director); or 2) the election by the Members or a Member Class of a person with the experience or affiliation described in this Section.

### **6.3 Term of Office.**

Each Director will hold office for three (3) years. For Directors elected at the Annual Membership Meeting, each three (3) year term shall commence upon the adjournment of the portion of the Annual Member Meeting provided for in Section 5.3, in which all Members are counted for purposes of determining a quorum. Similarly, the three year terms of outgoing Directors shall end upon the adjournment of that portion of the Annual Member Meeting in which all Members are counted for purposes of determining a quorum, whether that results in a longer or shorter term than exactly three years.

### **6.4 Selection and Compensation of Member Class Directors.**

6.4.1 Selection of Member Class Directors. With the exception of Class 7, each Member Class shall be eligible to elect Member Class Directors. Member Class Directors will be elected by Members of their respective Classes of Membership. Each Member Class eligible to elect Member Class Directors may develop its own list of Director candidates or it may ask the Governance and Nominating Committee to develop a list of candidates. If the Governance Nominating Committee is used, it will select at least two (2) candidates for each vacancy for Member Class Director. In addition, in identifying candidates for Member Class Director positions, the Governance and Nominating Committee will seek to produce a slate of candidates who, together with the Directors from all Member Classes standing for election and continuing in office, will reflect the diversity of regional interests and characteristics within the Western Interconnection. The proposed slate of candidates will be mailed to the Members of the Class at least sixty (60) days before each Member Class Meeting at which the elections are to be held. Additional candidates may be added to the slate upon the

submittal of a nomination to the Chief Executive Officer signed by three (3) Members of the Class, or ten percent (10%) of the total number of Members of the Class, whichever is greater. The Chief Executive Officer must receive such nominations at least thirty (30) days before the Member Class Meeting. All candidates identified by the Class (as provided above) or by the Governance and Nominating Committee will be submitted to the Class for election at the Member Class Meeting. Candidates will provide reasonable background information regarding their qualifications and a disclosure statement regarding any affiliations with Electric Line of Business Entities in the Western Interconnection to the Members before each election. The Director candidate(s) receiving the highest number of votes cast by Members of the Class will be elected to the position of Director.

6.4.2 Member Class Director Qualifications. Member Classes eligible to elect Member Class Directors may elect any person as a Member Class Director, provided that no Member or group of Affiliated Members may have more than one Director associated with them. Nothing in this Section regarding the election of Directors by Classes of Members is intended to limit, qualify or alter in any manner the fiduciary obligation of Directors to the WECC set forth in Section 6.10.1. A Member Class Director shall notify all Members of the Class from which the Director was elected of any significant change in employment or other significant change in circumstances relevant to the Director's qualifications. Such notice shall be provided in writing as soon as possible and not later than sixty (60) days following the change.

6.4.3 Minimum Number of Class Members. Each Class eligible to elect Member Class Directors must have at least four (4) Members to be qualified to nominate and elect representatives to the Board of Directors. If a Class eligible to elect Member Class Directors contains less than four (4) members, then the Director positions for that Class will remain vacant until the first Annual Meeting at which the Class has the minimum number of members, at which time two of the vacant positions will be filled by election to three year terms and two by election to two year terms. If a Class eligible to elect Member Class Directors falls below the minimum number of members after having elected Directors, such Directors will continue to serve out their terms. However, upon expiration of their terms, the Director positions will remain vacant until such time as the Class contains sufficient members.

6.4.4 Member Class Director Compensation. Member Class Directors will not be compensated for their service by the WECC. The WECC will reimburse Member Class Directors for reasonable and actual out-of-pocket expenses (such as travel and lodging) that are not subject to reimbursement from any Member or other source.

## **6.5 Selection and Compensation of Non-Affiliated Directors.**

6.5.1 Non-Affiliated Director Qualifications.

6.5.1.1 Non-Affiliation. The Non-Affiliated Directors of the Board may not be affiliated with any Entity that is a Member of the WECC or is eligible for membership in Classes 1 through 3 of the WECC, provided that status as a residential electricity customer will not disqualify a person from sitting as a Director. A candidate will not be qualified to serve as a Director if the candidate, or the spouse or a minor child of the candidate, derives any of his or her annual income from a Member of WECC, an Entity that is eligible for membership in Classes 1 through 3, or a bulk power user in the Western Interconnection. The WECC shall maintain a list of such Members and Entities which shall be updated periodically. Non-Affiliated Directors, candidates and others shall be entitled to rely upon the list to determine compliance with these requirements.

6.5.1.1.1 Notwithstanding the provisions of Section 6.5.1.1, a candidate for Non-Affiliated Director will not be disqualified for owning shares in a mutual fund that owns an interest in a Member or an Affiliate of a Member as long as the mutual fund does not specialize exclusively or predominantly in the energy sector. The disqualification standards described in Section 6.5.1.1 will not disqualify a candidate who is receiving payments from a pension plan of a Member or an Affiliate of a Member in a form other than securities of such Member or Affiliate and the pension plan payments bear no relationship to the economic performance of the Member or Affiliate.

6.5.1.1.2 The disqualification standards described in Section 6.5.1.1 will not apply to disqualify a candidate solely by virtue of an employment or contractual relationship with a state that has one or more agencies that are eligible to be Members of Class 5 of WECC, provided that:

1. In the case of a candidate's employment relationship, the employer is not a member of WECC;
2. In the case of a candidate's contractual relationship with a state agency, no member or employee of the state agency is a member of the WECC Board;
3. In the case of a candidate's employment relationship with a contractor to a state agency, no member or employee of the state agency is a member of the WECC Board; and
4. In the case of a candidate's employment or contractual relationship with a state agency which is a WECC Member or employs a WECC Board member, if the Governance and Nominating Committee determines that

the candidate's employment duties do not include significant work for or representation of that state agency.

6.5.1.1.3 Notwithstanding the provisions of this Section 6.5.1.1, a candidate for Non-Affiliated Director will not be disqualified for being affiliated with an organization that represents a substantial number of end users or a substantial number of persons interested in the impacts of electric systems on the public interest or the environment.

6.5.1.2 Expertise. The Governance and Nominating Committee will nominate Non-Affiliated Director candidates with the objective of having at least one Non-Affiliated Director with expertise in electric transmission operations and planning. The Governance and Nominating Committee will also have the objective of nominating persons with: 1) experience in corporate leadership at the senior management or board of directors level; 2) leadership experience in law, finance, economics, accounting, engineering, regulation, natural resources or commercial commodity markets and associated risk management; 3) experience representing a substantial number of end users or a substantial number of persons interested in the impacts of electric systems on the public or the environment; 4) a well-developed understanding of the distinct operational, resource, political, and interest-based characteristics of various regions within the Western Interconnection; and 5) a well-developed understanding of Canadian power systems or Canadian regulatory issues.

## 6.5.2 Selection of Non-Affiliated Directors.

6.5.2.1 Selection of Non-Affiliated Directors. After the initial election of Non-Affiliated Directors, the Governance and Nominating Committee will make nominations. Before the end of each Non-Affiliated Director's term, the Governance and Nominating Committee may select an independent search firm to provide the Governance and Nominating Committee with a list of qualified candidates for each vacant position. Incumbent Directors, if qualified and willing to serve, may be considered for nomination by the Governance and Nominating Committee. The Governance and Nominating Committee will consider each candidate for Non-Affiliated Director to determine whether that candidate is qualified to stand for election to the Board. From the list of candidates accepted by the Governance and Nominating Committee to stand for election, the Governance and Nominating Committee will select a slate of candidates for the vacant Non-Affiliated Director positions. The Governance and Nominating Committee's slate of candidates will be e-mailed to the Members no later than sixty (60) days prior to the Annual Meeting. Additional candidates may be added to the slate upon the submittal of a nomination to the Chief Executive Officer signed by three (3) Members of any Class, or ten percent

(10%) of the total number of Members of any Class, whichever is greater. The Chief Executive Officer must receive such nomination at least thirty (30) days before the Annual Meeting. The Chief Executive Officer will place such nominations before the Members for possible election unless he or she determines in writing that a proposed nominee does not meet the criteria for eligibility to be a Non-Affiliated Director in these Bylaws.

6.5.2.2 Disclosure Statement. Candidates for Non-Affiliated Director will provide to the Governance and Nominating Committee and, if nominated, to the Members, a statement describing their expertise and disclosing any present or past affiliations, relationships or associations relevant to their qualification to serve as a Non-Affiliated Director. A candidate for Non-Affiliated Director will be required to disclose any economic interest in any Member of the WECC or any Entity eligible for membership in Classes 1 through 3 of the WECC held by themselves, their spouse or their children as well as any such interest known to the candidate held by the candidate's parents, siblings, aunts, uncles, or first cousins.

6.5.2.3 Election. The number of Non-Affiliated Director candidate(s) corresponding to the number of vacant positions receiving the highest number of votes cast at the Annual Meetings of the Members will be elected to the position of Non-Affiliated Director.

6.5.3 Non-Affiliated Director Compensation. The Non-Affiliated Directors will receive a level of compensation as determined from time to time by the Member Class Directors.

## **6.6 Tie Vote.**

In the event of an inability to select Directors due to a tie vote, a second vote will be taken to determine the placement of the tied candidates. The second vote will be limited to the tied candidates, with the candidate(s) receiving the highest number of votes being selected. If another tie vote results, additional votes will be taken (after the elimination of any candidate receiving fewer votes than the tied candidates) until a candidate can be selected. If a tie cannot be resolved pursuant to the foregoing procedures, it will be resolved by lot. For the purpose of such second (and subsequent) votes, absentee ballots shall allow voters to list all candidates in order of preference such that absentee ballots may be counted by striking those candidates not participating in the run-off. Absentee ballots that express an order of preference for fewer than all candidates will be counted if the ballot demonstrates clear preference among the runoff candidates.

## **6.7 Removal of Directors.**

The Members or the Board may remove a Director before completion of the Director's term of office pursuant to the following provisions.

6.7.1 Removal by the Members. Member Class Directors may be removed at will by a vote of at least sixty percent (60%) of the Members of the Class that elected that Director. Non-Affiliated Directors may be removed only for gross negligence,



violation of local, state, provincial, or federal laws, gross misconduct, or failure to meet the fiduciary obligations of Directors. Removal of a Non-Affiliated Director will be by a vote of at least fifty percent (50%) of the entire WECC membership, including a vote of at least fifty percent (50%) of each Class.

6.7.2 Removal by the Board. The Board may remove any Director for gross negligence, violation of local, state, provincial, or federal laws, gross misconduct, or failure to meet the fiduciary obligations of Directors. Such removal will only occur upon the affirmative vote of not less than twenty-one (21) Directors.

## **6.8 Resignation.**

Any Director may resign from his or her office or position at any time by written notice to the Board by delivery to the Chair. Pursuant to Sections 4.1 and 4.8.2, a Director employed by a withdrawing or expelled Member will be deemed to have resigned. The acceptance of a resignation will not be required to make it effective.

## **6.9 Procedures for Filling Vacant Director Positions.**

6.9.1 Member Class Director Vacancies. If the position of any Director elected by a Member Class becomes vacant, the remaining Directors elected by the same Class will promptly choose a successor to that position who will serve until the next Annual Meeting.

6.9.2 Non-Affiliated Director Vacancies. If the position of any Non-Affiliated Director becomes vacant, the remaining Directors may charge the Governance and Nominating Committee with selecting a successor immediately. The Governance and Nominating Committee will follow the requirements set out in Section 6.5.2.1 in its selection of any successor Non-Affiliated Director. Alternatively, if less than one (1) year remains in the term of that Director, the remaining Directors may choose to leave the position vacant for the remainder of the term.

6.9.3 Holdover to Cure Procedural Vacancies. Whenever a vacancy in any Member Class or Non-Affiliated Director position would be created due to expiration of a Director's term combined with a lack of a quorum or other procedural inability to elect a new Director, the expired Director's term shall be extended until such time as a proper election of a new Director can be conducted.

## **6.10 Duties of Directors.**

The Directors will have the following duties:

6.10.1 Fiduciary Obligation to the WECC: All Directors, including Member Class Directors, will have a fiduciary obligation to the WECC consistent with the requirements for Directors of Utah non-profit corporations. Notwithstanding any affiliation with individual Members or Class of membership, Members of the Board will at all times act in conformance with such requirements, these Bylaws and the Standards of Conduct set forth in Appendix A.

6.10.2 Preserve Non-Affiliated Status: Throughout their terms, Non-Affiliated Directors will have a duty to avoid any affiliation that is inconsistent with the standards for Non-Affiliated Directors in Section 6.5.1.1 of these Bylaws. If a Non-Affiliated Director becomes aware of any such affiliation, he/she must either resign or eliminate the affiliation (e.g., dispose of securities) within six (6) months.

### **6.11 Powers of Directors.**

The management of all the property and affairs of the WECC will be vested in the Board of Directors. The Board will hold annual elections to select a Board Chair and to fill any other Board officer positions that may be created by the Board or required by applicable law. The Board may exercise all the powers of the WECC and do all lawful acts and things (including the adoption of such rules and regulations for the conduct of its meetings, the exercise of its powers and the management of the WECC) as are consistent with these Bylaws and the Articles of Incorporation.

### **6.12 Delegation of Board Authority.**

The Board may delegate to the Chief Executive Officer or to any Board Committee formed pursuant to Section 7.7 any or all of its powers and authority except: 1) any power which it may not delegate pursuant to applicable Utah law; 2) the power to adopt any reliability standard; 3) the power to determine when to exercise the Backstop Authority of the WECC; 4) the power to approve budgets; 5) the power to form committees; 6) the power to amend the Bylaws; 7) the power to elect the Chair and other officers of the Board; 8) the power to enter into contracts obligating the WECC to pay an amount exceeding \$50,000; and 9) the power to hire, fire or set the terms of employment of the Chief Executive Officer. The Board may also delegate to any Member committee the power to make specific decisions, subject to the right of any Member to appeal any of such decisions to the Board within 30 days of the committee vote on the decision by writing a letter to the Chief Executive Officer that describes in reasonable detail the grounds for appeal, and requests that the appeal be considered by the Board at its next regularly scheduled meeting, subject to applicable notice requirements. Delegation will be by express decision and will require the affirmative vote of not less than twenty (20) Directors. Any Director may call for a vote to rescind such delegation at any time and such delegation will be rescinded if eight (8) or more Directors vote to do so.

6.12.1 Notice to Members. Within seven (7) days of any decision delegated pursuant to Section 6.12, except for routine decisions of the Chief Executive Officer, Members will be notified of the decision by electronic mail, posting on the WECC Web site and any other means determined appropriate by the Board. Routine decisions of the Chief Executive Officer will be noticed in periodic reports to the Board and Members as determined by the Board, which will be sent to Members by electronic mail and posted on the WECC Web site.

6.12.2 Board Review of Delegated Decisions. Decisions delegated pursuant to Section 6.12 will be reviewed by the Board at the request of any Director, provided such request is lodged with the Secretary within thirty (30) days of the notice. Whenever it determines that a matter requires an urgent decision, the Board may shorten the

deadline for requests for review, provided that: 1) the notice and opportunity for review will be reasonable under the circumstances; and 2) notices to Members will always contain clear notification of the procedures and deadlines for Board review. A request for review of a decision will stay the effect of the decision pending review unless the Board in making the delegation expressly determines otherwise.

## **7. Procedures for Board Decisions.**

### **7.1 Quorum.**

No business will be conducted by the Board unless at least seventeen (17) Directors are present, including at least three (3) Non-Affiliated Directors and at least one Director elected by each of not less than four (4) of the Member Classes; provided, that if all Member Class Director positions for a Class are vacant, or if a Class is not entitled to elect Member Class Directors, then no Director elected by such Class will be required to be present for the Board to conduct business.

### **7.2 Majority Vote.**

A decision of the Board will require an affirmative vote of a majority of Directors present. Directors may not vote by proxy or by absentee ballot, but Directors may participate in Board meetings by telephone as provided in Section 7.3 of these Bylaws.

### **7.3 Attendance at Board Meetings by Teleconference.**

Any or all of the WECC's Directors may participate in any meeting of the Board by telephone conference or any other means of communication that enable all Directors participating in the meeting to simultaneously hear one another. Every Director participating in a meeting in the manner described in the preceding sentence will be deemed to be present in person at that meeting.

### **7.4 Board Action by Unanimous Consent.**

7.4.1 Action Without a Meeting. Unless the WECC's Articles of Incorporation or applicable law provides otherwise, action required or permitted to be taken at a meeting of the Board may be taken without a meeting through one or more written consents describing the action taken. Any Board action taken by written consent must be signed by all Directors in office at the time the action is taken. Such actions must be noticed to Members in accordance with Section 7.5 and Members must be given an opportunity to comment prior to the Board taking such actions through electronic mail, comments on the Web site or other appropriate means. The required notice of such meeting may generally describe the arrangements (rather than the place) for the holding of the meeting. All other provisions herein contained or referred to will apply to such meeting as though it were physically held at a single place. All Board actions by written consent must be filed with the WECC's Board meeting minutes. Action taken under this Section is effective when the last Director signs the consent, unless the consent specifies an earlier or later effective date. Any action by written consent has the same effect as a meeting vote and may be described as such in any document.

7.4.2 **Waiver of Procedures.** For any specific action at any noticed meeting of the Board, and under exigent or unusual circumstances, the Board by unanimous vote of those present may waive any procedural requirement applicable to Board decision-making, including any requirement for notice of a specific potential action, except for the following: 1) the requirement for notice of the time and place of the meeting pursuant to Section 7.5; 2) the quorum and voting requirements of Sections 7.1 and 7.2; and 3) any non-procedural limitation on the power of the Board to make a decision, including, but not limited to, those restrictions in Sections 6.12 (limiting the power to delegate) and 13.1 (limiting the power to amend the Bylaws). Whenever such action is taken, a statement describing the action, the exigent or unusual circumstances, the specific procedure waived, the basis for the waiver and the votes of all Directors present shall be posted on the web site and communicated in writing or by email to all Members within five (5) days.

## **7.5 Notice of Board Meetings.**

7.5.1 **Regular Meetings.** Except as set forth in Section 7.5.2 regarding urgent business, all regular business of the Board will occur at the Board meetings, at least twenty-one (21) days' advance notice of which has been provided by the Chief Executive Officer to all Directors and all Members. Notice will include an agenda that will identify those matters on which a vote will be taken at the meeting. The foregoing requirement shall not preclude the Board from taking an action that is different from the specific proposed action identified in the agenda, as long as the relevant subject matter has been reasonably identified in the agenda. The Directors will establish a regular meeting schedule that will be made available to the Members. The schedule will include not less than two meetings of the Board annually.

7.5.2 **Special Meetings.** Whenever the Chair of the Board or any three (3) Directors find that there is urgent business requiring Board action before the next regular Board meeting, a special meeting of the Board may be called. Such special meetings will be held upon as much written notice to each Board Member and all Members as is possible under the circumstances, which will not be less than three (3) days. However, this notice of special meetings may be waived if: 1) the waiver is by a writing signed by a quorum of Board members; and 2) as much notice of the meeting as practicable has been given to WECC Members via e-mail and posting on the WECC Web site.

7.5.3 **Public and Web Site Notice.** Public notice of each meeting of the Board will be placed on WECC's Web site at least ten (10) days before such meeting (or such lesser time as provided pursuant to Section 7.5.2). In addition, the Chief Executive Officer will provide notice of each meeting by first-class mail, facsimile or electronic mail to each member of the public who so requests and who has provided appropriate information regarding delivery of notice.

## **7.6 Open Meetings.**

Except as provided in Section 7.6.1, all regular and special meetings of the Board will be open to observation by any Member and any member of the public.

7.6.1 Closed Session. Notwithstanding the provisions of Section 7.6, upon an affirmative vote of two-thirds (2/3) of the Directors present, the Board may meet in closed session: 1) to consider the employment, evaluation of performance, or dismissal of an employee of WECC and to deliberate regarding decisions the Board may be called upon to make regarding the nomination, qualification, appointment, or removal of a member of the Board of Directors; 2) to discuss pending or proposed litigation and to receive confidential attorney-client communications from legal counsel; and 3) to receive and discuss any information that is privileged, trade secret, cybersecurity, critical energy infrastructure information (as defined by the FERC), protected from public disclosure by law or that the Board determines should be confidential in order to protect a legitimate public interest.

7.6.1.1 Attendance by an Affected Director. Closed sessions of the Board may not be attended by a Director under the following circumstances: 1) where the qualifications or performance of the Director or the Director's spouse or children are being discussed; 2) where the Director is employed by an entity that is or is likely to become a party to the litigation being discussed; and 3) where the Director or the Board determines that the Director would have a serious and substantial conflict of interest by becoming privy to confidential attorney-client or trade secret information that is to be presented to the Board in closed session.

7.6.1.2 Announcement of Closed Session. Before adjourning into closed session, the Chair of the Board will announce the purpose of the closed session in a manner that provides the public an understanding of the general subject matter to be discussed but which does not reveal sensitive or personal information. The Board will not discuss additional items outside the scope of this description.

7.6.1.3 Confidentiality of Closed Session. All Directors and others present will maintain the confidentiality of discussions and decisions made in closed session. The Board will appoint a secretary for closed session to keep a minute book for the purpose of recording the subject matter discussed in closed session and any actions taken in closed session.

## **7.7 Board Committees.**

7.7.1 Governance and Nominating Committee. The Chair will appoint a Governance and Nominating Committee that shall: 1) return slates of candidates as required by these Bylaws; 2) oversee implementation and amendment of these Bylaws; and 3) address such other issues pertinent to Governance as the Board may choose to delegate to it. The Governance and Nominating Committee will consist of one Director from each

of the six Member Classes eligible to elect such Directors and one Non-Affiliated Director. The Chair will designate one of the appointed Directors to be the Chair of the Governance and Nominating Committee.

7.7.2 Other Board Committees. The Board may appoint such Board committees as it deems necessary from time to time to carry out its business affairs. In appointing such committees, the Board will specify their purpose, membership, voting, notice and meeting procedures and such other direction as the Board may deem appropriate. The Board may appoint one or more Members or other persons to participate in Board committees as full voting members or as non-voting advisory members.

7.7.3 Standards of Conduct for Board Committee Members. Members of Board committees shall comply with the Board Member Standards of Conduct set forth in Appendix A.

## **8. Member Committees.**

### **8.1 Purpose.**

The WECC will have committees composed of its Members to advise and make recommendations to the Board. Such committees will include both standing committees required by these Bylaws and such other committees as the Board may choose to create.

### **8.2 Standing Committees.**

WECC will have the following standing committees:

8.2.1 Planning Coordination Committee. This committee will advise and make recommendations to the Board on all matters within the jurisdiction of the WECC pertaining to maintaining reliability through evaluating generation and load balance and the adequacy of the physical infrastructure of interconnected bulk electric systems within the Western Interconnection.

8.2.2 Operating Committee. This committee will advise and make recommendations to the Board on all matters within the jurisdiction of the WECC pertaining to maintaining reliability through the operation and security of the interconnected bulk western electric systems in the Western Interconnection.

8.2.3 Market Interface Committee. This committee will advise and make recommendations to the Board on the development of consistent Market Interface practices and compatible commercial practices within the Western Interconnection. It will consider matters pertaining to the impact of WECC's reliability standards, practices, and procedures on the commercial electricity market in the Western Interconnection, and facilitate analysis of the impact of electricity market practices on electric system reliability.

### **8.3 Other Committees.**

The Board may create such other committees as it may desire from time to time. The Board will specify the functions, duties and responsibilities of any such committee at the time of its creation. The Board will also specify the membership rules, quorum requirements, voting levels and meeting and notice requirements at the time of creation. Any changes in the membership rules, quorum requirements, or voting levels of a committee, once established by the Board, will require a seventy-five percent (75%) vote of the Board to alter. The specific function or sunset date for a committee will be designated by the Board at the time of the committee's creation. The committee will terminate its activities upon the completion of its function or the expiration of the date set by the Board.

### **8.4 Committee Assessment and Streamlining.**

8.4.1 **Assessment of Standing Committee Activities.** No later than three (3) years following the Organizing Meeting of the WECC, the Board of Directors will conduct a thorough review of the activities of each of the WECC's standing committees (as defined in Section 8.2 of these Bylaws) to assess whether they are effectively furthering the WECC's purposes in a manner that is consistent with: 1) the provisions of Section 2.3 of these Bylaws; and 2) the then-current state and the expected future evolution of the electric power industry within the Western Interconnection. The Board's review will assess whether there are any aspects of the standing committees' functions or procedures that impede development of WECC standards, obligations, processes, and decisions that are timely, fair, effective, and reasonable in view of the commercial, legal, regulatory, and economic needs and objectives of the affected Members. The Board will propose to the membership, at the first annual Member meeting held after completion of the review required by this Section 8.4.1, any changes to standing committee structures, functions, or procedures that the Board determines are warranted by its review.

#### **8.4.2 Dissolution of Additional Member Groups.**

8.4.2.1 Except as otherwise provided in Section 8.4.2.2 below, no later than three (3) years following the Organizing Meeting of the WECC, all WECC Member groups other than the WECC's standing committees (as defined in Section 8.2 of these Bylaws) will dissolve automatically. The Member groups to automatically dissolve under this Section 8.4.2.1 will include, without limitation, all WECC Member subcommittees, work groups, and task forces. There will thereafter be no committees, subcommittees, or other groups of WECC Members other than: 1) the WECC's standing committees (as defined in Section 8.2 of these Bylaws); and 2) any established by the Board after it determines that the committee, subcommittee, or other group, when established, will satisfy the terms of assessment for standing committees set forth in Section 8.4.1 above.

8.4.2.2 If, at the time specified for dissolution of Member groups that are not standing committees in accordance with Section 8.4.2.1 above, FERC-

approved Regional Transmission organizations carrying on commercial operations within the Western Interconnection do not cover at least one-half the load in the Western Interconnection, the Board may delay the implementation of the actions specified in Section 8.4.2.1 until no later than six (6) months after FERC-approved regional transmission organizations covering at least one-half the load within the Western Interconnection are in place and carrying on commercial operations.

## **8.5 Procedures for Committee Decision-Making.**

- 8.5.1 Reports to Board of Directors. Action by a committee will be in the form of a recommendation for Board action except in those instances in which the Board has, by resolution, specifically delegated to a committee the power to take action subject to an appeal to the Board by any Member. The recommendation of a committee must be forwarded to the Board for its action along with any minority or dissenting reports filed with the committee Chair or Vice-Chair.
- 8.5.2 Subcommittees, Task Forces and Ad Hoc Groups. Any Board or member committee may create such subcommittees, task forces or other ad hoc groups (“subcommittee”) as it deems appropriate to carry out the committee’s responsibilities consistent with these Bylaws and the direction of the Board. The composition, responsibilities and procedures of such groups shall be specified by the committee as appropriate; provided, however that: 1) the committee may only delegate to such subcommittee responsibilities that are within the scope of the committee’s responsibilities pursuant to these Bylaws and direction of the Board; and 2) the subcommittee may only make recommendations to the committee. A committee may create a subcommittee without prior approval of the Board; provided, however, that the committee shall promptly inform the Board in writing and at the next Board meeting regarding the creation of the subcommittee. The notification to the Board shall include a charter for the subcommittee that describes how members of the subcommittee will be selected, the duties of the subcommittee, and whether the committee has established a sunset date for review of (1) the need for the subcommittee and (2) the charter of the subcommittee.
- 8.5.3 Committee Officers. The Board will appoint the Chair and Vice-Chair of each committee. The Committee Chair or Vice-Chair will preside over all meetings of the committee and will report recommendations of the committee to the Board of Directors. The Chair and Vice-Chair will be responsible for informing the Board regarding minority opinions and other information required by the Board along with overall committee recommendations. Whenever the committee elects to form a subcommittee to represent regions or address specific tasks, the Chair (or in the absence of the Chair, the Vice-Chair) will have the power to appoint the members of such subcommittee from both members of the committees and non-members. Upon resignation of the Committee Chair, the Vice Chair shall serve as Chair until the Board appoints a replacement. Upon resignation of the Vice Chair, the Chair may appoint a temporary Vice Chair to serve until the Board appoints a replacement. Upon resignation of both the Chair and Vice Chair, the Chair of the Board may



appoint one or more temporary replacements to serve until the Board appoints permanent replacements.

8.5.4 Committee Membership. Except as provided in Section 8.5.4.1, any Member of WECC may designate one representative as its committee member to any standing committee or other committee. The WECC Member will have one vote at any committee meeting through that committee member. Any number of other persons may attend a committee meeting, but such persons will have no right to vote without a prior designation of representation by a WECC Member, except that interested stakeholders may, under Section 8.6, vote on proposed Reliability Standards or revisions to Reliability Standards.

8.5.4.1 Dual Representation for Functionally-Separated Members. A Member which has distinct and functionally-separated interests as both a transmission provider and a transmission customer may designate two representatives as committee members to any standing committee, one to represent each functionally separate interest. Each such committee member will have one vote. The privilege granted by this Section is subject to revocation by the Board on a case-by-case basis or generally whenever the Board finds, upon petition from any Member or its own motion, that such dual representation creates unfairness or imbalance within a committee.

8.5.5 Committee Voting and Classes.

8.5.5.1 Classes. For purposes of voting, committees will have three classes of membership:

8.5.5.1.1 Transmission Provider Members or Participating Stakeholders;

8.5.5.1.2 Transmission Customer Members or Participating Stakeholders;  
and

8.5.5.1.3 States and Provincial Members (Member Class 5).

8.5.5.2 Voting. Except as provided in Section 4.5.2, each committee member and Participating Stakeholder (if any) will have one vote. In order for a recommendation to be made to the Board, such recommendation must receive a simple majority vote of both: 1) committee members and Participating Stakeholders (if any) present and voting from the Transmission Provider Class; and 2) committee members and Participating Stakeholders (if any) present and voting from Transmission Customer Class. Committees will adopt voting and record-keeping procedures to ensure that committee voting is conducted consistent with these Bylaws. This requirement will also apply where decision making power has been delegated to a committee pursuant to Section 6.12.

8.5.5.2.1 State and Provincial Votes. The position of the state and provincial Class committee members must be recorded, but the failure of a proposed recommendation or decision to obtain a simple majority vote of the state and provincial committee members will not prevent the recommendation or decision from being posted for due process comment or sent to the Board of Directors.

8.5.6 Notice and Review of Committee Recommendations and Decisions (Due Process). Committee recommendations or decisions delegated to a committee pursuant to Section 6.12 will be subject to the due process provisions of this Section. Committee recommendations or decisions related to the development or approval of Reliability Standards will be subject to the provisions of this Section 8.5.6 and Section 8.6. Following a committee's development of a proposed recommendation or decision, the committee will post the proposed recommendation or decision on the WECC Web site for review and comment by other WECC Members, interested stakeholders (if the recommendation or decision concerns a Reliability Standard or revision), and other interested parties. The committee will provide all Members and Participating Stakeholders (if the recommendation or decision concerns a Reliability Standard or revision) e-mail notification of the posting and will allow at least thirty (30) days for comment on the proposal. The committee will consider all such additional input before reaching its final recommendation or decision. If the committee's recommendation or decision changes significantly as a result of comment received, the committee will post the revised recommendation or decision on the Web site, provide e-mail notification to Members and Participating Stakeholders (if the recommendation or decision concerns a Reliability Standard or revision), and provide no less than ten (10) days for additional comment before reaching its final recommendation or decision. Upon reaching its final recommendation or decision, the committee will forward it to the Board. Whenever it determines that a matter requires an urgent decision, the Board may shorten any time period set forth in this Section, provided that: 1) notice and opportunity for comment on recommendations or decisions will be reasonable under the circumstances; and 2) notices to Members will always contain clear notification of the procedures and deadlines for comment.

## **8.6 Procedures for Developing and Voting on Reliability Standards.**

8.6.1 Rights and Obligations of WECC Members and Participating Stakeholders. All WECC Members and interested stakeholders are entitled to participate in the development of and to vote on Reliability Standards or revisions to Reliability Standards, subject to any applicable obligations, limitations and conditions set forth in these Bylaws, and in accordance with the WECC Reliability Standards Development Procedures.

8.6.1.1 Participation. The right to participate in Reliability Standards development and voting includes the right to request the development or revision of a Reliability Standard, the right to receive notice of, attend and participate in

related WECC committee and subcommittee discussions, the right to review information relevant to a Reliability Standard or revision, the right to provide written comments on a proposed Reliability Standard or revision, the right to participate in committee or subcommittee voting on a Reliability Standard or revision and the right to file an appeal requesting review of any committee or subcommittee decision on a Reliability Standard or revision.

8.6.1.2 Voting. The procedures and conditions for voting by WECC Members and Participating Stakeholders are set forth in the Reliability Standards Development Procedures and in Section 8.5.5 and 8.5.5.2 of these Bylaws. A Participating Stakeholder may only vote on a proposed Reliability Standard or revision if they have applied for and been granted Participating Stakeholder status in accordance with Section 8.6.2 below. A Participating Stakeholder is only entitled to vote on Reliability Standards and revisions. A Participating Stakeholder is not entitled to vote in any other WECC committee balloting process or in elections for WECC Directors.

8.6.2 Participating Stakeholder Application Process. Any person or entity that is an interested stakeholder may apply to WECC for Participating Stakeholder status and, upon WECC's acceptance of such application, acquire the participation and voting rights set forth above in Section 8.6.1. WECC staff, under the direction of the CEO, will process applications and make the initial determination of eligibility for Participating Stakeholder status. Denial of Participating Stakeholder status may be appealed to the WECC Governance and Nominating Committee and, if denied by the Governance and Nominating Committee, to the WECC Board. A person or entity's Participating Stakeholder status will be maintained so long as the Participating Stakeholder continues to meet the requirements set forth in Section 3.21 and participates in at least one WECC meeting per year at which a Reliability Standard or revision is discussed and/or voted on. In the event a person or entity's Participating Stakeholder status lapses due to failure to meet the above minimum participation requirement, the person or entity may restore Participating Stakeholder status by re-applying for Participating Stakeholder status and attending a WECC meeting at which a Reliability Standard is discussed and/or voted on.

## **8.7 Notice of Committee Meetings.**

8.7.1 Standing Committees. The committee Chair, with the assistance of the Chief Executive Officer, will ensure that not less than ten (10) days' notice of all standing committee meetings is posted on the WECC Web site and is also provided to: 1) members of the committee; 2) Participating Stakeholders (if the meeting concerns development or approval of a Reliability Standard or revision); and 3) any WECC Member or member of the public requesting notice. A committee may take up any matter at a duly noticed meeting including matters not expressly identified in the notice; provided, however, that a final recommendation to the Board must be made in accordance with Section 8.5.6.

8.7.2 Other Committees. Notice of other committee meetings will be provided in the manner adopted for such notice by the affected Members and in accordance with the requirements of Section 8.6.1.

**8.8 Open Meetings.**

All committee meetings of the WECC (including Board committees) will be open to any WECC Member and for observation by any member of the public, except as set forth in policies on closed sessions that the Board may adopt for the purpose of preventing public disclosure of information that the Board might consider in closed session pursuant to Section 7.6.1.

**9. The Chief Executive Officer, Officers, and Employees.**

**9.1 Designation of Officers and Terms of Office.**

The WECC will have a Chief Executive Officer, a Secretary, and any other officers specified by the Board from time to time. The Chief Executive Officer will also hold the title of President of the WECC if applicable law requires the WECC to have a President. Each officer will be appointed by the Board and will serve for the term of office specified in the Board action appointing the officer and until his or her successor is appointed. Any two or more offices may be held by the same person except the offices of Chief Executive Officer and Secretary.

**9.2 Chief Executive Officer Qualifications.**

The Chief Executive Officer will be a person with senior management level experience and knowledge of bulk power electric transmission systems reliability, planning and operations.

**9.3 Standards Applicable to All Employees.**

A person may not be an officer or employee of WECC if: 1) the person is also the employee of or has a contractual relationship with any Entity, or any Affiliate of any Entity, that is eligible for membership in the WECC; or 2) the person has a financial interest that, in the judgment of the Board or the Chief Executive Officer, creates the fact or appearance of bias, undue influence or lack of objectivity regarding any action or decision of the WECC. The Board will adopt Standards of Conduct for officers and employees setting forth their duty of care, duty of loyalty, duty to avoid conflicts of interest and related matters intended to promote their neutrality, objectivity and professionalism. Upon adoption, such standards shall be attached hereto as Appendix B.

9.3.1 Exemptions from the disqualification criteria found in Section 9.3 are as follows:

9.3.1.1 Status as a residential electricity customer will not disqualify a person from employment with WECC.

9.3.1.2 A candidate for Chief Executive Officer or employee of WECC will not be disqualified for owning shares in a mutual fund because the mutual fund owns an interest in a Member or an Affiliate of a Member.

9.3.1.3 The disqualification standards described in Section 9.3 will not apply to disqualify a candidate who is receiving payments from a pension plan of a Member or an Affiliate of a Member in a form other than securities of such Member or Affiliate if the pension plan payments bear no relationship to the economic performance of the Member or Affiliate.

9.3.2 If an officer or employee receives a gift or inheritance of securities in any Member or Affiliate, he/she must resign or dispose of such securities within six (6) months of the date of receipt. Within six (6) months of the time a new Member is added in which an officer or employee owns securities, the officer or employee will resign or dispose of those securities.

#### **9.4 Employment.**

The Chief Executive Officer will be employed by the Board of Directors and will serve at the Board's pleasure. Any contract of employment with a Chief Executive Officer will permit the Board to dismiss the officer with or without cause.

#### **9.5 Chief Executive Officer's Duties.**

Subject to the Board's direction, the Chief Executive Officer or his/her designees will have the following duties, among others:

9.5.1 Execute policies at the direction of the Board and be responsible to the Board for the performance of the WECC functions described in Section 2;

9.5.2 Hire and fire staff within the constraints of the annual budget;

9.5.3 Perform administrative duties, such as preparing annual budgets for the approval of the Board, making employment decisions and ensuring conformance with regulatory requirements;

9.5.4 Develop and implement employment policies and standards of conduct; and

9.5.5 Accept or reject membership applications in accordance with the criteria of these Bylaws.

#### **9.6 Secretary's Duties.**

9.6.1 Maintain Member and Affiliates Lists. The Secretary will maintain continuously updated lists of all Members and Affiliates.

9.6.2 Maintain Official Records. The Secretary will keep minutes of all WECC Board and Member meetings and will receive and maintain minutes of committee meetings and all other official records of the WECC. Within five (5) business days after any vote taken by Members, the Board, a Class or any committee, the Secretary will provide notice to all Members and Interested Stakeholders (if applicable) of the results of

such a vote through postings on the website, email and/or other means of communication.

- 9.6.3 **Maintain Web Site.** The Secretary will oversee the creation, maintenance, and updating of the WECC's Web site and the information published through it.

## **10. Transmission Service Obligations.**

### **10.1 Non-Discriminatory Transmission Access.**

All Members owning, controlling or operating Transmission Facilities, or possessing rights to transmission capacity through contract, will provide interconnection and access to available transmission capacity to all other Members in a non-discriminatory manner through one of the following mechanisms: 1) a Regional Transmission Organization approved by the FERC in accordance with FERC Order 2000 and any successor order(s); 2) submission of an Open Access Tariff to the FERC; or 3) provision of non-discriminatory service in accordance with this Section 10.

- 10.1.1 **Regional Transmission Organizations.** A Member that is a Regional Transmission Organization approved by the FERC in accordance with FERC Order 2000 and any successor order(s), or a Member whose transmission capacity is controlled or operated by such a Regional Transmission Organization, will be deemed to be in compliance with Section 10 by virtue of its compliance with FERC Order 2000 and any successor order(s) and is exempt from Sections 10.2 through 10.4. Such a member will use the dispute resolution process specified in the bylaws, contracts, or tariffs of the applicable Regional Transmission Organization or other Local Regional Entity, provided that nothing in these Bylaws will prevent such a Member from using the dispute resolution process set forth in Section 11 where authorized or required by the bylaws, contracts, or tariffs of the applicable Regional Transmission Organization.
- 10.1.2 **Members with Open Access Tariffs Filed with FERC.** A Member which is not exempt pursuant to Section 10.1.1, but which has an Open Access Tariff which has been accepted for filing by the FERC, will be deemed to be in compliance with this Section 10 by virtue of its compliance with applicable FERC requirements governing its Open Access Tariff. Such Member is exempt from Sections 10.2 and 10.3; provided, however, that such Member must resolve transmission access disputes with other Member(s) in accordance with Sections 10.4, 10.5.2 and 11 of these Bylaws.
- 10.1.3 **Other Members.** Any Member subject to Section 10.1, but not eligible for exemption pursuant to Sections 10.1.1 or 10.1.2, will provide non-discriminatory interconnection and transmission access to other Members in accordance with Sections 10.2 through 10.5 of these Bylaws.
- 10.1.4 **Canadian and Mexican Members.** At the request of any Canadian or Mexican Member, the Board may adopt alternative provisions to this Section 10 applicable to the requesting Member provided that: 1) the alternative provisions differ from this

Section 10 to the minimum extent necessary to respect the laws and regulatory authorities governing the requesting Member; and 2) the alternative provisions require the requesting Member to provide interconnection and transmission service to other Members that is substantively equivalent to that required by this Section 10.

## **10.2 Service to be Provided.**

Members described in Section 10.1.3 will provide non-discriminatory interconnection and transmission service to other Members comparable to that which would be required of an entity subject to Sections 210 through 213 of the Federal Power Act. The provision of service may be pursuant to an agreement negotiated between such Members, or, if applicable, pursuant to a service agreement under a tariff filed in accordance with Section 10.3. In no event will these Bylaws require a Member to provide transmission service that FERC is precluded from ordering under Sections 212(g) and 212(h) of the Federal Power Act. However, nothing in these Bylaws will be construed as prohibiting any Member from providing retail wheeling voluntarily or pursuant to a state statute or a lawful decision of a regulatory agency or court of law. Nothing in this section is intended to imply that any non-jurisdictional entity Member is subject to FERC jurisdiction.

## **10.3 Open Access Tariffs.**

Except as provided in Section 10.3.1, Members described in Section 10.1.3 will file an Open Access Tariff or Tariffs consistent with Section 10.2 with the Secretary within sixty (60) days of becoming a Member. Upon the request of any Member, a Member subject to this Section 10.3 will provide a copy of its Open Access Tariff or Tariffs. Additionally, any change in any Open Access Tariff or Tariffs previously filed with the Secretary will be promptly filed with the Secretary after its adoption.

10.3.1 Petition for Exemption. Any Member described in Section 10.1.3 may petition the Board for an exemption from Section 10.3. The Board may grant such petition only if it finds that such Member is unlikely to receive a transmission service request. The granting of such a petition will not relieve the Member from the requirement to provide non-discriminatory access pursuant to Section 10.2 if the Member receives a transmission service request. If a Member has been granted an exemption from the filing of an Open Access Tariff by a Local Regional Entity based on criteria equivalent to this Section, such Member will be exempt from Section 10.3 of these Bylaws without the filing of a petition unless the Board determines otherwise.

## **10.4 Requests Involving Members of Regional Entities.**

If a request for transmission service involves only Members who are also members of the same Local Regional Entity and the tariffs or governing documents of such Local Regional Entity provide for a process for requesting interconnection or transmission service, the process of the Local Regional Entity, as opposed to that set forth in this Section 10, will be followed. To the extent the governing documents of the Local Regional Entity establish different principles regarding the provision of interconnection or transmission service than those of the WECC, the principles of the Local Regional Entity will govern as among members of the Local Regional Entity; provided, however, that Members who are members of Regional Entities who receive requests for interconnection or transmission service from

Members who are not members of the same Local Regional Entity will not be precluded from substantively responding to such requests in a manner consistent with the tariffs or governing documents of such Local Regional Entity, provided that such responses will be subject to the dispute resolution provisions of Section 11.

## **10.5 Request Process and Dispute Resolution.**

Members requesting interconnection or transmission service from Members described in Section 10.1.1 or 10.1.2 will do so in accordance with the applicable tariffs of the Member receiving the request. Members requesting such service from Members described in Section 10.1.3 will do so in accordance with this Section 10.5 in lieu of filing for such service pursuant to Sections 210 through 213 of the Federal Power Act.

10.5.1 Request Process and Interpretation of FERC Policy. Members described in Section 10.1.3 receiving requests from another Member for interconnection or transmission service pursuant to these Bylaws will respond to such requests in an expeditious and good faith manner. The Board may adopt procedural requirements regarding the processing of such requests to the extent it deems necessary and appropriate; provided, however, that the Board may not impose substantive obligations for the provision of interconnection or transmission service that are different from the substantive policies of the FERC applicable to such Members pursuant to Section 10.2. For the general guidance of arbitrators and Members and as it deems necessary, the Board may either request statements of policy from the FERC or adopt its own interpretations of FERC policy which will be subject to appeal to the FERC.

10.5.2 Dispute Resolution. Except as otherwise provided in Section 10.4, Members described in Sections 10.1.2 and 10.1.3, and any Member requesting interconnection or transmission service from such a Member, will resolve disputes regarding such requests in accordance with Section 11.

## **11. Dispute Resolution.**

Except as may be otherwise provided herein, and subject to the conditions set forth in Appendix C, Section A.1, disputes between Members and/or the WECC will be resolved pursuant to the WECC Dispute Resolution Procedures set forth in Appendix C. Matters subject to the jurisdiction of the WECC Compliance Hearing Body are not subject to the procedures in Appendix C.

## **12. Costs and Finances.**

### **12.1 Funding of Reliability Activities.**

12.1.1 U.S. Statutory Funding. The WECC shall fund all activities undertaken pursuant to Section 215 of the Federal Power Act in accordance with the funding provisions and procedures of that law and related FERC regulations and orders. The Board shall approve a budget for such activities in time for submission to the ERO and to the FERC for approval of such funding in accordance with applicable requirements.



12.1.2 International Funding. The WECC shall fund reliability activities undertaken pursuant to any agreements with appropriate Canadian or Mexican authorities in accordance with the provisions of those agreements.

12.1.3 Equitable Allocation of Funding. In adopting budgets for the costs of reliability activities, the Board shall endeavor to achieve an equitable allocation as between funding through Sections 12.1.1 and 12.1.2 based upon the net energy to load and other relevant factors consistent with applicable law, the Delegation Agreement and any International Reliability Agreements.

## **12.2 Dues.**

The Board may require Members and Participating Stakeholders to pay nominal annual dues consistent with applicable FERC requirements (or those of International Reliability Agreements as applicable) to cover reasonable costs of membership and/or participation in standards development that are not funded through Sections 12.1.1 or 12.1.2. Initial dues of a Member or Participating Stakeholder will be submitted with a completed application for membership or Participating Stakeholder status and will be for the prorated share of the full annual amount based on the Member's or Participating Stakeholder's actual months of membership or participation in the calendar year. In determining nominal dues, the Board may consider all relevant factors including, but not limited to, the ability of different classes of membership or Participating Stakeholders to pay such dues. The Board may also reduce, defer or eliminate the dues obligation of an individual Member or Participating Stakeholder for good cause shown.

## **12.3 Funding of Non-Statutory Activities.**

To the extent that the WECC elects to fund any activities not eligible for funding pursuant to Sections 12.1.1 and 12.1.2, it shall do so through the use of service fees, charges or dues applicable to the persons or entities that voluntarily participate in such activities. Participation in or funding of such activities shall not be a condition of membership in the WECC.

## **13. Amendments to these Bylaws.**

These Bylaws may be amended by either the Board or by the Members in accordance with the following procedures.

### **13.1 Amendment by the Board.**

Except for those provisions described below, the Board may approve an amendment of the Bylaws after providing not less than thirty (30) days' notice of the proposed amendment to all Members. Approval of such an amendment requires the affirmative votes of not less than two-thirds (2/3) of the Directors in office. Such amendment will become effective sixty (60) days after its approval by the Board unless the vote is appealed to the Members prior to that time. Such an appeal will occur whenever a majority of any Class files a petition with the Secretary seeking such amendment. A vote on the appeal will occur at the next Annual Meeting unless the Board calls a special meeting of the Members beforehand. Upon appeal, the amendment will be deemed approved unless a majority of all Members vote to rescind the amendment. Notwithstanding the foregoing, the Board may not amend Sections 6.2 through 6.10 of the Bylaws, Section 8.4, Appendix C or this Section 13.1 without submitting such amendment to the Members for their prior approval.

**13.2 Amendment by the Members.**

Upon petition filed with the Secretary by any Member or Director, at any Annual Meeting the Members may amend any provision of these Bylaws; provided: 1) the proposed amendment has first been presented to the Board and not adopted (this provision will not apply to amendments which the Board is prohibited from adopting); 2) Members have received not less than sixty (60) days' notice of the proposed amendment, the reasons there for and a statement of the Board's position regarding it; and 3) the amendment receives the affirmative votes of not less than two-thirds (2/3) of all Members.

**13.3 Amendments in Response to Mandatory Membership.**

If at any time, pursuant to legislation or otherwise, membership becomes mandatory for some or all Members, upon the request of the affected Member(s) the Board will consider amendments to these Bylaws appropriate to such mandatory membership.

**13.4 Amendments proposed by FERC.**

FERC, upon its own motion or upon complaint, may propose an amendment to these Bylaws pursuant to 18 C.F.R. § 39.10(b).

**14. Termination of Organization.**

The WECC may be terminated upon a vote of a majority of the Members in accordance with the provisions of Utah law, the Federal Power Act and the requirements of the Delegation Agreement and applicable International Reliability Agreements. Immediately upon such a vote, the Board will, after paying all debts of the WECC, distribute any remaining assets in accordance with the requirements of Utah law, the Internal Revenue Code and these Bylaws.

**15. Miscellaneous Provisions.**

**15.1 Limitation on Liability.**

It is the express intent, understanding and agreement of the Members that the remedies for nonperformance expressly included in Section 4.8 hereof shall be the sole and exclusive remedies available hereunder for any nonperformance of obligations under these Bylaws. Subject to any applicable state or federal law which may specifically limit a Member's ability to limit its liability, no Member, its directors, members of its governing bodies, officers or employees shall be liable to any other Member or Members or to third parties for any loss or damage to property, loss of earnings or revenues, personal injury, or any other direct, indirect, or consequential damages or injury which may occur or result from the performance or nonperformance of these Bylaws, including any negligence, gross negligence, or willful misconduct arising hereunder. This Section 15.1 of these Bylaws applies to such liability as might arise between Members under these Bylaws. This Section 15.1 does not apply to parties to the Agreement Limiting Liability Among Western Interconnected Systems ("WIS Agreement") with respect to matters covered by the WIS Agreement and does not apply to any liability provision in any other agreement.

**15.2 Indemnification.**

WECC shall indemnify and hold harmless its Directors, officers, employees, agents and advisors against any and all damages, losses, fines, costs and expenses (including attorneys'

fees and disbursements), resulting from or relating to, in any way, any claim, action, proceeding or investigation, instituted or threatened, arising out of or in any way relating to any action taken or omitted to have been taken (or alleged to have been taken or omitted to have been taken) by such person in connection with actions on behalf of WECC, and against any and all damages, losses, fines, costs and expenses (including attorneys' fees and disbursements) incurred in connection with any settlement of any such claim, action, proceeding or investigation unless such action of such person is determined to constitute fraud, gross negligence, bad faith or willful misconduct with respect to the matter or matters as to which indemnity is sought.

**15.3 No Third Party Beneficiaries.**

Nothing in these Bylaws shall be construed to create any duty to, any standard of care with reference to or any liability to any third party.

**15.4 Informal Inquiries for Information.**

Nothing in these Bylaws shall preclude: 1) a Member from making an informal inquiry for information outside of the procedures outlined in Section 4.6.13 hereof to another Member and 2) that other Member from responding voluntarily to that informal inquiry, provided, however, that any such response to an informal inquiry for information shall not be binding upon that other Member and shall be used by the Member making the informal inquiry for informational purposes only.

**16. Incorporation.**

WECC shall organize itself as a non-profit corporation pursuant to the laws of the state of Utah regarding non-profit corporations under the name "Western Electricity Coordinating Council." All Members agree to take no actions that would contravene the ability of the WECC to maintain its status as a non-profit corporation existing pursuant to the Utah Act. The Board shall adopt these Bylaws as the Bylaws of the WECC as a non-profit corporation.

WECC is intended to qualify as an organization described in Section 501(c)(6) of the Internal Revenue Code. No part of any net earnings of the WECC shall inure to the benefit of any Member or individual. Upon liquidation, to the extent consistent with the Internal Revenue Code and Utah law, any monies remaining from assessments paid by Members for the costs of the WECC shall be rebated to Members in proportion to their payments. Any remaining assets of the WECC shall be transferred to another organization exempt from tax under Section 501(a) of the Internal Revenue Code, or government agency, promoting the same purposes as the WECC, as designated by the Board.

**17. Governing Law.**

Unless otherwise agreed, if any conflict of law arises under these Bylaws among the Members, the laws of the United States of America shall govern, as applicable. The venue for any legal action initiated under these Bylaws which concerns a specific request for transmission service shall be the city and state (or province) in which the headquarters of the Member providing the service is located. The venue for any other legal action initiated under these Bylaws shall be the city and state (or province) in which the headquarters of the WECC is located.

## **APPENDICES**

- A. Board Member Standards of Conduct
- B. Officers and Employees Standards of Conduct
- C. WECC Dispute Resolution Procedures

**Appendix A**  
**Standards of Conduct for**  
**Members of the WECC Board of Directors**

By accepting appointment to the Board of Directors (the “Board”) of the Western Electricity Coordinating Council (the “WECC”), a Director agrees to abide by the duties required of corporate directors and trustees. Utah law (and similar law in other states) imposes quasi-fiduciary duties of care and loyalty on all corporate directors or trustees, including directors and trustees of nonprofit corporations. For as long as he or she remains a member of the Board of Directors of the WECC, a Director will abide by the following standards of conduct.

- I. Duty of care. The Directors of a corporation are bound to use due care and to be diligent in respect to the management and administration of the affairs of the corporation. This duty of care is generally thought to have two components: the time and attention devoted to corporate affairs and the skill and judgment reflected in business decisions.
  - A. Each Director will regularly attend Board of Directors meetings, digest the materials sent to him or her, participate in Board discussions and make independent inquiries as needed.
  - B. In voting on any matter before the Board or otherwise acting in his or her capacity as a Director, each Director will:
    1. make reasonable inquiry to inform himself or herself of the nature and consequences of the matter or action at issue;
    2. exercise, at a minimum, the degree of care, skill, and diligence that an ordinarily prudent business person would exercise under similar circumstances; and
    3. act in a manner the Director, in the exercise of his or her independent judgment, believes to be in the best interests of the WECC and the membership of the WECC, taken as a whole.
  - C. In exercising the duty of care described in paragraphs IA and B above, a Director has the right to rely on statements by the persons immediately in charge of business areas of the WECC, to rely on professionals and experts (such as engineers, accountants and lawyers) and to rely on committees of the WECC, unless facts or circumstances appear which would prompt further concerns of the ordinarily prudent person.
- II. Duty of loyalty. The duty of loyalty imposes on a Director the obligation to remain loyal to the WECC, acting at all times in the best interests of WECC and its Members as a whole and unhampered by any personal pecuniary gain. This duty does not preclude a Director from being employed in a competing or related business so long as the Director acts in good faith and does not interfere with the business of the WECC.
  - A. Each Director will carry out his or her duties as a Director in good faith.

- B. Each Director will refrain from using any influence, access, or information gained through his or her service as a Director to confer any improper personal benefit (financial or otherwise) upon himself or herself, any family member, or any person living in the Director's household.
- C. Each Director will refrain from using any influence, access, or information gained through his or her service as a Director to confer an improper benefit (financial or otherwise) on any organization:
  - 1. for which the Director serves as an officer, director, employee, consultant, or in any other compensated or management position; or
  - 2. in which the Director or any family member or person living in the Director's household has a material financial interest (whether as a shareholder, partner, or otherwise).
- D. To the extent permitted by law, each Director will maintain the confidentiality of:
  - 1. any confidential or proprietary information of the WECC disclosed or available to the Director;
  - 2. any confidential or proprietary information of WECC Member(s) to which the Director has access by virtue of his or her status as Director; and
  - 3. any confidential or proprietary information of third parties that has been provided to the WECC or the Board on condition of confidentiality.
- E. Conflicts of Interest. Because conflicts of interest may arise from time to time, specific guidelines are provided. In general, conflicts of interest involving a Director are not inherently illegal nor are they to be regarded as a reflection on the integrity of the Board or of the Director. It is the manner in which the Director and the Board deal with a disclosed conflict that determines the propriety of the transaction.

Directors of nonprofit corporations may have interests in conflict with those of the corporation. The duty of loyalty requires that a Director be conscious of the potential for such conflicts and act with candor and care in dealing with these situations.

The following are guidelines for Directors with actual or potential conflicts of interest:

- 1. Each Director has a responsibility to recognize potential conflicts of interest and to be guided when acting as a Director by his or her independent judgment of what is in the best interests of the WECC and the membership of the WECC, taken as a whole. If any Director has questions about whether a conflict of interest exists, he or she may make inquiry to the Chief Executive Officer of the WECC for advice.

2. Potential conflicts of interest may arise because of a Director's private, individual interests (personal conflicts of interest) or because of relationships the Director may have with other organizations or interest groups (organizational conflicts of interest). Current or past employment or other compensation-based relationships with one or more WECC Members are examples of potential organizational conflicts of interest. Whether a potential conflict of interest is personal or organizational, in all cases involving WECC affairs a Director's conflicting interests are subordinate to those of the WECC and the membership of the WECC, taken as a whole.
3. Personal conflicts of interest.
  - a. Personal conflicts of interest exist if a Director, a member of the Director's family, or a person sharing the Director's household: 1) has a material financial interest in a matter or transaction that comes before the Board for action; or 2) stands to receive a benefit (in money, property, or services) from a transaction involving the WECC to which the person is not legally entitled.
  - b. In cases of personal conflicts of interest, the affected Director's obligations are to:
    - (1) disclose to the Board, before the Board acts with respect to that matter, the material facts concerning the Director's personal conflict of interest; and
    - (2) refrain from voting, and from attempting to influence the vote of any other Director(s), in those matters in which the Director has a personal conflict of interest.
4. Organizational conflicts of interest.
  - a. An organization has a "direct" conflict of interest if a decision by the Board would confer material benefits on that organization that other WECC Members would not share, or impose material detriments or costs on that organization that other WECC Members would not share. The fact that many if not all Members are affected to some extent by Board decisions on core issues such as standards, new transmission lines and their ratings, does not create or constitute a "direct" conflict of interest.
  - b. It is not a "direct" conflict of interest for a Director to be associated with an organization or an interest group that may stand to benefit from decisions made or actions taken by the Board, so long as the Director does not attempt to use his or her position as a Director to confer special benefits on associated organizations or interest groups when other WECC Members would not share in those benefits.

- c. In cases of potential “direct” organizational conflicts of interest, the affected Director’s obligations are to:
- (1) disclose to the Board, before the Board acts with respect to the matter, the material facts concerning the organizational conflict of interest; and
  - (2) refrain from voting and from attempting to influence the vote of any other Director(s) with respect to the proposed action or decision.



## **Appendix B Officers and Employee Standards of Conduct**

By accepting employment with the Western Electricity Coordinating Council (the “WECC”), an Employee agrees to abide by these Standards of Conduct. For the purpose of these Standards, an Employee includes each and all officers, employees and substantially full-time consultants and contractors of the WECC.

- I. Duty of care. The Employees of the WECC are bound to use due care and to be diligent in respect to the management and administration of the affairs of the corporation. This duty of care is generally thought to have two components: the time and attention devoted to corporate affairs and the skill and judgment reflected in business decisions.

Employees shall not have any outside employment that limits in any way their ability to fulfill their employment responsibilities to WECC. If an Employee has any question about whether outside employment is consistent with this standard, they should consult with their supervisor.

- II. Duty of loyalty. The duty of loyalty imposes on an Employee the obligation to remain loyal to the WECC, acting at all times in the best interests of WECC and its Members as a whole and unhampered by any personal pecuniary gain. The WECC expects all Employees to avoid adversely affecting the public’s confidence in the integrity and reputation of the WECC. Any conduct or activities of any Employee should be capable of being justified and withstanding public scrutiny.
- A. Each Employee will carry out his or her duties as an Employee in good faith, with integrity and in a manner consistent with these Standards and all applicable laws governing the WECC.
- B. Each Employee will refrain from using, or creating the appearance of using, any influence, access, or information gained through his or her service as an Employee to confer any improper personal benefit (financial or otherwise) upon himself or herself, or Family Member.<sup>1</sup> Employees shall not accept gifts or entertainment that would tend to affect, or give the appearance of affecting, the performance of their duties; provided, however, that Employees may accept de minimus food or entertainment or non-cash gifts received as part of a social or special occasion in amounts not to exceed \$1000 per source per year.
- C. Each Employee will refrain from using, or creating the appearance of using, any influence, access, funds or information gained through his or her service as an Employee to confer an improper benefit (financial or otherwise) on any organization. The

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<sup>1</sup> For purposes of these Standards, a Family Member includes a spouse, domestic partner, child of the Employee, or a relative living in the same home as the Employee.

obligation to avoid the appearance of impropriety shall apply in particular to any organization:

1. for which the Employee is serving or has in the past served as an officer, director, employee, consultant, or in any other compensated or management position; or
  2. in which the Employee, or Family Member has a material financial interest known to the Employee (whether as a shareholder, partner, or otherwise).
- D. Employees shall not use their WECC position, WECC funds or WECC resources to support any political party, candidate or proposition except as expressly authorized by the Board.
- E. To the extent permitted by law, each Employee shall maintain the confidentiality of:
1. any confidential or proprietary information of the WECC disclosed or available to the Employee;
  2. any confidential or proprietary information of WECC Member(s) to which the Employee has access by virtue of his or her status as Employee; and
  3. any confidential or proprietary information of third parties that has been provided to the WECC or the Board on condition of confidentiality.
- F. Conflicts of Interest. The following conflicts of interest policy shall apply to all WECC Employees. Conflicts of interest may arise from time to time. In general, conflicts of interest involving an Employee are not inherently illegal, nor are they to be regarded as a reflection on the integrity of the WECC or of the Employee. It is the manner in which the Employee and the WECC deal with a disclosed conflict that determines the propriety of the transaction. The following are guidelines for Employees with actual or potential conflicts of interest:
1. In general, personal conflicts of interest exist if an Employee, or a Family Member, has a material financial interest in a matter or transaction that comes before WECC for action, or stands to receive a benefit (in money, property, or services) from a transaction involving WECC to which the person is not legally entitled. For purposes of determining whether stock constitutes a material financial interest, see Paragraph F(6) below.
  2. Organizational conflicts of interest exist if an Employee, or a Family Member, has a relationship with an organization or interest group that would cause a reasonable person to believe such Employee's judgment, loyalty, or objectivity might be influenced in a way that is adverse to the interests of WECC.
  3. Where there is any question about potential conflicts of interest, the Employee shall disclose to the Chief Executive Officer as soon as possible and prior to when

WECC takes action with respect to that matter, the material facts concerning the Employee's personal conflict of interest, and refrain from participating in, or from attempting to influence the action of any Directors or Employee(s) of WECC regarding those matters in which the Employee has a conflict of interest.

4. No Employee may be an employee, director of, or consultant to or provide services to or be associated in any way with any WECC Member without full disclosure to, and written consent of, the Chief Executive Officer. To the extent that an Employee becomes aware that a Family Member is or will in the future be engaged in activity described in this Paragraph F(4), the Employee shall promptly notify the Chief Executive Officer, who shall review all the material facts and determine whether they constitute a conflict of interest pursuant to Paragraphs F(1) and F(2), above.
5. No Employee shall participate in any electric energy transaction other than for ordinary personal use except to the extent necessary to, and consistent with, the functions of WECC. Participation in an energy transaction includes, but is not limited to, purchasing, selling, marketing, or brokering of electricity, ancillary services, electricity transmission or electricity distribution. To the extent that an Employee becomes aware that a Family Member is or will in the future be engaged in activity described in this Paragraph F(5), the Employee shall promptly notify the Chief Executive Officer who shall review all the material facts and determine whether they constitute a conflict of interest pursuant to Paragraphs F(1) and F(2), above.
6. All Employees shall promptly disclose to the CEO and the Chair of the Board any direct or indirect financial interest in excess of \$5,000 (including the direct or indirect ownership of securities) held by the Employee or a Family Member living with the Employee<sup>2</sup> in any Electric Line of Business entity as defined in Section 3.15 of the Bylaws doing business in the Western Interconnection. Upon such disclosure, the CEO and the Chair of the Board shall determine whether such financial interest constitutes a conflict of interest, or the appearance thereof, in light of the duties of the Employee, the ability to divest such financial interest without undue hardship and the totality of the circumstances. In response to such disclosure, the CEO and the Chair may impose such remedies as are reasonable under the circumstances and consistent with section 9.3 of the Bylaws. Such remedies may include, but are not limited to, restrictions on the Employee's duties or involvement in certain matters, transfer of the Employee to another position, broader disclosure of the financial interest, voluntary or mandatory divestiture of the interest (in whole or in part) or other remedies. Pursuant to section 9.3.2 of the Bylaws, if an Employee (not a Family Member) receives a gift or inheritance of securities

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<sup>2</sup> Nothing in this section shall require an Employee to investigate the financial interests of Family Members not living with the Employee. However, to the extent known to the Employee, the financial interests of a Family Member not living with the Employee may create a potential conflict of interest (or appearance thereof) subject to Sections II(B) and/or II(F)(1) of these standards, in which case disclosure pursuant to Section II(F)(3) is appropriate.

of a Member of the WECC, or if a new Member joins the WECC in which the Employee (not a Family Member) holds securities, the Employee must resign or divest such securities within six months thereafter. For the purposes of this section, none of the following shall constitute a direct or indirect financial interest:

- a. An interest that exists through diversified mutual funds;
- b. An interest that exists for six months following receipt of a gift or inheritance of securities of a Market Participant or acceptance of employment with the WECC, whichever is later (provided that employees of the WSCC shall have two years from the WECC organizational meeting to divest securities in their possession as of that date);
- c. An interest that exists through a pre-existing participation in a qualified defined benefits pension plan or health benefits plan of a Market Participant so long as the benefits under such plan do not vary with the economic performance or value of the securities of such Market Participant.

## Appendix C

### WECC Dispute Resolution Procedures

#### C. DISPUTE RESOLUTION.

C.1 Obligation To Comply with Dispute Resolution Procedures. If any dispute concerning one or more issues identified in Section C.2 below arises between a Member and one or more other Members, or between one or more Members and WECC, all of the parties to the dispute shall, to the extent permitted by law, be obligated to comply with the dispute resolution procedures specified in these Bylaws (except to the extent all of the parties to the dispute may agree otherwise as provided in Section C.4 below). Only Members and WECC have the right to invoke the provisions of this Appendix C and, except where all affected parties have separately agreed otherwise with respect to a particular dispute, only Members and WECC are obligated to carry out the dispute resolution procedures set forth herein. Any dispute subject to the provisions of this Appendix C to which WECC is made a party shall be subject to the additional requirements specified in Section C.3 below if the dispute is initiated by a party other than WECC. To the extent permitted by law (and except as otherwise permitted by the provisions of Section C.6.3), no party to a dispute subject to the provisions of this Appendix C may pursue any other available remedy with respect to the dispute until all of the parties to the dispute have fully complied with the dispute resolution procedures specified herein, *provided, however*, that if any party to a dispute subject to the provisions of this Appendix C refuses to comply with the dispute resolution procedures specified herein, all other parties to the dispute shall subsequently be relieved of any further obligation to comply with these dispute resolution procedures before pursuing other remedies in connection with that dispute.

C.2 Issues Subject to Dispute Resolution Procedures. Any dispute between or among the parties identified in Section C.1 above (that the parties to the dispute do not resolve through negotiations between or among themselves) shall be subject to the dispute resolution procedures set forth in this Appendix C if the dispute concerns: (i) the application, implementation, interpretation, or fulfillment of any guidelines, criteria, policies, procedures, or Bylaws of WECC or the North American Electric Reliability Council (or any successor organization); or (ii) any matter specified in Section C.6.2 below; except that any matter that is subject to the jurisdiction of the WECC Compliance Hearing Body is not subject to the requirements of this Appendix C. Notwithstanding the foregoing provisions of this Section C.2, however, neither WECC nor any Member shall be obligated to comply with the dispute resolution procedures of these Bylaws if: (a) the matter in dispute falls within the scope of the dispute resolution procedures set forth in the governing agreements of the Western Regional Transmission Association, the Southwest Regional Transmission Association, or the Northwest Regional Transmission Association to the extent that such organizations continue to exist; (b) the dispute is between two or more Members (or WECC), all of which, at the time of the dispute, are parties to the WECC Reliability Management System Agreement and the matter is within the scope of the dispute resolution procedures set forth in that agreement; or (c) the dispute is between two or more Members, all of which, at the time of the dispute, are parties to a separate agreement or treaty or where an applicable tariff, rate schedule, or other legal obligation of one of the parties provides for the parties to resolve the dispute in a manner other than in accordance with the provisions of this Appendix C of the Bylaws. With regard to a transmission access matter pursuant to Sections 10.1.2, 10.1.3, 10.5 and C.6.2.3, however, members agree that their rights and obligations pursuant to

Sections 210 and 211 of the FPA shall not by themselves supersede or relieve them of their obligation, if any, to participate in the procedures set forth in this Appendix C.

C.3 Limitations on Members' Rights To Make WECC a Party to a Dispute. In addition to the other provisions of this Appendix C of the Bylaws, any dispute (other than a dispute initiated by WECC) to which WECC is made a party shall be subject to the limitations set forth in Sections C.3.1 and C.3.2 below.

C.3.1 Bases for Using Dispute Resolution Procedures To Challenge WECC Action.

Subject to any limitation set forth in these Bylaws or in applicable statute, regulation or FERC order, one or more Members may use the dispute resolution procedures specified in this Appendix C to challenge any final action of WECC only on one or more of the following bases: (i) the action is contrary to applicable law or regulation; (ii) the action is contrary to WECC's Articles of Incorporation or these Bylaws (including WECC's purposes as set forth in those documents); (iii) the action was taken in violation of applicable procedures of WECC governing that action; or (iv) the action encompasses a decision in which there was plain error material to the decision. For purposes of this Appendix C, action taken by WECC shall be deemed final if: (a) the action has been taken or adopted or approved or accepted by WECC's Board of Directors (other than by a motion specifically providing that the action is conditional or will have temporary application not to exceed six months); (b) all conditions specified to make any conditional action of WECC's Board of Directors effective have been fulfilled; or (c) the action has been taken or adopted or approved or accepted by a committee, subcommittee, task force, or other group or person acting under authority of WECC without any provision making the action

subject to further approval or adoption or acceptance by the Board of Directors. Nothing contained in this Appendix C shall limit any rights any Member (or any other party) may have under applicable law or regulation to initiate or participate in an administrative or legal action to which WECC is made a party in accordance with applicable provisions of law or regulation.

- C.3.2 Obligation to Bear WECC's Share of Facilitator Costs. If one or more Members initiate a dispute under this Appendix C to challenge an action of WECC, the Member(s) initiating the challenge shall be obligated to bear all of the costs of facilitators' services incurred to comply with the requirement of Section C.5 below, except to the extent WECC agrees to pay a share of the costs of facilitators' services.
- C.4 Ability to Modify Dispute Resolution Procedures by Agreement. Any provision of the dispute resolution procedures set forth in this Appendix C may be modified, waived, or omitted by agreement of all of the parties to the dispute. Parties to a dispute subject to these provisions are obligated to comply with its procedures unless all of the parties to the dispute agree to do otherwise. The manner in which the dispute resolution procedures set forth in this Appendix C may be varied include (by way of example and not as limitation): the manner of selecting a facilitator or arbitrator; the procedures or time lines to be followed during mediation or arbitration; the grounds or forum or right to appeal an arbitrator's decision; the manner of allocating fees and costs associated with the dispute; whether the parties are obligated to proceed to arbitration if the dispute is not resolved through mediation; and whether a decision rendered through arbitration is binding on the parties. In addition, any dispute that does not fall within the scope specified in Section C.2 above may



be resolved according to the procedures set forth in Appendix C of these Bylaws if all of the parties to the dispute agree to do so.

C.5 Mediation.

C.5.1 Notice to Other Parties and WECC's Chief Executive Officer. To initiate the dispute resolution process with respect to a dispute governed by the provisions of this Appendix C, the Member or WECC that has elected to initiate the dispute shall deliver to all other parties to the dispute and to WECC's Chief Executive Officer (whether or not WECC is a party to the dispute) written notice invoking the dispute resolution procedures set forth in this Appendix C (a "Dispute Notice").

C.5.1.1 The Dispute Notice shall: (i) include a brief, general description of the matter(s) in dispute; (ii) include a complete list of all other Members the party submitting the Dispute Notice intends to make a party to the dispute; and (iii) state whether or not WECC is to be made a party to the dispute.

C.5.1.2 Within five business days of receiving a Dispute Notice, any party to the dispute may elect to deliver a brief supplemental description of the dispute to WECC's Chief Executive Officer.

C.5.1.3 Within 10 business days of receiving an initial Dispute Notice, WECC's Chief Executive Officer shall: (a) publish (or cause to be published) in WECC's newsletter or on its electronic bulletin board a notice containing a list of the parties to the dispute and a summary of the descriptions of the matter(s) in dispute provided by the parties to the dispute; and (b) deliver to each party to the dispute a copy of WECC's then-current standing list of

qualified facilitators, knowledgeable in the matters addressed by WECC (as approved by the Board of Directors).

C.5.1.4 No person may be listed on WECC's standing list of qualified facilitators unless the person has agreed to: (i) disclose, at any time the person is selected to serve as a facilitator under this Appendix C, any personal or financial interest the facilitator may have with respect to the matter(s) in dispute (including any indirect personal or financial interest that could arise because of interests or relationships affecting any of the facilitator's immediate family members); (ii) disclose any relationship the facilitator may have with any party to the dispute that is not permitted under Section C.5.2 below; and (iii) abide by all applicable provisions of these Bylaws, including restrictions on disclosure of matters discussed and information exchanged during mediation as provided in Section C.5.3 below.

C.5.2 Selection of a Facilitator. Within 10 calendar days after the delivery of a Dispute Notice, the parties to the dispute shall select a neutral facilitator by mutual agreement. If the parties to the dispute cannot agree on a facilitator within 10 calendar days after delivery of a Dispute Notice, the facilitator shall be selected from WECC's standing list of qualified facilitators as follows: The parties to the dispute shall take turns striking names from WECC's standing list of qualified facilitators until there is only one name remaining. (The parties to the dispute shall draw lots to determine the order in which they take turns striking names.) The last person whose name remains on the list shall serve as the facilitator. No facilitator other than a facilitator chosen by agreement of all the parties to the dispute may (i) have a

personal or financial interest in the matter(s) in dispute (including any indirect personal or financial interest that could arise because of interests or relationships affecting any of the facilitator's immediate family members); or (ii) be (or have an immediate family member who is) a past or present director, commissioner, officer, employee, consultant, agent, or other representative of any of the parties to the dispute. If the facilitator selected through the process of striking names specified above is disqualified under the preceding sentence, the facilitator whose name was stricken last shall serve in his or her place. In addition, if WECC is a party to a dispute initiated by one or more Members, turns striking names from the standing list of qualified facilitators shall alternate between WECC on the one hand and all other parties to the dispute on the other.

C.5.3 Mediation Process. The facilitator and representatives of all of the parties to the dispute shall meet within 14 calendar days after the facilitator has been selected and attempt in good faith to negotiate a resolution to the dispute. Each party's representative designated to participate in the mediation process must have the authority to settle the dispute (or, at a minimum, be authorized to negotiate on behalf of the party and make recommendations with respect to settlement of the dispute if final authority to approve a settlement is reserved to a party's board, executive committee, commission, or other governing body). At the parties' initial meeting with the facilitator, the facilitator shall, after soliciting input from the parties to the dispute, set the schedule for further meetings among the parties to the dispute (subject to the 60-day maximum mediation period specified in Section C.5.6 below). The parties to the dispute shall comply with the schedule set by the facilitator and attempt in good faith at every meeting to negotiate a resolution to the dispute. To the

extent permitted by law, neither the facilitator nor any party to the dispute may publicly disclose, rely on, or introduce as evidence in any subsequent arbitration, FERC proceeding, Canadian Regulatory Authority proceeding, proceeding before a Mexican Regulatory Authority, appeal, or litigation concerning the same or any related dispute: (i) any views expressed or suggestions made by another party to the dispute with respect to a possible settlement of the dispute; (ii) admissions made by another party to the dispute in the course of the mediation proceedings; (iii) proposals made or views expressed by the facilitator; or (iv) the fact that another party to the dispute has or has not indicated willingness to accept a proposal for settlement made by the facilitator. In those cases in which a party to a dispute subject to the provisions of this Appendix C of the Bylaws is a membership organization (including WECC, if applicable), nothing in the preceding sentence shall prohibit that organization from reasonably communicating with its members and governing body to share general information about the dispute, such as the parties, status, disputed issues, and positions of each of the parties with respect to the disputed issues.

C.5.4 Referral for Resolution. With the consent of all parties to the dispute, a resolution may include referring the matter to a technical body (such as a technical advisory panel of WECC) for resolution or an advisory opinion, to arbitration, directly to FERC or, in a dispute involving a Canadian Member, directly to the appropriate Canadian Regulatory Authority, or, in a dispute involving a Mexican Member, directly to the appropriate Mexican Regulatory Authority.

C.5.5 Mediation Participation by WECC Staff When WECC Not a Party. If, during the course of mediation to which WECC is not a party, the facilitator or any party to the dispute wishes to solicit the views of WECC concerning the application,

implementation, interpretation, or fulfillment of any guidelines, criteria, standards, policies, or procedures of WECC, the facilitator may request or permit the submission of WECC staff views only if: (i) any participation by WECC staff takes place exclusively in the presence of all parties to the dispute; (ii) participating WECC staff members agree to be equally available upon request to all parties to the dispute; and (iii) participating WECC staff members agree to comply with the restrictions on disclosure contained in Section C.5.3.

C.5.6 Mediation Deemed at Impasse After 60 Days. If the parties to the dispute have met and negotiated in good faith in accordance with the schedule set by the facilitator but have not succeeded in negotiating a resolution of the dispute within 60 calendar days after the first meeting with the facilitator pursuant to Section C.5.3 above, the parties to the dispute shall be deemed to be at impasse and, except as otherwise provided in Section C.5.6.2 below, shall also be deemed to have fulfilled their obligations under Section C.1 of these Bylaws to fully comply with the dispute resolution provisions before pursuing any other available remedy. If any party participating in the mediation process is subject to a contractual or statutory limitations period with respect to the matter in dispute, and the limitations period will expire before the 60-day period for mediation under this Section C.5.6 is completed, then the parties shall be deemed at impasse on the seventh calendar day preceding the expiration of the shortest applicable limitations period.

C.5.6.1 Disputes Not Subject to Provisions of Section C.6.2. Unless the matter in dispute is subject to the provisions of Section C.6.2 below, at any time after the parties to the dispute are deemed at impasse, the dispute may be submitted to binding arbitration in accordance with the procedures set forth in Section C.7 of these Bylaws (but only by agreement of all of the parties to the dispute). If the matter in dispute is subject to the provisions of

Section C.6.2 below, the parties' obligations with respect to submitting the matter to binding arbitration under Sections C.6 and C.7 of these Bylaws shall be as specified in Section C.5.6.2 below. In all other cases, if the parties to the dispute do not agree to submit the dispute to binding arbitration in accordance with the procedures set forth in Section C.7 of these Bylaws, any party to the dispute may at any time thereafter pursue any other remedy available under regulation, law, or equity (subject to the restrictions on disclosure set forth in Section C.5.3 above).

C.5.6.2 Disputes Covered by Section C.6.2. If the parties to a dispute concerning a matter subject to the provisions of Section C.6.2 either: (i) are deemed at impasse after attempting to resolve the matter through mediation as provided in Sections C.5.1 through C.5.6 above; or (ii) have agreed to submit the matter directly to binding arbitration without attempting to resolve the matter through mediation as provided in Sections C.5.1 through C.5.6 above, the parties to the dispute shall submit the matter to binding arbitration in accordance with the procedures set forth in Sections C.6 and C.7 of these Bylaws.

C.5.7 Costs of Facilitator's Services. Except as otherwise provided under Section C.3.2, the costs of the facilitator's services shall be born equally by all parties to the dispute unless the parties to the dispute agree otherwise, but the parties also intend that the costs of mediation should be taken into account in any resolution proposed through the mediation process.

C.5.8 Notice to WECC of Completion of Mediation. Within 10 calendar days after either: (i) reaching a negotiated resolution through the mediation process set forth in Section C.5; or (ii) reaching deemed impasse in accordance with Section C.5.6 above, the parties to the dispute shall jointly deliver to WECC's Chief Executive Officer a written notice briefly describing the outcome of the mediation process. Promptly

after receiving written notice describing the outcome of a mediation conducted in accordance with Section C.5, WECC's Chief Executive Officer shall publish (or cause to be published) in WECC's newsletter or on its electronic bulletin board a brief description of the outcome of the mediation, together with a list of all of the parties to the dispute.

C.6 General Provisions Relating to Binding Arbitration.

C.6.1 Matters for Which Binding Arbitration is Elective. Except with respect to any dispute that concerns one or more matters specified in Section C.6.2 below, the binding arbitration procedures set forth in Section C.7 may be invoked only by agreement of all of the parties to the dispute to be arbitrated and are solely for the convenience of WECC and its Members. If a dispute governed by this Appendix C does not concern a matter specified in Section C.6.2 below, a party to the dispute shall be deemed to have fulfilled its obligations to comply with Appendix C of these Bylaws (irrespective of whether the parties to the dispute agree to proceed with binding arbitration) to the extent that either: (i) that party has fully performed the obligations set forth in Sections C.1 through C.5.8; or (ii) all of the parties to the dispute have agreed to a different process for resolving the dispute and the agreed-upon process has been fully carried out.

C.6.2 Matters for Which Binding Arbitration Is Obligatory. If a dispute is governed by Appendix C of these Bylaws and is not resolved through the process of mediation in accordance with Sections C.5.1 through C.5.6 above, the parties shall be obligated to submit the matter to binding arbitration in accordance with the procedures set forth in Section C.7 (subject to the limitations on the arbitrator's authority set forth in Section C.6.3 below) if the dispute concerns one or more of the following matters:

- C.6.2.1 a decision of WECC’s Board of Directors or a Committee of the Board acting on the recommendation of, or on a matter within the jurisdiction of, the Operating Transfer Capability Policy Group (“OTCPG”) or successor;
  - C.6.2.2 a transmission path rating, or a modification to a transmission path rating, assigned to one or more transmission paths operated by a Member (or jointly operated by more than one Member);
  - C.6.2.3 transmission access, pursuant to Sections 10.1.2, 10.1.3, and 10.5; or
  - C.6.2.4 any matter that, by vote of both WECC’s Board of Directors and WECC’s Membership, is designated as a matter to be subject to the provisions of Section C.6.2 of these Bylaws, provided that any matter submitted to WECC’s Membership pursuant to this provision must be approved by at least the number of votes required to amend these Bylaws under Section 13.2.
- C.6.3 Limitations on Arbitrator’s Authority with Respect to Matters Specified in Section C.6.2. Unless all of the parties to a dispute agree otherwise, an arbitrator rendering a decision with respect to any matter specified in Section C.6.2 above shall have no authority to consider or award remedies for past economic harm or damages of any kind, including without limitation actual or direct damages; indirect, consequential, or incidental damages; or exemplary or punitive damages. Nothing in this Section C.6.3 shall: (i) limit any rights that a party to a dispute concerning a matter specified in Section C.6.2 above may have to pursue legal claims for damages or other economic remedies after the arbitrator has rendered his or her decision on that matter (within the scope of his or her authority under this Section C.6.3); or (ii) limit an



arbitrator's authority under Section C.8 below to shift costs or impose monetary sanctions for "good cause" (as that term is defined in Section C.8).

C.6.4 Arbitration Decisions Not To Modify Underlying Rights and Obligations. Unless all of the parties to a dispute agree otherwise, the resolution through binding arbitration of any dispute governed by this Appendix C shall not have the effect of increasing, decreasing, or otherwise modifying WECC's or any Member's obligation to abide by, or ability to enforce or impose penalties or sanctions with respect to, any guidelines, criteria, standards, policies, procedures, decisions, or Bylaws of WECC or any limitation on the foregoing, whether established by law; regulation; judicial, executive, or administrative order, decree, or decision; tariff; contract; course of performance; treaty; or otherwise.

C.6.5 Laws Relating to Binding Arbitration. WECC and its Members recognize that some Members may be subject to laws (including without limitation United States federal or state laws, Canadian or provincial laws, or Mexican laws) that limit or define those Members' ability to agree in advance to be subject to binding arbitration. If a Member has the right or obligation under applicable law to refuse to submit to binding arbitration in connection with any dispute that would otherwise be subject to binding arbitration under Section C.6.2 of these Bylaws, that Member shall not be obligated to comply with the binding arbitration procedures set forth in Sections C.6 and C.7. Any Member subject to any law or other legally binding authority that may limit (or permit the Member to limit) its obligation to comply with the provisions requiring binding arbitration under Sections C.6 and C.7 or to fully comply with a valid arbitrator's decision rendered in accordance with this Appendix C shall provide

notice to this effect to all other disputing parties and WECC's Chief Executive Officer upon initiation of any dispute involving that Member if the dispute is subject to Section C.6.2. Upon receiving a notice under Section C.6.5, any other party to the dispute shall thereafter be relieved of any obligation to comply with the provisions Sections C.6 and C.7 in connection with that dispute, except to the extent that the Member giving notice agrees to be fully bound by procedures governing and results of any arbitration proceeding. If there are more than two parties to a dispute covered by the preceding sentence, however, then all parties to the dispute other than the party giving notice under Section C.6.5 shall make good faith efforts to establish a mutually acceptable approach for resolving among themselves whatever aspects of the dispute can reasonably be resolved through the procedures set forth in this Appendix C without the participation of the party giving notice under Section C.6.5. If any Member fails to submit to binding arbitration, or fails to abide by a valid arbitrator's decision rendered in accordance with this Appendix C, that Member shall thereafter have no right to enforce any of the provisions of Section C.6.2 (concerning obligations to submit specified disputes to binding arbitration) against any other Member or WECC until such time as the WECC Board of Directors, or a delegate designated by the Board, determines that it is appropriate to restore the Member's ability to enforce the provisions of Section C.6.2.

C.6.6 Consistency with Laws, Regulatory Jurisdiction and Orders, Etc. Nothing contained in this Appendix C and no arbitrator's decision rendered in accordance with Section C.7 shall be construed to require or shall otherwise operate to cause any Member or WECC to incur any obligation or take any action that is contrary to: (i) any

applicable law or regulation; (ii) any applicable authority, order, decree, rule, or decision of a regulatory, judicial, administrative, executive, or other governmental body having jurisdiction over one or more of the matters or parties subject to this Appendix C or covered by an arbitrator's decision; or (iii) any applicable rate schedule, tariff, treaty, or valid, pre-existing contractual obligation with which any party subject to this Appendix C or covered by an arbitrator's decision is legally obligated to comply.

C.7 Arbitration Procedures.

C.7.1 Notice to WECC of Initiation of Binding Arbitration. Within 10 calendar days after all of the parties to a dispute have agreed (or become obligated under Section C.6.2 above) to submit the dispute to binding arbitration under Sections C.6 and C.7, the parties to the dispute shall deliver written notice to WECC's Chief Executive Officer (an "Arbitration Notice").

C.7.1.1 The Arbitration Notice shall: (i) include a brief, general description of the issues to be arbitrated; and (ii) identify all parties who have agreed (or become obligated) to submit the dispute to binding arbitration under Sections C.6 and C.7.

C.7.1.2 Within five business days of receiving an Arbitration Notice, WECC's Chief Executive Officer shall: (a) publish (or cause to be published) in WECC's newsletter or on its electronic bulletin board a notice containing a list of the parties to the arbitration and the parties' brief, general description of the issues to be arbitrated; and (b) deliver to each party to the dispute a copy of

WECC's then-current standing list of qualified arbitrators, knowledgeable in matters addressed by WECC (as approved by the Board of Directors).

C.7.1.3 No person may be listed on WECC's standing list of qualified arbitrators unless the person has agreed to: (a) disclose, at any time the person is selected to serve as a arbitrator under this Appendix C, any personal or financial interest the arbitrator may have with respect to the matter(s) in dispute (including any indirect personal or financial interest that could arise because of interests or relationships affecting any of the arbitrator's immediate family members); (b) disclose any relationship the arbitrator may have with any party to the dispute that is not permitted under Section C.7.2 below; (c) assemble a complete record of the arbitration process and the materials received as evidence by the arbitrator if any of the parties to the dispute elect to appeal or contest the arbitrator's decision; and (d) abide by all applicable provisions of and procedures specified by Sections C.6 and C.7.

C.7.2 Selection of an Arbitrator. Within 10 calendar days after all of the parties to a dispute have agreed (or become obligated) to submit the dispute to binding arbitration under Sections C.6 and C.7, the parties to the dispute shall select an arbitrator by mutual agreement. If the parties cannot agree on an arbitrator within 10 calendar days after agreeing to arbitrate their dispute, the arbitrator shall be selected from WECC's standing list of qualified arbitrators as follows: The parties to the dispute shall take turns striking names from WECC's standing list of qualified arbitrators until there is only one name remaining. (The parties to the dispute shall draw lots to determine the order in which they take turns striking names.) The last

person whose name remains on the list shall serve as the arbitrator. No arbitrator other than an arbitrator chosen by agreement of all the parties to the dispute may (i) have a personal or financial interest in the matter(s) in dispute (including any indirect personal or financial interest that could arise because of interests or relationships affecting any of the arbitrator's immediate family members); or (ii) be (or have an immediate family member who is) a past or present director, commissioner, officer, employee, consultant, agent, or other representative of any of the parties to the dispute. If the arbitrator selected through the process of striking names specified above is disqualified under the preceding sentence, the arbitrator whose name was stricken last shall serve in his or her place.

C.7.3 Initial Statements and Proposed Arbitration Decisions. Within 10 calendar days after the selection of an arbitrator under Section C.7.2 above, each party to the dispute shall submit a statement in writing to all other parties to the dispute and to the arbitrator. Each disputing party's statement shall set forth in reasonable detail the nature of the dispute, the issues to be arbitrated, and the party's reasonable, good faith proposal for resolving the dispute. As provided in Section C.5.3 above, to the extent permitted by law, no party to an arbitration conducted under Sections C.6 and C.7 shall publicly disclose, rely on, or introduce as evidence in any arbitration, FERC proceeding, Canadian Regulatory Authority proceeding, proceeding before a Mexican Regulatory Authority, appeal, or litigation concerning the same or any related dispute any information required to be kept confidential by the terms of Section C.5.3.

C.7.4 Procedural Matters. The arbitrator shall determine discovery procedures, how evidence shall be taken, what written submittals may be made, and other such procedural matters, taking into account the complexity of the issues involved, the extent to which factual matters are disputed and the extent to which the credibility of witnesses is relevant to a resolution. Each party to the dispute shall produce all evidence determined by the arbitrator to be relevant and material to the issues presented. If such evidence involves proprietary or confidential information, the party submitting the evidence shall petition the arbitrator for a protective order, and to the extent the arbitrator determines there is good cause the arbitrator shall issue an appropriate protective order and all parties to the dispute shall comply with the protective order. The arbitrator may elect to resolve the arbitration matter solely on the basis of written evidence and arguments.

C.7.5 Out-of-Court Sworn Testimony. At the request of any disputing party, the arbitrator shall have the discretion to allow that party to examine witnesses through sworn out-of-court testimony (referred to in the United States as “deposition” and in Canada as “discovery”) to the extent the arbitrator deems the evidence sought to be relevant and appropriate. In general, out-of-court witness examinations shall be limited to a maximum of three per party and shall be held within 30 calendar days after the making of a request. Each witness examination shall be limited to a maximum of three hours’ duration. The arbitrator shall have the discretion to permit the number and duration of examination sessions allowed under this Section C.7.5 to be increased, and to extend the 30-day time limit, upon request for good cause shown.

All objections are reserved for the arbitration hearing except for objections based on privilege and proprietary or confidential information.

C.7.6 Intervention by Other Parties. Unless all of the parties to the dispute agree otherwise, no one (whether a Member, WECC, or any other entity or person) that is not a party to a dispute at the initiation of arbitration under Sections C.6 and C.7 shall have the right to intervene in the arbitration. Any party wishing to intervene in an arbitration under Sections C.6 and C.7 may petition the arbitrator for permission to intervene, provided that the petition is submitted to the arbitrator not more than 30 calendar days after notice of the arbitration is posted by WECC's Chief Executive Officer in accordance with Section C.7.1. The arbitrator shall have the discretion to permit a party to intervene if the arbitrator determines that the party petitioning to intervene has a direct and substantial interest in the outcome of the arbitration. In exercising his or her discretion concerning a requested intervention, the arbitrator shall also consider any additional complexity or delay that may be caused by allowing the intervention and also any other remedies available to the party requesting intervention. Any party that is granted the privilege of intervening in an arbitration under Sections C.6 and C.7 shall be permitted to intervene subject to the same terms, conditions, limitations, rights, and obligations of all other parties to the dispute, including without limitation the binding effect of arbitrator's decision, limitations on rights of appeal, the obligation to share equally in the costs of the arbitrator, and the obligation to be subject to the provisions of Section C.8.

C.7.7 Consideration of WECC Criteria, Etc. The Arbitrator shall give due consideration to the reliability criteria, standards, guidelines, policies, and procedures of WECC and

the North American Electric Reliability Council (or any successor organization) to the extent they are relevant to resolution of the matter(s) in dispute. If the arbitrator's decision will include interpretation of any of WECC's reliability criteria, standards, guidelines, policies, and procedures, (and WECC is not a party to the arbitration), the arbitrator shall, before rendering his or her decision, consult with WECC (subject to the provisions of Section C.7.10 below) concerning the interpretation of WECC's applicable reliability criteria, standards, guidelines, policies, and procedures.

C.7.8 Evidence and Rebuttal. The arbitrator shall consider all issues material to the matter(s) in dispute. The arbitrator shall take evidence submitted by the parties to the dispute in accordance with procedures established by the arbitrator and may request additional information the arbitrator deems material to the resolution of the dispute. With the consent of all parties to the dispute, the arbitrator's request for additional information may include the opinion of any individual or organization with recognized expertise in the matter(s) in dispute, subject to the following conditions: (i) any verbal communication with an expert consulted by the arbitrator must take place exclusively in the presence of all parties to the dispute and copies of any written communications must be provided to all parties to the dispute; (ii) any expert consulted by the arbitrator must agree to be equally available upon request to all of the parties to the dispute; (iii) any expert consulted by the arbitrator must agree to comply with the restrictions on disclosure contained in Section C.5.3; and (iv) all parties to the dispute shall be afforded a reasonable opportunity to question the expert and to rebut any additional information submitted by the expert at the request of the arbitrator.



C.7.9 Arbitrator's Decision. The arbitrator shall make all reasonable efforts to complete hearings (if applicable) and submissions of written evidence not more than 90 calendar days after receiving initial statements submitted under Section C.7.3 above. As soon as practicable, but in no event more than 30 calendar days after the completion of hearings and evidence submittals, the arbitrator shall render his or her final decision for resolving the dispute. By agreement of all of the parties to the dispute or at the discretion of the arbitrator for good cause, the foregoing deadline for delivery of the arbitrator's decision may be extended. The arbitrator's decision shall be based on the arbitrator's good faith determination of a resolution that will: (i) be consistent with any laws, rules, and regulations applicable to the matter(s) in dispute; (ii) be consistent with any valid pre-existing agreements among the parties to the dispute that bear on the matter(s) in dispute; (iii) not require any party to the dispute to take action that is not in compliance with any of WECC's reliability criteria, standards, guidelines, policies, and procedures; and (iv) best serve to promote or maintain reliable operation of the interconnected bulk power systems of the Western Interconnection, without imposing inequitable burdens or benefits on any of the parties to the dispute or others that may be affected by implementation of the arbitrator's decision. The arbitrator shall deliver to each of the parties to the dispute, along with his or her decision, a written statement including specific findings of fact, conclusions of law (if applicable), and an explanation of the arbitrator's basis for rendering his or her decision. Subject to any protective order that may have been issued under Section C.7.4 above, WECC's Chief Executive Officer shall publish (or cause to be published) in WECC's newsletter or electronic bulletin board a brief

summary of the arbitrator's decision. An arbitrator's decision that is not appealed shall not be deemed to be precedential in any other arbitration related to a different dispute.

C.7.10 WECC Staff Participation in Arbitration When WECC Not a Party. If, during the course of binding arbitration conducted under Sections C.6 and C.7 (in which WECC is not a party) the arbitrator or any party to the dispute wishes to solicit the views of WECC staff concerning the application, implementation, interpretation, or fulfillment of any guidelines, criteria, standards, policies, or procedures of WECC, the arbitrator may request or permit the submission of WECC staff views only with the consent of all of the parties to the dispute and only if: (i) any participation by WECC staff takes place exclusively in the presence of all parties to the dispute; (ii) participating WECC staff members agree to be equally available upon request to all parties to the dispute; and (iii) participating WECC staff members agree to comply with the restrictions on disclosure contained in Section C.5.3.

C.7.11 Compliance and Costs. Unless one or more of the parties to the dispute initiates and notifies all other parties to the dispute that it has initiated a process to contest or appeal the arbitrator's decision under Sections C.9 through C.13, upon the decision by the arbitrator, the parties to the dispute shall, within the time frame specified by the arbitrator, and, subject to Section C.6.6 above, take whatever action is required to comply with the arbitrator's decision to the extent the arbitrator's decision does not require regulatory action. To the extent the arbitrator's decision affects jurisdictional rates, terms and conditions of service, or facilities or otherwise requires local, state, federal, or provincial approval or regulatory action, or a FERC filing or a Canadian

Regulatory Authority filing by a Canadian Member or a Mexican Regulatory Authority filing by a Mexican Member, the affected Member (or WECC, if WECC is the party with the obligation to seek regulatory action) shall, within the time frame specified by the arbitrator, submit the arbitrator's decision or an appropriate filing to implement the arbitrator's decision and support the appropriate authority's acceptance or approval of the arbitrator's decision or implementation filing, except in cases where any party to the dispute has given notice of its intent to contest or appeal the arbitrator's decision. All costs associated with the arbitration (not including costs associated with attorney and expert witness fees incurred by the parties to the dispute) shall be divided equally among the parties to the dispute unless: (i) all of the parties to the dispute agree to an alternate method of allocating costs; or (ii) in rendering his or her decision, the arbitrator exercises his or her discretion under Section C.8 below to assess fees, costs, or other monetary sanctions against one or more of the parties to the dispute for good cause.

C.7.12 Entry of Judgment. At any time after an arbitrator has rendered his or her decision in an arbitration conducted under Sections C.6 and C.7 (provided that the time provided for initiating an appeal under Sections C.11.1 and C.12 below has expired and no appeal or other means of contesting the arbitrator's decision has been initiated), judgment on the decision rendered by the arbitrator may be entered by any court of competent jurisdiction (subject to the provisions of Sections C.6.3, C.6.4, and C.6.6 above). If the award is against the United States, a party to the arbitration may apply to the United States District Court for the district in which the principal office of the

applicable United States department or agency is located for an order confirming the award pursuant to 5 U.S.C. § 580.

C.8 Arbitrator's Discretion to Shift Costs or Impose Sanctions for Cause. Each party to any dispute submitted to arbitration under Sections C.6 and C.7 shall bear its own costs and fees associated with representation and participation in the arbitration process, and shall share equally in the arbitrator's fees except that the arbitrator shall have the discretion, to the extent permitted by law, to require one or more of the parties to the dispute to pay part or all of the costs and fees (including without limitation attorneys' and arbitrator's fees) of one or more other parties to the dispute, or to impose monetary sanctions on some other basis that is reasonable under the circumstances, for good cause. As used in this Section C.8, "good cause" means conduct involving serious abuse of or failure to comply with the dispute resolution process set forth in this Appendix C, willfully undertaken to harass or delay other parties to the dispute or to substantially impede the arbitrator's ability to render a decision consistent with the provisions set forth in Section C.7.9.

C.9 Rights to Appeal Arbitration Decisions. Except to the extent otherwise provided by applicable United States state or federal law, applicable Canadian or provincial law, or applicable Mexican law, a party to a dispute resolved by arbitration under Sections C.6 and C.7 may appeal or contest the arbitrator's decision only on one or more of the bases specified in Section C.9.1 below and only in accordance with the procedures set forth in Sections C.9.2 through C.13.

C.9.1 Grounds for Appealing Arbitration Decisions. A party to a dispute resolved by arbitration under Sections C.6 and C.7 may contest or appeal the arbitrator's decision only on the basis that: (i) the arbitrator's decision is contrary to applicable law or

regulation (including without limitation the FPA or FERC's then-applicable standards or policies, or comparable types of provisions that may apply under applicable Canadian, provincial, Mexican, or other laws and regulations); (ii) the arbitrator's decision is demonstrably arbitrary and capricious and without support in the record assembled during the arbitration; (iii) the arbitrator failed to afford one or more parties to the dispute an opportunity for a fair and meaningful hearing; (iv) the arbitrator engaged in serious misconduct in connection with the arbitration; (v) the arbitrator exceeded the authority conferred upon him or her under this Appendix C or as otherwise established by agreement of all the parties to the dispute; or (vi) the arbitrator's decision is contrary to the provisions of Section C.6.6.

C.9.2 Matter and One or More Parties to Dispute Subject to FERC Jurisdiction. If (i) the subject matter of a dispute arbitrated under Sections C.6 and C.7 is within the jurisdiction of FERC, and (ii) the conditions specified in Section C.12.1 or C.12.2 are satisfied, the rights of the parties to contest or appeal the arbitrator's decision shall be as set forth in Sections C.10 and C.12 below (subject also to the provisions of Section C.9.1 above). Notwithstanding the foregoing, nothing herein shall be construed or operate to require any Canadian or Mexican party or any other party that is not a "public utility" within the meaning of the FPA to make any filing with FERC under Sections 205 or 206 of the FPA.

C.9.3 All Parties and Matters in Dispute Subject to Jurisdiction of a Canadian Regulatory Authority. If all of the parties to an arbitrated dispute are subject to the jurisdiction of a particular Canadian Regulatory Authority, and if all matters in dispute are also subject to the jurisdiction of the same Canadian Regulatory Authority, any disputing

party may appeal an arbitrator's decision to that Canadian Regulatory Authority, where such Canadian Regulatory Authority has jurisdiction to hear the appeal, or to the appropriate Canadian court. Any appeal to a Canadian Regulatory Authority or Canadian court shall be subject to the provisions set forth in Sections C.10 and C.11 below.

- C.9.4 All Parties and the Matter in Dispute Subject to Jurisdiction of a Mexican Regulatory Authority. If all of the parties to an arbitrated dispute are subject to the jurisdiction of a particular Mexican Regulatory Authority, and if all matters in dispute are also subject to the jurisdiction of the same Mexican Regulatory Authority, any disputing party may appeal an arbitrator's decision to the appropriate Mexican Regulatory Authority, subject to the provisions set forth in Sections C.10 and C.11 below.
- C.9.5 Appeal to Court. If none of the preceding provisions concerning appealing or contesting an arbitrator's decision before FERC, a Canadian Regulatory Authority, or a Mexican Regulatory Authority apply to an arbitrated dispute, any party to an arbitrator's decision rendered in accordance with the provisions of Sections C.6 and C.7 may appeal the arbitrator's decision to a court of competent jurisdiction as provided under Section C.13 below.
- C.10 Appealing or Contesting Arbitrator's Decision to FERC or a Presiding Authority. Subject to the conditions specified in Sections C.9.1 through C.9.5 above, any disputing party may appeal or contest an arbitrator's decision to FERC or an appropriate Presiding Authority as follows:
- C.10.1 Record on Appeal. Except as otherwise provided in Section C.10.3 below, any appeal or action to contest an arbitrator's decision to FERC or a Presiding Authority

shall be based solely upon the record assembled by the arbitrator. All parties to arbitrations conducted under Sections C.6 and C.7 intend that: (i) the FERC or other Presiding Authority should afford substantial deference to the factual findings of the arbitrator; (ii) the portion, if any, of the arbitrator's decision relating to issues not of first impression (i.e., matters previously decided by the FERC or other Presiding Authority or a court of competent jurisdiction in cases involving comparable facts and circumstances) should be afforded appropriate deference by the FERC or other Presiding Authority; and (iii) the portion, if any, of the arbitrator's decision relating to issues of first impression should be afforded no deference by the FERC or other Presiding Authority.

C.10.2 No Expansion of Record on Appeal. Except as otherwise provided in Section C.10.3 below, no Member, non-Member, or WECC that has been a party to an arbitration under Sections C.6 and C.7 shall seek to expand the factual record before FERC or a Presiding Authority beyond that assembled by the arbitrator.

C.10.3 Exceptions to Limitations on Record on Appeal. If the arbitrator fails to assemble a complete record of the evidence submitted with respect to an arbitrated decision that is appealed pursuant to Sections C.9 through C.13, the parties to the appeal shall, notwithstanding the provisions of Sections C.10.1 and C.10.2 above, have the right to supplement the arbitrator's record before FERC or the Presiding Authority with any materials received into evidence by the arbitrator but omitted from the record assembled by the arbitrator. If an arbitrator's decision is appealed under Section C.9.1(iii) or (iv) above on the grounds that the arbitrator improperly excluded evidence so as to materially prejudice the outcome of the arbitration with respect to

one or more of the parties to the dispute, any party to the appeal may submit the evidence asserted to be improperly excluded, but only as a basis to request that FERC or the Presiding Authority vacate the arbitrator's decision and remand the matter to the arbitrator (or, if FERC or the Presiding Authority determines that the arbitrator engaged in serious misconduct, to a newly selected arbitrator) for reconsideration of the matter with inclusion of the improperly excluded evidence. If an arbitrator's decision is appealed under Section C.9.1(iv) above on the grounds of serious misconduct by the arbitrator, any party to the appeal may offer new evidence relating to the arbitrator's alleged misconduct.

C.11 Procedures for Appeals to Presiding Authority. If any party to an arbitration under Sections C.6 and C.7 desires to appeal an arbitrator's decision to an appropriate Presiding Authority, it shall provide written notice to that effect to all other parties to the arbitration, the arbitrator, and WECC's Chief Executive Officer within 14 calendar days following the date of the arbitrator's decision. If notice of appeal is timely provided:

C.11.1 Within 30 calendar days after the date of the appealing party's first notice of appeal, the party providing notice of appeal shall file its statement of position regarding the appeal with the Presiding Authority, together with the complete evidentiary record of the arbitration and a copy of the arbitrator's decision. The statement of position shall state that the appeal requested has been the subject of an arbitration pursuant to this Agreement.

C.11.2 Within 30 calendar days after the date of the appealing party's first notice of appeal, any other party that was a party to the arbitration may file its statement of position regarding the appeal with the Presiding Authority.



- C.11.3 Copies of all materials filed with the Presiding Authority by any party during the course of an appeal shall be delivered to all other parties to the arbitration and to WECC's Chief Executive Officer.
- C.11.4 Implementation of the arbitrator's decision shall be deemed stayed pending an appeal unless and until, at the request of a disputing party, the Presiding Authority issues an order shortening or extending the stay of implementation.
- C.11.5 WECC's Chief Executive Officer shall publish (or cause to be published) a summary of each appeal in WECC's newsletter or electronic bulletin board.
- C.11.6 The Members and WECC intend that any Presiding Authority's order resulting from an appeal under Sections C.9 and C.11 shall be subject to judicial review pursuant to laws governing the Presiding Authority and the matter in dispute that provide for judicial review of Presiding Authority action.
- C.12 Procedures for Contesting or Appealing Arbitrator's Decision Before FERC. If any party to a dispute arbitrated under Sections C.6 and C.7 elects, subject to the limitations set forth in Sections C.9.1 through C.9.5 above, to contest or appeal an arbitrator's decision before FERC, the party so electing shall provide written notice to that effect to all other parties to the arbitration, the arbitrator, and WECC's Chief Executive Officer within 14 calendar days following the date of the arbitrator's decision. The provisions contained in Sections C.10.1, C.10.2, and C.10.3 above shall apply with respect to the record of the arbitration submitted to FERC. In addition, the following provisions shall apply:
- C.12.1 FERC Filing by Prevailing Party. If the arbitrator's decision requires the prevailing party to take action that must have FERC approval or involves the provision of FERC-jurisdictional service by the prevailing party, the prevailing party shall file the

arbitrator's decision or make an appropriate filing with FERC to implement the arbitrator's decision. Provided that it has given notice as required under Section C.12 above, any non-prevailing party may contest the prevailing party's filing in accordance's with FERC's applicable rules and regulations.

C.12.2 Complaint to FERC by Prevailing Party. If the arbitrator's decision requires a non-prevailing party to take action that must have FERC approval or involves the provision of FERC-jurisdictional service by any non-prevailing party, then, if the non-prevailing party has given notice as required under Section C.12 above, the prevailing party may submit the arbitrator's decision to FERC in the form of a complaint.

C.13 Appeal to Court. If none of the provisions that govern appealing or contesting an arbitrator's decision before FERC, a Canadian Regulatory Authority, or a Mexican Regulatory Authority as set forth in Sections C.9.2, C.9.3, or C.9.4 above apply, any disputing party may appeal an arbitrator's decision to any court of competent jurisdiction, subject to the conditions specified in Section C.9.1 above. Except as otherwise provided in Section C.10.3 above (substituting the words "court of competent jurisdiction" for "FERC or the Presiding Authority"), any appeal to a court shall be based solely upon the record assembled by the arbitrator, and no Member, non-Member, or WECC who is a party to an arbitration under Sections C.6 and C.7 shall seek to expand the factual record before the court beyond that assembled by the arbitrator.

## **Appendix of Additional Definitions Relating to Alternative Dispute Resolution Provisions**

Arbitration Notice has the meaning specified in Section C.7.1 of these Bylaws.

Canadian Regulatory Authority. The agency or agencies established under the laws of Canada or the applicable Provinces of Canada and having jurisdiction over facilities, interconnections, transmission rates, charges, terms, and conditions of service of a Canadian Member.

Dispute Notice has the meaning specified in Section C.5.1 of these Bylaws.

FERC. The Federal Energy Regulatory Commission or a successor agency.

FPA. The Federal Power Act (16 U.S.C. §§ 824 *et. seq.*), as it may be amended from time to time.

Mexican Regulatory Authority. The agency or agencies established under the laws of Mexico or the applicable states of Mexico and having jurisdiction over facilities, interconnections, transmission rates, charges, terms, and conditions of service of a Mexican Member.

Presiding Authority. As used in Sections C.10 and C.11, the term “Presiding Authority” has the following meanings: with respect to an appeal to an appropriate Canadian Regulatory Authority, “Presiding Authority” means the presiding Canadian Regulatory Authority or Canadian court with jurisdiction to hear the appeal; and with respect to an appeal to an appropriate Mexican Regulatory Authority, “Presiding Authority” means the presiding Mexican Regulatory Authority or Mexican court with jurisdiction to hear the appeal.

# **EXHIBIT C**

## Exhibit C – Regional Standard Development Procedure

Exhibit C shall set forth the Regional Entity’s standards development procedure, which NERC agrees meets the following common attributes:

### COMMON ATTRIBUTE 1

Proposed regional reliability standards shall be subject to approval by NERC, as the electric reliability organization, and by FERC before becoming mandatory and enforceable under Section 215 of the FPA [add reference to any applicable authorities in Canada and Mexico]. No regional reliability standard shall be effective within the Western Electricity Coordinating Council (“WECC”) area unless filed by NERC with FERC [and applicable authorities in Canada and Mexico] and approved by FERC [and applicable authorities in Canada and Mexico].

### COMMON ATTRIBUTE 2

WECC regional reliability standards shall provide for as much uniformity as possible with reliability standards across the interconnected bulk power system of the North American continent. A WECC reliability standard shall be more stringent than a continent-wide reliability standard, including a regional difference that addresses matters that the continent-wide reliability standard does not, or shall be a regional difference necessitated by a physical difference in the bulk power system. A regional reliability standard that satisfies the statutory and regulatory criteria for approval of proposed North American reliability standards, and that is more stringent than a continent-wide reliability standard, would generally be acceptable.

### COMMON ATTRIBUTE 3

WECC regional reliability standards, when approved by FERC [add applicable authorities in Canada], shall be made part of the body of NERC reliability standards and shall be enforced upon all applicable bulk power system owners, operators, and users within the WECC area, regardless of membership in the region.

### COMMON ATTRIBUTE 4

**Requester** — The requester is the sponsor of the regional reliability standard request and may assist in the development of the standard. Any member of WECC, or group within WECC shall be allowed to request that a regional reliability standard be developed, modified, or withdrawn. Additionally, any entity (person, organization, company, government agency, individual, etc.) that is directly and materially affected by the reliability of the bulk power system in the WECC area shall be allowed to request a regional reliability standard be developed, modified, or withdrawn.

## **COMMON ATTRIBUTE 5**

**[Standards or other named] committee** — The WECC [standards] committee manages the standards development process. The [standards] committee will consider which requests for new or revised standards shall be assigned for development (or existing standards considered for deletion). The [standards] committee will advise the WECC board on standards presented for adoption.

## **COMMON ATTRIBUTE 6**

*[Alternative 6A: For a Regional Entity that chooses to vote using a balanced stakeholder committee.]*

The [standards] committee is a balanced stakeholder committee, inclusive of all stakeholder interests that provide for or are materially impacted by the reliability of the bulk power system. [The [standards] committee votes to approve standards.] See Appendix A for the representation model of the [standards] committee.

*[Alternative 6B: For a Regional Entity that chooses to vote using a balanced ballot body of stakeholders.]*

**[Registered ballot body]** — The registered ballot body comprises all entities or individuals that qualify for one of the stakeholder segments; are registered with WECC as potential ballot participants in the voting on standards; and are current with any designated fees. Each member of the registered ballot body is eligible to vote on standards. [Each standard action has its own ballot pool formed of interested members of the registered ballot body. Each ballot pool comprises those members of the registered ballot body that respond to a pre-ballot survey for that particular standard action indicating their desire to participate in such a ballot pool.] The representation model of the registered ballot body is provided in Appendix A.]

## **COMMON ATTRIBUTE 7**

WECC will coordinate with NERC such that the acknowledgement of receipt of a standard request identified in step 1, notice of comment posting period identified in step 4, and notice for vote identified in step 5 below are concurrently posted on both the WECC and NERC websites.

## **COMMON ATTRIBUTE 8**

An acceptable standard request shall contain a description of the proposed regional reliability standard subject matter containing sufficiently descriptive detail to clearly define the purpose, scope, impacted parties, and other relevant information of the proposed standard.

### **COMMON ATTRIBUTE 9**

Within [no greater than 60] days of receipt of a completed standard request, the [standards] committee shall determine the disposition of the standard request.

### **COMMON ATTRIBUTE 10**

The [standards] committee may take one of the following actions:

- Accept the standard request as a candidate for development of a new standard, revision of an existing standard, or deletion of an existing standard. The [standards] committee may, at its discretion, expand or narrow the scope of the standard request under consideration. The [standards] committee shall prioritize the development of standard in relation to other proposed standards, as may be required based on the volume of requests and resources.
- Reject the standard request. If the [standards] committee rejects a standard request, a written explanation for rejection will be delivered to the requester within [no greater than 30] days of the decision.
- Remand the standard request back to the requester for additional work. The standards process manager will make reasonable efforts to assist the requester in addressing the deficiencies identified by the [standards] committee. The requester may then resubmit the modified standard request using the process above. The requester may choose to withdraw the standard request from further consideration prior to acceptance by the [standards] committee.

### **COMMON ATTRIBUTE 11**

Any standard request that is accepted by the [standards] committee for development of a standard (or modification or deletion of an existing standard) shall be posted for public viewing on the WECC website within [no greater than 30] days of acceptance by the committee.

### **COMMON ATTRIBUTE 12**

The standards process manager shall submit the proposed members of the drafting team to the [standards] committee. The [standards] committee shall approve the drafting team membership within 60 days of accepting a standard request for development, modifying the recommendations of the standards process manager as the committee deems appropriate, and assign development of the proposed standard to the drafting team.

### **COMMON ATTRIBUTE 13**

At the direction from the [standards] committee, the standards process manager shall facilitate the posting of the draft standard on the WECC website, along with a draft implementation plan and supporting documents, for a no less than a [30]-day comment period. The standards process

manager shall provide notice to WECC stakeholders and other potentially interested entities, both within and outside of the WECC area, of the posting using communication procedures then currently in effect or by other means as deemed appropriate.

#### **COMMON ATTRIBUTE 14**

The drafting team shall prepare a summary of the comments received and the changes made to the proposed standard as a result of these comments. The drafting team shall summarize comments that were rejected by the drafting team and the reason(s) that these comments were rejected, in part or whole. The summary, along with a response to each comment received will be posted on the WECC website no later than the next posting of the proposed standard.

#### **COMMON ATTRIBUTE 15**

Upon recommendation of the drafting team, and if the [standards] committee concurs that all of the requirements for development of the standard have been met, the standards process manager shall post the proposed standard and implementation plan for ballot and shall announce the vote to approve the standard, including when the vote will be conducted and the method for voting. Once the notice for a vote has been issued, no substantive modifications may be made to the proposed standard unless the revisions are posted and a new notice of the vote is issued.

#### **COMMON ATTRIBUTE 16**

The standards process manager shall schedule a vote by the WECC [registered ballot body/[standards] committee]. The vote shall commence no sooner than [15] days and no later than [30] days following the issuance of the notice for the vote.

#### **COMMON ATTRIBUTE 17**

[Alternative 17A: For an RE that chooses to vote using a balanced stakeholder committee.]

The [standards] committee shall give due consideration to the work of the drafting team, as well as the comments of stakeholders and minority objections, in approving a proposed regional reliability standard for submittal to the WECC board. The [standards] committee may vote to approve or not approve the standard. Alternatively, the [standards] committee may remand the standard to the drafting team for further work or form a new drafting team for that purpose.

[Alternative 17B: For an RE that chooses to vote using a balanced ballot body of stakeholders.]

The WECC registered ballot body shall be able to vote on the proposed standard during a period of [not less than 10] days.

#### **COMMON ATTRIBUTE 18**

[Alternative 18A: For an RE that chooses to vote using a balanced stakeholder committee.]



The [standards] committee may not itself modify the standard without issuing a new notice to stakeholders regarding a vote of the modified standard.

*[Alternative 18B: For an RE that chooses to vote using a balanced ballot body of stakeholders.]*

All members of WECC are eligible to participate in voting on proposed new standards, standard revisions or standard deletions. [Alternatively: Each standard action requires formation of a ballot pool of interested members of the registered ballot body.]

### **COMMON ATTRIBUTE 19**

*[Alternative 19A: For an RE that chooses to vote using a balanced stakeholder committee.]*

Actions by the committee shall be recorded in the regular minutes of the committee.

*[Alternative 19B: For an RE that chooses to vote using a balanced ballot body of stakeholders.]*

Approval of the proposed regional reliability standard shall require a [two thirds] majority in the affirmative (affirmative votes divided by the sum of affirmative and negative votes). Abstentions and non-responses shall not count toward the results, except that abstentions may be used in the determination of a quorum. A quorum shall mean [XX%] of the members of the [registered ballot body/ballot pool] submitted a ballot.

### **COMMON ATTRIBUTE 20**

Under no circumstances may the board substantively modify the proposed regional reliability standard.

### **COMMON ATTRIBUTE 21**

Once a regional reliability standard is approved by the board, the standard will be submitted to NERC for approval and filing with FERC [and applicable authorities in Canada and Mexico.]

### **COMMON ATTRIBUTE 22**

- **Open** - Participation in the development of a regional reliability standard shall be open to all organizations that are directly and materially affected by the WECC bulk power system reliability. There shall be no undue financial barriers to participation. Participation shall not be conditioned upon membership in WECC, and shall not be unreasonably restricted on the basis of technical qualifications or other such

requirements. Meetings of drafting teams shall be open to the WECC members and others.

### **COMMON ATTRIBUTE 23**

- **Balanced** - The WECC standards development process strives to have an appropriate balance of interests and shall not be dominated by any two interest categories and no single interest category shall be able to defeat a matter.

### **COMMON ATTRIBUTE 24**

- **Inclusive** — Any entity (person, organization, company, government agency, individual, etc.) with a direct and material interest in the bulk power system in the WECC area shall have a right to participate by: a) expressing a position and its basis, b) having that position considered, and c) having the right to appeal.

### **COMMON ATTRIBUTE 25**

- **Fair due process** — The regional reliability standards development procedure shall provide for reasonable notice and opportunity for public comment. At a minimum, the procedure shall include public notice of the intent to develop a standard, a public comment period on the proposed standard, due consideration of those public comments, and a ballot of interested stakeholders.

### **COMMON ATTRIBUTE 26**

- **Transparent** — All actions material to the development of regional reliability standards shall be transparent. All standards development meetings shall be open and publicly noticed on the regional entity's Web site.

### **COMMON ATTRIBUTE 27**

- Does not unnecessarily delay development of the proposed reliability standard.

### **COMMON ATTRIBUTE 28**

Each standard shall enable or support one or more of the reliability principles, thereby ensuring that each standard serves a purpose in support of the reliability of the regional bulk power system. Each standard shall also be consistent with all of the reliability principles, thereby ensuring that no standard undermines reliability through an unintended consequence.

**COMMON ATTRIBUTE 29**

While reliability standards are intended to promote reliability, they must at the same time accommodate competitive electricity markets. Reliability is a necessity for electricity markets, and robust electricity markets can support reliability. Recognizing that bulk power system reliability and electricity markets are inseparable and mutually interdependent, all regional reliability standards shall be consistent with NERC’s market interface principles. Consideration of the market interface principles is intended to ensure that standards are written such that they achieve their reliability objective without causing undue restrictions or adverse impacts on competitive electricity markets.

**COMMON ATTRIBUTE 30**

To ensure uniformity of regional reliability standards, a regional reliability standard shall consist of the elements identified in this section of the procedure. These elements are intended to apply a systematic discipline in the development and revision of standards. This discipline is necessary to achieving standards that are measurable, enforceable, and consistent.

**COMMON ATTRIBUTE 31**

All mandatory requirements of a regional reliability standard shall be within the standard. Supporting documents to aid in the implementation of a standard may be referenced by the standard but are not part of the standard itself.

**COMMON ATTRIBUTE 32**

<b>Applicability</b>	Clear identification of the functional classes of entities responsible for complying with the standard, noting any specific additions or exceptions.  If not applicable to the entire WECC area, then a clear identification of the portion of the bulk power system to which the standard applies. Any limitation on the applicability of the standard based on electric facility requirements should be described.
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**COMMON ATTRIBUTE 33**

<b>Measure(s)</b>	Each requirement shall be addressed by one or more measures. Measures are used to assess performance and outcomes for the purpose of determining compliance with the requirements stated above. Each measure will identify to whom the measure applies and the expected level of performance or outcomes required demonstrating compliance. Each measure
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	<p>shall be tangible, practical, and as objective as is practical. It is important to realize that measures are proxies to assess required performance or outcomes. Achieving the measure should be a necessary and sufficient indicator that the requirement was met. Each measure shall clearly refer to the requirement(s) to which it applies.</p>
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**COMMON ATTRIBUTE 34**

<p><b>Compliance Monitoring Process</b></p>	<p>Defines for each measure:</p> <ul style="list-style-type: none"> <li>• The specific data or information that is required to measure performance or outcomes.</li> <li>• The entity that is responsible for providing the data or information for measuring performance or outcomes.</li> <li>• The process that will be used to evaluate data or information for the purpose of assessing performance or outcomes.</li> <li>• The entity that is responsible for evaluating data or information to assess performance or outcomes.</li> <li>• The time period in which performance or outcomes is measured, evaluated, and then reset.</li> <li>• Measurement data retention requirements and assignment of responsibility for data archiving.</li> <li>• Violation severity levels.</li> </ul>
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# **PROCESS FOR DEVELOPING AND APPROVING WECC STANDARDS**

## **Introduction**

This document explains the WECC process for requesting, announcing, developing, revising, withdrawing and approving WECC Standards as defined below (“WECC Standards Process”). The process involves several steps:

- A request to develop a new Standard or revise an existing Standard
- Decision to proceed with development or revision of a Standard and assignment to a Standing Committee and Subgroup
- Public (including members) notification of intent to develop or revise a Standard
- Drafting stage
- Posting of draft for public comment
- Review of all comments and public posting of decisions reached on each comment
- WECC Standing Committee/Participating Stakeholder balloting of proposed Standard
- Consideration of any appeals
- WECC Board of Directors (Board) decision regarding approval, disapproval or remand of proposed Standard
- Forwarding proposed WECC Reliability Standards to ERO

The process for developing and approving WECC Standards includes:

1. Notification of pending Standard change before a wide audience of all “interested and affected parties”
2. Posting Standard change drafts for all parties to review
3. Provision for gathering and posting comments from all parties
4. Provision for an appeals process – both “due process” and “technical” appeals

WECC Standing Committees have the responsibility for developing and balloting WECC Standards. Standing Committee chairs are responsible for ensuring administration of the process and completion of all Standing Committee responsibilities. Standing Committees are assisted by a Standards Request Routing Committee and supported by Subgroups that draft the Standards, ensure the draft Standard is properly reviewed consistent with WECC due process requirements, respond to comments on the draft Standard, and revise the draft Standard in response to these comments. Board approval signifies that WECC has adopted the Standard. WECC staff has the role of tracking the Standard as it moves through the process and facilitating resolution of issues. In accordance with Section 8.6 of the WECC Bylaws, interested stakeholders may participate in Reliability Standard development and vote at the Standing Committee level on Reliability Standards or revisions to Reliability Standards.

## **WECC Bylaws Controlling**

It is the intention of the drafters of the WECC Standards Process that the procedures described herein be interpreted and applied in a manner that is consistent with the WECC Bylaws. Should any conflict between this WECC Standards Process and the WECC Bylaws arise, the WECC Bylaws will control.

## Terms

**Days.** All references to days in this document refer to calendar days.

**Due Process Appeals Committee.** The committee that receives all appeals alleging that WECC's due process procedure was not properly followed during the development or revision of a Standard. The Due Process Appeals Committee consists of three Directors appointed by the Board Chair. The WECC Chief Executive Officer or his/her designee will be the staff coordinator for the Due Process Appeals Committee.

**Participating Stakeholder.** A Participating Stakeholder as defined in Section 3.21 of the WECC Bylaws.

**Standard.** In the context of this document, the term Standard refers to a Reliability Standard or a commercial Business Practice.

**Standard Request Form.** The form titled WECC Standards/Business Practice Request Form approved by WECC for the purpose of requesting a new Standard or a revision to an existing Standard.

**Standards Request Routing Committee.** This committee consists of the chairs of the three Standing Committees or their designees. This Committee is responsible for determining if a Standard Request is within the scope of WECC's activities, and assigning the request to the appropriate Standing Committee(s).

**Standing Committee.** The Market Interface Committee (MIC), Operating Committee (OC) or Planning Coordination Committee (PCC).<sup>1</sup> MIC, OC, and PCC will coordinate their responsibilities for those Standards that have a combination of market, operating, and planning implications.

**Subgroup.** A subcommittee, work group, or task force of the MIC, OC, PCC, or a combination of representatives from these committees that is responsible for developing a draft WECC Standard, posting it for review, and addressing public comments on the draft.<sup>2</sup> Voting members of a Subgroup are the individuals appointed to the group. In addition, one representative of the entity requesting a Standard has the option of joining the Subgroup as a voting member.

**Technical Appeals Committee.** The committee that receives appeals alleging that a party's technical comments were not properly addressed during the development of a Standard. The Technical Appeals Committee consists of the Vice Chairs of the Market Interface Committee, Operating Committee, Planning Coordination Committee, and a Director appointed by the Board Chair. The WECC Chief Executive Officer or his/her designee will be the staff coordinator for the Technical Appeals Committee. The Director appointed to the committee will act as chair. Replacement of a Technical Appeals Committee member in the event of a conflict of interest will be at the discretion of the Technical Appeals Committee Chair. If the

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<sup>1</sup> In accordance with WECC Bylaws Section 8.5.4, Membership in WECC's Standing Committees is open to all WECC members.

<sup>2</sup> Formation of Subgroups is in accordance with the Market Interface Committee's, Planning Coordination Committee's, and Operating Committee's Organizational Guidelines.

chair has a conflict of interest, the WECC Board Chair will appoint another Director to serve as chair for the duration of the appeal in question.

## **Normal Process for Standards**

### **Step 1 – Request To Revise or Develop a Standard**

Requests to develop or revise a Standard will be submitted to the WECC staff through the use of the WECC Standard Request Form. Requesters may be any individual or organization. WECC membership is not a requirement as long as the requester has an interest in electric system reliability or commercial business practices in the Western Interconnection.

### **Step 2 – Request Validation and Routing**

The Standard Request Form will be reviewed for completeness and assigned a tracking number by the WECC staff. Staff may assist with completing the request, or report to the Standards Request Routing Committee that the request is incomplete and request guidance. When complete, the WECC staff will forward the request to the Standards Request Routing Committee. This committee will confer either in person or via conference call within two weeks of receipt of a completed request to determine whether the request is within WECC's scope.

The WECC staff will maintain a web-based form that tracks all requests through the standard development process, as well as a standards development tracking log that is posted on the WECC website.

Upon ascertaining that a request is within the scope of WECC's activities, the Standards Request Routing Committee will assign the request to the chair of the appropriate Standing Committee(s), who will in turn assign it to a Subgroup. One Standing Committee will be designated as the lead Standing Committee. If the request has implications for any combination of planning, operations, or market issues, the chair of the lead Standing Committee, in consultation with the Standards Request Routing Committee, will evaluate the technical expertise of the Subgroup and may augment membership in the Subgroup for the purpose of drafting the proposed Standard or revision(s) to ensure that the Subgroup includes a composite of individuals having the appropriate planning, operations, and market expertise. Notification of such assignments will be posted on the WECC website and sent to all parties that subscribe to the WECC standards e-mail list. In addition, such assignments will be simultaneously noticed to NERC. The Subgroup will act in accordance with duly approved Subgroup guidelines. Any other interested parties may participate in the deliberations of the Subgroup.

### **Step 3 – Subgroup Begins Drafting Phase and Announces on WECC Web Site**

The Subgroup will begin working on the request at the Subgroup's next scheduled meeting, or no later than a designated number of days following assignment from the Routing Committee, as directed by the lead Standing Committee chair. Notification of Subgroup meetings will be posted on the WECC website and sent to all parties that subscribe to the WECC standards e-mail list at least 30 days prior to the meeting. In addition notification of all Subgroup meetings will be simultaneously noticed to NERC. These meetings will be open to interested stakeholders. The Subgroup chair will facilitate interested stakeholder participation in the

discussion in order to encourage Subgroup understanding of the issues and consensus among the meeting participants. The Subgroup will work to achieve a consensus recommendation.

Standard requesters have the right, and are encouraged to participate in the Subgroup drafting process. Requesters may be called on to provide additional information, supporting studies, and other information to support the requirements of the proposed Standard or revision(s).

All WECC Standards will follow a standard format that refers to the Responsible Entities included in the NERC Functional Model and includes compliance measures according to the WECC standard template. The drafting group will include definitions for any terms included in the Standard or revision(s) that need to be added to the WECC glossary.

In the course of its review, the Subgroup:

- will review the preliminary technical assessment provided by the requester.
- will compare with existing standards to determine whether a the request is better served by drafting a new standard or modifying an existing standard.
- may perform or request additional technical studies, if necessary.
- will complete an impact assessment report as part of its evaluation to assess the potential effects of the request.
- may request from the Board or Standing Committee additional time to study the proposed request if the Subgroup believes it necessary to fully assess the proposed change.

Upon reaching a determination, by majority vote, that the requested Standard or revision to an existing Standard is needed, the Subgroup will announce the proposed Standard or proposed revision(s) in an existing Standard by posting on the WECC website a summary of the Standard or revision(s) it expects to draft, and an explanation as to why the new Standard or revision(s) in an existing Standard is needed. Notice of this posting, and its location on the WECC website, will be sent to all parties that subscribe to the WECC standards e-mail list. In addition these notifications will be simultaneously noticed to NERC.

If the Subgroup determines, by majority vote, that a new or revised Standard is not needed, it will prepare an explanation in consultation with the Standards Request Routing Committee and post it on the WECC website for a specified comment period. The party that submitted the request, parties subscribing to the WECC standards email list, the Standing Committees, and Board will all be notified of the posting and its location on the WECC website.

#### **Step 4 – Draft Standard Posted for Comment**

The Subgroup will post the first draft of the new or revised Standard on the WECC website and provide 45 days for comments. Along with the draft, the Subgroup will prepare and post an impact assessment report. Alternatively, the Subgroup may request input from affected parties regarding their estimated cost to implement the draft Standard and will use that data to prepare an impact assessment report, which will be posted for comment when it becomes available. The draft will include all mandatory requirements. In addition, it will include measurements, Violation Risk Factors, and Violation Severity Levels. Notice of this posting and a solicitation for comments on the draft will be sent to all WECC members and all individuals who subscribe to the WECC standards e-mail list. In addition the notification of posting and solicitation for



comments will be simultaneously noticed to NERC. Members of electric industry organizations may respond through their organizations, or directly, or both. All comments will be supplied electronically and will be posted on the WECC website.

### **Step 5 – Subgroup Deliberates on Comments**

Subgroup chairs are responsible for ensuring that comments are addressed in a timely manner. The Subgroup will post its response to comments on the WECC website within 30 days of the close of the comment period. All parties that submit comments are strongly encouraged to participate in Subgroup deliberations.

If the Subgroup determines, by majority vote, any technical comments including those on the draft or the impact assessment report are significant, it will repeat Steps 3 and 4 as many times as considered necessary by the Subgroup to ensure adequate opportunity for interested stakeholder input. All interested stakeholders are strongly encouraged to submit their comments as early in the process as possible. The number of days for comment on each subsequent revision to the draft of the proposed Standard or revision(s) will be 30 days. Parties whose comments have been rejected by a Subgroup may request review of such comments by the Standing Committee and Participating Stakeholders when the proposed Standard or revision(s) is brought before the Standing Committee for a vote (in Step 7).

The Subgroup will attempt to achieve a consensus recommendation on a final draft. A majority vote of the Subgroup is required to approve submitting the recommended Standard or revision(s) to the Standing Committee and Participating Stakeholders. Voting will be conducted in accordance with this WECC Standards Process, the WECC Bylaws, and any other applicable regulatory requirements. Balloting results will be documented. All dissenting voters, as well as others participating in the Subgroup deliberations, will be encouraged to provide dissenting comments and, if possible, specific language that would make the Standard acceptable. If the Subgroup vote fails to capture a simple majority to approve the submittal to the Standing Committee and Participating Stakeholders, and there is no apparent way to reach a majority agreement, the Subgroup will report to and seek guidance from the Standing Committee Chair.

### **Step 6 – Subgroup Submits Draft for Standing Committee/Participating Stakeholder Vote**

The Subgroup's final draft Standard or revision(s) will be posted on the WECC website and the appropriate Standing Committees and Participating Stakeholders will be notified of the Subgroup's recommendation. The posting will include the final Subgroup vote, all comments that were not incorporated into the draft Standard, the impact assessment report and the date on which the Standing Committee and Participating Stakeholders are scheduled to vote on the Subgroup's recommendation. Notice of the posting will be sent to the Standing Committees, all Participating Stakeholders, and the standards e-mail list. In addition the notification of posting for ballot will be simultaneously noticed to NERC.

### **Step 7 – Standing Committee/Participating Stakeholders Vote on Recommendation to Board**

In accordance with Sections 8.5 and 8.6 of the WECC Bylaws, the Standing Committee and Participating Stakeholders will vote on the draft Standard, revision(s) or withdrawal no later than

at the next Standing Committee meeting, subject to applicable notice requirements. A minimum of 30 days notice will be provided prior to all Standing Committee meetings at which new or revised Standards will be considered for approval.<sup>3</sup> Notification of such meetings will be posted on the WECC website and sent to all parties that subscribe to the WECC standards e-mail list. Whenever it determines that a matter requires an urgent decision, the Board may shorten the time period set forth in this section in accordance with the requirements in the WECC Bylaws.<sup>4</sup>

The Standing Committee and Participating Stakeholders may vote to amend or modify a proposed Standard or revision(s) or remand it back to the Subgroup to propose needed modifications. The reasons for the modification(s) will be documented, posted, and provided to the Board. If any changes are made at the Standing Committee meeting, the roll call of votes for and against the proposal and abstentions will be recorded at the meeting, and the revised proposal will be posted for 10 days for comments.<sup>3</sup> The comments will be posted and distributed to the Standing Committee and Participating Stakeholders. All Standing Committee members and Participating Stakeholders, including those who did not vote at the meeting, will be allowed 10 days from the time comments are posted to submit or change their votes, and the Standing Committee/Participating Stakeholder votes will be recounted based on these new and revised votes to determine whether a majority has voted for the proposal. Any parties that object to the modifications may appeal to the appropriate appeals committee as provided in Step 8.

A majority vote of the Standing Committee and Participating Stakeholders, as specified in Section 8.5.5.2 of the WECC Bylaws, is required to approve submitting the recommended Standard or revision(s) to the Board for a vote. In accordance with Section 8.5.5.2 only Standing Committee members and Participating Stakeholders who are present at a meeting of the Standing Committee may vote on a Standard.

Although any of the three Standing Committees (together with Participating Stakeholders) may vote on submitting the recommended Standard or revision(s) to the Board, only the vote of the lead Standing Committee and Participating Stakeholders will determine the course of action. If the Standing Committees do not agree, the lead Standing Committee and Participating Stakeholders will decide whether to return the draft to the Subgroup for further work, to submit the recommended Standard or revision(s) to the Board, or terminate the Standard development activity with the posting of an appropriate notice to the Standards requester, the Subgroup, and the Board (if appropriate). The Standing Committee chairs will coordinate input from their respective Committees and Participating Stakeholders to the lead Standing Committee so that the lead Standing Committee and Participating Stakeholders will have all relevant information when voting. Relevant voting information from all Standing Committees will be submitted to the Board for its consideration in determining whether or not to approve the Standard.

If the Standing Committee and Participating Stakeholders approve the Standard or revision(s), the Standing Committee sends its recommendation, together with the proposed Standard or revision(s), and any comments on which the Standing Committee and Participating Stakeholders

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<sup>3</sup> WECC Bylaws, Section 8.5.6 – “If the committee’s recommendation or decision changes significantly as a result of comment received, the committee will post the revised recommendation or decision on the Web site, provide e-mail notification to Members and Participating Stakeholders (if the recommendation or decision concerns a Reliability Standard or revision), and provide no less than ten (10) days for additional comment before reaching its final recommendation or decision.”

did not agree, plus minority opinions, to the Board for final approval. To be considered by the Board, any “no” votes on a proposed Standard or revision(s) should be accompanied by a text explaining the “no” vote and if possible specific language that would make the Standard or revision(s) acceptable. Proposed Standards or revision(s) will be posted no less than 30 days prior to the Board vote.<sup>4</sup> The date of the expected Board vote will also be posted.

### **Step 8 – Appeals Process**

Appeals are available at various levels of the Standards Development Process as follows:

Rejection of a Standards Request by the Standards Request Routing Committee may be appealed to a Standing Committee and Participating Stakeholders, and if necessary, to either a Due Process or Technical Appeal Committee, as appropriate.

Appeals of Subgroup decisions, including Routing Committee decisions, may be made to a Standing Committee and Participating Stakeholders. The Standing Committee will post its findings. The subsequent rejection of such an appeal by a Standing Committee and Participating Stakeholders may be further appealed to an appeals committee. The appeals committee will post and submit its findings and recommendations to the Standing Committee chair who will determine the appropriate course of action. Any submittal to the Board of Directors for approval will include any findings and recommendations of the appeals committee.

A new Standard or revision(s) to an existing Standard recommended by a Standing Committee and Participating Stakeholders may be appealed on either technical or due process grounds. Any due process or technical appeals must be submitted, in writing, to the WECC staff within 15 days of the date the Standing Committee posts a recommendation.

The WECC staff will conduct an investigation and issue a written report of its findings and recommendations to the appealing party and Standing Committee. If the appealing party does not agree with the staff report, it can request that the appeal be referred to the Technical or Due Process Appeals Committee, which will conduct an investigation and issue a report including findings and recommendations. The Technical Appeals Committee will make assignments as necessary to existing WECC technical work groups and task forces, form new technical groups if necessary, and use other technical resources as required to address technical appeals. The appealing party has the burden of proof and must demonstrate that the decision will adversely impact it. The Technical or Due Process Appeals Committee will issue a majority decision.

Each level of appeal will be completed within 30 days. The Board of Directors, at its discretion, may implement the Standard or revision(s) on an interim or emergency basis during the appeals process using the Urgent Action interim Standard Process set forth below.

### **Step 9 – Board Approval**

The WECC Board of Directors will consider the proposed Standard or revision(s) no later than at its next meeting occurring at least 30 days after the lead Standing Committee vote. The Board will consider the Standing Committee’s recommendations and minority opinions, all comments

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<sup>4</sup> WECC Bylaws, Section 7.5.1 – “Except as set forth in Section 7.5.2 regarding urgent business, all regular business of the Board will occur at the Board meetings, at least twenty-one (21) days’ advance notice of which has been provided...”

that were not incorporated into the draft Standard or revision(s), the impact assessment report, and inputs from the Due Process and Technical Appeals Committees. The Board will not amend or modify a proposed Standard, except to make nonmaterial changes to the language of a Standard or revision thereto. If approved, the Standard will be posted on the WECC website and all parties notified.

If the new or modified Standard is not approved, the Board may return the Standard to the Standing Committee and Participating Stakeholders for further work, or the Board may terminate the Standard activity with an appropriate notice and explanation to the Standard requester, Standing Committee, and Participating Stakeholders. These Board actions will also be posted.

A majority vote of the Directors present at a Board meeting, as specified in Section 7.2 of the WECC Bylaws, is required to approve the recommended Standard or revision(s).

### **Step 10 – ERO Review, FERC Approval and Implementation of Reliability Standards**

To the extent required under Section 215 of the Federal Power Act, 18 C.F.R. Part 39, and according to procedures established in the delegation agreement between WECC and the Electric Reliability Organization (“ERO”), the Board shall submit new Reliability Standards and revisions to existing Reliability Standards for review by the ERO and approval by FERC. Upon approval by FERC, the Reliability Standards will be made part of the body of NERC reliability standards and enforced upon all applicable bulk power system owners, operators, and users within the WECC region. Parties’ right to participate in the ERO and FERC review processes shall be as established in the applicable regulations and the ERO/WECC delegation agreement. Reliability Standards subject to ERO review shall become effective as approved by FERC or applicable Canadian or Mexican authorities.

### **Step 11 – Implementation of Standards Not Subject to ERO/FERC/Other Approval**

All new and modified Standards not subject to ERO review and FERC, Canadian or Mexican approval as provided in Step 10 shall become effective as ordered by the WECC Board. As of the effective date of such new or modified Standard, all industry participants in the Western Interconnection that such Standard is applicable to are expected to implement and abide by the Standard. Any and all parties to this Process retain the right of appeal to other authorities as the law allows.

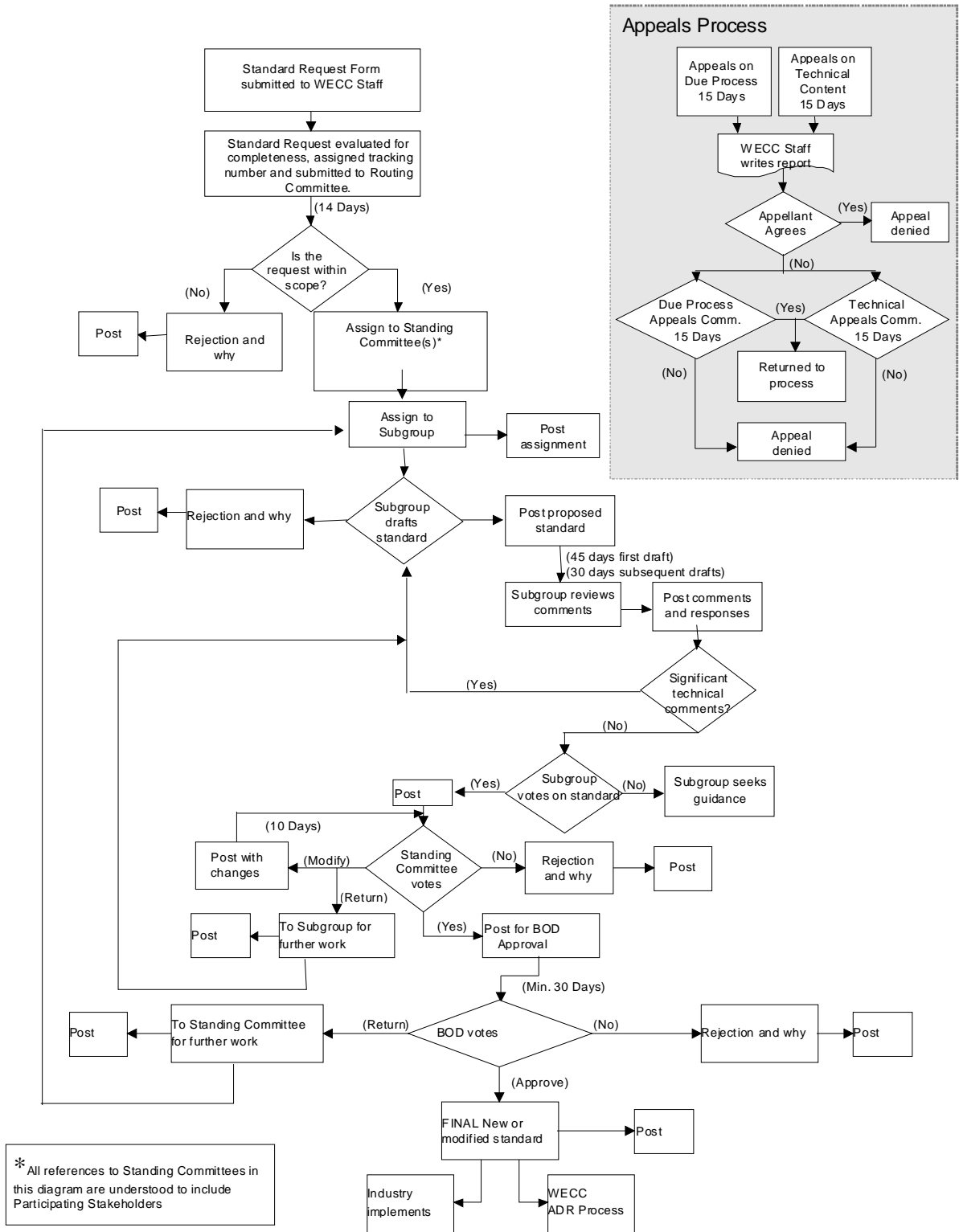
### **Expedited Process for Urgent Action Interim Standards**

In cases requiring urgent action, such as in the development of emergency operating procedures, the Standing Committees and Participating Stakeholders may propose a new or modified interim Standard for approval by the WECC Board through a process that eliminates any or all of the steps outlined above, but only to the extent necessary, and only in a manner that is consistent with the WECC Bylaws. Such interim Standard shall be replaced by a Board-approved permanent Standard, developed using all the steps identified in this document within one year (or such additional time as may reasonably be required to complete all steps) from the date on which the WECC Board approved the interim standard. An interim Standard may be converted to a successor permanent Standard as long as any procedural steps bypassed in developing the interim Standard are completed with respect to the permanent Standard. If necessary, the Board

may renew an interim Standard to allow additional time for the development of a successor permanent Standard. Renewal may occur more than once, but a good faith effort must be made to develop a successor permanent Standard.

Approved by the WECC Board [Month, Day] 2008

# Process for Developing and Approving WECC Standards



# **EXHIBIT D**

**Compliance Monitoring and Enforcement Program**

**Western Electricity Coordinating Council**

**Compliance Monitoring and Enforcement Program**

**[Month, Day] 2008**

[Month, Day] 2008



# Compliance Monitoring and Enforcement Program

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### **ATTACHMENT 1 – PROCESS FOR NON-SUBMITTAL OF REQUESTED DATA**

### **ATTACHMENT 2 – COMPLIANCE ENFORCEMENT AUTHORITY HEARING PROCEDURES**

## **Compliance Monitoring and Enforcement Program**

### **COMPLIANCE MONITORING AND ENFORCEMENT PROGRAM**

#### **1.0 INTRODUCTION**

This Compliance Monitoring and Enforcement Program (“Compliance Program”) is the program to be used by the North American Electric Reliability Corporation (“NERC”) and the Regional Entities to monitor, assess, and enforce compliance with Reliability Standards within the United States. This is accomplished through compliance monitoring and rigorous proactive Compliance Audits. Compliance monitoring and enforcement programs also will be implemented in Canada consistent with Canadian laws and agreements.

#### **1.1 Definitions**

- 1.1.1 Alleged Violation:** A potential violation that the Compliance Enforcement Authority has determined that evidence exists to indicate a Registered Entity has violated a Reliability Standard.
- 1.1.2 Annual Audit Plan:** A plan developed annually by the Compliance Enforcement Authority that includes the Reliability Standards and Registered Entities to be audited, the schedule of Compliance Audits, and Compliance Audit Participant requirements for the calendar year.
- 1.1.3 Applicable Governmental Authority:** The Federal Energy Regulatory Commission (“FERC”) within the United States and the appropriate governmental authority with subject matter jurisdiction over reliability in Canada and Mexico.
- 1.1.4 Complaint:** An allegation that a Registered Entity violated a Reliability Standard.
- 1.1.5 Compliance Audit:** A systematic, objective review and examination of records and activities to determine whether a Registered Entity meets the requirements of applicable Reliability Standards.
- 1.1.6 Compliance Audit Participants:** Registered Entities scheduled to be audited and the audit team members.
- 1.1.7 Compliance Enforcement Authority:** NERC or the Regional Entity in their respective roles of monitoring and enforcing compliance with the NERC Reliability Standards.
- 1.1.8 Compliance Violation Investigation:** A comprehensive investigation, which may include an on-site visit with interviews of the appropriate personnel, to determine if a violation of a Reliability Standard has occurred.
- 1.1.9 Confirmed Violation:** An Alleged Violation for which an entity has: 1) accepted the finding of the violation by a Regional Entity or NERC and

## Compliance Monitoring and Enforcement Program

will not seek an appeal, 2) completed the appeals process within NERC, or 3) allowed the time for submitting an appeal to NERC to expire.

- 1.1.10 Exception Reporting:** Information provided to the Compliance Enforcement Authority by a Registered Entity indicating that violations of a Reliability Standard have occurred (e.g., a system operating limit has been exceeded). Some Reliability Standards require Exception Reporting.
- 1.1.11 Mitigation Plan:** An action plan developed by a Registered Entity to (i) correct a violation of a Reliability Standard and (ii) prevent re-occurrence of the violation. A Mitigation Plan is usually required whenever a Registered Entity violates a Reliability Standard as determined by any means including Compliance Enforcement Authority decision, Settlement Agreement, or otherwise.
- 1.1.12 NERC Compliance Registry:** A compilation of the Regional Compliance Registries from each Regional Entity plus the entities for which NERC serves as the Compliance Enforcement Authority.
- 1.1.13 NERC Compliance Monitoring and Enforcement Program Implementation Plan or NERC Implementation Plan:** The annual NERC Compliance Monitoring and Enforcement Program Implementation Plan that specifies the Reliability Standards that are subject to reporting by Registered Entities to the Compliance Enforcement Authority in order to verify compliance and identifies the appropriate monitoring procedures and reporting schedules for each such Reliability Standard.
- 1.1.14 Periodic Data Submittals:** Modeling, studies, analyses, documents, procedures, methodologies, operating data, process information or other information to demonstrate compliance with Reliability Standards and provided by Registered Entities to the Compliance Enforcement Authority on a time frame required by a Reliability Standard or an ad hoc basis.
- 1.1.15 Regional Compliance Registry:** A list, pursuant to Section 500 of the NERC Rules of Procedure and the NERC Statement of Compliance Registry Criteria of the owners, operators or users of the bulk power system or the entities registered as their designees for the purpose of compliance within a Regional Entity's geographic footprint that perform one or more functions in support of reliability of the bulk power system. The Registry is used to determine the Reliability Standards applicable to the Registered Entity.
- 1.1.16 Regional Implementation Plan:** An annual plan, submitted by November 1 of each year to NERC for approval that, in accordance

## Compliance Monitoring and Enforcement Program

with NERC Rule of Procedure Section 401.6 and the NERC Compliance Monitoring and Enforcement Program Implementation Plan, that identifies (1) all Reliability Standards identified by NERC to be actively monitored during each year, (2) other Reliability Standards proposed for active monitoring by the Regional Entity, (3) the methods to be used by the Regional Entity for reporting, monitoring, evaluation, and assessment of performance criteria with each Reliability Standard, and (4) the Regional Entity's Annual Audit Plan.

- 1.1.17** Registered Entity: An owner, operator, or user of the bulk power system or the entities registered as their designees for the purpose of compliance that is included in the NERC and Regional Compliance Registry.
- 1.1.18** Remedial Action Directive: An action (other than a penalty or sanction) required by a Compliance Enforcement Authority that (1) is to bring a Registered Entity into compliance with a Reliability Standard or to avoid a Reliability Standard violation, and (2) is immediately necessary to protect the reliability of the bulk power system from an imminent threat.
- 1.1.19** Required Date: The date given a Registered Entity in a notice from the Compliance Enforcement Authority by which some action by the Registered Entity is required. Such date shall provide the Registered Entity a reasonable period of time in which to take the required action, given the circumstances and the action required.
- 1.1.20** Self-Certification: Attestation by a Registered Entity of compliance or non-compliance with Reliability Standards for which Self-Certification is required by the Compliance Enforcement Authority and that are included for monitoring in the Regional Implementation Plan.
- 1.1.21** Self-Reporting: A report by a Registered Entity of a violation of a Reliability Standard, based on its own assessment in order to provide prompt reports of any Reliability Standard violation and the actions that were taken or will be taken to resolve the violation.
- 1.1.22** Spot Checking: A process in which the Compliance Enforcement Authority requests a Registered Entity to provide information to support the Registered Entity's Self-Certification, Self Reporting, or Periodic Data Submittal and to assess whether the Registered Entity complies with Reliability Standards. Spot Checking may also be random or initiated in response to events, as described in the Reliability Standards, or by operating problems, or system events. Spot Checking may require an on-site review to complete.

## **Compliance Monitoring and Enforcement Program**

### **2.0 IDENTIFICATION OF ORGANIZATIONS RESPONSIBLE FOR COMPLYING WITH RELIABILITY STANDARDS**

The Compliance Enforcement Authority shall register the organizations responsible for complying with Reliability Standards, in accordance with Section 500 of the NERC Rules of Procedure. The Compliance Enforcement Authority shall identify the owners, operators, and users of the bulk power system that meet the definition of Registered Entities within the Compliance Enforcement Authority's area of responsibility. Each Registered Entity shall inform the Compliance Enforcement Authority promptly of changes to its Registration information. The Compliance Enforcement Authority shall inform each Registered Entity at the time of registration of the Reliability Standards that are applicable to the Registered Entity. The Compliance Enforcement Authority shall maintain on its website a current listing of Reliability Standards that are applicable to all Registered Entities.

The Compliance Enforcement Authority will designate a contact person(s) and require each Registered Entity to designate a contact person(s) responsible for sending and receiving all necessary information and communications concerning compliance matters. The Compliance Enforcement Authority will designate where Registered Entities are to send information, data, Mitigation Plans, or any other compliance-related correspondence.

Each Regional Entity shall develop, maintain, and provide to NERC a Regional Compliance Registry with updates as changes occur. NERC shall maintain the NERC Compliance Registry on its web site. NERC will provide FERC and any other Applicable Governmental Authorities monthly updates to the NERC Compliance Registry.

As provided for herein, during the course of compliance monitoring and enforcement activities relating to U.S. entities, NERC may obtain information that it will provide to FERC and, if the information pertains to a Registered Entity or to a portion of the bulk power system over which another Applicable Governmental Authority has jurisdiction, to such other Applicable Governmental Authority. However, NERC will not provide non-public U.S. compliance information that is subject to 18 C.F.R. §39.7(b)(4) to Applicable Governmental Authorities other than FERC without first obtaining permission from FERC for such disclosures and subject to such limitations as FERC may place on such disclosures. Similarly, during the course of compliance monitoring and enforcement activities relating to non-U.S. entities, NERC may obtain information that it will provide to the Applicable Governmental Authorities, including FERC, that have jurisdiction over the Registered Entity or the portion of the bulk power system to which the information pertains, but subject to any limitations placed on the disclosure of non-public, non-U.S. compliance information by the Applicable Governmental Authority with jurisdiction or by other law of the applicable jurisdiction.

### **3.0 COMPLIANCE MONITORING AND ENFORCEMENT PROCESSES**

The Compliance Enforcement Authority will monitor, assess, and enforce compliance with Reliability Standards using eight (8) monitoring processes to collect information in order to make assessments of compliance: (1) Compliance Audits, (2) Self-Certifications, (3) Spot Checking, (4) Compliance Violation Investigations, (5) Self-Reporting, (6) Periodic Data

## Compliance Monitoring and Enforcement Program

Submittals, (7) Exception Reporting, and (8) Complaints. These processes are described in sections 3.1 through 3.8 below.

Enforcement actions taken by the Compliance Enforcement Authority through the Compliance Program may include the imposition of remedial actions, sanctions, and penalties, where applicable, which shall be based on the schedule of penalties and sanctions approved for implementation by FERC and other Applicable Governmental Authorities. The imposition and acceptance of sanctions and penalties shall not be considered an acceptable alternative to any Registered Entity's continuing obligation to comply with the Reliability Standards. Registered Entities found in violation of a Reliability Standard will be required to mitigate the violation regardless of any enforcement actions taken.

The Compliance Program requires timely data from Registered Entities to effectively monitor compliance with Reliability Standards. If data, information or other reports to determine compliance requested from a Registered Entity are not received by the Required Date, the Compliance Enforcement Authority may execute the steps described in **Attachment 1, Process for Non-submittal of Requested Data**.

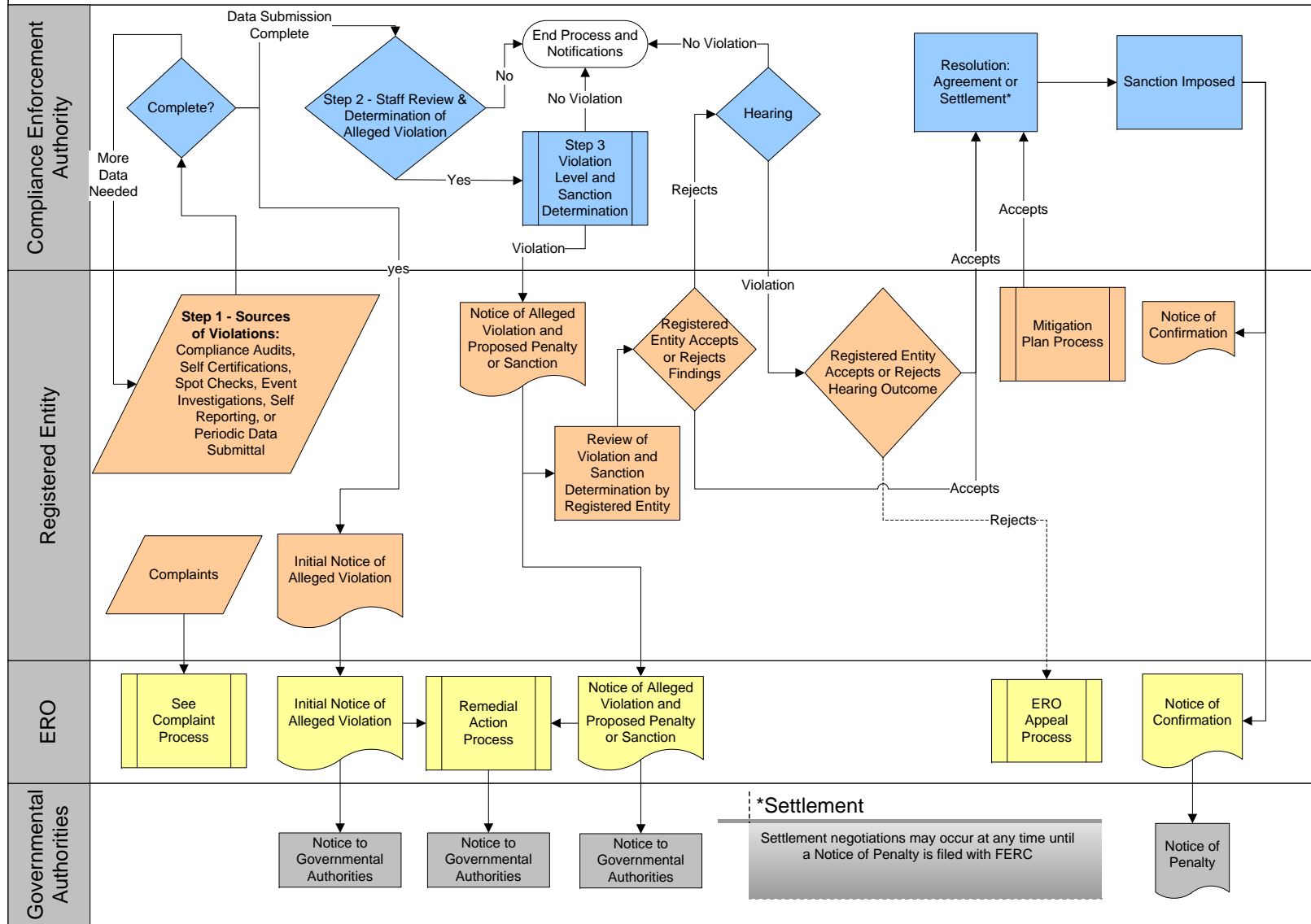
Parties engaged in the process described in this section should consult with each other on the data and information that would be appropriate for effectively addressing this section's process requirements. If a party believes that a request for data or information is unreasonable, the party may request a written determination from the NERC compliance program officer.

Any report or other submission of information by a Registered Entity required by the Compliance Program shall be signed by an officer, employee, attorney or other authorized representative of the Registered Entity. Electronic signatures are permitted in accordance with processes established by NERC and the Regional Entity. NERC or the Compliance Enforcement Authority may require the signer to provide a statement of the basis of his or her authority to sign on behalf of the Registered Entity.

**Figure 3.0 NERC Compliance Program Process** depicts the overall process steps for the Compliance Program and each of the subsequent process diagrams are either inputs to the overall process or represent an expansion of a single process (i.e., hearing process) shown on this diagram.

# Compliance Monitoring and Enforcement Program

## NERC Compliance Monitoring and Enforcement Program Overview





## Compliance Monitoring and Enforcement Program

### 3.1 Compliance Audits

All Registered Entities are subject to audit for compliance with all Reliability Standards applicable to the functions for which the Registered Entity is registered. Compliance Audits are conducted on the Registered Entity's site to the extent required by NERC Rule of Procedure 403.11.2. Compliance Audit processes for Compliance Audits conducted in the United States shall be based on professional auditing standards recognized in the U.S., including Generally Accepted Accounting Standards, Generally Accepted Government Auditing Standards and standards sanctioned by the Institute of Internal Auditors. Compliance Audit processes for Compliance Audits conducted outside the U.S. may be based on Canadian or other international standards. All Compliance Audits shall be conducted in accordance with audit guides established for the Reliability Standards included in the Compliance Audit, consistent with accepted auditing guidelines as approved by NERC. The audit guides will be posted on NERC's website.

#### 3.1.1 Compliance Audit Process Steps

The process steps for a Compliance Audit are as follows and as shown on **Figure 3.1**:<sup>1</sup>

- The Compliance Enforcement Authority distributes the Annual Audit Plan (developed in coordination with NERC) to the Compliance Audit Participants and NERC. The Compliance Enforcement Authority provides additional information to the Compliance Audit Participants, including audit materials, coordinating agendas and changes to the audit schedule as required. Prior to the Compliance Audit, the Compliance Enforcement Authority informs the Registered Entity of the Reliability Standards to be evaluated. NERC or the Regional Entity provides the audit schedules to FERC and to any other Applicable Governmental Authority based upon the agreements in place with the other Applicable Governmental Authority.
- At least two (2) months prior to commencement of a regularly scheduled Compliance Audit, the Compliance Enforcement Authority notifies the Registered Entity of the audit, identifies the audit team members and their recent employment history, and requests data, including a completed NERC pre-audit questionnaire. If the audit team members change from the time of the original notification, the Compliance Enforcement Authority will promptly notify the Registered Entity of the change and will allow time for the Registered Entity to object to the member (see Section 3.1.5).
- The Registered Entity provides to the Compliance Enforcement Authority the required information in the format specified in the request.
- The audit team reviews the submitted information for conformance with the requirements of the Reliability Standards prior to performing the audit. The audit team follows NERC audit guidelines in the implementation of the audit. This shall include conducting an exit briefing with the Registered Entity, providing for a review of the audit report with the Registered Entity before it is finalized, and issuing an audit report, including an

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<sup>1</sup>This process normally completes within sixty (60) days of the completion of the on-site Compliance Audit work at the Registered Entity's site.

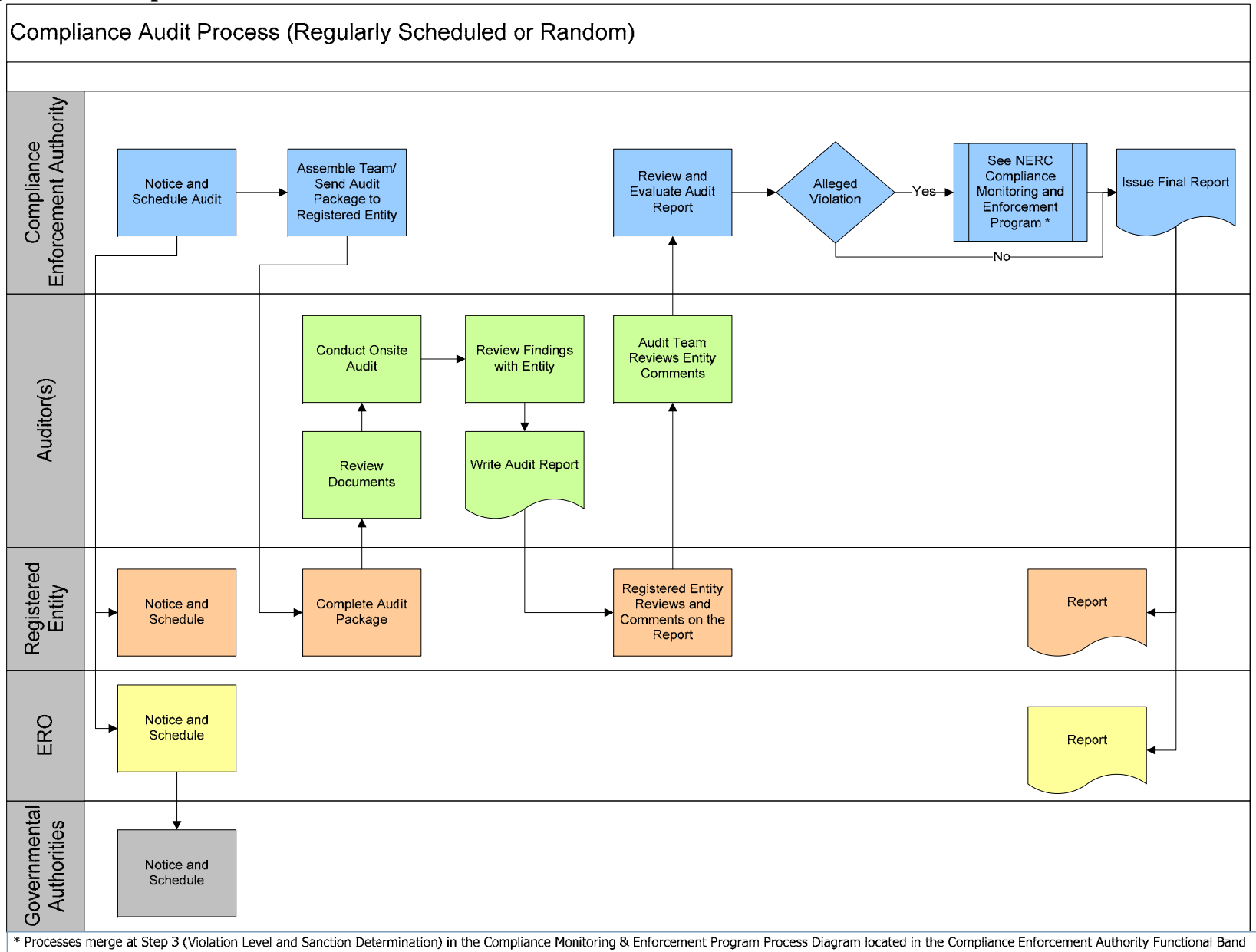
## Compliance Monitoring and Enforcement Program

assessment of compliance with the Reliability Standards to the Compliance Enforcement Authority.

- The Compliance Enforcement Authority reviews the report developed by the audit team and completes an assessment of any Alleged Violations with the Reliability Standards identified in the report.
- The Compliance Enforcement Authority provides the final audit report to the Registered Entity and to NERC.
- If the Compliance Enforcement Authority concludes that a reasonable basis exists for believing a violation of a Reliability Standard has occurred, it shall send the Registered Entity a notice containing the information set forth in Section 5.1 and the process moves to step 3 (Notice of Alleged Violation) of the Compliance Program Process shown in **Figure 3.0**.
- Regional Entities will notify NERC of any Alleged Violations as required by Section 8.0.

# Compliance Monitoring and Enforcement Program

**Figure 3.1 – Compliance Audit Process**



## **Compliance Monitoring and Enforcement Program**

### **3.1.2 Compliance Enforcement Authority Annual Audit Plan and Schedule**

The Compliance Enforcement Authority shall develop an Annual Audit Plan. The Annual Audit Plan of Regional Entities will be included in the Regional Implementation Plans submitted to NERC for review and approval (see Section 4.2). NERC or the Regional Entity provides the Annual Audit Plans to FERC and to any other Applicable Governmental Authority consistent with the agreements in place with the Applicable Governmental Authority.

Prior to January 1 of the year covered by the Annual Audit Plan, the Compliance Enforcement Authority shall notify Registered Entities subject to Compliance Audits during the upcoming year, of the audit schedules, methods, and data requirements for the audit. The Compliance Enforcement Authority will give due consideration to any schedule changes requested by Registered Entities to avoid unnecessary burdens.

Revisions and additions to a Regional Entity Annual Audit Plan shall be approved by NERC and the Registered Entity shall be notified in a timely manner (normally 60 days in advance) of changes or revisions to scheduled audit dates.

### **3.1.3 Frequency of Compliance Audits**

The Compliance Enforcement Authority will perform comprehensive Compliance Audits as required by the NERC Rules of Procedure based on criteria established by NERC. Additionally, an unscheduled Compliance Audit of any Registered Entity (i) may be initiated at any time by the Compliance Enforcement Authority if reasonably determined to be necessary to ensure the Registered Entities' compliance with Reliability Standards, and (ii) shall be initiated by the Compliance Enforcement Authority or by NERC if directed by FERC. Prior to or on the same date it notifies the Registered Entity that an unscheduled Compliance Audit is being initiated, the Compliance Enforcement Authority shall notify NERC and FERC that an unscheduled Compliance Audit is being initiated. The Registered Entity shall receive at least ten (10) business days advance notice that an unscheduled Compliance Audit is being initiated, which notice shall include identification of the members of the Compliance Audit team. The Registered Entity shall make any objections to the composition of the Compliance Audit team, which shall be based on failure to meet the criteria specified in Section 3.1.5, at least five (5) business days prior to the start of on-site audit work for the unscheduled Compliance Audit.

### **3.1.4 Scope of Compliance Audits**

A Compliance Audit will include all Reliability Standards applicable to the Registered Entity monitored in the NERC Implementation Plans in the current and three previous years, and may include other Reliability Standards applicable to the Registered Entity. If a Reliability Standard does not require retention of data for the full period of the Compliance Audit, the Compliance Audit will be applicable to the data retention period specified in the Reliability Standard.

### **3.1.5 Conduct of Compliance Audits**

The audit team shall be comprised of staff personnel from the Compliance Enforcement Authority and may include contractors and industry volunteers as determined by the Compliance Enforcement Authority to be appropriate to comprise a sufficient audit team. The audit team

## **Compliance Monitoring and Enforcement Program**

leader shall be a staff member from the Compliance Enforcement Authority and is responsible for the conduct of the Compliance Audit and preparation of the audit report. At their discretion, NERC Compliance Staff may participate on any Regional Entity Compliance Audit team either as an observer or as an audit team member as determined by the Regional Entity. Additionally, FERC and other regulatory bodies with regulatory authority for the Registered Entity may participate on the audit team for any Compliance Audit of a Registered Entity.

Each audit team member must:

- Be free of conflicts of interests. For example, employees or contractors of the Registered Entity being audited shall not be allowed to participate as auditors in the Compliance Audit of the Registered Entity.
- Comply with the NERC Antitrust Compliance Guidelines and shall have either signed appropriate confidentiality agreements or acknowledgments that the confidentiality agreement signed by the Compliance Enforcement Authority is applicable.
- Successfully complete all NERC or NERC-approved Regional Entity auditor training applicable to the Compliance Audit. As a transitional matter, for Compliance Audits conducted prior to January 1, 2008, at least a majority of audit team members must have successfully completed such training.

Prior to the Compliance Audit, copies of executed confidentiality agreements or acknowledgements will be provided to the Registered Entity.

A Registered Entity subject to a Compliance Audit may object to any member of the audit team on grounds of a conflict of interest or the existence of other circumstances that could interfere with the team member's impartial performance of his or her duties. Such objections must be provided in writing to the Compliance Enforcement Authority no later than fifteen (15) days prior to the start of on-site audit work. This fifteen (15) day requirement shall not apply (i) where an audit team member has been appointed less than twenty (20) days prior to the start of on-site audit work, in which case the Registered Entity must provide any objections to the Compliance Enforcement Authority within five (5) business days after receiving notice of the appointment of the Compliance Audit team member; and (ii) in the case of an unscheduled Compliance Audit pursuant to Section 3.1.3, in which case the Registered Entity must provide any objections to the Compliance Enforcement Authority at least five (5) business days prior to the start of start of on-site audit work for the unscheduled Compliance Audit. The Compliance Enforcement Authority will make a final determination on whether the member will participate in the Compliance Audit of the Registered Entity. Nothing in this paragraph shall be read to limit the participation of NERC or FERC staff in the Compliance Audit.

### **3.1.6 Compliance Audit Reports**

The audit team shall develop a draft audit report that shall include a description of the objective, scope, and methodology of the Compliance Audit; identify any Alleged Violations of Reliability Standards; identify any Mitigation Plans or Remedial Action Directives, which have been completed or pending in the year of the Compliance Audit; and identify the nature of any confidential information redacted. A separate document may be prepared that contains

## **Compliance Monitoring and Enforcement Program**

recommendations of the audit team. Any recommendations contained in that document will be considered non-binding. The draft report will be provided to the Registered Entity for comment.

The audit team will consider corrections based on comments of the Registered Entity and provide the final audit report to the Compliance Enforcement Authority who will review the report and assess compliance with the Reliability Standards and provide the Registered Entity with a copy of the final report. Regional Entities will provide the final report to NERC, which will in turn provide the report to FERC if the report pertains to a Registered Entity or to a portion of the bulk power system over which FERC has jurisdiction and/or to another Applicable Governmental Authority if the report pertains to a Registered Entity or to a portion of the bulk power system over which the other Applicable Governmental Authority has jurisdiction. Provided, that NERC will not disclose non-public U.S. compliance information that is subject to 18 C.F.R. §39.7(b)(4) to Applicable Governmental Authorities other than FERC without first obtaining permission from FERC for such disclosure and subject to such limitations as FERC may place on such disclosure; and NERC will not disclose non-public non-U.S. compliance information to an Applicable Governmental Authority (including FERC) without first obtaining permission for such disclosure from the Applicable Governmental Authority with jurisdiction over the Registered Entity or the portion of the bulk power system to which such non-public information pertains and subject to any limitations placed on such disclosure by such Applicable Governmental Authority or by other law of the applicable jurisdiction. The Registered Entity shall receive the final audit report at least five (5) business days prior to the release of the report to the public. Work papers and other documentation associated with the audit shall be maintained by the Compliance Enforcement Authority in accordance with NERC requirements.

In the event the audit report identifies Alleged Violations, the final audit report, or pertinent part thereof identifying the Alleged Violation(s) and any proposed penalty or sanction(s), shall not be released to the public by NERC or the Compliance Enforcement Authority until (i) NERC submits a notice of penalty to FERC, or (ii) such Alleged Violation(s) have been admitted by the Registered Entity or resolved by a settlement with the Compliance Enforcement Authority pursuant to the provisions of Section 5.0.

Information deemed by a Compliance Enforcement Authority or the Registered Entity as critical energy infrastructure information or confidential information (as defined in Section 1501 of the NERC Rules of Procedure) shall be redacted from any public reports.

### **3.2 Self-Certification**

The Compliance Enforcement Authority may require Registered Entities to self-certify their compliance with Reliability Standards.

If a Self-Certification accurately identifies a violation of a Reliability Standard, an identification of the same violation in a subsequent Compliance Audit or Spot Check, will not subject the Registered Entity to an escalated penalty as a result of the Compliance Audit process unless the severity of the violation is found to be greater than reported by the Registered Entity in the Self-Certification.

#### **3.2.1 Self-Certification Process Steps**

## Compliance Monitoring and Enforcement Program

The process steps for the Self-Certification process are as follows and as shown in **Figure 3.2.1**:<sup>2</sup>

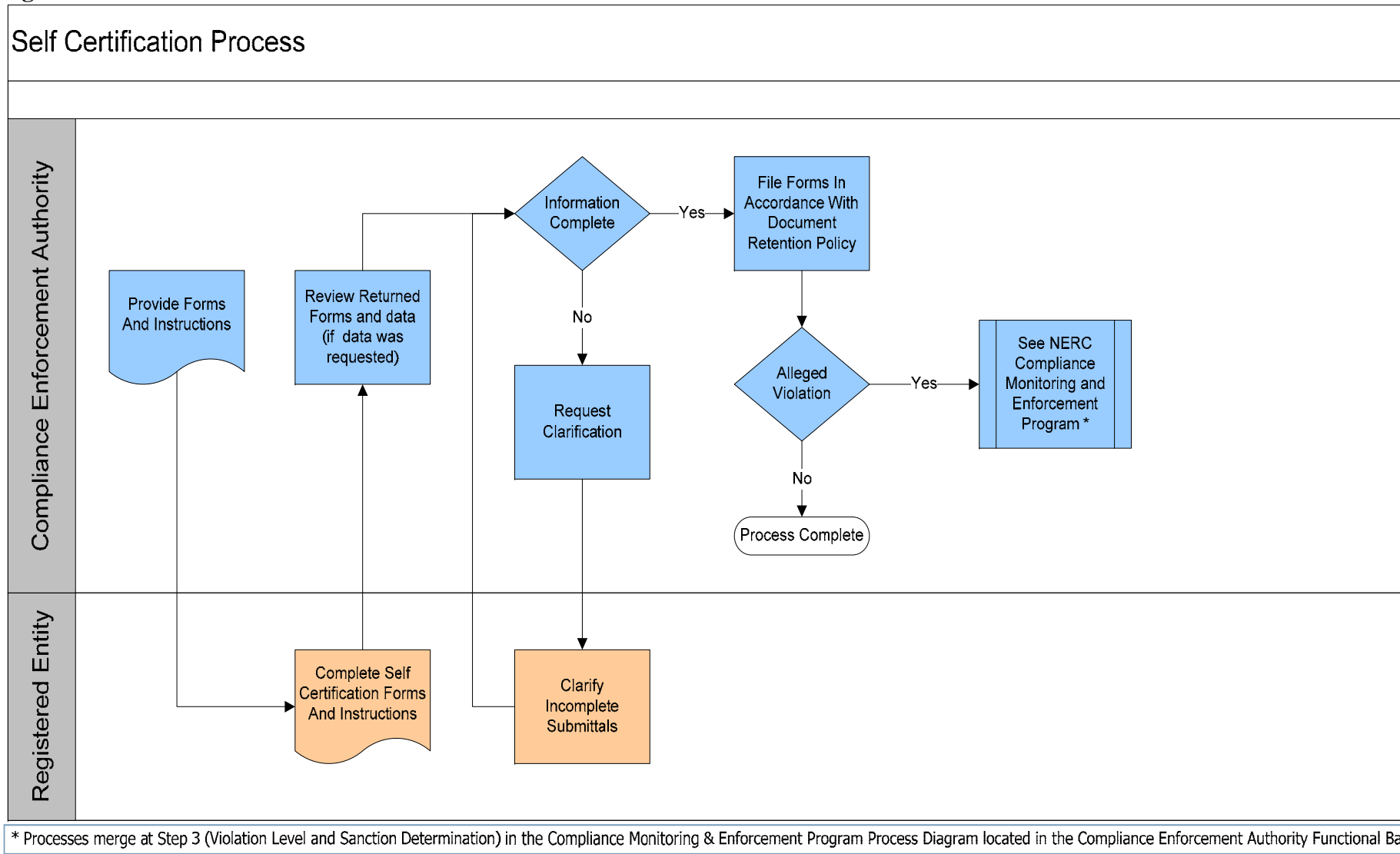
- The Compliance Enforcement Authority posts and updates the reporting schedule and informs Registered Entities. The Compliance Enforcement Authority ensures that the appropriate Reliability Standards, compliance procedures, and required submittal forms for the Reliability Standards being evaluated are maintained and available electronically.
- The Compliance Enforcement Authority requests the Registered Entity to make a Self-Certification within the advance notice period specified by the Reliability Standard. If the Reliability Standard does not specify the advance notice period, this request will be issued in a timely manner (normally thirty (30) days advance notice).
- The Registered Entity provides the required information to the Compliance Enforcement Authority.
- The Compliance Enforcement Authority reviews information to determine compliance with the Reliability Standards and may request additional data and/or information if necessary.
- The Compliance Enforcement Authority completes the assessment of the Registered Entity for compliance with the Reliability Standard (and with the Registered Entity's Mitigation Plan, if applicable). If the Compliance Enforcement Authority concludes that a reasonable basis exists for believing a violation of a Reliability Standard has occurred, it shall send the Registered Entity a notice containing the information set forth in Section 5.1 and the process moves to step 3 (Notice of Alleged Violation) of the Compliance Program Process shown in **Figure 3.0**
- Regional Entities will notify NERC of any Alleged Violations as required by Section 8.0.

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<sup>2</sup>If no non-compliances are found, this process normally completes within sixty (60) days of the Compliance Enforcement Authority's receipt of data.

# Compliance Monitoring and Enforcement Program

Figure 3.2.1 – Self Certification Process





## Compliance Monitoring and Enforcement Program

### 3.3 Spot Checking

Spot Checking will be conducted by the Compliance Enforcement Authority. Spot Checking may be initiated by the Compliance Enforcement Authority at any time to verify or confirm Self-Certifications, Self Reporting, and Periodic Data Submittals. Spot Checking may also be random or may be initiated in response to events, as described in the Reliability Standards, or by operating problems, or system events. The Compliance Enforcement Authority then reviews the information submitted to verify the Registered Entity's compliance with the Reliability Standard. A Compliance Audit may be initiated by the Compliance Enforcement Authority as a result of a Spot Check as necessary.

#### 3.3.1 Spot Checking Process Steps

The process steps for Spot Checking are as follows and as shown in **Figure 3.3.1**:<sup>3</sup>

- The Compliance Enforcement Authority notifies the Registered Entity that Spot Checking will be performed and the reason for the spot check within the advance notice period specified by the Reliability Standard. If the Reliability Standard does not specify the advance notice period, any information submittal request made by the Compliance Enforcement Authority will allow at least twenty (20) days for the information to be submitted or available for review.
- The Compliance Enforcement Authority, during the advance notice period, notifies the Registered Entity of the names and employment histories of the persons who will be conducting the Spot Checking. The Registered Entity may object to inclusion of any individual on the Spot Checking team in accordance with Section 3.1.5. Any such objections must be submitted by the later of (i) five (5) business days before the information being requested by the Compliance Enforcement Authority is submitted and (ii) five (5) business days after the Registered Entity is notified of the persons on the Spot Checking team. Nothing in this step shall be read to limit the participation of NERC or FERC staff on the Spot Checking Team.
- The spot check may require submission of data, documentation, or possibly an on-site review.
- The Registered Entity provides required information to the Compliance Enforcement Authority in the format specified in the request.
- The Compliance Enforcement Authority reviews information to determine compliance with the Reliability Standards and may request the additional data and/or information if necessary for a complete assessment of compliance.
- The Compliance Enforcement Authority reviews its draft assessment of the Registered Entity's compliance with the Registered Entity and provides an opportunity for the Registered Entity to comment on the draft assessment.

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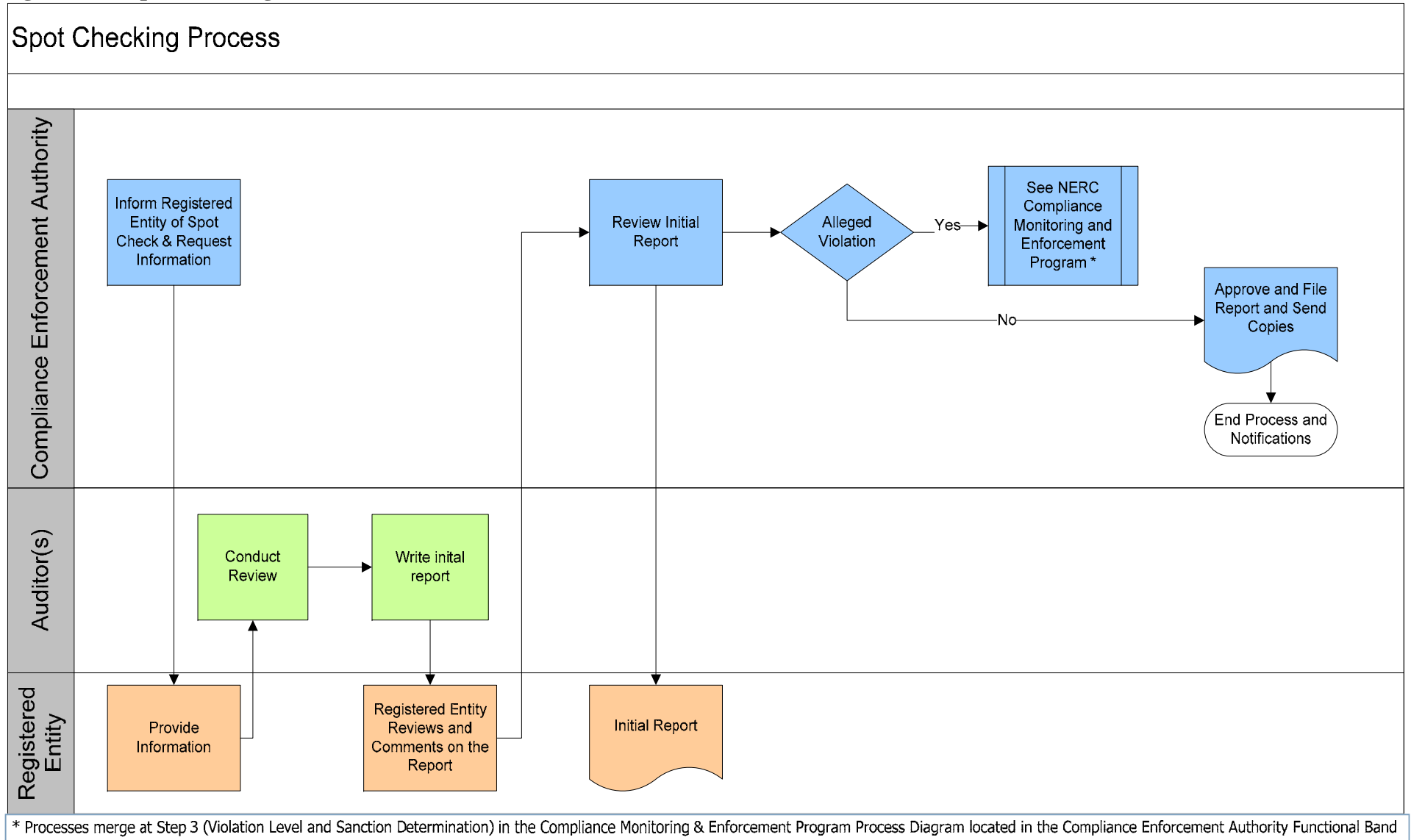
<sup>3</sup>If no alleged violations are found, this process normally completes within ninety (90) days of the Compliance Enforcement Authority's receipt of data.

## Compliance Monitoring and Enforcement Program

- The Compliance Enforcement Authority completes and documents the assessment of the Registered Entity for compliance with the Reliability Standard and provides a report to the Registered Entity indicating the results of the spot check.
- If the Compliance Enforcement Authority concludes that a reasonable basis exists for believing a violation of a Reliability Standard has occurred, it shall send the Registered Entity a notice containing the information set forth in Section 5.1 and the process moves to step 3 (Notice of Alleged Violation) of the Compliance Program Process shown in **Figure 3.0**
- Regional Entities will notify NERC of any Alleged Violations as required by Section 8.0.

# Compliance Monitoring and Enforcement Program

Figure 3.3.1 Spot Checking Process



## Compliance Monitoring and Enforcement Program

### 3.4 Compliance Violation Investigations

A Compliance Violation Investigation may be initiated at any time by the Compliance Enforcement Authority, NERC, FERC or another Applicable Governmental Authority in response to a system disturbance, Complaint, or possible violation of a Reliability Standard identified by any other means. Compliance Violation Investigations will generally be led by the Regional Entity's staff. NERC reserves the right to assume the leadership of a Compliance Violation Investigation.<sup>4</sup> The Regional Entity shall not be entitled to appeal NERC's decision to lead a Compliance Violation Investigation. Compliance Violation Investigations are confidential, unless FERC directs that a Compliance Violation Investigation should be public or that certain information obtained in the Compliance Violation Investigation should be publicly disclosed. Confirmed Violations resulting from a Compliance Violation Investigation will be made public.

If an Applicable Governmental Authority other than FERC initiates a Compliance Violation Investigation of a U.S.-related matter, NERC shall provide notice to FERC of the Compliance Violation Investigation prior to disclosure of any non-public U.S.-related compliance information regarding the matter to be investigated to the other Applicable Governmental Authority. NERC's notice to FERC shall describe the nature of the proposed disclosures to the other Applicable Governmental Authority and shall state the procedures NERC will utilize in connection with the Compliance Violation Investigation to ensure compliance with the requirements of 18 C.F.R. §39.7(b)(4) concerning nondisclosure of violations and Alleged Violations. If FERC initiates a Compliance Violation Investigation of a non-U.S.-related matter, NERC shall provide notice of the Compliance Violation Investigation to the Applicable Governmental Authority having jurisdiction over the Registered Entity or the portion of the bulk power system that is the subject of the Compliance Violation Investigation prior to disclosure to FERC of any non-public non-U.S.-related compliance information regarding the matter to be investigated. NERC's notice to the other Applicable Governmental Authority shall describe the nature of the proposed disclosures to FERC and shall state the procedures NERC will utilize in connection with the Compliance Violation Investigation to ensure compliance with regulations of the other Applicable Governmental Authority or other law of the applicable jurisdiction concerning disclosure of non-public compliance information.

#### 3.4.1 Compliance Violation Investigation Process Steps

The process steps for a Compliance Violation Investigation are as follows and as shown in **Figure 3.4.1**:<sup>5</sup>

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<sup>4</sup> Examples of situations in which NERC may decide to lead a Compliance Violation Investigation include: (i) to assure consistency in investigative processes, (ii) to coordinate investigations into matters that may cross Regional Entity boundaries, (iii) where the possible violation is related to the Regional Entity or one of its affiliates, divisions, committees or subordinate structures, or (iv) where the Regional Entity determines it cannot conduct the Compliance Violation Investigation.

<sup>5</sup>If no alleged violation(s) are found, this process normally completes within sixty (60) days following the decision to initiate a Compliance Violation Investigation.

## Compliance Monitoring and Enforcement Program

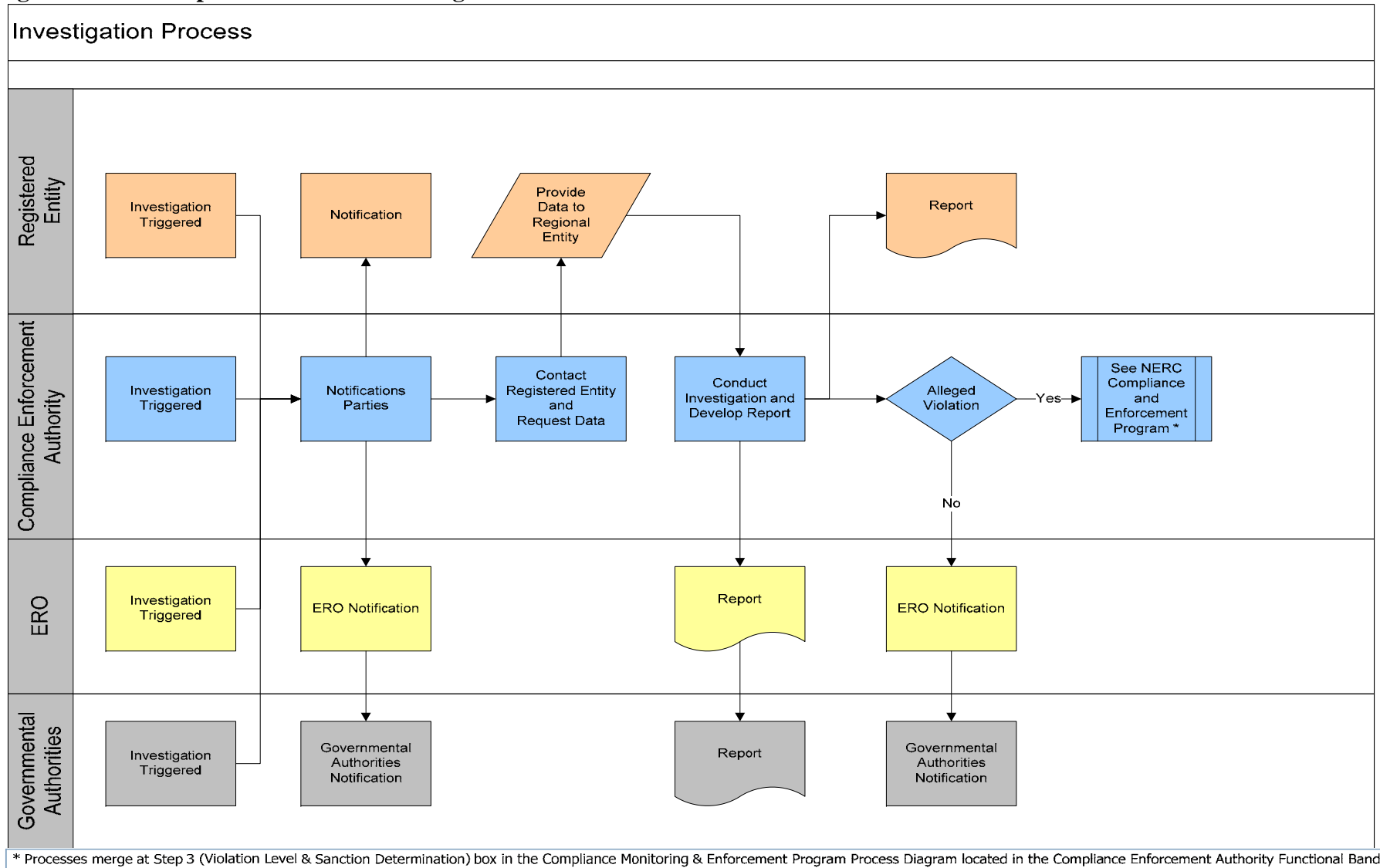
- The Compliance Enforcement Authority is notified or becomes aware of circumstances indicating a possible violation of a Reliability Standard and determines whether a Compliance Violation Investigation is warranted. Within two (2) business days of the decision to initiate a Compliance Violation Investigation, the Compliance Enforcement Authority: (i) notifies the Registered Entity of the initiation and initial scope of the Compliance Violation Investigation, the requirements to preserve all records and information relevant to the Compliance Violation Investigation and, where appropriate, the reasons for the Compliance Violation Investigation, and (ii) notifies NERC of the initiation of and the reasons for the Compliance Violation Investigation. While the Compliance Enforcement Authority may, at its discretion, notify the Registered Entity of the reasons for its investigation, the investigation, as it unfolds, need not be limited to this scope.
- NERC assigns a NERC Staff member to the Compliance Violation Investigation and to serve as a single point of contact for communications with NERC. Within two (2) business days after NERC is notified of the decision to initiate a Compliance Violation Investigation, NERC will notify each Applicable Governmental Authority having jurisdiction over a Registered Entity or a portion of the bulk power system to which the Compliance Violation Investigation relates. Provided, that NERC will not disclose non-public U.S. compliance information that is subject to 18 C.F.R. §39.7(b)(4) to an Applicable Governmental Authority other than FERC without first obtaining permission from FERC for such disclosure and subject to any limitations placed by FERC on such disclosure, and NERC will not disclose non-public non-U.S. compliance information to an Applicable Governmental Authority (including FERC) without first obtaining permission from the Applicable Governmental Authority that has jurisdiction over the Registered Entity or portion of the bulk power system to which the non-public information pertains and subject to any limitations placed on such disclosure by such Applicable Governmental Authority or by other law of the applicable jurisdiction.
- The Compliance Enforcement Authority requests data or documentation and provides a list of individuals on the investigation team and their recent employment history. The Registered Entity may object to any individual on the investigation team in accordance with Section 3.1.5; however, the Registered Entity may not object to participation by NERC, by FERC staff or by staff of another Applicable Governmental Authority on the investigation team. If the Reliability Standard does not specify the advance notice period, a request is normally issued with no less than twenty (20) days advance notice.
- Within ten (10) business days of receiving the notification of a Compliance Violation Investigation, a Registered Entity subject to an investigation may object to any member of the investigation team on grounds of a conflict of interest or the existence of other circumstances that could interfere with the team member's impartial performance of his or her duties. Such objections must be provided in writing to the Compliance Enforcement Authority within such ten (10) business day period. The Compliance Enforcement Authority will make a final determination as to whether the individual will participate in the investigation of the Registered Entity.
- If necessary, the Compliance Violation Investigation may include an on-site visit with interviews of the appropriate personnel and review of data.

## Compliance Monitoring and Enforcement Program

- The Registered Entity provides the required information to the Compliance Enforcement Authority in the format as specified in the request.
- The Compliance Enforcement Authority reviews information to determine compliance with the Reliability Standards. The Compliance Enforcement Authority may request additional data and/or information if necessary for a complete assessment or to demonstrate compliance.
- The Compliance Enforcement Authority may require the Registered Entity (i) to provide a verification under oath by an officer, employee, attorney or other authorized representative of the Registered Entity attesting to the accuracy, completeness and truth of the Registered Entity's responses to the Compliance Enforcement Authority's requests for documents and information; and (ii) to produce one or more officers, employees or other authorized representatives of the Registered Entity who are familiar with the subject matter of the Compliance Violation Investigation to provide testimony under oath concerning the matters under investigation.
- The Compliance Enforcement Authority completes the assessment of compliance with the Reliability Standard and/or approval of the applicable Mitigation Plan, writes and distributes the report, and notifies the Registered Entity.
- If the Compliance Enforcement Authority concludes that a reasonable basis exists for believing a violation of a Reliability Standard has occurred, it shall send the Registered Entity a notice containing the information set forth in Section 5.1 and the process moves to step 3 (Notice of Alleged Violation) of the Compliance Program Process shown in **Figure 3.0**
- Regional Entities will notify NERC of any Alleged Violations as required by Section 8.0.
- If the Compliance Enforcement Authority determines that no violation occurred, it shall send the Registered Entity and NERC a notice that the investigation has been completed. NERC will in turn notify FERC and, if the investigation pertained to a Registered Entity or to a portion of the bulk power system over which another Applicable Governmental Authority has jurisdiction, will also notify such other Applicable Governmental Authority. Provided, however, that NERC will not disclose non-public U.S. compliance information that is subject to 18 C.F.R. §39.7(b)(4) to Applicable Governmental Authorities other than FERC without first obtaining permission from FERC for such disclosure and subject to any limitations placed by FERC on such disclosure, and NERC will not disclose non-public non-U.S. compliance information to an Applicable Governmental Authority (including FERC) without first obtaining permission from the Applicable Governmental Authority that has jurisdiction over the Registered Entity or portion of the bulk power system to which the non-public information pertains and subject to any limitations placed on such disclosure by such Applicable Governmental Authority or by other law of the applicable jurisdiction.

# Compliance Monitoring and Enforcement Program

Figure 3.4.1 – Compliance Violation Investigation Process



## Compliance Monitoring and Enforcement Program

### 3.5 Self-Reporting

Self-Reporting is encouraged at the time a Registered Entity becomes aware (i) of a violation of a Reliability Standard or (ii) a change in the violation severity level of a previously reported violation. Self-Reporting of a violation of a Reliability Standard is encouraged regardless of whether the Reliability Standard requires reporting on a pre-defined schedule in the Compliance Program and the violation is determined outside the pre-defined reporting schedule.

#### 3.5.1 Self-Reporting Process Steps

The process steps for Self-Reporting are as follows and as shown in **Figure 3.5.1**:<sup>6</sup>

- The Compliance Enforcement Authority posts the Self-Reporting submittal forms and ensures they are maintained and available on its Web site.
- The Registered Entity provides the Self-Reporting information to the Compliance Enforcement Authority.
- The Compliance Enforcement Authority reviews the information to determine compliance with the Reliability Standards and may request the Registered Entity to provide clarification or additional data and/or information.
- The Compliance Enforcement Authority completes the assessment of the Registered Entity for compliance with the Reliability Standards and any Mitigation Plan, if applicable, and notifies the Registered Entity.
- If the Compliance Enforcement Authority concludes that a reasonable basis exists for believing a violation of a Reliability Standard has occurred, it shall send the Registered Entity a notice containing the information set forth in Section 5.1 and the process moves to step 3, Notice of Alleged Violation, of the Compliance Program Process shown in **Figure 3.0**.
- Regional Entities notify NERC of any Alleged Violations as required by Section 8.0.

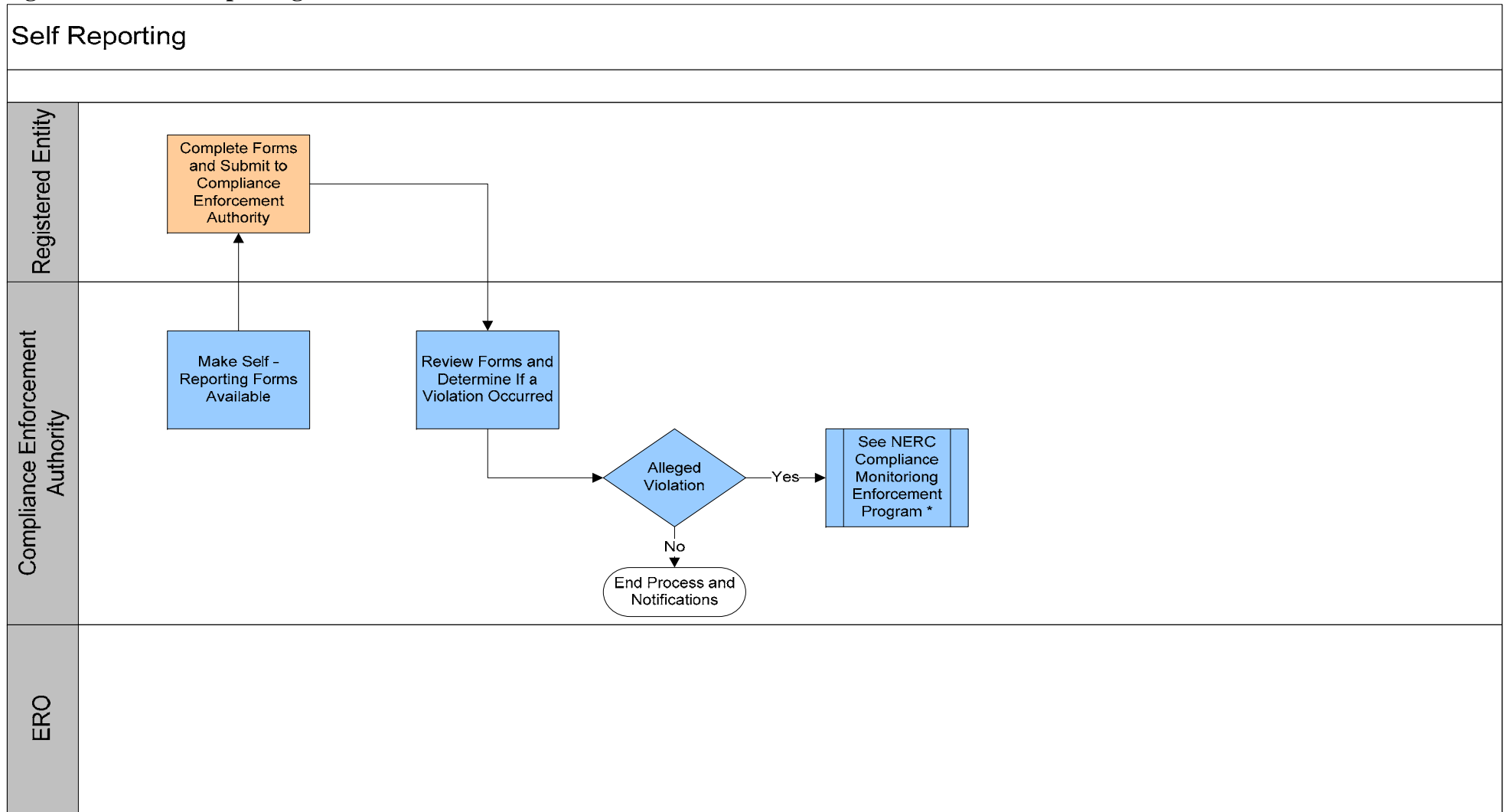
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<sup>6</sup>This process normally completes within sixty (60) days following the Compliance Enforcement Authority's receipt of data.



# Compliance Monitoring and Enforcement Program

## Figure 3.5.1 – Self Reporting Process



\* Processes merge at Step 3 (Violation Level and Sanction Determination) in the Compliance Monitoring & Enforcement Program Process Diagram located in the Compliance Enforcement Authority Functional Band

## Compliance Monitoring and Enforcement Program

### 3.6 Periodic Data Submittals

The Compliance Enforcement Authority requires Periodic Data Submittals in accordance with the schedule stated in the applicable Reliability Standard, established by the Compliance Enforcement Authority, or on an as-needed basis. Requests for data submittals will be issued by the Compliance Enforcement Authority to Registered Entities with at least the minimum advance notice period specified by the applicable Reliability Standard. If the Reliability Standard does not specify an advance notice period, the request will normally be issued with no less than twenty (20) days advance notice.

#### 3.6.1 Periodic Data Submittals Process Steps

The process steps for Periodic Data Submittal are as follows and as shown in **Figure 3.6.1**:<sup>7</sup>

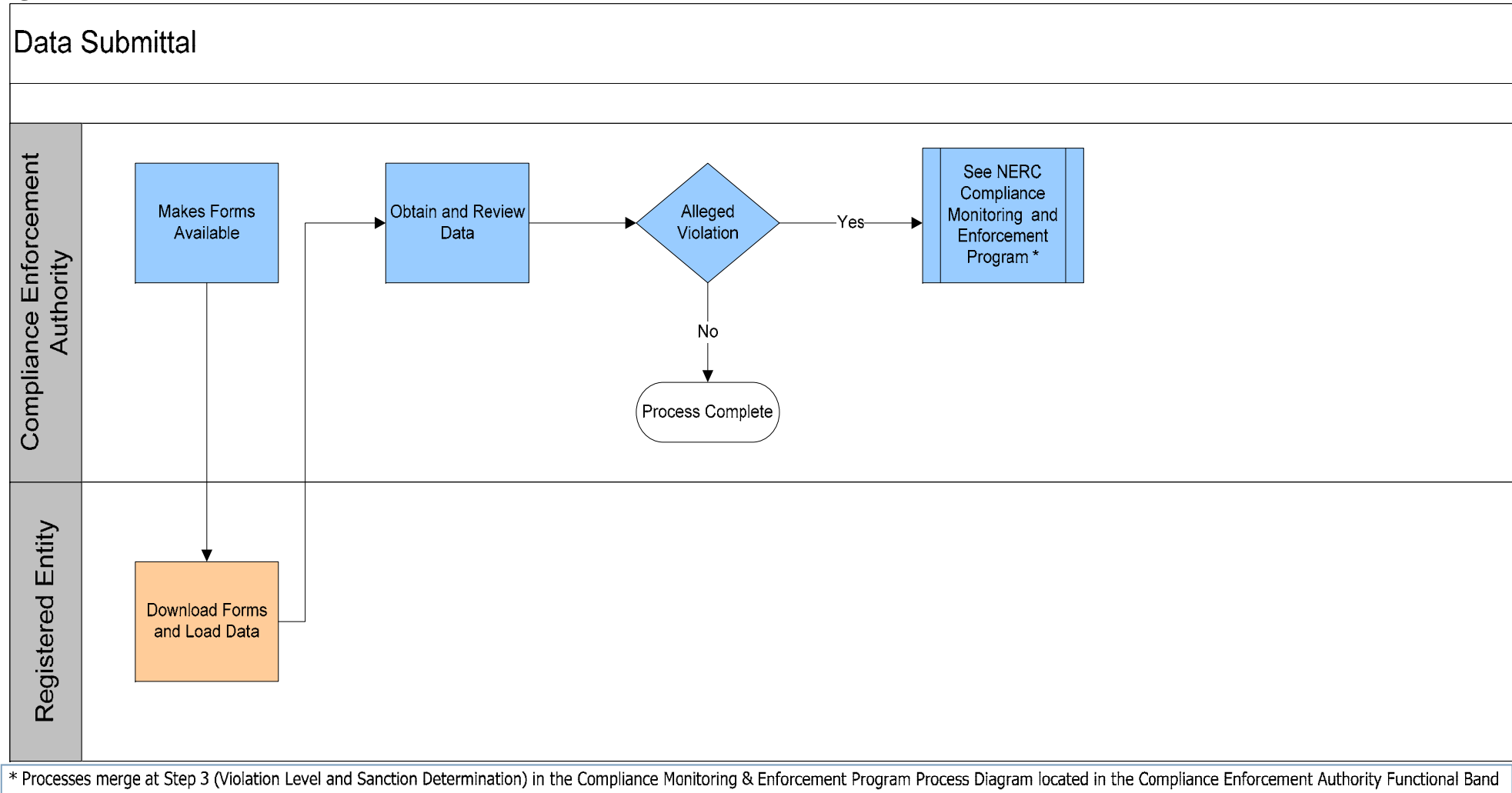
- The Compliance Enforcement Authority posts the current data reporting schedule on its web site and keeps Registered Entities informed of changes and/or updates. The Compliance Enforcement Authority ensures that the appropriate Reliability Standard compliance procedures and the required submittal forms for the Reliability Standards being evaluated are maintained and available via its Web site.
- The Compliance Enforcement Authority makes a request for a Periodic Data Submittal.
- The Registered Entity provides the required information to the Compliance Enforcement Authority in the format as specified in the request.
- The Compliance Enforcement Authority reviews the data submittal to determine compliance with the Reliability Standards and may request additional data and/or information for a complete assessment or to demonstrate compliance.
- The Compliance Enforcement Authority reviews its draft assessment of the Registered Entity's compliance with the Reliability Standard and provides an opportunity for the Registered Entity to comment on the assessment before it is finalized.
- The Compliance Enforcement Authority completes the assessment of the Registered Entity for compliance with the Reliability Standard and notifies the Registered Entity.
- If the Compliance Enforcement Authority concludes that a reasonable basis exists for believing a violation of a Reliability Standard has occurred, it shall send the Registered Entity a notice containing the information set forth in Section 5.1 and the process moves to step 3 (Notice of Alleged Violation) of the Compliance Program Process shown in **Figure 3.0**
- Regional Entities notify NERC of any Alleged Violations as required by Section 8.0.

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<sup>7</sup>If no violation(s) are found, this process generally completes within ten (10) business days of the Compliance Enforcement Authority's receipt of data.

# Compliance Monitoring and Enforcement Program

Figure 3.6.1 – Data Submittal Process



## Compliance Monitoring and Enforcement Program

### 3.7 Exception Reporting

Some Reliability Standards require reporting of exceptions to compliance with the Reliability Standard as a form of compliance monitoring. The Compliance Enforcement Authority shall require Registered Entities to provide reports identifying any exceptions to the extent required by any Reliability Standard.

The Compliance Enforcement Authority shall also require Registered Entities to confirm the number of exceptions that have occurred in a given time period identified by NERC, even if the number of exceptions is zero.

### 3.8 Complaints

Either NERC or Regional Entities may receive Complaints alleging violations of a Reliability Standard. A Regional Entity will conduct a review of each Complaint it receives to determine if the Complaint provides sufficient basis for a Compliance Violation Investigation, except that NERC will review any Complaint (1) that is related to a Regional Entity or its affiliates, divisions, committees or subordinate structures, (2) where the Regional Entity determines it cannot conduct the review, or (3) if the complainant wishes to remain anonymous or specifically requests NERC to conduct the review of the Complaint.

If the Complaint is submitted to NERC, NERC will forward the information to the Regional Entity, as appropriate.

All anonymous Complaints will be reviewed and any resulting Compliance Violation Investigations conducted by NERC will be conducted in accordance with Section 3.8.2 to prevent disclosure of the identity of the complainant.

The Compliance Enforcement Authority conducting the review will determine if the Complaint may be closed as a result of the initial review and assessment of the Complaint to determine if it provides sufficient basis for a Compliance Violation Investigation. The Regional Entity will report the results of its review of the Complaint to NERC. If, as a result of the initial review of the Complaint, the Compliance Enforcement Authority determines that a Compliance Violation Investigation is warranted, a Compliance Violation Investigation will be conducted in accordance with Section 3.4.

#### 3.8.1 Complaint Process Steps

The detailed process steps for the Complaint process are as follows and as shown in **Figure 3.8.1**.<sup>8</sup>

- The complainant notifies NERC or a Regional Entity using the NERC compliance hotline, submitting a NERC Complaint reporting form, or by other means. A link to the Complaint reporting form will be posted on the NERC and Regional Entity Web sites.

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<sup>8</sup>If no violations are found, this process normally completes within sixty (60) days following receipt of the Complaint.

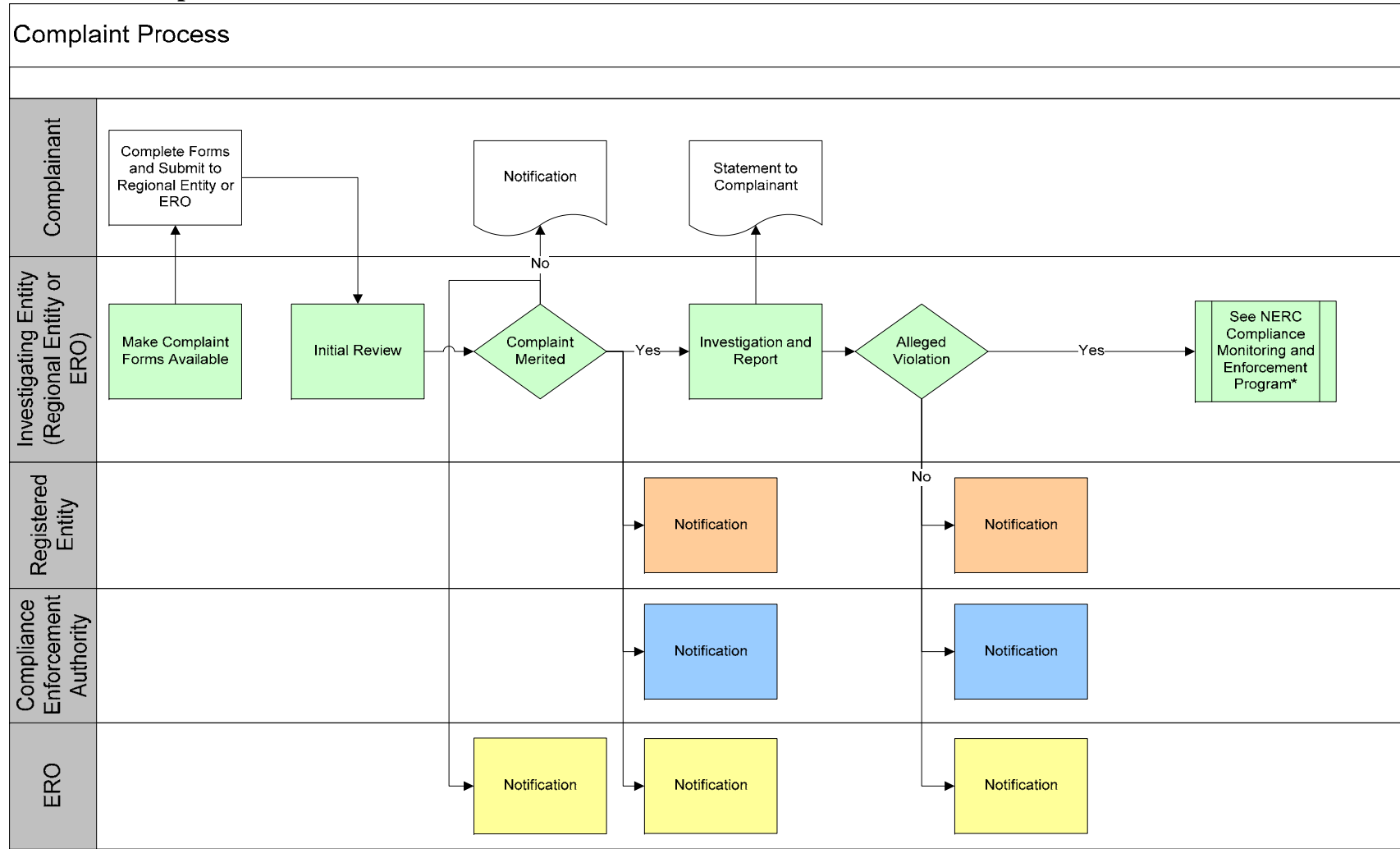
## **Compliance Monitoring and Enforcement Program**

The Complaint should include sufficient information to enable NERC or the Regional Entity to make an assessment of whether the initiation of a Compliance Violation Investigation is warranted. NERC or the Regional Entity may not act on a Complaint if the Complaint is incomplete and does not include sufficient information.

- If the Compliance Enforcement Authority determines that a Compliance Violation Investigation is warranted, it initiates the Compliance Violation Investigation in accordance with Section 3.4; otherwise it takes no further action. The Compliance Enforcement Authority notifies the complainant, the Registered Entity, and NERC of the Compliance Violation Investigation. If the Compliance Enforcement Authority determines that a Compliance Violation Investigation is not warranted, it will notify the complainant, NERC, and the Registered Entity that no further action will be taken.
- The Compliance Enforcement Authority fully documents the Complaint and the Complaint review, whether a Compliance Violation Investigation is initiated or not.

# Compliance Monitoring and Enforcement Program

Figure 3.8.1 – Complaint Process



+ Anonymous complainant identities will be withheld

\* Processes merge at Step 3 (Violation Level and Sanction Determination) in the Compliance Monitoring & Enforcement Program Process Diagram located in the Compliance Enforcement Authority Functional Band

## **Compliance Monitoring and Enforcement Program**

### **3.8.2 Anonymous Complainant Notification Procedure**

An anonymous complainant who believes, or has information indicating, there has been a violation of a Reliability Standard, can report the possible violation and request that the complainant's identity not be disclosed.<sup>9</sup> All Complaints lodged by a person or entity requesting that the complainant's identity not be disclosed shall be investigated by NERC following the procedural steps described in Section 3.8.1. Anonymous Complaints received by a Regional Entity will either be directed to NERC or the Regional Entity will collect and forward the information to NERC, at the Regional Entity's discretion. Neither NERC nor the Regional Entity shall disclose the identity of any person or entity reporting possible violations to NERC or to a Regional Entity that requests that his/her/its identity not be revealed. The identity of the complainant will only be known by NERC and in the case where a Regional Entity collects the information, by NERC and the Regional Entity. If the Compliance Enforcement Authority determines that a Compliance Violation Investigation is not warranted, it will notify the complainant, NERC, and the Registered Entity that no further action will be taken.

## **4.0 ANNUAL IMPLEMENTATION PLANS**

### **4.1 NERC Compliance Monitoring and Enforcement Program Implementation Plan**

NERC will maintain and update the NERC Implementation Plan, to be carried out by Compliance Enforcement Authorities in the performance of their responsibilities and duties in implementing the NERC Compliance Monitoring and Enforcement Program. The NERC Implementation Plan will be provided to the Regional Entities by October 1 of each year and will specify the Reliability Standards requiring reporting by Registered Entities to the Compliance Enforcement Authority to provide verification of compliance through one of the monitoring methods described in this Compliance Plan document. The NERC Implementation Plan will be posted on the NERC web site.

### **4.2 Regional Entity Implementation Plan**

By November 1 of each year, Regional Entities will submit a Regional Implementation Plan for the following calendar year to NERC for approval. The Regional Implementation Plan and the Regional Entity's other relevant Compliance Program documents shall be posted on the Regional Entity's Web site.

## **5.0 ENFORCEMENT ACTIONS**

The Compliance Enforcement Authority shall determine (i) whether there have been violations of Reliability Standards by Registered Entities within the Compliance Enforcement Authority's area of responsibility, and (ii) if so, the appropriate remedial actions, and penalties and sanctions, as prescribed in the NERC Sanction Guidelines (Appendix 4B to the NERC Rules of Procedure). NERC will work to achieve consistency in the application of the Sanction Guidelines by Regional Entities by direct oversight and review of penalties and sanctions, and each Regional Entity shall provide to NERC such information as is requested by NERC concerning any penalty, sanction, or remedial actions imposed by the Regional Entity.

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<sup>9</sup>NERC has established a Compliance Hotline that may be used for the submission of Complaints by persons or entities that do not want his/her/its identity disclosed (see [www.nerc.com](http://www.nerc.com) for additional information).

## **Compliance Monitoring and Enforcement Program**

Parties engaged in the process described in this section should consult with each other on the data and information that would be appropriate for effectively addressing this section's process requirements. If a party believes that a request for data or information other than in the context of the hearing procedures is unreasonable, the party may request a written determination from the NERC compliance program officer.

### **5.1 Notification to Registered Entity of Alleged Violation**

If the Compliance Enforcement Authority alleges that a Registered Entity has violated a Reliability Standard, the Compliance Enforcement Authority shall provide written notice of Alleged Violation and sanction (signed by an officer or designee) to the Registered Entity (CEO or equivalent and compliance contact) and NERC. The Compliance Enforcement Authority may also issue an initial notice of Alleged Violation, without specifying the proposed penalty or sanction, to the Registered Entity. The notice of Alleged Violation and sanction shall contain, at a minimum:

- (i) the Reliability Standard and requirement(s) thereof the Registered Entity has allegedly violated,
- (ii) the date and time the Alleged Violation occurred (or is occurring),
- (iii) the facts the Compliance Enforcement Authority believes demonstrate or constitute the Alleged Violation,
- (iv) the proposed penalty or sanction, if any, determined by the Compliance Enforcement Authority to be applicable to the Alleged Violation in accordance with the NERC Sanction Guidelines, including an explanation of the basis on which the particular penalty or sanction was determined to be applicable,
- (v) notice that the Registered Entity shall, within thirty (30) days, elect one of the following options or the Compliance Enforcement Authority will deem the Registered Entity to have accepted the determination of violation and proposed penalty or sanction:
  - 1. agree with the Alleged Violation and proposed penalty or sanction, and agree to submit and implement a Mitigation Plan to correct the violation and its underlying causes, and may provide a response in accordance with Section 5.2, or
  - 2. agree to the Alleged Violation and agree to submit and implement a Mitigation Plan to eliminate the violation and its underlying causes, but contest the proposed penalty or sanction, and may provide a response in accordance with Section 5.2, or
  - 3. contest both the Alleged Violation and proposed penalty or sanction,
- (vi) notice that the Registered Entity may elect to submit a Mitigation Plan while contesting the Alleged Violation and/or the proposed penalty or sanction, and that submission of a Mitigation Plan will not waive the Registered Entity's right to contest the Alleged Violation and/or the proposed penalty or sanction; and
- (vii) required procedures to submit the Registered Entity's Mitigation Plan.



## **Compliance Monitoring and Enforcement Program**

NERC shall forward a copy of the notice of Alleged Violation to FERC and, if the Alleged Violation pertains to a Registered Entity or to a portion of the bulk power system over which another Applicable Governmental Authority has jurisdiction, to such other Applicable Governmental Authority, within two (2) business days of receipt from the Compliance Enforcement Authority, provided, that NERC will not disclose non-public U.S. compliance information that is subject to 18 C.F.R. §39.7(b)(4) to Applicable Governmental Authorities other than FERC without first obtaining permission from FERC for such disclosure and subject to any limitations placed by FERC on such disclosure, and NERC will not disclose non-public non-U.S. compliance information to an Applicable Governmental Authority (including FERC) without first obtaining permission from the Applicable Governmental Authority that has jurisdiction over the Registered Entity or portion of the bulk power system to which the non-public information pertains and subject to any limitations placed on such disclosure by such Applicable Governmental Authority or by other law of the applicable jurisdiction.

### **5.2 Registered Entity Response**

If the Registered Entity does not contest or does not respond to the notice of Alleged Violation within thirty (30) days, it shall be deemed to have accepted the Compliance Enforcement Authority's determination of violation and sanction (if applicable), in which case the Compliance Enforcement Authority shall issue to the Registered Entity and NERC a final report of Confirmed Violation. A Registered Entity may provide a written explanatory statement to accompany the final report.

If the Registered Entity contests the Alleged Violation or the proposed sanction, the Registered Entity shall submit to the Compliance Enforcement Authority a response explaining its position, signed by an officer employee, attorney or other authorized representative, together with any supporting information and documents. The Compliance Enforcement Authority shall schedule a conference with the Registered Entity within ten (10) business days after receipt of the response. If the Compliance Enforcement Authority and the Registered Entity are unable to resolve all issues within forty (40) days after the Registered Entity's response, the Registered Entity may request a hearing. If no hearing request is made the violation will become a Confirmed Violation when filed by NERC with FERC or other Applicable Governmental Authority.

If a hearing is requested the Compliance Enforcement Authority shall initiate the hearing process by convening a hearing body and issuing a written notice of hearing to the Registered Entity and the hearing body and identifying the Compliance Enforcement Authority's designated hearing representative.<sup>10</sup>

### **5.3 Hearing Process for Compliance Hearings**

The Compliance Enforcement Authority hearing process is set forth in **Attachment 2**.

### **5.4 Settlement Process**

Settlement negotiations may occur at any time, including prior to the issuance of a notice of Alleged Violation and sanction until a notice of penalty is filed with FERC or another Applicable Governmental

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<sup>10</sup>If the dispute involves a proposed Mitigation Plan, which has not been accepted by the Compliance Enforcement Authority, the Registered Entity may file a request for hearing with the Compliance Enforcement Authority.

## Compliance Monitoring and Enforcement Program

Authority. All settlement negotiations will be confidential until such time as the settlement is approved by NERC. For all settlement discussions, the Compliance Enforcement Authority shall require the Registered Entity to designate an individual(s) authorized to negotiate on its behalf. All settlement agreements must conform to the requirements of NERC Rule of Procedure 403.18 and, if approved, must provide for waiver of the Registered Entity's right to further hearings and appeal.

The Compliance Enforcement Authority will issue a letter setting forth the final settlement terms including all penalties, sanctions and mitigation requirements provided for in the final settlement.

The Regional Entity shall report the terms of all settlements of compliance matters to NERC. NERC will review the settlement for the purpose of evaluating its consistency with other settlements entered into for similar violations or under other, similar circumstances. Based on this review, NERC will either approve the settlement or reject the settlement and notify the Regional Entity and the Registered Entity of changes to the settlement that would result in approval. If NERC rejects the settlement, the Regional Entity will attempt to negotiate a revised settlement agreement with the Registered Entity including any changes to the settlement specified by NERC.

NERC will report the approved settlement of the violation to FERC and, if the settlement relates to a Registered Entity or to a portion of the bulk power system over which another Applicable Governmental Authority has jurisdiction, to such other Applicable Governmental Authority, provided, that NERC will not disclose non-public U.S. compliance information that is subject to 18 C.F.R. §39.7(b)(4) to Applicable Governmental Authorities other than FERC without first obtaining permission from FERC for such disclosure and subject to any limitations placed by FERC on such disclosure, and NERC will not disclose non-public non-U.S. compliance information to an Applicable Governmental Authority (including FERC) without first obtaining permission from the Applicable Governmental Authority that has jurisdiction over the Registered Entity or portion of the bulk power system to which the non-public information pertains and subject to any limitations placed on such disclosure by such Applicable Governmental Authority or by other law of the applicable jurisdiction. NERC will also publicly post the violation settled (regardless of whether the settlement includes or does not include an admission of a violation) and the resulting penalty or sanction provided for in the settlement. This posting shall include a copy of the settlement or a description of the terms of the settlement. The Compliance Enforcement Authority will issue a letter setting forth the final settlement terms including all penalties, sanctions and mitigation requirements provided for in the final settlement. Postings of Confirmed Violations are addressed in Section 8.0.

### 5.5 NERC Appeal Process

The Registered Entity may appeal the hearing body's decision to NERC, as provided for in NERC Rules of Procedure, Sections 407.3 and 410. The steps for the NERC appeals process are as shown in **Figure 5.5**:<sup>11</sup>

On appeal, NERC shall either affirm the Regional Entity decision or remand to the Regional Entity with reasons for its remand, which may include a direction to the Regional Entity to revise the decision. If NERC directs the Regional Entity to revise its decision, the Registered Entity that was the subject of the decision or the Compliance Staff of the Regional Entity whose interests are adversely affected by the

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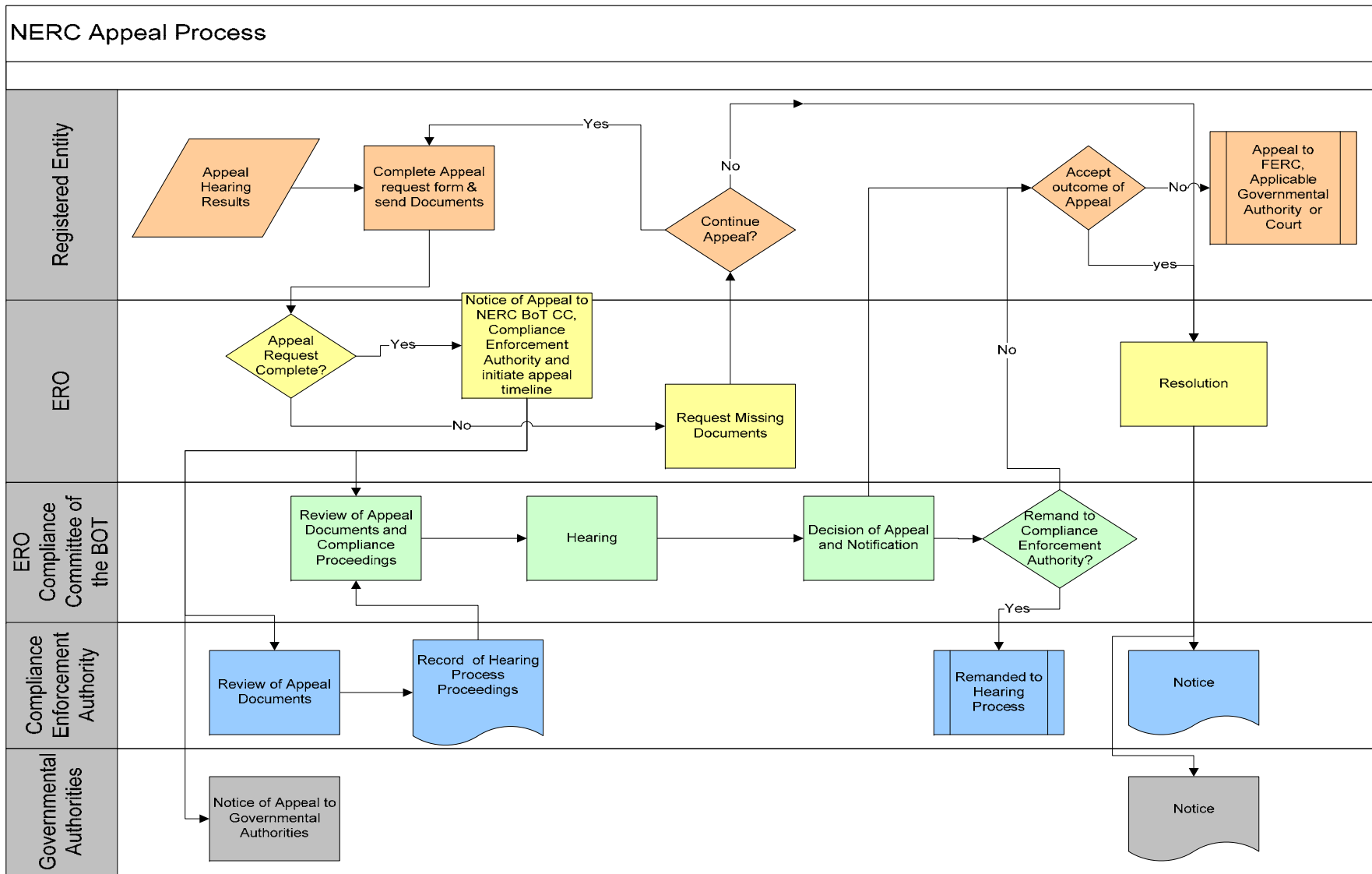
<sup>11</sup>This process generally completes within ninety (90) days of NERC's receipt of request for appeal.

## **Compliance Monitoring and Enforcement Program**

directed revision may reopen the proceeding on any issue whose resolution is affected by NERC's directive, irrespective of whether the issue was previously litigated, settled or unopposed.

# Compliance Monitoring and Enforcement Program

## Figure 5.5 – NERC Appeal Process



## **Compliance Monitoring and Enforcement Program**

### **5.6 Notice of Penalty; Effective Date**

If the Registered Entity does not dispute the notice of Alleged Violation and the penalty and sanction or a decision has been entered finding a violation and all appeals have been concluded, NERC shall file a notice of penalty with FERC and, if the Alleged Violation pertains to a Registered Entity or to a portion of the bulk power system over which another Applicable Governmental Authority has jurisdiction, to such other Applicable Governmental Authority; provided, that NERC will not disclose any non-public U.S. compliance information that is subject to 18 C.F.R. §39.7(b)(4) to Applicable Governmental Authorities other than FERC without first obtaining permission from FERC for such disclosure and subject to any limitations placed by FERC on such disclosure, and NERC will not disclose non-public non-U.S. compliance information to an Applicable Governmental Authority (including FERC) without first obtaining permission from the Applicable Governmental Authority that has jurisdiction over the Registered Entity or portion of the bulk power system to which the non-public information pertains and subject to any limitations placed on such disclosure by such Applicable Governmental Authority or by other law of the applicable jurisdiction.. NERC will include with the notice of penalty any statement provided by the Registered Entity as set forth in Section 8.0. NERC may direct the Regional Entity to revise a penalty determination, in which case the Registered Entity subject to the penalty, or the Compliance Staff of the Regional Entity, may reopen the proceedings on any issue on which the penalty was based, irrespective of whether the issue was previously litigated, settled or unopposed.

The penalty or sanction will be effective upon the expiration of the thirty-day period following filing with the FERC of the notice of penalty or, if FERC decides to review the penalty or sanction, upon final determination by FERC.

## **6.0 MITIGATION OF VIOLATIONS OF RELIABILITY STANDARDS**

Parties engaged in the process described in this section should consult with each other on the data and information that would be appropriate for effectively addressing this section's process requirements. If a party believes that a request for data or information other than in the context of the hearing procedures is unreasonable, the party may request a written determination from the NERC compliance program officer.

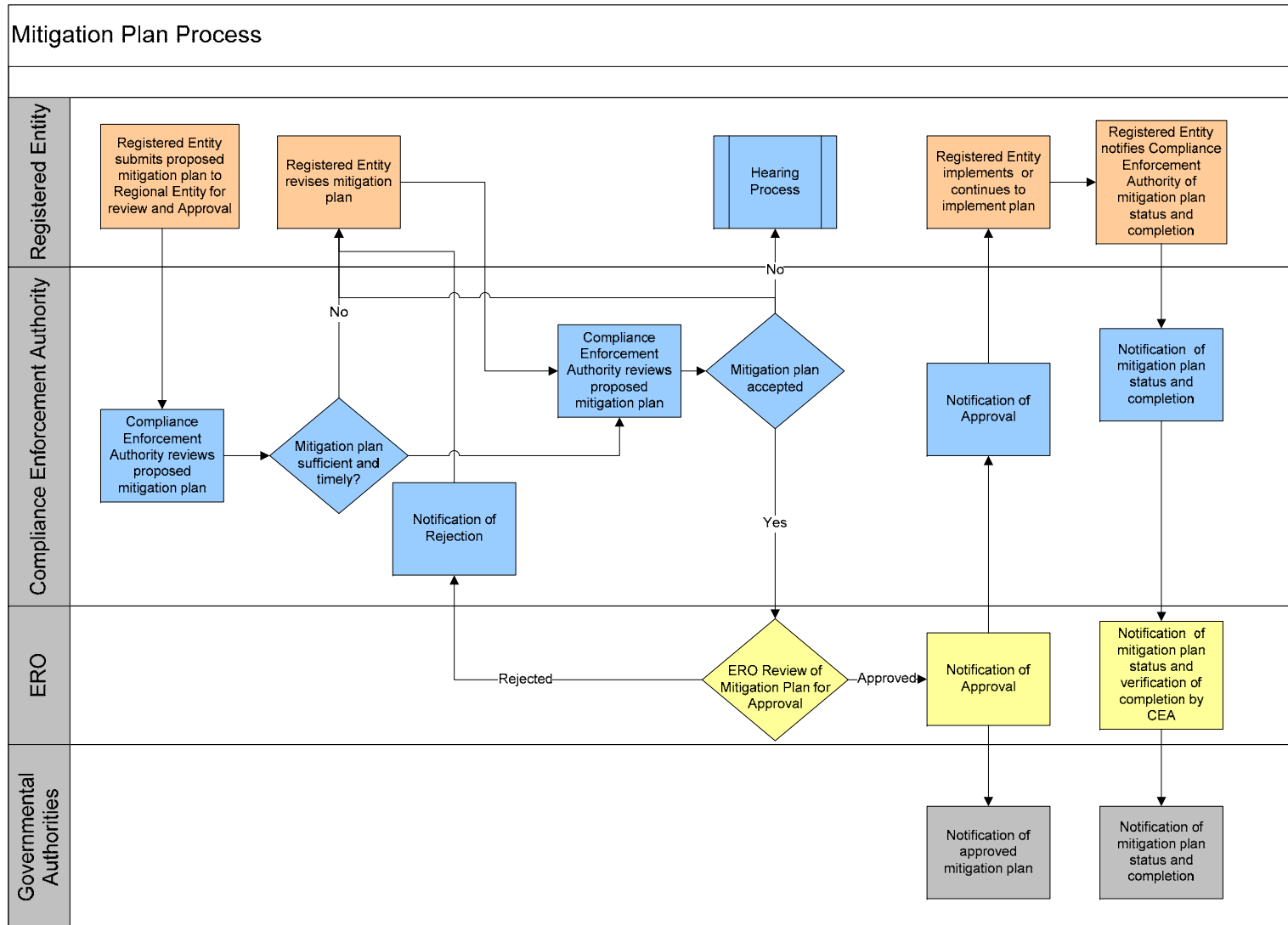
### **6.1 Requirement for Submission of Mitigation Plans**

A Registered Entity found to be in violation of a Reliability Standard that requires a mitigation plan shall file with the Compliance Enforcement Authority (i) a proposed Mitigation Plan to correct the violation, or (ii) a description of how the violation has been mitigated, and any requests for extensions of Mitigation Plans or a report of completed mitigation.

**Figure 6.1** shows the process steps for Mitigation Plans.

# Compliance Monitoring and Enforcement Program

Figure 6.1 – Mitigation Plan Process



## **Compliance Monitoring and Enforcement Program**

### **6.2 Contents of Mitigation Plans**

A Mitigation Plan shall include the following information:

- The Registered Entity's point of contact for the Mitigation Plan, who shall be a person (i) responsible for filing the Mitigation Plan, (ii) technically knowledgeable regarding the Mitigation Plan, and (iii) authorized and competent to respond to questions regarding the status of the Mitigation Plan. This person may be the Registered Entity's point of contact described in Section 2.0.
- The Alleged or Confirmed Violation(s) of Reliability Standard(s) the Mitigation Plan will correct.
- The cause of the Alleged or Confirmed Violation(s).
- The Registered Entity's action plan to correct the Alleged or Confirmed Violation(s).
- The Registered Entity's action plan to prevent recurrence of the Alleged or Confirmed Violation(s).
- The anticipated impact of the Mitigation Plan on the bulk power system reliability and an action plan to mitigate any increased risk to the reliability of the bulk power-system while the Mitigation Plan is being implemented.
- A timetable for completion of the Mitigation Plan including the completion date by which the Mitigation Plan will be fully implemented and the Alleged or Confirmed Violation(s) corrected.
- Implementation milestones no more than three (3) months apart for Mitigation Plans with expected completion dates more than three (3) months from the date of submission.
- Any other information deemed necessary or appropriate

The Mitigation Plan shall be signed by an officer employee, attorney or other authorized representative of the Registered Entity, which if applicable, shall be the person that signed the Self-Certification or Self Reporting submittals.

### **6.3 Timetable for Completion of Mitigation Plans**

The Mitigation Plan shall be completed in time to have a reasonable potential to correct all of the violation(s) prior to the next applicable compliance reporting/assessment period after occurrence of the violation for which the Mitigation Plan is submitted. In all cases the Mitigation Plan should be completed without delay. The Compliance Enforcement Authority will expect full compliance with the Reliability Standard to which the Mitigation Plan is applicable at the next report or assessment of the Registered Entity. At the Compliance Enforcement Authority's discretion, the completion deadline may be extended for good cause including: (i) short assessment periods (i.e., event driven or monthly assessments), and (ii) construction requirements in the Mitigation Plan that extend beyond the next assessment period or other

## **Compliance Monitoring and Enforcement Program**

extenuating circumstances. If the Mitigation Plan extends beyond the next applicable reporting/assessment period, sanctions for any violation of the applicable Reliability Standard(s) occurring during the implementation period will be held in abeyance and will be waived if the Mitigation Plan is satisfactorily completed.

Any violations assessed during the period of time the accepted Mitigation Plan is being implemented will be recorded by the Compliance Enforcement Authority with associated sanctions or penalties. Regional Entities will report any findings of violations recorded during this time period to NERC with the notation that the Registered Entity is working under an accepted Mitigation Plan with an extended completion date with penalties and sanctions held in abeyance until completion of the Mitigation Plan. Upon completion of the accepted Mitigation Plan in accordance with Section 6.6, the Compliance Enforcement Authority will notify the Registered Entity that any findings of violations of the applicable Reliability Standard during the period that the accepted Mitigation Plan was being implemented have been waived and no penalties or sanctions will apply. Regional Entities will also notify NERC of any such waivers of violations of Reliability Standards.

A request for an extension of any milestone or the completion date of the accepted Mitigation Plan by a Registered Entity must be received by the Compliance Enforcement Authority at least five (5) business days before the original milestone or completion date. The Compliance Enforcement Authority may accept a request for an extension or modification of a Mitigation Plan if the Compliance Enforcement Authority determines the request is justified, and shall notify NERC of the extension or modification within five (5) business days.

If a Mitigation Plan submitted by a Registered Entity is rejected by the Compliance Enforcement Authority or the hearing body in accordance with Section 6.5, the Registered Entity shall be subject to any findings of violation of the applicable Reliability Standards during the period the Mitigation Plan was under consideration and to imposition of any penalties or sanctions imposed for such violations.

### **6.4 Submission of Mitigation Plans**

A Mitigation Plan may be submitted at any time but shall have been submitted by the Registered Entity within thirty (30) days after being served the notice of Alleged Violation and penalty or sanction, if the Registered Entity does not contest the violation and penalty or sanction. If the Registered Entity disputes the notice of Alleged Violation or penalty or sanction, the Registered Entity shall submit its Mitigation Plan within ten (10) business days following issuance of the written decision of the hearing body, unless the Registered Entity elects to appeal the hearing body's determination to NERC. The Registered Entity may choose to submit a Mitigation Plan while it contests an Alleged Violation or penalty or sanction; such submission shall not be deemed an admission of a violation or the appropriateness of a penalty or sanction. If the Registered Entity has not yet submitted a Mitigation Plan, or the Registered Entity submits a Mitigation Plan but it is rejected by the Compliance Enforcement Authority or the hearing body in accordance with Section 6.5, any subsequent violations of the Reliability Standard identified by the Compliance Enforcement Authority before the hearing body renders its decision will not be held in abeyance and will be considered as repeat violations of the Reliability Standard.



## **Compliance Monitoring and Enforcement Program**

### **6.5 Review and Acceptance or Rejection of Proposed Mitigation Plans**

Unless extended by the Compliance Enforcement Authority, it will complete its review of the Mitigation Plan, and will issue a written statement accepting or rejecting the Mitigation Plan, within thirty (30) days of receipt; otherwise the Mitigation Plan will be deemed accepted. If the Compliance Enforcement Authority rejects a Mitigation Plan, the Compliance Enforcement Authority will provide the Registered Entity with a written statement describing the reasons for the rejection, and will require the Registered Entity to submit a revised Mitigation Plan by the Required Date. The Compliance Enforcement Authority will notify the Registered Entity within ten (10) business days after receipt of a revised Mitigation Plan whether the Compliance Enforcement Authority will accept or reject the revised Mitigation Plan and provide a written statement describing the reasons for rejection and the Required Date for the second revised Mitigation Plan. If the second review results in rejection of the Mitigation Plan, the Registered Entity may request a hearing in accordance with the Hearing Procedures, by submitting to the Compliance Enforcement Authority a written request for hearing including an explanation of why the Mitigation Plan should be accepted. After the hearing is completed, the Compliance Enforcement Authority will issue a written statement accepting a Mitigation Plan it deems as appropriate.

Regional Entities will notify NERC within (5) five business days of the acceptance of a Mitigation Plan and will provide the accepted Mitigation Plan to NERC. NERC will review the accepted Mitigation Plan, within thirty (30) days following its receipt of the Mitigation Plan from the Regional Entity, and will notify the Regional Entity, which will in turn notify the Registered Entity, as to whether the Mitigation Plan is approved or disapproved by NERC. If NERC disapproves a Mitigation Plan that was accepted by the Regional Entity, NERC shall state its reasons for the rejection, and may state the changes to the Mitigation Plan that would result in approval by NERC. NERC will submit to FERC, as non-public information, an approved Mitigation Plan relating to violations of Reliability Standards within seven (7) business days after NERC approves the Mitigation Plan. NERC may subsequently publicly post the approved Mitigation Plan as part of the public posting of the report of the related Confirmed Violation in accordance with Section 8.0.

### **6.6 Completion/Confirmation of Implementation of Mitigation Plans**

The Registered Entity shall provide updates at least quarterly to the Compliance Enforcement Authority on the progress of the Mitigation Plan. The Compliance Enforcement Authority will track the Mitigation Plan to completion and may conduct on-site visits and review status during audits to monitor Mitigation Plan implementation.

Upon completion of the Mitigation Plan, the Registered Entity shall provide to the Compliance Enforcement Authority certification, signed by an officer, employee, attorney or other authorized representative of the Registered Entity, that all required actions described in the Mitigation Plan have been completed and shall include data or information sufficient for the Compliance Enforcement Authority to verify completion. The Compliance Enforcement Authority shall request such data or information and conduct follow-up assessments, on-site or other Spot Checking, or Compliance Audits as it deems necessary to verify that all required actions in the Mitigation Plan have been completed and the Registered Entity is in compliance with the subject Reliability Standard.

## **Compliance Monitoring and Enforcement Program**

In the event all required actions in the Mitigation Plan are not completed within the applicable deadline including any extensions of the original deadline granted under section 6.3, any violation(s) of a Reliability Standard subject to the Mitigation Plan that occurred during the originally scheduled time period for completion will be enforced immediately and a new Mitigation Plan must be submitted for acceptance by the Compliance Enforcement Authority. In addition, the Compliance Enforcement Authority may conduct a Compliance Audit of, or issue a Remedial Action Directive to, the Registered Entity.

Regional Entities will provide to NERC the quarterly status reports and such other information as NERC requests, and will notify NERC when each Mitigation Plan is verified to have been completed.

### **6.7 Recordkeeping**

The Compliance Enforcement Authority will maintain a record containing the following information for each Mitigation Plan:

- Name of Registered Entity.
- The date of the violation.
- Monitoring method by which the violation was detected, i.e., Self-Certification, Self-Reporting, Compliance Audit, Compliance Violation Investigation, Complaint, etc.
- Date of notification of violation and sanction.
- Expected and actual completion date of the Mitigation Plan and major milestones.
- Expected and actual completion date for each required action.
- Accepted changes to milestones, completion dates, or scope of Mitigation Plan.
- Registered Entity's completion notice and data submitted as evidence of completion.

### **7.0 REMEDIAL ACTION DIRECTIVES**

The Compliance Enforcement Authority may issue a Remedial Action Directive when such action is immediately necessary to protect the reliability of the bulk power system from an imminent threat. A Remedial Action Directive may include, but is not limited to, any of the following: specifying operating or planning criteria, limits, or limitations; requiring specific system studies; defining operating practices or guidelines; requiring confirmation of data, practices, or procedures through inspection testing or other methods; requiring specific training for personnel; requiring development of specific operating plans; directing a Registered Entity to develop and comply with a plan to remediate a violation; imposing increased auditing or additional training requirements; and requiring a Registered Entity to cease an activity that may constitute a violation of a Reliability Standard.

## Compliance Monitoring and Enforcement Program

A Remedial Action Directive may be issued to a Registered Entity at any time, including during any procedures relating to an Alleged Violation of a Reliability Standard. The Compliance Enforcement Authority will specify if a Remedial Action Directive obviates the need for a Mitigation Plan.

Prior to issuing a Remedial Action Directive, the Regional Entity shall consult the Reliability Coordinator for the Registered Entity, if applicable, to ensure that the Remedial Action Directive is not in conflict with directives issued by the Reliability Coordinator.

Any Remedial Action Directive must be provided in a notice to the Registered Entity and shall include (i) a list of the violations or possible violations of Reliability Standards that are the basis for issuance of the Remedial Action Directive; (ii) a discussion of the factual basis for the Remedial Action Directive; (iii) a deadline for compliance and (iv) notice to the Registered Entity that failure to comply with the directive by the Required Date may result in further Remedial Action Directives or significantly increased sanctions. The Compliance Enforcement Authority will cause the notice of the Remedial Action Directive to be delivered to the Registered Entity by (i) electronic means to the Registered Entity's designated contact person and (ii) by a recognized express courier service that provides tracking and verification of delivery to the recipient. The date of delivery as specified by the express courier service's verification of delivery shall be the date of actual receipt of the Remedial Action Directive. The Compliance Enforcement Authority will monitor implementation of Remedial Action Directives as necessary to verify compliance.

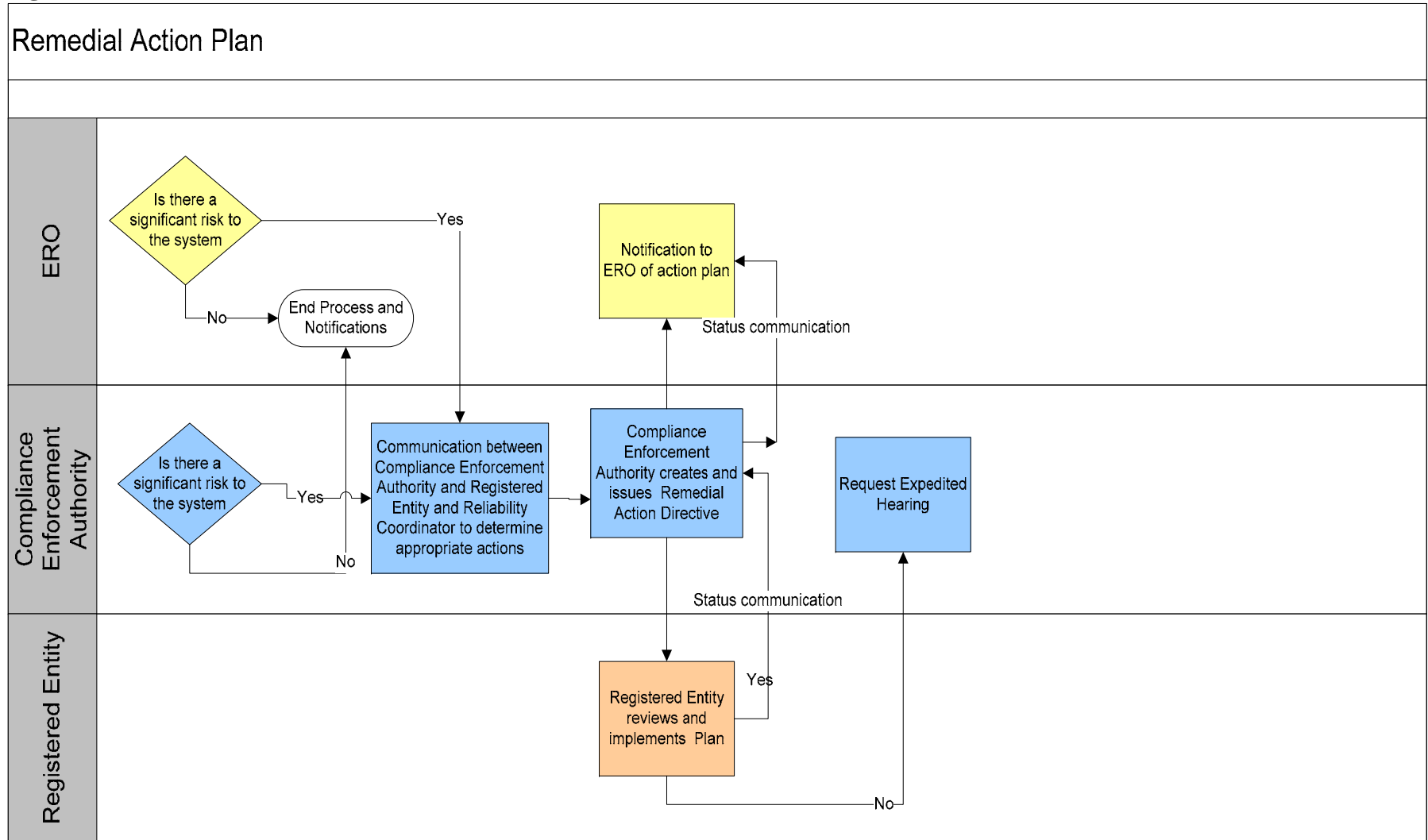
The Regional Entity will notify NERC within two (2) business days after issuing a Remedial Action Directive.

Once the Compliance Enforcement Authority has given the Registered Entity notice of the Remedial Action Directive, the Registered Entity may contest the Remedial Action Directive by giving written notice to the Compliance Enforcement Authority within two (2) business days following the date of actual receipt of notice of the Remedial Action Directive. Due to the urgency of resolving any objections to a Remedial Action Directive, the hearing shall be conducted under the expedited hearing process set forth in Section 1.9 of **Attachment 2, Hearing Procedures**. Notice to contest the Remedial Action Directive and participation in the hearing process set forth in Section 1.9 of **Attachment 2, Hearing Procedures** shall constitute the Registered Entity's right to appeal the Remedial Action Directive. The Registered Entity may elect not to implement the Remedial Action Directive until the hearing process is completed, or may proceed with implementing the Remedial Action Directive even if it is contesting the Remedial Action Directive.

**Figure 7.0** shows the process steps for a Remedial Action Directive.

# Compliance Monitoring and Enforcement Program

Figure 7.0 – Remedial Action Process



## **Compliance Monitoring and Enforcement Program**

### **8.0 REPORTING AND DISCLOSURE**

Regional Entities shall prepare and submit to NERC all required reports (including those required by NERC Rules of Procedure, Sections 403.15, 403.17 and 403.19, containing current information concerning (1) Registered Entity compliance with Reliability Standards, (2) all Alleged and Confirmed Violations of Reliability Standards by Registered Entities, (3) the status of Alleged Violations, (4) sanctions and penalties, (5) Remedial Action Directives imposed, and (6) Mitigation Plan(s) accepted including dates for all required actions and for completion.

Regional Entities shall report to NERC, on a confidential basis, any allegations or evidence of violations of Reliability Standards regardless of significance, whether verified or still under investigation that are received or obtained by the Regional Entity through any means, within five (5) business days, unless the violation indicated or alleged has resulted in or has the potential to result in, a reduced level of reliability to the bulk power system (as provided in Section 408 of the NERC Rules of Procedure), in which cases the Regional Entity shall notify NERC within forty-eight (48) hours. NERC shall notify FERC and, where the report pertains to a Registered Entity or to a portion of the bulk power system over which another Applicable Governmental Authority has jurisdiction, shall also notify such other Applicable Governmental Authority within two (2) business days of receiving such a report from the Regional Entity; provided, that NERC will not disclose any non-public U.S. compliance information that is subject to 18 C.F.R. §39.7(b)(4) to an Applicable Governmental Authority other than FERC without first obtaining permission from FERC for such disclosure and subject to any limitations placed by FERC on such disclosure, and NERC will not disclose non-public non-U.S. compliance information to an Applicable Governmental Authority (including FERC) without first obtaining permission from the Applicable Governmental Authority that has jurisdiction over the Registered Entity or portion of the bulk power system to which the non-public information pertains and subject to any limitations placed on such disclosure by such Applicable Governmental Authority or by other law of the applicable jurisdiction. Such reports shall include information regarding the nature of the violation indicated or alleged and its potential impact on the reliability of the bulk power system, the name of the Registered Entity involved, the status and timetable of any compliance violation assessment, and the name of a Regional Entity staff person knowledgeable about the information to serve as a point of contact, as required by Section 408 of the NERC Rules of Procedure and 18 C.F.R. §39.7(b)

Regional Entities shall report to NERC at least quarterly the status of violations of Reliability Standards, regardless of significance, that have not yet resulted in a final determination of violation or have not completed the hearing process, or for which mitigation activities (including activities being carried out pursuant to a settlement) have not been completed. Regional Entities will ensure the information is current when these reports are provided.

Regional Entities shall report to NERC all Confirmed Violations of Reliability Standards by Registered Entities including all penalties, sanctions, Mitigation Plans and schedules, and settlements within ten (10) business days of each determination. At the same time, Regional Entities will provide the report to the affected Registered Entity, accompanied by a notice that the Registered Entity may provide a statement to NERC to accompany the report when posted by NERC. The Registered Entity's statement must include the name, title, and signature of an officer, employee, attorney or other authorized representative of the Registered Entity.

## **Compliance Monitoring and Enforcement Program**

NERC will publicly post each report of a Confirmed Violation, together with any statement submitted by the Registered Entity, no sooner than five (5) business days after the report is provided by the Regional Entity to NERC and the Registered Entity.

NERC will provide reports quarterly to FERC and, where a report contains information pertaining to a Registered Entity or to a portion of the bulk power system over which another Applicable Governmental Authority has jurisdiction, to such other Applicable Governmental Authorities on the status of all Alleged and Confirmed Violations for which mitigation activities have not been completed; provided, that NERC will not disclose any non-public U.S. compliance information that is subject to 18 C.F.R. §39.7(b)(4) to an Applicable Governmental Authority other than FERC without first obtaining permission from FERC for such disclosure and subject to any limitations placed by FERC on such disclosure, and NERC will not disclose non-public non-U.S. compliance information to an Applicable Governmental Authority (including FERC) without first obtaining permission from the Applicable Governmental Authority that has jurisdiction over the Registered Entity or portion of the bulk power system to which the non-public information pertains and subject to any limitations placed on such disclosure by such Applicable Governmental Authority or by other law of the applicable jurisdiction. NERC will publish public reports quarterly on its Web site of all Confirmed Violations of Reliability Standards during the quarter just completed, with the identity of the violator.

### **9.0 DATA RETENTION AND CONFIDENTIALITY**

#### **9.1 Records Management**

The Compliance Enforcement Authority records management policy shall provide for a routine and orderly process for the retention and disposal of electronic and paper records related to the Compliance Program, ensure verification of compliance with appropriate business, regulatory, and legal requirements and at a minimum conform to the data retention requirements of the Reliability Standards. The policy shall allow for the maintenance of records as required to implement the Compliance Program.

#### **9.2 Retention Requirements**

The Compliance Enforcement Authority records management policy will require that information and data generated or received pursuant to Compliance Program activities, including Compliance Audits, Self-Certifications, Spot Checking, Compliance Violation Investigations, Self-Reporting, Periodic Data Submittals, Exception Reporting, and Complaints, as well as a hearing process, will be retained for the longer of (i) five (5) years or (ii) any retention period specified in a Reliability Standard or by FERC or another Applicable Governmental Authority. The obligation to retain information and data commences upon the initiation of the Compliance Program activity that produces the data or information. If the information or data is material to the resolution of a controversy, the retention period for such data shall not commence until after the controversy is resolved.

Upon request from NERC, Regional Entities will provide to NERC copies of such information and data. NERC will retain the information and data in order to maintain a record of activity under the Compliance Program. In providing the information and data to NERC, the Regional Entity shall preserve any mark of confidentiality.

## **Compliance Monitoring and Enforcement Program**

### **9.3 Confidentiality and Critical Energy Infrastructure Information**

#### **9.3.1 Definitions**

Information or data generated or received pursuant to Compliance Program activities, including a hearing process, shall be treated in a confidential manner pursuant to the provisions of Section 1500 of the NERC Rules of Procedure. The terms “confidential information,” “confidential business and market information,” “critical energy infrastructure information,” and “critical infrastructure” shall have the meanings stated in Section 1501 of the NERC Rules of Procedure.

#### **9.3.2 Protection of Confidential Information**

The Compliance Enforcement Authority personnel (including any contractors, consultants and industry volunteers) and committee members, and participants in Compliance Program activities shall be informed of, and agree to comply with, Section 1500 of the NERC Rules of Procedure concerning confidential information.

#### **9.3.3 Critical Energy Infrastructure Information**

The Compliance Enforcement Authority will keep confidential all critical energy infrastructure information in accordance with Section 1500 of the NERC Rules of Procedures. Information deemed to be critical energy infrastructure information shall be redacted and shall not be released publicly.

## Compliance Monitoring and Enforcement Program

### ATTACHMENT 1

#### PROCESS FOR NON-SUBMITTAL OF REQUESTED DATA

If data, information, or other reports (including Mitigation Plans) requested from a Registered Entity are not received by the Required Date, the Compliance Enforcement Authority may sequentially execute the following steps for each Reliability Standard for which the Compliance Enforcement Authority has requested data, information, or other reports. The Compliance Enforcement Authority however will afford the Registered Entity reasonable opportunity to resolve a difficulty submitting data due to time or format issues

- Step 1:**                               **The Compliance Enforcement Authority will issue a follow-up notification to the Registered Entity's designated contact.**
- Step 2:**                               **The Compliance Enforcement Authority will issue a follow-up notification to the Registered Entity's vice president or equivalent responsible for compliance (with a copy to NERC and the Registered Entity's designated contact).**
- Step 3:**                               **The Compliance Enforcement Authority will issue a follow-up notification to the Registered Entity's chief executive officer or equivalent (with a copy to NERC, the Registered Entity's vice president or equivalent responsible for compliance and the Registered Entity's designated contact).**
- A full Compliance Audit may be scheduled at this step.**
- Step 4:**                               **Thirty (30) days after the Required Date, a Reliability Standard violation may be applied at the Severe Violation Severity Level.**
- Step 4 does not apply to Compliance Audits and Mitigation Plan tracking requests.**



## **Compliance Monitoring and Enforcement Program**

### **ATTACHMENT 2**

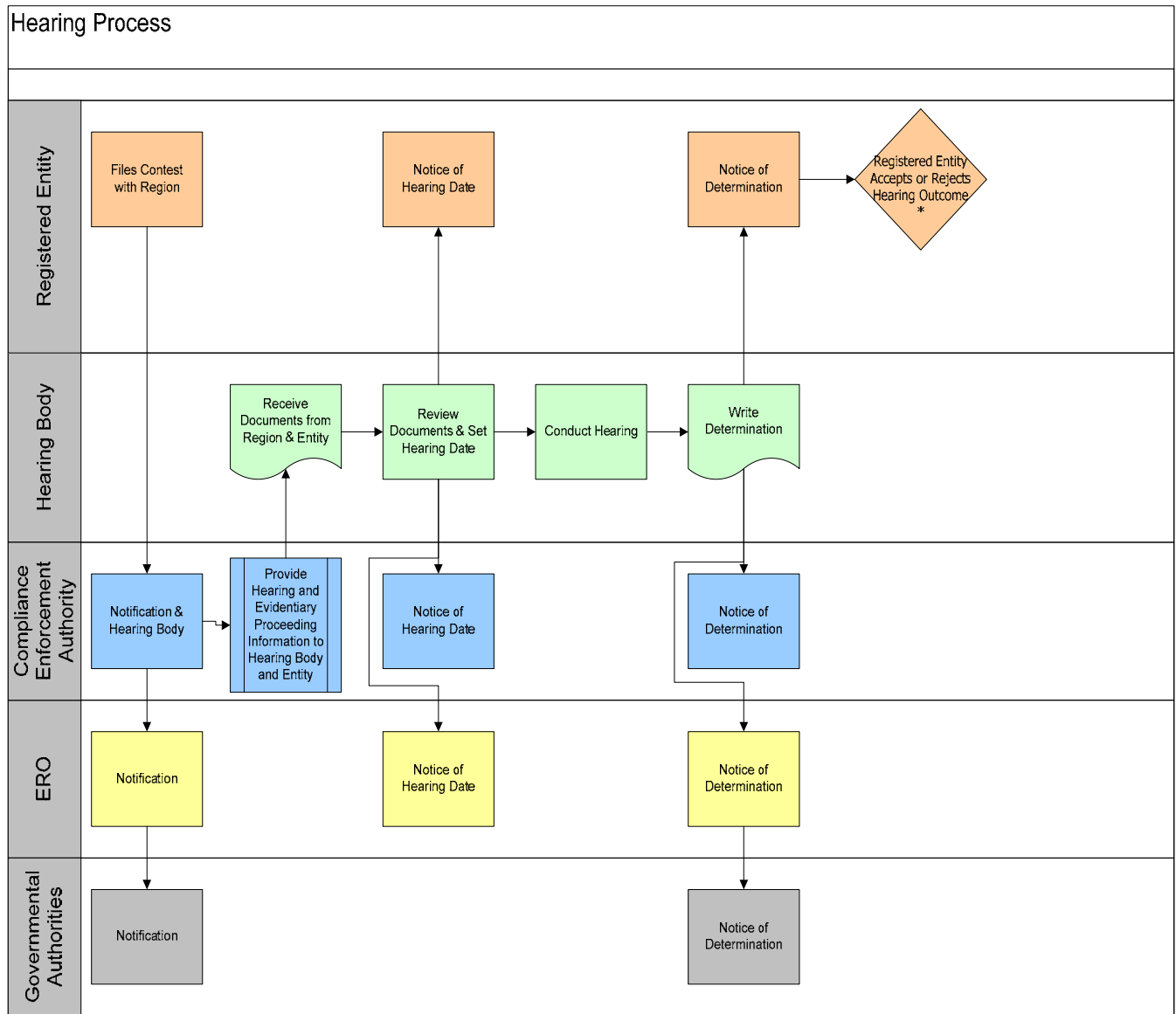
#### **COMPLIANCE ENFORCEMENT AUTHORITY HEARING PROCEDURES**

This **Attachment 2** sets forth the procedures to be followed to conduct compliance hearings. In this **Attachment 2**, the Compliance Enforcement Authority and the Registered Entity are sometimes referred to as the “parties.” Subject to the authority of the hearing body to alter or extend any time periods or deadlines specified in this **Attachment 2** and to hold such numbers of conferences and hearings as are necessary, it shall be the objective of the hearing process to complete the steps specified herein for formal compliance hearings within ninety (90) days following the issuance of written notice that the hearing body is convened.

**Figure ATT-2** shows the hearing process steps.

# Compliance Monitoring and Enforcement Program

**Figure ATT-2 –Hearing Process**



\*This merges with the Compliance Monitoring & Enforcement Program flow diagram at the Registered Entity Accepts or Rejects Hearing Outcome decision box

## 1.0 HEARING PROCEDURES

### 1.1 APPLICABILITY, DEFINITIONS AND INTERPRETATION

#### 1.1.1 Procedure Governed

These Hearing Procedures shall govern the procedure before the Western Electricity Coordinating Council (“WECC”) in proceedings concerning (i) disputes regarding whether any entity should be or has been properly registered or certified, (ii) whether Registered Entities within WECC’s area of responsibility have violated Reliability Standards, (iii) if so, to determine the appropriate Mitigation Plans, as well as any remedial actions, penalties or sanctions in accordance with the NERC *ERO Sanction Guidelines* and other applicable penalty guidelines

## **Compliance Monitoring and Enforcement Program**

approved by FERC pursuant to 18 C.F.R. Section 39.7(g)(2), or (iv) any other dispute that relates to enforcement of reliability standards properly before the WECC.

The standard of proof in any proceeding under these Hearing Procedures shall be by a preponderance of the evidence. The burden of persuasion on the merits of the proceedings shall rest upon the Compliance Staff alleging noncompliance with a Reliability Standard, proposing a penalty, opposing a Registered Entity's Mitigation Plan, or requiring compliance with a Remedial Action Directive.

### **1.1.2 Deviation**

To the extent permitted by law, any provision in these Hearing Procedures may be waived, suspended or modified by the Hearing Officer or the Hearing Panel for good cause shown, either upon the Hearing Officer's or the Hearing Panel's own motion or upon the motion of any Party.

### **1.1.3 Standards for Discretion**

These Hearing Procedures, and any discretion exercised hereunder, shall be interpreted in a manner intended to ensure just and reasonable proceedings and to effectuate the following Standards for Discretion:

- a) Integrity of the Fact-Finding Process - The principal goal of the hearing process is to assemble a complete factual record to serve as a basis for a correct and legally sustainable ruling, decision or order.
- b) Fairness - Persons appearing in WECC proceedings should be treated fairly. To this end, Parties should be given fair notice and opportunity to present explanations, factual information, documentation and legal argument. Action shall be taken as necessary to eliminate any disadvantage or prejudice to a Party that would otherwise result from another Party's failure to act diligently and in good faith.
- c) Independence - The hearing process should be tailored to protect against undue influence from any Person, Party or interest group.
- d) Balanced Decision-Making - Decisions should be based solely on the facts and arguments of record in a proceeding and by individuals who satisfy the conflict of interest provisions of section 1.8.4 of these Hearing Procedures.
- e) Impartiality - Persons appearing before the Hearing Panel should not be subject to discriminatory or preferential treatment. Registered Entities should be treated consistently unless a reasonable basis is shown in any particular proceeding to depart from prior rulings, decisions or orders.
- f) Administrative Efficiency and Expedition - Proceedings shall be brought to a conclusion as swiftly as is possible in keeping with the other goals of the hearing process.

### **1.1.4 Definitions and Interpretation**

## **Compliance Monitoring and Enforcement Program**

Unless otherwise defined, capitalized terms shall have the meanings described in the WECC Compliance Monitoring and Enforcement Program. Unless the context otherwise requires, the singular of a term used herein shall include the plural and the plural of a term shall include the singular. To the extent the text of a rule is inconsistent with its caption, the text of the rule shall control.

The following terms shall have the following meanings:

“Adjudicatory Officer,” means any person serving as a member of the Hearing Panel, Hearing Officer or Technical Advisor with respect to any proceeding.

“Bulk-Power System,” for the purposes of these procedures, has the identical meaning as the definition of “Bulk Electric System” under the NERC Glossary.

“Clerk” means the person designated by WECC to receive filings and serve documents issued by or on behalf of, and otherwise provide support for, the Hearing Panel and Hearing Officer.

“Compliance Hearing Body,” is as defined in the WECC Compliance Hearing Body Charter.

“Critical Energy Infrastructure Information,” as defined in Section 1501 of the NERC Rules of Procedure.

“Critical Energy Infrastructure Information,” as defined in Section 1501 of the NERC Rules of Procedure, means specific engineering, vulnerability, or detailed design information about proposed or existing critical infrastructure that: (1) relates to details about the production, generation, transportation, transmission, or distribution of energy; (2) could be useful to a person in planning an attack on critical infrastructure; and(3) does not simply give the general location of the critical infrastructure.

“Cybersecurity Incident,” as defined in 18 C.F.R. § 39.1.

“Director of Compliance” means the Director of Compliance of WECC, who is responsible for the management and supervision of Staff.

“Document” means, in addition to the commonly understood meaning of the term as information written or printed on paper, any electronically stored information, including writings, drawings, graphs, charts, photographs, sound recordings, images and other data or data compilations stored in any medium from which information can be obtained, and shall be translated by the producing party into reasonably usable form.

“ERO” means the Electric Reliability Organization, currently the North American Electric Reliability Corporation, or any successor organization, certified by FERC pursuant to 18 C.F.R. Section 39.3.

“FERC” means the Federal Energy Regulatory Commission.

“Hearing Panel” means the persons assigned to render a final decision in matters requiring a determination under these Hearing Procedures.

## **Compliance Monitoring and Enforcement Program**

“NERC” means North American Electric Reliability Corporation.

“Notice of Proceeding” means (1) a request for a hearing by a Registered Entity to contest an Alleged Violation, a proposed Penalty or a Remedial Action Directive, (2) a request for hearing by a Registered Entity or the Staff concerning a dispute as to whether the entity should be registered or certified, (3) a request for hearing by a Registered Entity in response to a Staff rejection of a proposed revised Mitigation Plan submitted after Compliance Staff rejected the Registered Entity’s initial proposed Mitigation Plan, or (4) any other notice that a proceeding has been properly commenced.

“Penalty” as used herein includes all penalties and sanctions, including but not limited to a monetary or non-monetary penalty; a limitation on an activity, function, operation or other appropriate sanction; or the addition of the Registered Entity to a reliability watch list composed of major violators.

“Person” means any individual, partnership, corporation, limited liability company, governmental body, association, joint stock company, public trust, organized group of persons, whether incorporated or not, or any other legal entity.

“Reliable Operation” has the meaning set forth in the Federal Power Act, as it may be amended from time to time.

“Reliability Standards” means standards approved by FERC pursuant to Section 215 of the Federal Power Act and 18 C.F.R. Section 39.5, as such standards are authorized and in effect from time to time.

“Service List,” means the list maintained by the Clerk identifying the name, address, telephone number, and facsimile number and email address, if available, of each Party, the Hearing Officer, the Director of Compliance, the Registered Entity’s designated agent for service and any other individuals designated for service by a Party.

“Staff” means individuals employed or contracted by WECC who have the authority, among other things, to make initial determinations as to need for registration, compliance or violation with Reliability Standards by Registered Entities and associated Penalties, Mitigation Plans, and Remedial Action Directives.

“WECC’s area of responsibility” means WECC’s corporate region.

### **1.2 FILING AND SERVICE**

#### **1.2.1 Form and Content of Filings**

All filings shall include (1) a caption that sets forth the title and docket number (if any) of the proceeding, (2) a heading that describes the filing and the Party on whose behalf the filing is made, (3) the name, address, telephone number and email address of the Party’s representative of the making, and (4) the service list. All filings shall be signed by an authorized representative of the Party on whose behalf the filing is made. The signature constitutes a certificate that the signer has read the filing, that the contents are true to the best of the signer’s knowledge and belief, and that service required by these Hearing Procedures has been made. Each filing shall include a service list identifying the Parties and authorized representatives served.

## **Compliance Monitoring and Enforcement Program**

All filings shall be typewritten, printed, reproduced or prepared using a computer or other word or data processing equipment on white paper 8½ inches by 11 inches with inside text margins of not less than one inch. Page numbers shall be centered and have a bottom margin of not less than ½ inch. Line numbers, if any, shall have a left-hand margin of not less than ½ inch. Typeface shall be either Arial or Times New Roman font, black type on white background, and at least 12-point (at least 10-point for footnotes). Written testimony shall include continuous line numbers on the left-hand side of each page of text. Attachments shall, whenever practical, conform to these requirements, except that any typeface shall be at least 8-point. Confidential documents shall comply with the requirements of any Protective Order issued under Section 1.10.

### **1.2.2 Submission of Filings**

The original and five copies of any filing shall be made with the Clerk of WECC during WECC business hours (0800-1630 Mountain Time) each day except Saturday, Sunday, legal holidays and any other day declared by the WECC. Filing is complete when date stamped by the Clerk or received in the electronic mail by the Clerk.

Unless as otherwise provided, a filing may be effected by electronic mail if the filed documents are in pdf format and the requisite number of copies are delivered to the Clerk's office within seven business days thereafter.

### **1.2.3 Service**

A copy of each filing must served on each person listed on the service list, by personal delivery, email (with paper copy to follow), United States mail (first class or registered) mail or deposit with an express courier service. The Clerk shall provide copies of all issuances of the Hearing Officer and Hearing Panel by similar means to each person listed on the service list and each member of the Hearing Panel, provided that the Initial and Final Decisions shall be served electronically and by certified mail on the Registered Entity and the Staff. Service is effective immediately if by personal delivery or email, upon deposit in the U.S. mail, or upon delivery to an express courier service.

### **1.2.4 Time**

The time in which any action is required to be done shall be computed by excluding the day of the act or event from which the time period begins to run, and by including the last day of the time period, unless the last day is a Saturday, Sunday, legal holiday or any other day upon which the Office of WECC is closed, in which event the last day shall be the first succeeding day that is not such a day. Any Party requesting an extension of time after the expiration of the period prescribed shall demonstrate circumstances sufficient to justify the failure to act in a timely manner. Unless otherwise provided, whenever a Party has the right or is required to do some act within a prescribed period after the service, four days shall be added to the prescribed period when served by mail and the period until the next business day shall be added if served by courier.

## **1.3 PLEADINGS, MOTIONS AND OTHER FILINGS**

### **1.3.1 Initiation of a Proceeding**

## **Compliance Monitoring and Enforcement Program**

A proceeding is initiated by a Notice of Proceeding. Any Notice of Alleged Violation or other action triggering a right to a hearing shall clearly state (as applicable) that the Registered Entity has the right to contest proposed registration or certification, that the Registered Entity has a right to a hearing, and shall describe or include (as applicable) the alleged violation, the proposed Penalty, the Staff's rejection of the proposed Mitigation Plan, or the issuance of a Remedial Action Directive. Upon receipt of a Notice of Proceeding, the Clerk shall issue a notice of hearing, which identifies the Hearing Panel and, if applicable, the Hearing Officer assigned to the proceeding, and assigns a docket number that includes (separated by dashes) (1) the last two digits of the month and year, (2) the letters "[Regional Entity designation]", and (3) a four digit number that is assigned sequentially beginning January 1 of each year (*e.g.*, 0707-WECC-0001).

Within five business days after the issuance of a Notice of Proceeding, WECC staff shall file and serve the notice of the Alleged Violation, the sanction originally provided to the Registered Entity and copies of any documents gathered and reviewed by WECC in the course of determining an Alleged Violation has occurred and in determining the proposed sanction or penalty. Within twenty days after the issuance of the Notice of Proceeding, (1) the Registered Entity shall file (as applicable) an explanation of why the Alleged Violation is in error, why the registration determination is in error, why the proposed penalty or sanction is inappropriate and/or the Registered Entity's proposed Mitigation Plan, together with copies of all documents relied on by the Registered Entity to support its position, and (2) (if applicable) the Staff shall file its explanation why the Registered Entity's proposed Mitigation Plan was not accepted, and copies of all documents relied on by the Registered Entity to support its position.

### **1.3.2 Amendments**

Amendments to any filings initiating a proceeding or requesting a hearing may be allowed by the Hearing Officer or the Hearing Panel upon motion made within a reasonable time after the basis for the amendment became apparent, on such terms and conditions as are deemed to be just and reasonable.

### **1.3.3 Requirements for Motions**

Unless otherwise provided, a Party may at any time seek any relief provided for under these Hearing Procedures or otherwise applicable authority by filing a motion in writing (or orally if during a hearing). All motions shall include a plain and concise statement of any facts upon which the motion is based, citations to the record or other sources, if available, any required verification under oath by a person having knowledge of the matters set forth in the filing, a description of the specific relief sought, and the authority that supports the request for relief. Unless otherwise provided, any responses to motions shall be filed within 14 business days after service of the motion, and replies to responses shall be filed within seven business days after service of the responses.

The Hearing Panel or Hearing Officer, in their discretion, may elect to hold oral argument on any matters in dispute.

### **1.3.4 Intervention; Consolidation of Related Proceedings**

No interventions shall be permitted except upon approval of FERC. The Hearing Panel or Hearing Officer may, upon motion or their own initiative, order two or more matters partially or

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fully consolidated for any or all purposes if (1) events giving rise to the proceeding are the subject of another proceeding involving another Registered Entity, (2) it appears likely that consolidation is necessary to obtain all information necessary for decision and (3) reasonable procedures can be developed to prevent inappropriate disclosure of confidential information. Consolidation shall not be ordered unless all Parties in all proceedings have been provided notice and opportunity to be heard

### **1.3.5 Summary Disposition**

The Hearing Panel or Hearing Officer may, upon motion or their own initiative, order summary disposition, in whole or in part, if there are no genuine issues of material fact with respect to the matters subject to summary disposition and the Party is entitled to summary disposition as a matter of law. Any factual allegations contained in a motion for Summary Disposition shall be supported by affidavit.

### **1.3.6 Interlocutory Review**

Where the ruling for which interlocutory review is sought presents an extraordinary circumstance which makes prompt review necessary to prevent prejudice to a Participant's ability to present its position in the proceeding, a Party may seek interlocutory review of any Hearing Officer ruling within 14 business days after the ruling. The Hearing Panel may affirm, reverse, remand, decline to act or take any other action on the Hearing Officer's ruling.

### **1.3.7 Pre-Evidentiary Hearing Submission of Testimony and Evidence**

With the exception of examination of an adverse Party, all witness testimony, exhibits, and any documents intended to be introduced in connection with cross-examination, shall be filed at least five business days in advance of the evidentiary hearing pursuant to a schedule adopted for the proceeding.

### **1.3.8 Pre-Evidentiary Hearing Memorandum**

Upon request of the Hearing Officer or the Hearing Panel, the Parties may be required to submit a memorandum prior to hearing describing the Party's position on the issue(s) in dispute, the key facts and arguments, and the applicable Reliability Standard, rules, orders or other authority. A Party will not be deemed to have waived any issue, fact or argument that is not set forth in a pre-evidentiary hearing memorandum.

## **1.4. DOCUMENT PRODUCTION**

### **1.4.1 Inspection and Copying of Documents in Possession of Staff**

#### **(a) Documents to be Available for Inspection and Copying**

Within five (5) business days of the initiation of the proceeding, the Staff shall make available to the Registered Entity for inspection and copying, all documents prepared by the Staff or obtained from the WECC, the Registered Entity or other sources, through or in connection with any compliance process that led to the institution of proceedings and not previously made available, including but not limited to all requests for information and responses, transcripts and transcript exhibits. Documents shall be made available during normal business hours at the WECC office



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where the documents are ordinarily maintained, or at such other office as the Hearing Panel or Hearing Officer, in his or her discretion, shall designate, or the Parties otherwise agree. The Registered Entity shall be responsible for the cost of photocopying, which shall be at a reasonable rate. Documents received by the Staff thereafter shall be made available to the Registered Entity within 14 business days after receipt or as soon as possible if within 14 business days of the evidentiary hearing. In cases involving more than one Party other than the Staff, the Hearing Officer or Hearing Panel shall determine the extent to which, and conditions governing the provision of, documents relating to one Party shall be made available to another Party.

### **(b) Documents That May Be Withheld**

The following documents are not subject to disclosure:

(1) Documents subject to the attorney-client or attorney work-product privileges (in applying this provision, the attorney-client privilege shall be recognized as absolute and any demand for production of attorney work product shall be granted only after a showing of substantial need by the Respondent);

(2) Documents that would disclose (i) an examination, investigatory or enforcement technique or guideline of WECC, a federal, state, or foreign regulatory authority, or a self-regulatory organization; (ii) the identity of a source, including a federal, state, or foreign regulatory authority or a self-regulatory organization that furnished information or was furnished information on a confidential basis regarding an investigation, an examination, an enforcement proceeding, or any other type of civil or criminal enforcement action; or (iii) an examination, an investigation, an enforcement proceeding, or any other type of civil or criminal enforcement action under consideration by, or initiated by, WECC, a federal, state, or foreign regulatory authority, or a self-regulatory organization; or

(3) Documents containing confidential information, to the extent that disclosure would violate any applicable confidentiality requirement.

The Staff shall provide to the Registered Entity, at the time the documents are provided, a list of documents withheld. Upon motion based on reasonable belief of a violation of these provisions or on their own motion, the Hearing Panel or Hearing Officer may require Staff (1) to submit any withheld document and (2) disclose to Registered Entity any document not meeting the standards of this subsection.

### **1.4.2 Other Discovery Procedures**

In addition to the production of documents by Staff for inspection and copying by Registered Entity pursuant to Subparagraph 1.4.1(a), the Parties shall be entitled to utilize all other discovery methods provided for in Rules 402 through 408 of the FERC Rules of Practice and Procedure, 18 C.F.R. §385.402 through 385.408, including data requests, written interrogatories and requests for production of documents or things, depositions by oral examination, requests for inspection of documents and other property, and requests for admissions. Unless otherwise directed by the Hearing Officer or Hearing Panel upon motion by a Party or by the Hearing Officer, or by the Hearing Panel on its own motion, such discovery, and the resolution of any disputes concerning such discovery, shall be conducted in accordance with the provisions of Rules 402 through 408 and 410 of the FERC Rules of Practice and Procedure, 18 C.F.R. §385.402 through 385.408 and 385.410, which are hereby incorporated by reference into these Hearing Procedures, subject to the following limitations and modifications to such Rules:

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- 1) The provisions of Subparagraph 1.4.1(b) shall apply to any such discovery.
- 2) Rule 403(b)(2) (18 C.F.R. §385.403(b)(2)) and Rule 410(d)(2) (18 C.F.R. §385.410(b)(2)) shall not be applicable.
- 3) The Hearing Officer and the Hearing Panel do not have the authority to issue subpoenas to, or otherwise order or compel the appearance by or production of documents or information by, any person or entity that is not a Party.
- 4) References to the “Commission” in Rules 402 through 408 and 410 shall be to FERC except as follows: (i) the references in Rules 402(a), 404(b)(1) and 405(b) and the second reference in Rule 410(d) shall be deemed to be to the Hearing Panel, and (ii) the reference in Rule 385.406(b)(4) to “Commission trial staff” shall be deemed to be to Staff.
- 5) Unless otherwise ordered by the Hearing Officer or Hearing Panel, a data request, set of interrogatories, request for production of documents or things, request for inspection of documents or other property, or request for admissions, shall not specify a due date or response date that is fewer than 21 days from the date of service of the request.
- 6) Unless otherwise ordered by the Hearing Officer or Hearing Panel, all such discovery shall be requested, scheduled and conducted so as to be completed within six (6) months following the date of the initial prehearing conference held pursuant to Paragraph 1.5.2.

The Hearing Officer’s ruling on all motions relating to disputes concerning such discovery shall consider the following objectives: (i) full disclosure of all relevant documents and information; (ii) the exercise of due diligence in the conduct of discovery by a Participant; and (iii) disallowing use of discovery as a means to delay the proceeding or to harass or burden any other Participant.

### **1.5 HEARINGS AND CONFERENCES**

#### **1.5.1 General**

The Clerk shall issue a notice for each conference and hearing, which shall identify the matter(s) to be considered, the person(s) comprising the Hearing Panel or Hearing Officer, and the date, time and place of the hearing or conference. Unless otherwise ordered, all hearings and conferences shall be held during normal business hours at the principal office of WECC. Hearings need not be held on consecutive days.

All hearings, conferences, and other meetings shall be closed to the public, and all notices, rulings, orders or any other issuances of the Hearing Officer or Hearing Panel shall be nonpublic and held in confidence by the Parties unless the ERO (within the U.S., in accordance with the authorization previously granted by FERC to release information about a non-public proceeding) or FERC (in the case of U.S.-related information) or another Applicable Governmental Authority

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(in the case of non-U.S.-related information) determines that public release is appropriate. Only the Adjudicatory Officers, representatives of the Parties, and other necessary personnel (such as court reporters) shall be allowed to participate in or obtain information relating to the proceeding.

Upon a request, the Hearing Panel or Hearing Officer may permit Parties to appear and witnesses to testify via videoconference or teleconference at any conference or hearing if necessary to avoid undue expense or undue delay in the proceeding.

All hearings and (at the discretion of the Hearing Panel or Hearing Officer) all conferences shall be transcribed verbatim by a certified court reporter. A Party may request corrections to the transcript within 35 days after receipt of the transcript and any responses shall be filed within ten business days thereafter. Each Party is responsible for the costs of a copy of any transcript ordered by it.

### **1.5.2 Prehearing and Status Conferences**

A prehearing conference shall be held within a thirty days after initiation of a proceeding, to identify issues then known to the Parties, establish a schedule and to address any other relevant matter. Any Party may request, and the Hearing Panel or Hearing Officer may call, a status conference at any time subsequent to the Prehearing Conference to address any issues that have arisen. The Hearing Panel or Hearing Officer may summarize actions taken in a memorandum.

### **1.5.3 Evidentiary Hearings**

A Party has the right to present such evidence, to make such objections and arguments, and to conduct such cross-examination as may be necessary to assure the true and full disclosure of the facts. All testimony shall be under oath.

Evidence is admissible if it is of a type commonly relied upon by reasonably prudent persons in the conduct of their affairs, but may be excluded if immaterial or unduly repetitious or prejudicial. The Hearing Panel or Hearing Officer may exclude material from the record only in response to a motion or objection by a Party.

Upon 14 business days' advance notice and subject to the objection by another Party, any Party may call and cross-examine as an adverse witness, any other Party, or any employee or agent thereof.

Upon motion, the Hearing Panel or Hearing Officer may take official notice of and the type of information any of the following:

- 1) Rules, regulations, administrative rulings and orders, and written policies of governmental bodies and Regional Entities, including WECC;
- 2) Municipal and other ordinances;
- 5) Generally recognized scientific or technical facts within the specialized knowledge of WECC;

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- 4) Other facts not reasonably subject to dispute; and
- 6) All other matters of which the courts of the United States may take judicial notice.

Any document, and any item officially noticed that exists in document form, shall be introduced into the record in the form of an exhibit.

The Hearing Panel or (prior to issuance of an Initial Decision) the Hearing Officer may allow oral argument, and also may reopen the evidentiary record and hold additional hearings if warranted by any changes in fact or law since the hearing.

### **1.5.4 The Record**

The record shall include the following:

- 1) The filing(s) that initiated the proceeding, responsive documents, and a list of all documents comprising the record;
- 2) Notices, rulings, orders, decisions and other issuances of the Hearing Officer and Hearing Panel;
- 3) All motions, briefs and other filings;
- 4) All prefiled testimony, exhibits, other evidence, information excluded from evidence, transcripts and matters officially noticed;
- 5) All Notices of *ex parte* communications and any notifications of recusal and motions for disqualification of any Adjudicatory Officer and any responses or replies thereto;
- 6) The Hearing Officer's Initial Decision, and exceptions thereto; and
- 7) The Hearing Panel's Final Decision and any Notice of Penalty therewith.

### **1.5.5 Briefs and Other Post-Hearing Pleadings**

At the close of the evidentiary hearing, Parties may file initial briefs, proposed findings of fact and reply briefs. Absent good cause shown, post-hearing pleadings shall not seek to introduce additional evidence into the record after the hearing has ended.

## **1.6 DECISIONS**

### **1.6.1 Initial Decisions**

The Hearing Officer shall issue an Initial Decision that shall include (1) a statement of each finding and conclusion, and the reasons or basis therefore, for all material issues of fact, law or discretion presented on the record, and (2) appropriate proposed orders to dispose of the proceeding, including any Penalty, sanction, remedial action or Mitigation Plan required. Any proposal for a Penalty shall include a proposed Notice of Penalty. The Initial Decision shall note if the subject of the proceeding has been deemed to involve a Cybersecurity Incident or if any

## **Compliance Monitoring and Enforcement Program**

information in the proceeding was deemed to be Critical Energy Infrastructure Information protected pursuant to Paragraph 1.10. The Initial Decision shall normally be issued within thirty days following the submission of post-hearing briefs, or, if waived, following the conclusion of the hearing.

Any Party may file exceptions to the Initial Decision and replies consistent with any deadlines established in the proceeding.

### **1.6.2 Hearing Panel Final Decision**

The Hearing Panel shall issue a Final Decision following the receipt of (1) the Initial Decision, any exceptions and replies thereto, and oral argument, if any, (where a Hearing Officer has been appointed) or (2) the briefs and reply briefs (where no Hearing Officer was appointed). The Hearing Panel shall strive, but shall not be required, to issue its Final Decision within thirty (30) days after the matter is ready for decision.

In cases where a Hearing Officer is appointed, the Final Decision may adopt, modify, amend or reject the initial opinion in its entirety or in part. The Final Decision shall include (1) a statement of each finding and conclusion, and the reasons or basis therefore, for all material issues of fact, law or discretion presented on the record, and (2) appropriate orders to dispose of the proceeding, including any Penalty, sanction, remedial action or Mitigation Plan required. If the Final Decision imposes a Penalty, it shall be entitled Final Order and Notice of Penalty. The Final Order shall note if the subject of the proceeding has been deemed to involve a Cybersecurity Incident or if any information in the proceeding was deemed to be critical energy infrastructure information protected pursuant to Paragraph 1.5.9.

When the Hearing Panel serves the Final Decision, it will inform the Parties of their appeal rights. The Clerk shall transmit the documents identified in Section 1.5.4, which shall constitute the record for purposes of 18 C.F.R. § 39.7(d)(5), to the ERO at the time it serves the ERO with the Final Decision.

### **1.6.3 Appeal**

A Final Decision of the Hearing Panel may be appealed to NERC in accordance with NERC's Rules of Procedure, Section 410. The Clerk shall transmit the record of any docket to NERC that is the subject of an appealed Final Order.

### **1.6.4 Settlement**

Settlement Agreements may be entered into at any time including prior to the issuance of a Notice of Proceeding or during an appeal at the ERO, until a Notice of Confirmed Violation, Notice of Penalty, Notice of Mitigation Plan or Remedial Action Directive, whichever is applicable, is filed with the appropriate regulatory authority. All Settlement Agreements entered into prior to the issuance of a Final Decision shall be subject to approval of the Hearing Panel. Any rejected Settlement Agreement shall not be admissible into evidence and the proceedings shall continue as if the Settlement Agreement had not been filed.

## **1.7 PARTIES AND APPEARANCES**

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### **1.7.1 Parties**

The Parties shall include: the Registered Entity who is the subject of the Notice of Alleged Violation, contested Mitigation Plan or contested Remedial Action Directive that is the basis for the proceeding, whichever is applicable; the Staff and any other Person allowed or required by FERC to participate as an intervenor in a proceeding conducted pursuant to these Hearing Procedures.

### **1.7.2 Appearances**

Parties shall file written appearances within seven (7) business days after service of the filing initiating the proceeding. A Party's written appearance shall identify the name(s) of each individual authorized to represent the Party in the proceeding exclusive of witnesses. An individual may appear on his or her own behalf. A corporation, association, partnership or governmental body may appear by an attorney or any *bona fide* officer or designee who has the authority to act on behalf of the Party.

A Party's written appearance shall state, with respect to each individual that the Party identifies for service, the individual's name, address, telephone number, and facsimile number and email address, if available, where service shall be made.

A Party may withdraw any individual from the Party's representation or otherwise change the identity of individuals authorized to represent the Party in a proceeding by filing a notice of a change in service list.

Any attorney appearing on behalf of a Party shall be licensed to practice and in good standing before the Supreme Court of the United States or the highest court of any State, territory of the United States or the District of Columbia.

### **1.7.3 Confidentiality**

All participants in any proceeding before the Hearing Panel shall be take all actions necessary to be bound by confidentiality obligations consistent with NERC Rule of Procedure 1504.

## **1.8 RESPONSIBILITIES OF ADJUDICATORY OFFICERS**

### **1.8.1 Hearing Panel**

The Hearing Panel shall be selected from the Compliance Hearing Body, as provided in the WECC Compliance Hearing Body Charter, and the composition of the Hearing Panel shall assure that no two industry segments may control, and no single industry segment may veto, any decision by the Hearing Panel. The Hearing Panel is vested with all necessary the authority to preside over all matters relating to a proceeding, including the following:

1. To establish the scope of the proceeding, including segregation of issues into separate phases of the proceeding and consolidation of related proceedings;
2. Take such action as necessary to assure the confidentiality of the proceeding and documents produced in connection with the proceeding;

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3. Establish and modify the schedule for the proceeding, and modify any deadline or required interval;
4. Supervise discovery and rule on any disputes relating thereto;
5. Preside over prehearing conferences, status hearings, oral arguments and evidentiary hearings, including administering oaths and affirmations, ruling on evidentiary matters, requiring the introduction of additional evidence;
6. Issue a Final Decision and rule upon all motions and all other requests for relief;
7. Take other actions necessary and appropriate for the adjudication of the proceeding.

All actions (including all rulings, orders and determinations) of the Hearing Panel shall require a quorum consisting of a majority of the persons assigned to the Hearing Panel, unless waived by the Parties in a particular circumstance, subject in all events to the requirement that no two industry segments may control, and no single industry segment may veto, Hearing Panel actions. All rulings, orders and determinations of the Hearing Panel shall require the vote of a majority of the persons constituting a quorum. Where necessary, one or more persons assigned to the Hearing Panel may participate by teleconference as long as a majority are present in person; provided that all persons assigned to the Hearing Panel may participate by teleconference with respect to a Remedial Action Directive hearing. All rulings, orders and determinations shall be recorded in a written ruling or in a transcript and shall be designed to promote the conduct of a full, fair and impartial proceeding and to effectuate the standards of discretion.

### **1.8.2 Hearing Officer**

WECC may designate one or more Staff members, third-party contractors, or industry stakeholders to serve as Hearing Officers and may thereby preside over any aspect of the proceeding to the same extent as the Hearing Panel, except that the Hearing Officer will issue an Initial Decision and the Final Decision or other order finally disposing of the proceeding or issues within the proceeding must be issued by the Hearing Panel.

### **1.8.3 Technical Advisor**

The Hearing Officer and/or the Hearing Panel may designate one or more Staff members, third-party contractors, or industry stakeholders to serve as Technical Advisors to assist in any proceeding by providing technical advice.

### **1.8.4 Conflict of Interest**

A person shall be disqualified from serving as an Adjudicatory Officer in any proceeding if (1) he or she has been involved in or consulted at any time in regard to any Staff investigation, initial determination of violation or Penalty, or assessment of a Registered Entity's proposed Mitigation Plan relating to the proceeding or (2) his or her participation would violate WECC's applicable conflict of interest policies. An Adjudicatory Officer shall recuse himself or herself from serving in proceeding if disqualified.

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Any Adjudicatory Officer shall disclose to the Service List his or her identity, employment history and professional affiliations within two business days of assignment to the proceeding.

### **1.8.5 *Ex Parte* Communications**

No Adjudicatory Officer assigned to a proceeding may communicate concerning any matter relating to the proceeding, directly or indirectly with any Person who is not an Adjudicatory Officer with respect to a proceeding, except after reasonable notice to all Parties and opportunity to participate.

Any Adjudicatory Officer who makes or receives an *ex parte* communication shall, within seven (7) business days, file and serve on the Parties a description of the date, time, place, substance of and a list of each person making or receiving the *ex parte* communication, and include any written *ex parte* communication.

### **1.8.6 Motion for Disqualification**

Any Party may move to disqualify an Adjudicatory Officer on the basis of conflict of interest, or on the basis of a prohibited *ex parte* communication or other circumstances that could interfere with the impartial performance of his or her duties. The motion shall describe the underlying facts by affidavit and shall be filed within fifteen days after the Party learns of the facts believed to constitute the basis for disqualification or reasonably in advance of any hearing, whichever is earlier. The ruling on a motion to disqualify an Adjudicatory Officer shall be made by the Hearing Panel, provided that the ruling on a motion to disqualify a Hearing Panel member shall be made by the Hearing Panel without participation by the member subject to the motion. Any challenge to a disqualification ruling by a Hearing Officer is waived if no interlocutory appeal has been filed within five business days of the ruling. Any disqualified Adjudicatory Officer shall be replaced as soon as practicable.

## **1.9 REMEDIAL ACTION DIRECTIVES**

### **1.9.1 Initiation of Remedial Action Directive Hearing**

Staff may issue a Remedial Action Directive to a Registered Entity at any time, including during any proceeding related to an alleged violation of a Reliability Standard. Notice of the Remedial Action Directive shall not be effective until actual receipt by the Registered Entity, as provided in Section 7.0 of the Compliance Monitoring and Enforcement Program. WECC will notify NERC within two (2) business days after its Staff issues a Remedial Action Directive.

The Registered Entity may contest the Remedial Action Directive by filing a written notice with the Clerk of the WECC that states that the Registered Entity contests the Remedial Action Directive and that the Registered Entity requests a Remedial Action Directive hearing. The Registered Entity shall attach a copy of the Remedial Action Directive to its written notice. The Registered Entity must provide such notice within two (2) business days following actual receipt of the Remedial Action Directive. If the Registered Entity does not give written notice to WECC within the required time period, the Registered Entity shall be deemed to have waived its right to contest the Remedial Action Directive.

The Clerk shall assign a docket number, and issue a Notice of Hearing.



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### **1.9.2 Remedial Action Directive Procedure**

Proceedings to address Remedial Action Directives shall be conducted only under the expedited hearing process set forth in this Paragraph 1.9.2. All other provisions of the Hearing Procedures shall apply to the Remedial Action Directive hearing unless inconsistent with or inapplicable to the procedures set forth in this paragraph.

The Remedial Action Directive hearing will be conducted according to the following guidelines:

- a) The Hearing Panel or Hearing Officer will hold a prehearing conference within two (2) business days after receipt of the Registered Entity's request for a hearing.
- b) An evidentiary hearing will be conducted on the matter, in person or by teleconference, within seven (7) business days after the prehearing conference. The provisions in Section 1.4 concerning document production shall not apply.
- c) At the evidentiary hearing, Staff and the Registered Entity shall have the opportunity to present oral witness testimony and evidence, which shall be rendered under oath, and to conduct cross-examination.
- d) At the evidentiary hearing, the Parties shall have the opportunity to make opening and closing statements, but shall not file any briefs or draft opinions, and oral argument shall not be held.
- e) The Hearing Panel shall issue a summary written decision within ten (10) business days following the hearing, stating whether the Registered Entity shall (upon receipt of the decision) or shall not be required to comply with the Remedial Action Directive and identifying any modifications to the Remedial Action Directive that it finds appropriate. In the event a Hearing Officer has been appointed, the Initial Decision will be issued within a timeframe that permits review and comment by the Parties and issuance of a summary written decision within the ten-day deadline.
- f) Within thirty (30) days following issuance of its summary written decision, the Hearing Panel shall issue a full written decision. The written decision shall state the conclusions of the Hearing Panel with respect to the Remedial Action Directive, and shall explain the reasons for the Hearing Panel's conclusions.
- g) The Final Decision may be appealed to NERC pursuant to section 1.6.3.

### **1.10. PROTECTIVE ORDERS**

- a) At any time during a proceeding, including in connection with document production under section 1.4, on the Hearing Officer's or the Hearing Panel's own motion or on the motion of any Party, an order may be entered to designate as proprietary and protect the confidential, proprietary or trade secret nature of any data, information or studies, or any other information the public release of which may cause a security risk or harm to a Party.
- b) The following types of information will be considered entitled to protection through a Protective Order: (i) confidential business and market information, including information

## Compliance Monitoring and Enforcement Program

that is proprietary, commercially valuable, or competitively sensitive; (ii) critical energy infrastructure information; (iii) information related to a Cybersecurity Incident; (iv) personnel information that identifies or could be used to identify a specific individual, or that reveals personnel, financial, medical or other personal information; (v) audit work papers; or (vi) investigative files that would disclose investigative techniques. Nothing in this Subparagraph shall require Staff to produce any documents it is entitled to withhold under Subparagraph 1.4.1(b)

- c) A Party submitting a motion for a protective order shall specify the proposed expiration date for the proprietary status of the data, information or studies, if any, and shall propose requirements or safeguards to be met for individuals participating in the proceeding to review the protected information.
- d) A document submitted and marked as proprietary, or a statement made at a hearing and identified as proprietary, shall be afforded proprietary treatment pending the timely submission of a motion to protect the confidential, proprietary or trade secret nature of that document or statement and a ruling on such a motion by the Hearing Officer or Hearing Panel.
- e) The protective order shall identify the data, information or studies that will be accorded proprietary treatment; the individuals participating in the proceeding, by category or otherwise, entitled to view the proprietary information; and the requirements, conditions or safeguards that must be met before an individual may view the information. The order shall also specify any required indications of confidentiality, such as colored paper or notation.
- f) A public redacted version of each document and transcript that contains information that is protected pursuant to this Paragraph must be filed with the proprietary version and must be served on each Party for distribution to those individuals participating in the proceeding who are not entitled to view the proprietary information.
- g) Should it be necessary to address proprietary information during a hearing, the Hearing Officer or Hearing Panel shall exclude from the hearing all individuals other than those entitled to access to the proprietary information in accordance with the protective order.

# **EXHIBIT E**

## **1. Scope of activities funded through the ERO funding mechanism**

The WECC activities that will be funded through the ERO funding mechanism are as follows:

1. Reliability Standard Development
2. Compliance Enforcement  
This category will encompass WECC's Compliance Enforcement Program, including activities under the WECC Reliability Management System
3. Organization Registration and Certification
4. Reliability Readiness Evaluation and Improvement
5. Reliability Assessment and Performance Analysis  
This category includes WECC's Transmission Expansion Planning Program, and Loads and Resources Area, including necessary data gathering activities
6. Training and Education  
This category includes WECC's Training Program
7. Situational Awareness and Infrastructure Security  
This category includes WECC's Reliability Coordinator Functions

WECC shall submit its annual budget for carrying out its Delegated Authority functions and related activities as well as all other WECC activities and funding to NERC no later than June 1 of the prior fiscal year such that NERC may submit its budget to the Commission 130 days in advance of the beginning of each fiscal year. The WECC budget submission shall include supporting materials, including WECC's complete business plan and organization chart, explaining the proposed collection of all dues, fees and charges, the proposed expenditure of funds collected in sufficient detail to justify the requested funding collection and budget expenditures, and how any WIRAB approved funding affects the allocation and collection of costs to WECC end users in the United States. NERC shall develop, in consultation with WECC, a reasonable and consistent system of accounts, with a level of detail and record keeping comparable to the Commission's Uniform System of Accounts and sufficient to allow the Commission to compare each Commission-approved NERC fiscal year budget with the actual results at the NERC and Regional Entity level. WECC shall follow NERC's prescribed system of accounts, except to the extent NERC permits a departure from the prescribed system of accounts. NERC shall make an informational filing with the Commission describing any such waiver it permits and providing an explanation supporting the permitted departure. WECC's funding system shall include reasonable reserve funding for unforeseen and extraordinary expenses and other contingencies, consistent with generally accepted

accounting principles. NERC shall review and approve WECC's budget for meeting its responsibilities under the Delegation Agreement.

## **2. Allocation of Costs**

WECC will equitably allocate its reasonable fees and other charges for activities undertaken pursuant to the Delegation Agreement among all Load-Serving Entities (LSEs) or Balancing Authorities according to the following cost allocation rules:

1. All fees and other charges pursuant to the Delegation Agreement shall be allocated among LSEs or Balancing Authorities within the Western Interconnection on the basis of Net Energy for Load (NEL) unless a different method(s) of allocating and calculating such dues, fees and charges has been submitted to and approved by NERC and the Commission in accordance with Section 8(b) of the delegation agreement.
2. WECC will develop a list of LSEs or Balancing Authorities responsible for paying charges pursuant to the Delegation Agreement.
3. Entities on the list of LSEs or Balancing Authorities will be responsible for collection and/or payment of charges through the mechanism described in either Option 1 or 2 below. Each Balancing Authority will inform WECC by June 1<sup>st</sup> of each year of its choice of Option 1 or 2, and will give WECC at least 90 days notice of its intention to change from one option to the other.
  - a. OPTION 1 -- The Balancing Authority will provide WECC a list of all LSEs located within its area, including each LSE's name, contact information, and Net Energy for Load. This information will be updated annually and provided to WECC no later than June 1<sup>st</sup> of each year. WECC will use this list to bill each LSE for all costs on an annual basis.
  - b. OPTION 2 -- The Balancing Authority will provide WECC a list of all LSEs located within its area no later than June 1<sup>st</sup> of each year. WECC will bill the Balancing Authority for all costs on an annual basis. The Balancing Authority will be responsible for equitably allocating WECC costs among the LSEs in its area (if applicable) on the basis of Net Energy for Load, collecting the funds, and ensuring that WECC receives full payment on an annual basis.
4. WECC will submit annually to NERC an updated list of all LSEs located within the Western Interconnection.

### 3. Collection of Funding

(a) WECC will render invoices and collect funds from LSEs or Balancing Authorities within the Western Interconnection according to the following billing and collection rules:

1. WECC will send an annual invoice in a prompt and timely manner after receipt from NERC of the information needed to issue invoices, but no later than November 15<sup>th</sup> each year to each LSE or Balancing Authority (depending on the Balancing Authority's choice of Option 1 or 2 above).
2. The invoice will identify the total payment due, and will show the allocation of funds between the following three areas:
  - Electric Reliability Organization statutory costs
  - Regional Reliability Organization statutory costs
  - Western Interconnection Regional Advisory Body (WIRAB) costs
3. Payment of all invoiced amounts will be due on or before January 2nd of each year.
4. WECC will transfer collected funds to the ERO in a timely manner as follows. Once a week, until all funds are collected, WECC will electronically transfer to the ERO, in immediately available funds, all payments received from LSEs or Balancing Authorities for payment of annual invoices. In order to ensure clear communication regarding the allocation of funds, WECC will send an email to the Chief Financial Officer at the ERO outlining the breakdown of funds collected (including a listing of entities from which payments were collected and the amounts collected from each entity) on the same day that WECC electronically transfers payment to the ERO.
5. WECC will exercise commercially reasonable efforts to collect invoices that are not paid on the due date(s) as follows. If WECC does not receive payment in full from an LSE or Balancing Authority by January 2nd, WECC will send the LSE or Balancing Authority a duplicate invoice together with a demand for payment within 30 days of the total due under the invoice, including statutory, and if applicable, non-statutory costs. If the LSE or Balancing Authority fails to remit payment within the additional 30 day period, the account will be turned over to the ERO for collection. WECC agrees that it shall not in any way use its position as billing and collection agent for NERC to attempt to influence NERC's policies or decisions on matters relating to adoption of reliability standards (including regional standards and differences), administration of the compliance monitoring and enforcement program and other compliance and enforcement matters, determination and imposition of penalties and sanctions, budgeting matters including review and approval of WECC's budgets and business plans, or any other NERC decisions, including by issuing invoices, engaging in collection activities or transferring funds collected to NERC in an untimely manner or other than in accordance with this Agreement. To the extent WECC uses another entity as collection

agent, it will incorporate these safeguards in the arrangements with the collection agent.

(b) Upon approval of the annual funding requirements by applicable governmental authorities, NERC will fund WECC's costs identified in Section 1 of this Exhibit E in four equal quarterly installments.

#### **4. Application of Penalties**

As part of WECC's Compliance Enforcement Program, WECC may levy monetary sanctions against an organization in the Western Interconnection. Payment of a monetary sanction is due to WECC within 30 days of the date upon which the sanction takes effect under the rules governing WECC Compliance Enforcement Program. If payment is not received on or before the applicable due date, WECC will send a demand for payment and take appropriate steps to ensure collection.

WECC will segregate any payment received from monetary sanctions in a separate accounting group and the monies will be used to offset the next year's statutory function costs. All penalty monies received by WECC, other than penalty monies received from an operational function or division or affiliated entity of WECC shall be applied as a general offset to the entity's budget requirements for U.S.-related activities under this Agreement for the subsequent fiscal year. Any penalty monies received from an operational function or division or affiliated entity of WECC shall be transmitted to or retained by NERC and shall be used by NERC as a general offset to NERC's budget for its activities as the ERO under the Act for the following year.

#### **5. Non-Statutory Activities**

WECC will identify in its annual Business Plan and Budget filing any non-statutory activity, and how WECC will maintain accounts for funding and expenses associated with all non-statutory activities that are separate from the funding and expenses associated with statutory activities. Currently, the only non-statutory activity relates to the Western Renewable Generation Information System ("WREGIS"), a system to identify and track renewable energy credits. WECC maintains separate funding mechanisms and accounts for the funding and expenses of WREGIS, and the program is currently funded through the California Energy Commission. In particular, under the *WECC Time & Expense Guidelines, Accounting for Income, Time and Expenses to Appropriate Activity Codes* (filed with NERC as part of its April 1, 2008 filing concerning the 2007 budget true-up), WECC assigns WREGIS revenues and expenses to a separate accounting code, and incorporates the separate code on invoices, and expense reports, and for payroll. Although funds associated with statutory and non-statutory net assets are pooled, the above guidelines assure proper allocation between statutory and non-statutory accounts. WECC agrees that no costs of non-statutory activities are to be included in the calculation of WECC's dues, fees, and other charges for its activities pursuant to this Agreement. Instead, as provided in

Bylaws section 12.3, any fees to fund non-statutory activities are voluntary and not a condition for membership.

\*\* If any applicable date set forth above falls on a weekend or federal holiday, then the relevant date will be the next business day.



**ATTACHMENT 11B**  
**REDLINED VERSION**

**AMENDED AND RESTATED DELEGATION AGREEMENT BETWEEN  
NORTH AMERICAN ELECTRIC RELIABILITY CORPORATION  
AND WESTERN ELECTRICITY COORDINATING COUNCIL**

DELEGATION AGREEMENT (“Agreement”) made as of April 5, 2008, between the North American Electric Reliability Corporation (“NERC”), an organization certified by the Federal Energy Regulatory Commission (“Commission”) pursuant to Section 215(c) of the Federal Power Act to establish and enforce Reliability Standards for the bulk power system, and the Western Electricity Coordinating Council (WECC), an organization established to develop and enforce Reliability Standards within the geographic boundaries identified on **Exhibit A** to this Agreement, and for other purposes. NERC and WECC may be individually referred to herein as “Party” or collectively as “Parties.”

**WITNESSETH**

**WHEREAS**, Subtitle A of the Electricity Modernization Act of 2005 added Section 215 to the Federal Power Act (16 U.S.C. § 824n) (hereafter “the Act”) and, among other things, provides for the establishment of an electric reliability organization (“ERO”) to develop and enforce Reliability Standards applicable to all owners, operators, and users of the bulk power system;

**WHEREAS**, the Commission has adopted regulations for the implementation of the Act set forth at Chapter I, Title 18, Code of Federal Regulations, Part 39, as adopted by Commission Order No. 672 in Docket No. RM05-30-000 on February 3, 2006; (114 FERC ¶ 61, 104; hereafter “Order 672”);

**WHEREAS**, the Commission has certified NERC as the ERO that will, in accordance with the Act, establish and enforce Reliability Standards for the bulk power system, subject to certain delegation provisions described below;

**WHEREAS**, the Act recognizes the international interdependency of electric reliability within North America and envisions the ERO and such applicable Regional Entities as international organizations;

**WHEREAS**, the Act and Section 39.8 of the Commission’s regulations provide for the delegation by the ERO of authority to propose and enforce Reliability Standards to regional entities such as WECC provided that:

(A) The Regional Entity is governed by —

- (i) an independent board;
- (ii) a balanced stakeholder board; or
- (iii) a combination independent and balanced stakeholder board.

(B) The Regional Entity otherwise satisfies the provisions of Section 215(c)(1) and (2) of the Act; and

(C) The agreement promotes effective and efficient administration of bulk power system reliability;

**WHEREAS**, certain Regional Entities are organized on an Interconnection-wide basis and are therefore entitled to the presumption set forth in the Act that: “[t]he ERO and the Commission shall rebuttably presume that a proposal for delegation to a Regional Entity organized on an Interconnection-wide basis promotes effective and efficient administration of bulk power system reliability and should be approved”;

**WHEREAS**, the Act further provides that the ERO shall rebuttably presume that a proposal from a Regional Entity organized on an Interconnection-wide basis for a Reliability Standard or modification to a Reliability Standard to be applicable on an Interconnection-wide basis is just, reasonable, and not unduly discriminatory or preferential, and in the public interest;

**WHEREAS**, WECC is organized on an Interconnection-wide basis and therefore is entitled to the rebuttable presumptions accorded such an entity;

**WHEREAS**, NERC will work through WECC to carry out certain of its activities in furtherance of its responsibilities as the electric reliability organization under the Act; and

**WHEREAS**, NERC has concluded that WECC meets all requirements of the Act, the Commission's regulations, and the NERC Rules of Procedure as approved by the Commission ("NERC Rules") necessary to qualify for delegation;

**NOW, THEREFORE**, in consideration of the mutual covenants and agreements herein contained, NERC and WECC, agree as follows:

**1. Definitions.** The capitalized terms used in this Agreement shall be defined as set forth in the Act, the Commission's regulations, or the NERC Rules or, if not so defined, shall be defined as follows:

(a) Breach means (i) the failure of a Party to perform or observe any material term, condition or covenant of the Agreement or (ii) a representation in Section 2 of the Agreement shall have become materially untrue.

(b) Cross-Border Regional Entity means a Regional Entity that encompasses a part of the United States and a part of Canada or Mexico.

(c) Delegated Authority means the authority delegated by NERC to WECC to propose and enforce Reliability Standards pursuant to the Act.

(d) WECC Rules means the Bylaws, a rule of procedure or other organizational rule or protocol of WECC.

(e) NERC Rules means the NERC Rules of Procedure.

(f) Reliability Standard means a requirement approved by the Commission under Section 215 of the Federal Power Act to provide for reliable operation of the bulk power system. The term includes requirements for the operation of existing bulk power system facilities, including cyber security protection, and the design of planned additions or modifications to such facilities to the extent necessary for reliable operation of the bulk power system; but the term does not include any requirement to enlarge such facilities or to construct new transmission capacity or generation capacity.

## 2. Representations.

(a) For purposes of its Delegated Authority, WECC hereby represents and warrants to NERC that:

(i) WECC is and shall remain during the term of this Agreement validly existing and in good standing pursuant all applicable laws relevant to this Agreement and that no applicable law, contract or other legal obligation prevents it from executing this Agreement and fulfilling its obligations hereunder. WECC is governed in accordance with its Bylaws by a combination independent and balanced stakeholder board. Pursuant to these Bylaws, no two industry sectors can control any WECC decision and no single industry sector can veto any WECC decision. The WECC Bylaws are attached hereto as **Exhibit B** and as so attached are in full force and effect.

(ii) As set forth in **Exhibit C** hereto, WECC has developed a standards development procedure, which provides the process that WECC shall use to develop Regional Reliability Standards and that are proposed to NERC for adoption.

(iii) As set forth in **Exhibit D** hereto, WECC has developed a regional compliance enforcement program, which provides for the enforcement of Reliability Standards within its geographic boundaries.

(b) NERC hereby represents and warrants to WECC that:

(i) It is and shall remain during the term of this Agreement validly existing and in good standing pursuant all applicable laws relevant to this Agreement and that no applicable law, contract or other legal obligation prevents it from executing this Agreement and fulfilling its obligations hereunder; and

(ii) It has been certified as the ERO by the Commission pursuant to the Act.

(iii) Attached are copies of all documents incorporated by reference that are not included elsewhere in this Agreement.

## 3. Covenants.

(a) During the term of this Agreement, WECC shall maintain and preserve its qualifications for delegation pursuant to the Act and shall not amend the WECC Rules without NERC's approval, which shall not be unreasonably withheld or delayed and which shall, in the

case of a Regional Entity organized on an Interconnection-wide basis, be governed by the presumptions provided for in Section 215(d)(2) and (e)(4)(C) of the Act, and be subject to any required Commission approval.

(b) During the term of this agreement, NERC shall maintain its qualification and status as the ERO pursuant to the Act and, subject to the provisions of Sections 16 and 17 of this Agreement, NERC shall not adopt amendments to the NERC Rules that conflict with the rights, obligations or programs of WECC under this Agreement without first obtaining the consent of WECC, which consent shall not be unreasonably withheld or delayed.

(c) During the term of this agreement, NERC and WECC shall adhere to and require that all participants in their respective activities under this Agreement follow and comply with the NERC Antitrust Compliance Guidelines.

#### 4. **Delegation of Authority.**

(a) Based upon the representations, warranties and covenants of WECC in Sections 2 and 3 above, the corporate governance documents set forth in **Exhibit B**, the standards development process set forth in **Exhibit C**, and the regional compliance enforcement program set forth in **Exhibit D**, NERC hereby delegates authority, pursuant to Section 215(e)(4) of the Act, to WECC for the purpose of proposing to NERC and enforcing Reliability Standards within the geographic boundaries set forth on **Exhibit A**. No further redelegation of authority or responsibility, in total or in part, under this Agreement is allowed without NERC's express consent.

(b) The authority delegated by this Agreement extends only to the portion of the region identified on **Exhibit A** that is within the United States. Any delegation of authority by governmental authorities in Canada or Mexico shall be governed by a separate agreement and is outside the scope of this Agreement; provided, however, that both WECC and NERC shall endeavor to ensure that this Agreement and such separate agreements are compatible.

(c) As a condition to this delegation of authority and subject to the provisions of section 16 of this Agreement, WECC shall comply with the applicable provisions of NERC's Certificate of Incorporation, Bylaws, Rules of Procedure, and Reliability Standards, as from time to time adopted, approved, or amended.

## 5. Reliability Standards.

- (a) In connection with its Delegated Authority, WECC shall be entitled to:
- (i) propose Reliability Standards or modifications thereof to NERC, which shall be considered by NERC through an open and inclusive process for proposing and adopting Reliability Standards that affords WECC reasonable notice and opportunity to be heard; and
  - (ii) develop Regional Reliability Standards through WECC's process as set forth in **Exhibit C**. Reliability Standards approved through WECC's process shall be reviewed by the NERC Board of Trustees after NERC provides notice and an opportunity for interested persons to comment. Comments shall be limited to the factors identified in Section 215(d)(3) of the Act. The NERC Board of Trustees shall promptly thereafter consider such proposed Regional Reliability Standard and either approve the proposed standard and submit it to the Commission for approval, or disapprove it in writing setting forth its reasons. WECC may appeal any disapproval of a proposed Regional Reliability Standard to the Commission.
- (b) Pursuant to Section 215(d)(3) of the Act, NERC shall rebuttably presume that a proposal from WECC for a Regional Reliability Standard or modification thereof to be applicable on an Interconnection-wide basis is just, reasonable, and not unduly discriminatory or preferential, and in the public interest. Any person challenging such proposal from the WECC shall have the burden of proof. NERC shall not find that this presumption has been rebutted except based upon substantial evidence that has been disclosed to, and been subject to comment by, the WECC during NERC's review of the proposal.

## 6. Enforcement.

- (a) In connection with its delegated authority pursuant to this Agreement, WECC shall enforce Reliability Standards (including Regional Reliability Standards) within the geographic boundaries set forth in **Exhibit A** through the compliance enforcement program set forth in **Exhibit D**. NERC and WECC agree that this program meets all applicable requirements of the Act, Order 672 and the Commission's regulations, including, *inter alia*, the requirement for an audit program pursuant to Section 39.7(a) of the Commission's regulations, the assessment of penalties pursuant to Section 39.7(c) through 39.7(g) of the Commission's regulations and the requirements for due process. WECC may not change its compliance enforcement program set forth in **Exhibit D** absent NERC's approval, which shall not be

unreasonably withheld or delayed. Subject to the rights and limitations of Sections 16 and 17 of this Agreement, WECC agrees to comply with the NERC Rules in implementing this program.

(b) Where WECC performs functions not under this Agreement, the WECC shall maintain a segregation of responsibilities to ensure that no conflicts of interest that would cast doubt on the ability of WECC staff and any contractor of the WECC to act with total objectivity with regard to the overall interests of the compliance program and its applicability to those entities subject to Reliability Standards.

(c) As often as NERC deems necessary, but no less than every three years, NERC shall review WECC's compliance enforcement program to ensure that: (i) the program meets all applicable legal requirements; (ii) actual practices reflect the requirements; and (iii) the program administered pursuant to the Delegated Authority promotes consistent interpretations across North America of Reliability Standards and comparable levels of sanctions and penalties to violations of Reliability Standards constituting comparable levels of threat to reliability of bulk power system.

(d) WECC shall modify its compliance enforcement program as needed to reflect additions to, deletions from, or modifications of Reliability Standards and, subject to the rights and limitations of Section 16 and 17 of this Agreement, shall modify its compliance enforcement program as needed: (i) to reflect amendments to the NERC Rules; (ii) to comply with NERC directives resulting from the review of compliance enforcement programs as provided in Section 6(c) of this Agreement; or (iii) to resolve a conflict with a function, rule, order, tariff, rate schedule, or agreement accepted, approved, or ordered by the Commission.

(e) NERC shall conduct a review with the Regional Entities that provides for the exchange of information on practices, experiences, and lessons learned in the implementation of compliance enforcement programs.

**7. Delegation-Related Services.** NERC will engage WECC on its behalf to carry out certain of its activities that are in furtherance of its responsibilities as the ERO under the Act or in support of delegated functions, as specified in the NERC Rules and listed on **Exhibit E**.



**8. Funding.** WECC and NERC shall ensure that the delegated functions and related activities listed on **Exhibit E** have reasonable and adequate funding and resources by undertaking the following:

(a) NERC shall fund WECC activities necessary for WECC to carry out its Delegated Authority under this Agreement, including the functions listed on **Exhibit E**, and shall not impose any obligation or requirement regarding Delegated Authority upon WECC without providing appropriate funding to carry out such mandates;

(b) WECC and NERC agree that costs of carrying out WECC's responsibilities under the Delegation Agreement will be equitably allocated among end users within the geographic boundaries described in **Exhibit A** and recovered through a formula based on net energy for load, or through such ~~other~~ formula as is ~~expressly provided~~ proposed by WECC and approved by NERC and the Commission. If WECC proposes to use a formula other than net energy for load beginning in the following year, WECC shall submit the proposed formula to NERC in sufficient time that NERC may review and approve the proposed formula and file it with the Commission for approval by May 15, and the proposed formula shall be effective for the following year if approved by the Commission on or before the date the Commission approves the annual business plan and budget submitted by NERC and WECC to the Commission pursuant to 18 C.F.R. §39.4, ~~as set forth in **Exhibit E**; for such year.~~

(~~e~~) (c) NERC will ensure that the costs for its responsibilities are first allocated fairly among the interconnections and regions according to the applicability of this work to those interconnections and regions, and then equitably among the end users of the applicable interconnections and regions as appropriate. Allocation on a net energy for load basis will be presumed to satisfy this equitability requirement.

(d) NERC shall provide WECC with the form for budget submittal no later than April 30 of the prior year.

(e) WECC shall submit unaudited quarterly interim financial statements in form provided by NERC no later than 20 days after the end of the fiscal quarter (March 31, June 30, September 30, and December 31).

(f) WECC shall submit audited financial statements annually including supporting materials in a form provided by NERC no later than 150 days after the end of the fiscal year.

(g) NERC shall have the right to review from time to time, in reasonable intervals but no less than every three years, the financial records of WECC in order to ensure that the documentation fairly represents in all material respects appropriate funding under this Agreement.

(h) **Exhibit E** to this Agreement sets forth the mechanism through which WECC shall offset penalty monies it receives (other than penalty monies received from an operational function or division or affiliated entity) against its next year's annual budget for carrying out functions under this Agreement and the mechanism by which WECC shall transmit to NERC any penalty monies received from an operational function or division or affiliated entity of WECC..

**9. Assignment.** This Agreement may be assigned by either Party only with the prior written consent of the other, which consent shall be granted or withheld in such non-assigning Party's sole discretion, and shall be subject to approval by the Commission. Any assignment under this Agreement shall not relieve a Party of its obligations, nor shall a Party's obligations be enlarged, in whole or in part, by reason thereof. WECC may not delegate in whole or in part its Delegated Authority to any other entity; provided, however, that nothing in this provision shall prohibit WECC from contracting with other entities to assist it in carrying out its Delegated Authority, provided WECC retains control and responsibility for such Delegated Authority.

**10. Default and Cure.** Upon a Breach, the non-breaching Party shall give written notice of such Breach to the breaching Party (the "Default Notice"). Subject to a suspension of the following deadlines as specified below, the breaching Party shall have thirty (30) calendar days from receipt of the Default Notice within which to cure such Breach; provided however, that if such Breach is not capable of cure within thirty (30) calendar days, the breaching Party shall commence such cure within thirty (30) calendar days after notice and continuously and diligently complete such cure within ninety (90) calendar days from receipt of the Default Notice; and, if cured within such time, the Breach specified in such notice shall cease to exist. Subject to the limitation specified in the following sentence, if a Breach is not cured as provided in this article, or if a Breach is not capable of being cured within the period provided for herein,

the nonbreaching Party shall have the right to declare a default and terminate this Agreement by written notice at any time until cure occurs, and be relieved of any further obligation hereunder. The deadlines for cure and the right to declare a default and terminate this Agreement shall be suspended during the pendency of any efforts or proceedings in accordance with Section 17 of this Agreement to resolve a dispute as to whether a Breach has occurred. The provisions of this article will survive termination of this Agreement.

## **11. Term and Termination.**

(a) This Agreement shall become effective ~~April 5, 2008, pursuant to the March 21, 2008 order of the Federal Energy Regulatory~~ thirty (30) days after the date of issuance of a final Commission order approving this Agreement without requiring any changes to this Agreement unacceptable to either Party (122 FERC 61,245).

(b) The initial term of the Agreement shall be three (3) years from the original effective date of May 2, 2007, prior to which time NERC shall conduct an audit to ensure that WECC continues to meet all applicable statutory and regulatory requirements necessary to maintain its eligibility for delegation. If WECC meets such requirements, this Agreement may be renewed for another five (5) year term. If this Agreement is not renewed or becomes subject to termination for any reason, the Parties shall work to ensure a transition of WECC's Delegated Authority to NERC or to another eligible entity. The termination of this Agreement shall not take effect until such transition has been effected, unless the transition period exceeds one year, at which time WECC may unilaterally terminate.

(c) If any provision of this Agreement, or the application thereof to any person, entity or circumstance, is held by a court or regulatory authority of competent jurisdiction to be invalid, void, or unenforceable, or if a modification or condition to this Agreement is imposed by a regulatory authority exercising jurisdiction over this Agreement, the Parties shall endeavor in good faith to negotiate such amendment or amendments to this Agreement as will restore the relative benefits and obligations of the signatories under this Agreement immediately prior to such holding, modification or condition. If either Party finds such holding, modification or condition unacceptable and the Parties are unable to renegotiate a mutually acceptable resolution, either Party may unilaterally terminate this Agreement. Such termination shall be

effective one year following written notice by either Party to the other Party and to the Commission, or at such other time as may be mutually agreed by WECC and NERC.

(d) Notwithstanding any termination of this Agreement, provisions contained in Limitation of Liability (Section 12), No Third Party Beneficiaries (Section 13) and Confidentiality (Section 14) shall survive this Agreement in accordance with their terms until sixty (60) days following the expiration of any applicable statute of limitations.

**12. Limitation of Liability.** WECC and NERC agree not to sue each other or their directors, officers, employees, and persons serving on their committees and subgroups based on any act or omission of any of the foregoing in the performance of duties pursuant to this Agreement or in conducting activities under the authority of Section 215 of the Act, other than seeking a review of such action or inaction by the Commission. NERC and WECC shall not be liable to one another for any damages whatsoever, including without limitation, direct, indirect, incidental, special, multiple, consequential (including attorneys' fees and litigation costs), exemplary, or punitive damages arising out of or resulting from any act or omission associated with the performance of the WECC's or NERC's responsibilities under this Agreement or in conducting activities under the authority of Section 215 of the Act, except to the extent that the WECC or NERC is found liable for gross negligence or intentional misconduct, in which case WECC or NERC shall not be liable for any indirect, incidental, special, multiple, consequential (including without limitation attorneys' fees and litigation costs), exemplary, or punitive damages.

**13. No Third Party Beneficiaries.** Nothing in this Agreement shall be construed to create any duty to, any standard of care with reference to, or any liability to any third party.

**14. Confidentiality.** ~~(a)~~ During the course of the Parties' performance under this Agreement, a Party may receive Confidential Information, as defined in NERC's Rules of Procedure. Except as set forth herein, the Parties agree to keep in confidence and not to copy, disclose, or distribute any Confidential Information or any part thereof, without the prior written permission of the issuing Party, unless disclosure is required by subpoena, law, or other

directive of a court, administrative agency, or arbitration panel, in which event the recipient hereby agrees to provide the Party that provided the Confidential Information with prompt notice of such request or requirement in order to enable such issuing Party to (a) seek an appropriate protective order or other remedy, (b) consult with the recipient with respect to taking steps to resist or narrow the scope of such request or legal process, or (c) waive compliance, in whole or in part, with the terms of this Section. In the event a protective order or other remedy is not obtained or that issuing Party waives compliance with the provisions, the recipient agrees to furnish only that portion of the Confidential Information which the recipient's counsel advises is legally required and to exercise best efforts to obtain assurance that confidential treatment will be accorded to such Confidential Information. In addition, each Party shall ensure that its officers, trustees directors, employees, subcontractors and subcontractors' employees, and agents to whom Confidential Information is exposed are under obligations of confidentiality that are at least as restrictive as those contained herein. This confidentiality provision does not prohibit reporting and disclosure as directed by NERC, as set forth in Section 6 of this Agreement.

**15. Amendment.** Neither this Agreement nor any of the terms hereof, may be amended unless such amendment is made in writing, signed by the Parties, and filed with and approved by the Commission.

**16. Amendments to the NERC Rules.** NERC shall not adopt amendments to the NERC Rules that conflict with the rights, obligations, or programs of WECC under this Agreement without first obtaining the consent of WECC, which consent shall not be unreasonably withheld or delayed. To the extent WECC does not consent, NERC shall have the right to invoke the dispute resolution provisions of Section 17 and, if such effort fails to resolve the dispute, to petition the Commission to adopt the amendment to the NERC Rules. To the extent that the Commission issues an order amending or materially affecting the rights or obligations of WECC under this Agreement, WECC shall have the option, exercisable no later than 60 days after issuance of such order, to terminate this Agreement. Such termination shall be effective one year following written notice by WECC to NERC and the Commission, or at such other time as may be mutually agreed by WECC and NERC.

**17. Dispute Resolution.** In the event a dispute arises under this Agreement between NERC and WECC, representatives of the Parties with authority to settle the dispute shall meet and confer in good faith in an effort to resolve the dispute in a timely manner. In the event the designated representatives are unable to resolve the dispute within thirty (30) days or such other period as the Parties may agree upon, each Party shall have all rights to pursue all remedies, except as expressly limited by the terms of this Agreement. Neither Party shall have the right to pursue other remedies until the Dispute Resolution procedures of this Section 17 have been exhausted. This Section 17 shall not apply to enforcement actions against individual entities.

**18. Notice.** Whether expressly so stated or not, all notices, demands, requests, and other communications required or permitted by or provided for in this Agreement shall be given in writing to a Party at the address set forth below, or at such other address as a Party shall designate for itself in writing in accordance with this Section, and shall be delivered by hand or reputable overnight courier:

If to NERC:  
North American Electric  
Reliability Corporation  
116-390 Village Blvd.  
Princeton, NJ 08540-5721  
Attn: David Nevius  
Facsimile: (609) 452-9550

If to WECC:  
Western Electricity Coordinating Council  
615 Arapeen Drive, Suite 210  
Salt Lake City, Utah 84108-1262  
Attn: Louise McCarren  
Facsimile: (801) 582-3918

**19. Governing Law.** When not in conflict with or preempted by federal law, this Agreement will be governed by and construed in accordance with the laws of New Jersey without giving effect to the conflict of law principles thereof. The Parties recognize and agree not to contest the exclusive or primary jurisdiction of the Commission to interpret and apply this Agreement; provided however that if the Commission declines to exercise or is precluded from exercising jurisdiction of any action arising out of or concerning this Agreement, such action shall be brought in any state or federal court of competent jurisdiction in New Jersey. All Parties hereby consent to the jurisdiction of any state or federal court of competent jurisdiction in New Jersey for the purpose of hearing and determining any action not heard and determined by the Commission.

20. **Headings.** The headings and captions in this Agreement are for convenience of reference only and shall not define, limit, or otherwise affect any of the terms or provisions hereof.

21. **Savings Clause.** Nothing in this Agreement shall be construed to preempt or limit any authority that WECC may have to adopt reliability requirements or take other actions to ensure reliability of the bulk power system within the geographic boundaries described in **Exhibit A** that are outside the authority delegated from NERC, as long as such reliability requirements and actions are not inconsistent with Reliability Standards applicable to the region described in **Exhibit A** and do not result in a lessening of reliability outside the region described in **Exhibit A**.

22. **Entire Agreement.** This Agreement constitutes the entire agreement, and supersedes all prior agreements and understandings, both written and oral, among the parties with respect to the subject matter of this Agreement.

2423. **Execution of Counterparts.** This Agreement may be executed in counterparts and each shall have the same force and effect as the original.

**NOW THEREFORE**, the parties have caused this Agreement to be executed by its duly authorized representatives, effective as of the date first above written.

NORTH AMERICAN  
ELECTRIC RELIABILITY CORPORATION

WESTERN ELECTRICITY  
COORDINATING COUNCIL

By: \_\_\_\_\_

By: \_\_\_\_\_

Name: David A. Whitely  
Title: Executive Vice President  
Date: \_\_\_\_\_

Name: V. Louise McCarren  
Title: Chief Executive Officer  
Date: \_\_\_\_\_

# **EXHIBIT A**



WECC's physical boundaries coincide with the boundaries of the Western Interconnection. The Western Interconnection consists of the synchronously operated electric transmission grid in the western part of North America, which includes parts of Montana, Nebraska, New Mexico, South Dakota, Texas, Wyoming, and Mexico and all of Arizona, California, Colorado, Idaho, Nevada, Oregon, Utah, Washington and the Canadian Provinces of British Columbia and Alberta. The WECC region encompasses approximately 1.8 million square miles.

WECC's northern border runs along the northern border of British Columbia and Alberta. The western border extends along the western coast of North America from British Columbia into northern Baja California, Mexico. The southern border traverses northern Baja and extends along the southern United States border to Texas. The eastern border bisects North America from Alberta, Canada through the states of Montana, South Dakota, Wyoming, Nebraska, Texas and New Mexico to the southern United States border.

# **EXHIBIT B**

## Exhibit B – Governance

Exhibit B shall set forth the Regional Entity’s bylaws, which NERC agrees demonstrate that the Regional Entity meets the following criteria:

**CRITERION 1:** The Regional Entity shall be governed by an independent board, a balanced stakeholder board, or a combination independent and balanced stakeholder board. (Federal Power Act § 215(e)(4)(A), 18 C.F.R. § 39.8(c)(1), Order No. 672 at ¶ 727.)

**CRITERION 2:** The 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. Federal Power Act § 215(c)(2)(A) and (e)(4), 18 C.F.R. § 39.8(c)(2), Order No. 672 at ¶¶ 699, 700.)

**CRITERION 3:** If the Regional Entity has members, the Regional Entity has established rules that assure that its membership is open, that it charges no more than a nominal membership fee and agrees to waive the fee for good cause shown, and that membership is not a condition for participating in the development of or voting on proposed Regional Reliability Standards. (Federal Power Act § 215(c)(2)(A) and (e)(4), 18 C.F.R. § 39.8(c)(2), Order No. 672 at ¶¶ 170-173.)

**CRITERION 4:** The Regional Entity has established rules that assure balance in its decision-making committees and subordinate organizational structures and assure no two industry sectors can control any action and no one industry sector can veto any action. (Federal Power Act § 215(c)(2)(A) and (e)(4), 18 C.F.R. § 39.8(c)(2), Order No. 672 at ¶ 728.)

**CRITERION 5:** The Regional Entity has established rules that provide reasonable notice and opportunity for public comment, due process, openness, and balance of interests in exercising its duties. (Federal Power Act § 215(c)(2)(D) and (e)(4), 18 C.F.R. § 39.8(c)(2).)

**BYLAWS**  
**OF**  
**THE**  
**WESTERN ELECTRICITY COORDINATING COUNCIL**

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**BYLAWS**  
**Of**  
**The**  
**WESTERN ELECTRICITY COORDINATING COUNCIL**

**1. Mission.**

The Western Interconnection is the geographic area containing the synchronously operated electric grid in the western part of North America, which includes parts of Montana, Nebraska, New Mexico, South Dakota, Texas, Wyoming, and Mexico and all of Arizona, California, Colorado, Idaho, Nevada, Oregon, Utah, Washington and the Canadian provinces of British Columbia and Alberta.

The Western Electricity Coordinating Council (“WECC”) is a Utah nonprofit corporation with the mission to do the following consistent with these Bylaws: 1) maintain a reliable electric power system in the Western Interconnection that supports efficient competitive power markets (“Reliability Mission”); and 2) assure open and non-discriminatory transmission access among Members and provide a forum for resolving transmission access disputes between Members consistent with FERC policies where alternative forums are unavailable or where the Members agree to resolve a dispute using the mechanism provided in Section 11 (“Transmission Access Mission”).

**2. Furtherance of the WECC’s Mission**

**2.1 Activities to Carry Out WECC’s Reliability Mission.**

- 2.1.1 Compliance with the Federal Power Act. The WECC will carry out responsibilities and exercise rights of a Regional Entity organized on an interconnection-wide basis pursuant to Section 215 of the Federal Power Act, including any responsibilities and rights delegated to it by the ERO pursuant to a Delegation Agreement.
- 2.1.2 Agreements with Canada and Mexico. The WECC will carry out responsibilities and exercise rights pursuant to International Reliability Agreements with Canadian or Mexican authorities.
- 2.1.3 Regional Coordination. The WECC will act as a coordinating entity for the entire Western Interconnection for activities of regional organizations with responsibilities for reliability and market functions.
- 2.1.4 Standard Setting. The WECC will develop and adopt reliability, operating, and planning standards, criteria and guidelines necessary to maintain the reliable operation of the Western Interconnection’s interconnected bulk power system, including seeking, as appropriate, variances from standards of the ERO (or any

successor organization which may be created by legislation or otherwise), as well as providing a process for regional variances.

- 2.1.5 Certification of Grid Operating Entities. The WECC will certify Grid Operating Entities in the Western Interconnection.
- 2.1.6 Reliability Assessment. The WECC will ensure that interconnected bulk electric system reliability assessments are conducted as needed. The WECC will do this work in conjunction with the Regional Entities to the greatest extent possible. The WECC will also facilitate coordinated reliability assessments among Regional Entities.
- 2.1.7 Compliance Activities. With respect to enforcement of reliability standards, the WECC will:
  - 2.1.7.1 implement the Reliability Management System in effect as of the WECC's formation and as the Reliability Management System may be subsequently modified in accordance with its terms;
  - 2.1.7.2 implement any enforcement mechanisms delegated to it pursuant to Section 215 of the Federal Power Act and any Delegation Agreement with the ERO, or required by any International Reliability Agreement with a Canadian or Mexican authority; and
  - 2.1.7.3 administer any other enforcement mechanisms developed through voluntary processes after the WECC's formation, where the WECC is designated to perform administration.
- 2.1.8 Coordinated Regional Planning. With respect to the coordination of regional planning activities, the WECC:
  - 2.1.8.1 will develop coordinated planning policies and procedures for the Western Interconnection, including facilitation of market-based solutions, consistent with WECC/ERO standards and FERC policy.
  - 2.1.8.2 will review and assess Local Regional Entity planning processes to determine whether WECC planning procedures have been satisfied;
  - 2.1.8.3 will refer planning matters back to the originating Local Regional Entity for revision or other corrective actions when the WECC Board determines that WECC planning procedures have not been satisfied; and
  - 2.1.8.4 may perform other interconnection-wide studies as needed.
- 2.1.9 Coordinated Operations. With respect to coordinating reliable operating activities within the Western Interconnection, the WECC will develop, coordinate and promote

consistent interregional operating policies and procedures for the Western Interconnection, consistent with WECC/ERO standards and FERC policy.

2.1.10 Market Interface Issues. With respect to Market Interface issues the WECC will:

2.1.10.1 facilitate development of compatible and efficient practices across the Western Interconnection; and

2.1.10.2 exercise Backstop Authority where an unresolved Market Interface issue will cause Material External Impacts by taking some or all of the following actions: 1) providing a forum for and coordinating voluntary solutions among Members; 2) recommending specific solutions for voluntary adoption by Members; and 3) if necessary, proposing solutions to an Applicable Regulatory Authority.

2.1.11 Dispute Resolution. The WECC will provide a process for the timely resolution of disputes between WECC Members as set forth in Section 11.

## **2.2 Activities to Carry Out WECC's Non-Discriminatory Access Mission.**

2.2.1 In accordance with Section 10 of these Bylaws, the WECC will ensure the provision of non-discriminatory transmission access between Members.

2.2.2 In accordance with Section 10 of these Bylaws, the WECC will provide for the submission of Open Access Transmission Tariffs (or petitions for exemption) by all Members that own or operate Transmission Facilities.

## **2.3 Organizational Characteristics.**

As the WECC carries out activities to fulfill its mission, it will seek to develop and maintain the following characteristics:

2.3.1 dedication to serving the individuals, businesses, and other organizations that generate, transmit, distribute, market, and use electrical energy in the Western Interconnection;

2.3.2 efficiency in its administration, decision-making, policy and standards development, and dispute resolution processes;

2.3.3 the ability to maintain status as an Interconnection-wide regional reliability entity and be afforded deference and delegation by ERO (or successor organization); and

2.3.4 fair and open processes through which practices, policies, and standards are developed and implemented based on sound technical and policy analysis.

2.3.5 Promote an efficient western electric market by reducing or eliminating conflict, duplication and overlap among electric organizations in the Western Interconnection.

### **3. Definitions.**

#### **3.1 Affiliate.**

An Entity that directly or indirectly through one (1) or more intermediaries, controls, or is controlled by, or is under common control with, another Entity. An Entity “controls” any Entity in which it has the power to vote, directly or indirectly, 5% or more of the voting interests in such entity or, in the case of a partnership, if it is a general partner. Notwithstanding the foregoing definition, for purposes of these Bylaws: 1) electric distribution cooperatives that are member-owners of a generation and transmission cooperative are not Affiliates of the generation and transmission cooperative or of each other; 2) an entity controlled by or operating as a unit, agency, or subdivision of a local, state, provincial, or U.S. federal or Canadian or Mexican national government will not be considered an Affiliate of any other entity controlled by or operating as a unit, agency, or subdivision of a local, state, provincial, or federal government; 3) separate agencies of a single state or province, or of the U.S. federal or Canadian or Mexican national government will not be considered Affiliates of each other, regardless of any commonality of political control; 4) members of any joint powers authority, and such joint powers authority, will not be considered Affiliates of each other; and 5) members of an RTO will not be considered Affiliates of such RTO or of each other solely as a result of such membership.

#### **3.2 Annual Meeting.**

The annual membership meeting of WECC, as described in Section 5.3.

#### **3.3 Applicable Regulatory Authority.**

The FERC or any state or provincial government agency with jurisdiction to regulate or directly affect the transmission of electricity within the Western Interconnection.

#### **3.4 Backstop Authority.**

The ability, obligation, or responsibility of the WECC to address an issue when the WECC Board determines that a Local Regional Entity(ies) holding Primary Authority has not resolved an issue, has created incompatible resolutions or has not acted. In each case where these Bylaws authorize the WECC to exercise Backstop Authority, the provisions that authorize Backstop Authority will also specify the conditions necessary to trigger Backstop Authority and the actions that fall within the WECC’s exercise of Backstop Authority.

#### **3.5 Board of Directors (Board).**

WECC Board of Directors, collectively, as described in Section 6.

#### **3.6 Canadian Delegation.**

Canadian WECC Members.

- 3.7 Canadian Director.**  
A member of the WECC Board of Directors that is either a representative from a Canadian Member of WECC or an individual currently residing in Canada and qualified to provide expertise on Canadian interests on the WECC Board of Directors.
- 3.8 Class.**  
A grouping of Members described in Sections 4.2.1 through 4.2.7 and 4.3.
- 3.9 Commercial Practices.**  
The products and practices involved in trading electricity. The term “Commercial Practices” only refers to an interaction among market entities that does not affect or require assistance from Grid Operating Entities that have grid reliability responsibilities.
- 3.10 Compliance Hearing Body.**  
The hearing body formed in accordance with procedures established in the WECC Delegation Agreement with the ERO for the purpose of providing a balanced compliance panel to conduct hearings for the resolution of disputes concerning compliance with or enforcement of Reliability Standards that may arise between WECC (acting as Compliance Enforcement Authority for the Western Interconnection) and a Registered Entity.
- 3.11 Control Area.**  
An electric power system (or combination of electric power systems) to which a common automatic generation control scheme is applied in order to: 1) match, at all times, the power output of the generating units within the electric power system(s), plus the energy purchased from entities outside the electric system(s), minus energy sold to entities outside the electric system(s), with the demand within the electric power system(s); 2) maintain scheduled interchange with other Control Areas, within the limits of Good Utility Practice; 3) maintain the frequency of the electric power system(s) within reasonable limits in accordance with Good Utility Practice; and 4) provide sufficient generating capacity to maintain operating reserves in accordance with Good Utility Practice.
- 3.12 Cross-Border Regional Entity.**  
A Regional Entity that encompasses a part of the United States and a part of Canada or Mexico, and may therefore be delegated authority to propose and enforce Reliability Standards in Canada or Mexico by virtue of applicable contractual or regulatory mechanisms.
- 3.13 Delegation Agreement.**  
An agreement between the ERO and the WECC pursuant to Section 215 of the Federal Power Act by which the ERO delegates to the WECC designated powers, rights and responsibilities regarding the administration within the Western Interconnection of electric Reliability Standards adopted or approved by the ERO and the FERC.
- 3.14 Director.**  
An individual member of the WECC’s Board of Directors.

- 3.15 Electric Line of Business.**  
The generation, transmission, distribution, or trading of electricity or the provision of related energy services in the Western Interconnection.
- 3.16 Electric Reliability Organization (ERO).**  
The organization certified by FERC under 18 C.F.R. §39.3, the purpose of which is to establish and enforce Reliability Standards for the bulk-power system in the United States, subject to FERC review.
- 3.17 Entity.**  
Any individual, person, corporation, partnership, association, governmental body or organization of any kind.
- 3.18 FERC.**  
The Federal Energy Regulatory Commission or any successor.
- 3.19 Good Utility Practice.**  
Any of the practices, methods and acts engaged in or approved by a significant portion of the electric utility industry during the relevant time period, or any of the practices, methods and acts which, in the exercise of reasonable judgment in light of the facts known at the time the decision was made, could have been expected to accomplish the desired result at a reasonable cost consistent with good business practices, reliability, safety and expedition. Good Utility Practice is not intended to be limited to the optimum practice, method, or act to the exclusion of all others, but rather to be acceptable practices, methods, or acts generally accepted in the region.
- 3.20 Grid Operating Entity.**  
Any operating entity, such as a control area operator, that is certified pursuant to Section 2.1.5 of these Bylaws to be responsible for reliable operation of a portion of the Western Interconnection.
- 3.21 ~~Interested Participating Stakeholder.~~**  
~~Any person or entity that is not a WECC Member, but is an interested stakeholder and has applied and been granted, pursuant to Section 8.6.2, the participation and voting rights set forth in Section 8.6.1. is not a WECC Member and either: 1) is a WECC Registered Entity or 2) is located or has a substantial business interest within the Western Interconnection and has a material and distinct interest in one or more Reliability Standards. The domestic use of electricity will not by itself comprise a material and distinct interest sufficient to meet the above requirement.~~
- 3.22 International Reliability Agreement.**  
An agreement between the WECC and any appropriate Canadian or Mexican authority related to WECC's powers, rights and responsibilities regarding the administration within the Western Interconnection of electric Reliability Standards.
- 3.23 Local Regional Entity.**

A regional transmission organization or some other formally or informally constituted regional organization or group within the Western Interconnection, including but not limited to a Control Area, a group of Control Areas acting in concert, or a group of Entities that own or operate Transmission Facilities acting in concert. These Local Regional Entity boundaries can be reevaluated or modified over time.

**3.24 Market Interface.**

Market Interface involves all interactions among market entities and Grid Operating Entities related to transmission service and physical delivery.

**3.25 Material External Impacts (MEI).**

Significant effects on another Local Regional Entity or market within the Western Interconnection but outside of the Local Regional Entity or market adopting a policy, standard, practice or procedure, or implementing an action.

**3.26 Member.**

Any entity that has applied and been accepted for membership in the WECC and is current in the payment of dues.

**3.27 Member Class Director.**

A Director elected by a Class in accordance with Section 6.4 of these Bylaws.

**3.28 Mexican Delegation.**

Mexican WECC Members.

**3.29 Mexican Director.**

A member of the WECC Board of Directors that is either a representative from a Mexican Member of WECC or an individual currently residing in Mexico and qualified to represent Mexican interests on the WECC Board of Directors.

**3.30 Non-Affiliated Director.**

A Director elected by the Members who satisfies the requirements of Section 6.5.1 of these Bylaws.

**3.31 Open Access Tariff.**

A tariff offering transmission service which meets the requirements applicable to FERC orders regarding open access.

**3.32 Organizing Meeting.**

The first formal membership meeting of the WECC.

**3.33 Primary Authority.**

The ability, obligation, or responsibility of an entity to address an issue in the first instance.

**3.34 Regional Entity (RE).**

An entity having enforcement authority pursuant to 18 C.F.R. §39.8.



- 3.35 Regional Transmission Organization (RTO).**  
An entity approved by the Federal Energy Regulatory Commission as meeting the requirements and performing the functions of a regional transmission organization pursuant to FERC Order 2000 and subsequent related orders.
- 3.36 Registered Entity.**  
An owner, operator, or user of the bulk-power system or the entities registered as their delegates for the purpose of compliance in the North American Electric Reliability Corporation Regional Compliance Registry.
- 3.37 Reliability Management System**  
The contracts, separate from these Bylaws, by which Members and other parties agree to certain procedures and sanctions intended to enforce specified Reliability Practices to maintain reliable electric service throughout the Western Interconnection.
- 3.38 Reliability Practices.**  
Policies, practices and standards designed to ensure the adequacy and security of the Western Interconnection in accordance with applicable reliability criteria (e.g. ERO, WECC, Local Regional Entity criteria).
- 3.39 Reliability Standard.**  
A requirement approved by FERC under section 215 of the Federal Power Act, to provide for reliable operation of the bulk-power system in the United States. The term includes requirements for the operation of existing bulk-power system facilities, including cybersecurity protection, and the design of planned additions or modifications to such facilities to the extent necessary to provide for reliable operation of the bulk-power system, but the term does not include any requirement to enlarge such facilities or to construct new transmission capacity or generation capacity. A Reliability Standard for the Western Interconnection may also be approved by Canadian and Mexican regulatory authorities.
- 3.40 Reliability Standards Development Procedures.**  
The Process for Developing and Approving WECC Standards (or its successor) attached as Exhibit C to the Delegation Agreement between WECC and North American Electric Reliability Corporation.
- 3.41 Transmission Facilities.**  
Those facilities that are defined as “transmission facilities” by FERC for purposes of the open access requirements of Section 210 and 211 of the Federal Power Act or any facilities which would be so defined if the Member were subject to FERC jurisdiction.
- 3.42 Western Interconnection.**  
The geographic area containing the synchronously operated electric transmission grid in the western part of North America, which includes parts of Montana, Nebraska, New Mexico, South Dakota, Texas, Wyoming, and Mexico and all of Arizona, California, Colorado,

Idaho, Nevada, Oregon, Utah, Washington and the Canadian Provinces of British Columbia and Alberta.

#### **4. Members and Membership.**

##### **4.1 Voluntary Membership.**

Except as otherwise may be required by applicable authority, membership in the WECC is voluntary. A Member may withdraw upon giving the Secretary thirty (30) days' advance written notice. Notwithstanding such notice of withdrawal, all contracts (including any Reliability Management System Agreement), FERC orders, unpaid Member costs, decisions of arbitration and requests for transmission service made to the withdrawing Member in effect or pending as of the date of the written notice of withdrawal will be followed through to completion, pursuant to these Bylaws, by the withdrawing Member; however, pending requests for transmission service to be provided to such withdrawing Member will be void for the purposes of these Bylaws. Nothing herein will relieve any Member withdrawing from the WECC from any obligation it may have under applicable law including, but not limited to, Section 215 of the Federal Power Act. A Member that withdraws is obligated to pay any unpaid dues owed through the remainder of the fiscal year in which its resignation becomes effective. Any Director employed by a withdrawing Member will be deemed to have resigned pursuant to Section 6.8.

##### **4.2 Eligibility for Membership.**

Subject to Section 4.5, any Entity that is an ~~Interested Stakeholder~~ interested stakeholder or that meets the criteria for membership in the membership classes described in Sections 4.2.1 through 4.2.7 may be a Member of the WECC:

- 4.2.1 Class 1. Electric Line of Business Entities owning, controlling or operating more than 1000 circuit miles of transmission lines of 115 kV and higher voltages within the Western Interconnection.
- 4.2.2 Class 2. Electric Line of Business Entities owning, controlling or operating transmission or distribution lines, but not more than 1,000 circuit miles of transmission lines of 115 kV or greater, within the Western Interconnection.
- 4.2.3 Class 3. Electric Line of Business Entities doing business in the Western Interconnection that do not own, control or operate transmission or distribution lines in the Western Interconnection, including power marketers, independent power producers, load serving entities and any other Entity whose primary business is the provision of energy services.
- 4.2.4 Class 4. End users of significant amounts of electricity in the Western Interconnection, including industrial, agricultural, commercial and retail entities as well as organizations in the Western Interconnection that represent the interests of a substantial number of end users or a substantial number of persons interested in the impacts of electric systems on the public or the environment.

- 4.2.5 Class 5. Representatives of states and provinces in the Western Interconnection, provided that such representatives will have policy or regulatory roles and do not represent state or provincial agencies and departments whose function involves significant direct participation in the market as end users or in Electric Line of Business activities.
- 4.2.6 Class 6. Canadian members of other classes pursuant to Section 4.3.
- 4.2.7 Class 7. Members at large, that is, entities that are not eligible for membership in the other Member Classes and who have a substantial interest in the purposes of the WECC.

### **4.3 Designation of Membership Class.**

A Member of WECC may not belong to more than one Class except that for purposes of electing Canadian Directors and for populating the Governance and Nominating Committee, there shall be a Class 6 composed of all Canadian Members from any of the Member Classes defined in Section 4.2 except Class 7. An applicant for membership will designate the Class for which it qualifies based upon the criteria for membership set forth in Section 4.2 and these additional requirements: 1) all Members that are Electric Line of Business Entities must belong to Classes 1, 2 or 3; and 2) any Member owning, controlling or operating Transmission Facilities or distribution facilities must belong to Class 1 or 2 unless the Board grants the Member's petition for a change in Member Class pursuant to the provisions of Section 4.4 of these Bylaws. Applications for membership will be submitted to the WECC. WECC staff will review the application to verify eligibility for membership and Member Class designation. An applicant whose application has been rejected or any Member who disputes the WECC staff's determination regarding the appropriate Member Class designation may request review by the Governance and Nominating Committee. If the applicant or any Member disagrees with the Governance and Nominating Committee's decision, the applicant or such Member may appeal this decision to the Board.

### **4.4 Changes in Membership Class.**

Notwithstanding any other provision of these Bylaws, upon a petition from a Member, the WECC staff (subject to review by the Governance and Nominating Committee and appeal to the Board) may allow the Member to change Member Class if the interest of the Member is more closely aligned with the proposed Class than the Member's current Class.

### **4.5 Affiliates and Distinct Business Entities.**

An Affiliate of a Member that satisfies the membership qualifications may also become a Member provided:

- 4.5.1 The Affiliate applying for membership and the Member disclose to the Chief Executive Officer all Affiliates that are WECC Members and the Classes to which the Affiliates belong. Every Member will promptly notify the Chief Executive Officer whenever it becomes, or ceases to be, an Affiliate of any other Member.

- 4.5.2 Affiliates may be members of the same Class; provided, however, a group of Affiliates within a single Class may only have one vote in any WECC forum. A group of Affiliates within a single Class may, by providing written notice to the Chief Executive Officer, split their single vote pro rata or designate a single Affiliate as the group's voting Member.
- 4.5.3 For good cause shown and with the express approval of the Board, a company or organization containing functionally distinct entities within it may obtain separate memberships for such entities; provided that such entities will be considered Affiliates.
- 4.5.4 The Board may adopt a policy regarding whether Members may share the benefits of membership (including the right to receive information that is only available to Members) with a non-member Affiliate.

#### **4.6 Rights and Obligations of Membership.**

Except as otherwise provided in these Bylaws or other applicable authority, Members of the WECC have the following general rights and obligations:

- 4.6.1 The right to elect and remove Directors as described in Sections 6.4, 6.5 and 6.7;
- 4.6.2 The right to amend these Bylaws, and to review and rescind any Board amendment of these Bylaws, in accordance with Section 13;
- 4.6.3 The right to receive appropriate meeting notices, as well as reports and information produced by the WECC;
- 4.6.4 The right to attend, participate and vote in all WECC Member meetings and the right to attend Board meetings (other than closed sessions of Board meetings) and to comment upon all matters considered in such meetings;
- 4.6.5 The right to be a member of, attend meetings of, and to introduce motions, debate and to vote in the deliberations of WECC committees, subject to the limitations of these Bylaws and such other reasonable limitations as the Board may adopt from time to time;
- 4.6.6 The right to obtain non-discriminatory transmission access from other Members in accordance with applicable law and Section 10 of these Bylaws;
- 4.6.7 The right to invoke the dispute resolution provisions of these Bylaws;
- 4.6.8 The right to petition the Board to take any action consistent with applicable law (including Section 215 of the Federal Power Act and implementing orders and regulations), these Bylaws and the articles of incorporation and to have such petition voted upon in a reasonable and timely manner;

- 4.6.9 The obligation to abide by these Bylaws, decisions resulting from the dispute resolution process, and all standards or decisions of the WECC, subject to the exceptions set forth in Section 4.7 and the enforcement provisions of Section 4.8.
- 4.6.10 For Members owning or operating Transmission Facilities, or possessing transmission capacity rights by contract, the obligation to provide non-discriminatory transmission access to other Members through a regional transmission organization, the submittal of an Open Access Tariff with the FERC or in accordance with Section 10 of these Bylaws;
- 4.6.11 The obligation to notify the Chief Executive Officer promptly of changes with respect to Affiliates as provided in Section 4.5.1 of these Bylaws; and
- 4.6.12 The obligation to pay in a timely manner the membership dues pursuant to Section 12.
- 4.6.13 The obligation to provide system data that the Board has determined is necessary for WECC functions and does not impose an undue burden on the Members; provided, however, that the Board shall adopt appropriate limitations on this obligation or procedures that protect, and avoid the unnecessary collection of, confidential, privileged, trade secret, cybersecurity or critical energy infrastructure information or other information that the Board determines merits such protection consistent with applicable law.

## 4.7

### **Limitations on Member Obligations.**

The obligation of Members pursuant to Section 4.6.9 will not require any Member to take any action which the Member in good faith determines: 1) would exceed the physical capabilities of the Member's electric system (or any part of another's electric system that the Member has the legal right to cause to comply with a WECC action governed by Section 4.6.9); 2) would create serious and immediate risks to public health or safety (provided, however, that the shedding of load shall not in and of itself be deemed a serious and immediate risk to public health and safety for the purpose of this section); 3) would create an immediate risk of serious damage to facilities or equipment within its electric system or cause it to operate any of its electric facilities or equipment in an unsafe manner; 4) would cause the Member to violate or improperly implement an applicable law, regulation, rule, order, FERC license provision or other legal obligation; or 5) would conflict with any non-power requirement applicable to the Member (including without limitation any obligation under environmental laws, regulations, court and administrative decisions or biological opinions).

Each Member shall retain sole control of its facilities and the use thereof, and a Member shall not be required to construct or dedicate facilities for the benefit of any other Member, or be required to take action, or refrain from action, as may be deemed necessary to maintain reliable service to its own customers and/or to fulfill its obligations to third parties; provided, that a Member shall comply with duly-adopted reliability standards applicable to its system and shall comply with any directives under existing security coordination agreements.

Nothing in these Bylaws is intended to preclude application of Section 210 or 211 of the Federal Power Act and Section 10 of these Bylaws. The above limitations shall not be construed as altering a Member's obligation to comply with applicable Reliability Standards or enforcement orders, or any other obligation arising under 18 C.F.R. Part 39.

#### **4.8 Compliance and Enforcement.**

The power of the WECC to enforce Member obligations other than compliance with Reliability Standards and other obligations arising under 18 C.F.R. Part 39 and applicable Canadian and Mexican regulatory requirements is limited to suspension or termination of membership as set forth in this Section; provided, however, that: 1) nothing in this Section will limit the power of Members to agree to additional enforcement provisions in separate contracts (such as contracts pursuant to the Reliability Management System); 2) nothing in this Section will limit the power of the WECC to propose solutions regarding Market Interface issues to any Applicable Regulatory Authority as described in Section 2.1.10; and 3) nothing in this Section will limit WECC's delegated authority under Section 215 of the Federal Power Act and 18 C.F.R. Part 39 and applicable Canadian and Mexican regulatory requirements to enforce Reliability Standards and perform other delegated functions within the Western Interconnection. The Board may suspend or, to the extent consistent with applicable law, terminate the membership of any Member for a material failure to meet any obligation of membership set forth in these Bylaws, including, but not limited to: 1) non-payment of dues sixty (60) days after the dues become delinquent; 2) intentionally or repeatedly violating any WECC Bylaw; 3) materially breaching or intentionally violating any FERC order or arbitration decision issued pursuant to these Bylaws; or 4) willfully obstructing any lawful purpose or activity of the WECC. The Board will give the affected Member not less than twenty-one (21) days prior written notice of any proposed suspension or termination, which will include the specific basis for the proposed action and, if applicable, instructions on curing the problem.

4.8.1 Suspension. The suspension of a Member will not affect the Member's rights and obligations other than that the Member, and any Director employed by or affiliated with the Member, will not be entitled to vote at any meeting of the Members, Classes, Directors, or any committee until the suspension is removed except that a suspended Member may vote in WECC committee and subcommittee meetings on proposed Reliability Standards or revisions to Reliability Standards.

4.8.2 Termination. The termination of membership will have the same effect, and be subject to the same continuing obligations, as such Member's withdrawal pursuant to Section 4.1 (including the provision therein regarding resignation of any Director employed by such Member), except that it will be effective immediately upon the noticed date pursuant to Section 4.8.

#### **4.9 WECC Structure and Governance Review Related to Regional Transmission Organizations.**

At least each five years, the Board of Directors will conduct a thorough assessment of whether the WECC is fulfilling its purposes in a manner that is consistent with: 1) the provisions of Section 2.3 of these Bylaws; and 2) the then-current state and the expected future evolution of the electric power industry within the Western Interconnection. In

particular, the Board will focus on whether the standards, obligations, processes, and decisions the WECC imposes on its Members are timely, fair, effective, and reasonable in view of the commercial, legal, regulatory, and economic needs and objectives of the affected Members. The Board will evaluate the WECC's Board composition, Member Class structure, committee structure and activities, and staff responsibilities as they relate to the foregoing considerations. The assessment required by this Section 4.9 will be accompanied by Board recommendations for any changes the Board determines are warranted by the assessment. The assessment and recommendations prepared by the Board in accordance with this Section 4.9 will be submitted in writing to the Members at the first annual Member meeting held after they are completed.

## **5. Procedures for Member Decisions.**

### **5.1 Quorum.**

Members may conduct business and take votes only at duly noticed Member meetings. Members may not conduct any business of the membership as a whole at any meeting unless a quorum is first established. A majority of all Members, including a majority in at least three (3) Classes, will constitute a quorum for all meetings of the membership as a whole. A majority of the members of a Class will constitute a quorum for all Member Class meetings. Inactive Members, as defined in Section 5.9 of these Bylaws, will not be counted in determining a quorum at membership or Member Class meetings. A quorum, once established, will be deemed to continue for the balance of any Member or Member Class meeting, except that no election of Directors may occur without a quorum being present. Members may designate an alternate representative or submit an absentee ballot in a form consistent with Section 6.6 for any Member or Member Class meeting. No Class may elect Member Class Directors without a majority of the members of the class being present either in person, or by designation of an alternate representative, or by the submission of an absentee vote. At a duly noticed meeting of the membership as a whole where a quorum of the membership has not been established, or at any duly noticed meeting of a Class meeting on its own, a Class may elect Member Class Directors notwithstanding the lack of quorum for action by the membership as a whole, provided a majority of the Members of a Class are present in person, or by designation of an alternate representative, or have submitted an absentee vote.

### **5.2 General Membership Meetings.**

All business of the Members acting as a whole will be conducted at meetings called by advance notice to all WECC Members provided in accordance with Section 5.5. Unless stated otherwise in these Bylaws, decisions at all meetings of the Members or of Member Classes will be by simple majority vote of the Members present or otherwise represented in accordance with these Bylaws, with each Member having one vote. The Chair of the Board will preside over all Member meetings.

### **5.3 Annual Member Meetings.**

The WECC will hold an Annual Meeting of all Members at a time and place determined by the Board. At the Annual Meeting, in addition to such other actions the Members may take, all Member Classes together will elect Non-Affiliated Directors and each Class eligible to do so will elect Member Class Directors.

**5.4 Special Member Meetings.**

Members may hold special meetings whenever called by the Board. The Board will call special Member meetings whenever a majority of the Members of any Class request a special meeting or at such other times as it deems appropriate. The Chair of the Board will preside over all special Member meetings.

**5.5 Member Class Meetings**

An individual WECC Member Class, including Class 6 consisting of the Canadian Delegation, may hold a meeting for any purpose relevant to the interests of Class Members, including the election of Member Class Directors by Classes eligible to do so. Such meeting will be initiated by request by one or more Class Member(s), and agreement by at least fifty percent (50%) of Class Members.

**5.6 Notice of Member Meetings.**

5.6.1 Annual Meeting. The Chief Executive Officer will provide at least thirty (30) days' advance notice to all Members and the Board of the date, place and time of the Annual Meeting of the Members and an agenda of the business to be conducted at such meeting.

5.6.2 Other Member Meetings. The Chief Executive Officer will provide notice of regularly scheduled and special meetings of the Members to the Members not less than fifteen (15) days before the meeting if delivered by first-class mail, or not less than ten (10) days before the meeting if the notice is delivered personally, by telephone, by facsimile, electronic mail or express mail. Notice of meetings may not be sent solely by electronic mail. If mailed, such notice will be deemed given when deposited in the United States mail, with first-class postage thereon prepaid, addressed to a Member. Such notice will state the date, time and place of the meeting and the meeting agenda.

5.6.3 Public and Web Site Notice. Public notice of each meeting of the Members will be placed on WECC's Web site at least ten (10) days before such meeting. In addition, the Chief Executive Officer will provide notice in the same manner and time as set forth in Section 5.6.2 of each meeting to each member of the public who so requests and who has provided appropriate information regarding delivery of notice.

**5.7 Open Meetings.**

All Membership meetings are open to observation by the public.

**5.8 Policymaking Authority.**

The Board of Directors may adopt policies for the interpretation and implementation of the meeting and voting procedures established in this Section 5.

**5.9 Minimum Participation Requirement.**

In order to be counted for quorum purposes at a meeting of the membership as a whole or Class meeting, a WECC Member must actively participate (by attending in person, sending



an alternate, or voting absentee) in at least one WECC meeting (including meetings of the Board, committees and subcommittees) each year. At least two weeks prior to the WECC Annual Meeting, WECC staff will send a notice to any Member that has, according to organizational records, not satisfied this minimum participation requirement within the previous year. The notice will inform the Member that in order to be counted as an active Member of WECC for voting and quorum purposes, the Member must at a minimum either register for an attend the Annual Meeting and associated Class meetings or participate in the Annual Meeting and associated Class meetings by casting an absentee ballot. If the Member does not meet this minimum participate requirement, the Member will be considered an “inactive” Member until its active status is restored by participation in a WECC Annual Meeting. An inactive Member will not be counted toward establishing a quorum of the membership as a whole or of a Class, and an inactive Member will not be entitled to vote at WECC meetings until the Member is reinstated to “active” status by attending in person, sending an alternate or voting absentee at an Annual Meeting and associated Class meetings. An applicant for WECC membership or a WECC Member may at any time self-designate itself an inactive Member. Such designation will be effective until the Member is reinstated to “active” status.

## **6. Governance.**

### **6.1 Board of Directors.**

Subject to those matters expressly requiring approval of the Membership, a Board of Directors elected by the Members will govern the WECC.

### **6.2 Composition of the Board.**

Except as provided in Sections 6.2.1 and 6.2.2, the Board consists of thirty-two Directors as follows: 1) twenty-four (24) Member Class Directors elected by the Member Classes eligible to do so, including Class 6 as defined in Section 6.2.1, (four from Classes 1 through 6); 2) seven (7) Non-Affiliated Directors elected by the WECC Members as a whole (which may include the Chief Executive Officer), and 3) one Mexican Director elected according to Section 6.2.2. As indicated in Section 6.2.1, if there is no Non-affiliated Director whose background and experience would provide the Board expertise on Canadian interests, then the Board size would be increased by one more Director elected by Class 6.

6.2.1 Canadian Interests. For purposes of providing fair and adequate representation of Canadian Interests in numbers that are approximately proportionate to the contribution of net energy for load in that portion of the Western Interconnection located in Canada, the Canadian Delegation shall constitute Class 6 and shall elect four (4) Canadian Directors, provided that at least one of these Canadian Directors must be affiliated with each of Member Classes 1, 3, and 5. Members of the Canadian Delegation shall vote for Directors in this Class 6 and shall not vote in other Member Class elections. In the initial election of these four Class 6 Directors, one shall have a term of four years, one shall have a term of three years, one shall have a term of two years, and one shall have a term of one year. Thereafter all Canadian Directors will serve a term of three years. Class 6 will also elect a fifth Canadian Director if, following the election of Non-Affiliated Directors at the

Annual Meeting, there is no Non-Affiliated Director qualified by virtue of background and experience in Canadian industry or government to provide Board expertise on Canadian interests. This fifth Canadian Director shall serve until the earlier of: 1) the end of a three-year term (provided that this provision will remain in effect and may continue to cause the election of an additional Director); or 2) the election by the Members of a Non-Affiliated Director with the background and experience described in this Section.

6.2.2 Mexican Interests. Whenever there are at least two (2) Members whose head offices and principal place of business are in Mexico or there is one such Member that operates a portion of the Western Interconnection and has signed the Reliability Management System agreement or has agreed to abide by any successor standards compliance system and no person has been elected to the Board by the Classes or Members whose experience or affiliation reflects Mexican interests, the number of Class Member Directors will be expanded by one (1) and the additional Member Class Director will be elected by the Mexican Delegation. This Mexican Director will serve until the earlier of: 1) the end of a three-year term (provided that this provision will remain in effect and may continue to cause the election of an additional Director); or 2) the election by the Members or a Member Class of a person with the experience or affiliation described in this Section.

### **6.3 Term of Office.**

Each Director will hold office for three (3) years. For Directors elected at the Annual Membership Meeting, each three (3) year term shall commence upon the adjournment of the portion of the Annual Member Meeting provided for in Section 5.3, in which all Members are counted for purposes of determining a quorum. Similarly, the three year terms of outgoing Directors shall end upon the adjournment of that portion of the Annual Member Meeting in which all Members are counted for purposes of determining a quorum, whether that results in a longer or shorter term than exactly three years.

### **6.4 Selection and Compensation of Member Class Directors.**

6.4.1 Selection of Member Class Directors. With the exception of Class 7, each Member Class shall be eligible to elect Member Class Directors. Member Class Directors will be elected by Members of their respective Classes of Membership. Each Member Class eligible to elect Member Class Directors may develop its own list of Director candidates or it may ask the Governance and Nominating Committee to develop a list of candidates. If the Governance Nominating Committee is used, it will select at least two (2) candidates for each vacancy for Member Class Director. In addition, in identifying candidates for Member Class Director positions, the Governance and Nominating Committee will seek to produce a slate of candidates who, together with the Directors from all Member Classes standing for election and continuing in office, will reflect the diversity of regional interests and characteristics within the Western Interconnection. The proposed slate of candidates will be mailed to the Members of the Class at least sixty (60) days before each Member Class Meeting at which the elections are to be held. Additional candidates may be added to the slate upon the

submittal of a nomination to the Chief Executive Officer signed by three (3) Members of the Class, or ten percent (10%) of the total number of Members of the Class, whichever is greater. The Chief Executive Officer must receive such nominations at least thirty (30) days before the Member Class Meeting. All candidates identified by the Class (as provided above) or by the Governance and Nominating Committee will be submitted to the Class for election at the Member Class Meeting. Candidates will provide reasonable background information regarding their qualifications and a disclosure statement regarding any affiliations with Electric Line of Business Entities in the Western Interconnection to the Members before each election. The Director candidate(s) receiving the highest number of votes cast by Members of the Class will be elected to the position of Director.

6.4.2 Member Class Director Qualifications. Member Classes eligible to elect Member Class Directors may elect any person as a Member Class Director, provided that no Member or group of Affiliated Members may have more than one Director associated with them. Nothing in this Section regarding the election of Directors by Classes of Members is intended to limit, qualify or alter in any manner the fiduciary obligation of Directors to the WECC set forth in Section 6.10.1. A Member Class Director shall notify all Members of the Class from which the Director was elected of any significant change in employment or other significant change in circumstances relevant to the Director's qualifications. Such notice shall be provided in writing as soon as possible and not later than sixty (60) days following the change.

6.4.3 Minimum Number of Class Members. Each Class eligible to elect Member Class Directors must have at least four (4) Members to be qualified to nominate and elect representatives to the Board of Directors. If a Class eligible to elect Member Class Directors contains less than four (4) members, then the Director positions for that Class will remain vacant until the first Annual Meeting at which the Class has the minimum number of members, at which time two of the vacant positions will be filled by election to three year terms and two by election to two year terms. If a Class eligible to elect Member Class Directors falls below the minimum number of members after having elected Directors, such Directors will continue to serve out their terms. However, upon expiration of their terms, the Director positions will remain vacant until such time as the Class contains sufficient members.

6.4.4 Member Class Director Compensation. Member Class Directors will not be compensated for their service by the WECC. The WECC will reimburse Member Class Directors for reasonable and actual out-of-pocket expenses (such as travel and lodging) that are not subject to reimbursement from any Member or other source.

## **6.5 Selection and Compensation of Non-Affiliated Directors.**

6.5.1 Non-Affiliated Director Qualifications.

6.5.1.1 Non-Affiliation. The Non-Affiliated Directors of the Board may not be affiliated with any Entity that is a Member of the WECC or is eligible for membership in Classes 1 through 3 of the WECC, provided that status as a residential electricity customer will not disqualify a person from sitting as a Director. A candidate will not be qualified to serve as a Director if the candidate, or the spouse or a minor child of the candidate, derives any of his or her annual income from a Member of WECC, an Entity that is eligible for membership in Classes 1 through 3, or a bulk power user in the Western Interconnection. The WECC shall maintain a list of such Members and Entities which shall be updated periodically. Non-Affiliated Directors, candidates and others shall be entitled to rely upon the list to determine compliance with these requirements.

6.5.1.1.1 Notwithstanding the provisions of Section 6.5.1.1, a candidate for Non-Affiliated Director will not be disqualified for owning shares in a mutual fund that owns an interest in a Member or an Affiliate of a Member as long as the mutual fund does not specialize exclusively or predominantly in the energy sector. The disqualification standards described in Section 6.5.1.1 will not disqualify a candidate who is receiving payments from a pension plan of a Member or an Affiliate of a Member in a form other than securities of such Member or Affiliate and the pension plan payments bear no relationship to the economic performance of the Member or Affiliate.

6.5.1.1.2 The disqualification standards described in Section 6.5.1.1 will not apply to disqualify a candidate solely by virtue of an employment or contractual relationship with a state that has one or more agencies that are eligible to be Members of Class 5 of WECC, provided that:

1. In the case of a candidate's employment relationship, the employer is not a member of WECC;
2. In the case of a candidate's contractual relationship with a state agency, no member or employee of the state agency is a member of the WECC Board;
3. In the case of a candidate's employment relationship with a contractor to a state agency, no member or employee of the state agency is a member of the WECC Board; and
4. In the case of a candidate's employment or contractual relationship with a state agency which is a WECC Member or employs a WECC Board member, if the Governance and Nominating Committee determines that

the candidate's employment duties do not include significant work for or representation of that state agency.

6.5.1.1.3 Notwithstanding the provisions of this Section 6.5.1.1, a candidate for Non-Affiliated Director will not be disqualified for being affiliated with an organization that represents a substantial number of end users or a substantial number of persons interested in the impacts of electric systems on the public interest or the environment.

6.5.1.2 Expertise. The Governance and Nominating Committee will nominate Non-Affiliated Director candidates with the objective of having at least one Non-Affiliated Director with expertise in electric transmission operations and planning. The Governance and Nominating Committee will also have the objective of nominating persons with: 1) experience in corporate leadership at the senior management or board of directors level; 2) leadership experience in law, finance, economics, accounting, engineering, regulation, natural resources or commercial commodity markets and associated risk management; 3) experience representing a substantial number of end users or a substantial number of persons interested in the impacts of electric systems on the public or the environment; 4) a well-developed understanding of the distinct operational, resource, political, and interest-based characteristics of various regions within the Western Interconnection; and 5) a well-developed understanding of Canadian power systems or Canadian regulatory issues.

## 6.5.2 Selection of Non-Affiliated Directors.

6.5.2.1 Selection of Non-Affiliated Directors. After the initial election of Non-Affiliated Directors, the Governance and Nominating Committee will make nominations. Before the end of each Non-Affiliated Director's term, the Governance and Nominating Committee may select an independent search firm to provide the Governance and Nominating Committee with a list of qualified candidates for each vacant position. Incumbent Directors, if qualified and willing to serve, may be considered for nomination by the Governance and Nominating Committee. The Governance and Nominating Committee will consider each candidate for Non-Affiliated Director to determine whether that candidate is qualified to stand for election to the Board. From the list of candidates accepted by the Governance and Nominating Committee to stand for election, the Governance and Nominating Committee will select a slate of candidates for the vacant Non-Affiliated Director positions. The Governance and Nominating Committee's slate of candidates will be e-mailed to the Members no later than sixty (60) days prior to the Annual Meeting. Additional candidates may be added to the slate upon the submittal of a nomination to the Chief Executive Officer signed by three (3) Members of any Class, or ten percent

(10%) of the total number of Members of any Class, whichever is greater. The Chief Executive Officer must receive such nomination at least thirty (30) days before the Annual Meeting. The Chief Executive Officer will place such nominations before the Members for possible election unless he or she determines in writing that a proposed nominee does not meet the criteria for eligibility to be a Non-Affiliated Director in these Bylaws.

6.5.2.2 Disclosure Statement. Candidates for Non-Affiliated Director will provide to the Governance and Nominating Committee and, if nominated, to the Members, a statement describing their expertise and disclosing any present or past affiliations, relationships or associations relevant to their qualification to serve as a Non-Affiliated Director. A candidate for Non-Affiliated Director will be required to disclose any economic interest in any Member of the WECC or any Entity eligible for membership in Classes 1 through 3 of the WECC held by themselves, their spouse or their children as well as any such interest known to the candidate held by the candidate's parents, siblings, aunts, uncles, or first cousins.

6.5.2.3 Election. The number of Non-Affiliated Director candidate(s) corresponding to the number of vacant positions receiving the highest number of votes cast at the Annual Meetings of the Members will be elected to the position of Non-Affiliated Director.

6.5.3 Non-Affiliated Director Compensation. The Non-Affiliated Directors will receive a level of compensation as determined from time to time by the Member Class Directors.

## **6.6 Tie Vote.**

In the event of an inability to select Directors due to a tie vote, a second vote will be taken to determine the placement of the tied candidates. The second vote will be limited to the tied candidates, with the candidate(s) receiving the highest number of votes being selected. If another tie vote results, additional votes will be taken (after the elimination of any candidate receiving fewer votes than the tied candidates) until a candidate can be selected. If a tie cannot be resolved pursuant to the foregoing procedures, it will be resolved by lot. For the purpose of such second (and subsequent) votes, absentee ballots shall allow voters to list all candidates in order of preference such that absentee ballots may be counted by striking those candidates not participating in the run-off. Absentee ballots that express an order of preference for fewer than all candidates will be counted if the ballot demonstrates clear preference among the runoff candidates.

## **6.7 Removal of Directors.**

The Members or the Board may remove a Director before completion of the Director's term of office pursuant to the following provisions.

6.7.1 Removal by the Members. Member Class Directors may be removed at will by a vote of at least sixty percent (60%) of the Members of the Class that elected that Director. Non-Affiliated Directors may be removed only for gross negligence,

violation of local, state, provincial, or federal laws, gross misconduct, or failure to meet the fiduciary obligations of Directors. Removal of a Non-Affiliated Director will be by a vote of at least fifty percent (50%) of the entire WECC membership, including a vote of at least fifty percent (50%) of each Class.

6.7.2 Removal by the Board. The Board may remove any Director for gross negligence, violation of local, state, provincial, or federal laws, gross misconduct, or failure to meet the fiduciary obligations of Directors. Such removal will only occur upon the affirmative vote of not less than twenty-one (21) Directors.

## **6.8 Resignation.**

Any Director may resign from his or her office or position at any time by written notice to the Board by delivery to the Chair. Pursuant to Sections 4.1 and 4.8.2, a Director employed by a withdrawing or expelled Member will be deemed to have resigned. The acceptance of a resignation will not be required to make it effective.

## **6.9 Procedures for Filling Vacant Director Positions.**

6.9.1 Member Class Director Vacancies. If the position of any Director elected by a Member Class becomes vacant, the remaining Directors elected by the same Class will promptly choose a successor to that position who will serve until the next Annual Meeting.

6.9.2 Non-Affiliated Director Vacancies. If the position of any Non-Affiliated Director becomes vacant, the remaining Directors may charge the Governance and Nominating Committee with selecting a successor immediately. The Governance and Nominating Committee will follow the requirements set out in Section 6.5.2.1 in its selection of any successor Non-Affiliated Director. Alternatively, if less than one (1) year remains in the term of that Director, the remaining Directors may choose to leave the position vacant for the remainder of the term.

6.9.3 Holdover to Cure Procedural Vacancies. Whenever a vacancy in any Member Class or Non-Affiliated Director position would be created due to expiration of a Director's term combined with a lack of a quorum or other procedural inability to elect a new Director, the expired Director's term shall be extended until such time as a proper election of a new Director can be conducted.

## **6.10 Duties of Directors.**

The Directors will have the following duties:

6.10.1 Fiduciary Obligation to the WECC: All Directors, including Member Class Directors, will have a fiduciary obligation to the WECC consistent with the requirements for Directors of Utah non-profit corporations. Notwithstanding any affiliation with individual Members or Class of membership, Members of the Board will at all times act in conformance with such requirements, these Bylaws and the Standards of Conduct set forth in Appendix A.

6.10.2 Preserve Non-Affiliated Status: Throughout their terms, Non-Affiliated Directors will have a duty to avoid any affiliation that is inconsistent with the standards for Non-Affiliated Directors in Section 6.5.1.1 of these Bylaws. If a Non-Affiliated Director becomes aware of any such affiliation, he/she must either resign or eliminate the affiliation (e.g., dispose of securities) within six (6) months.

### **6.11 Powers of Directors.**

The management of all the property and affairs of the WECC will be vested in the Board of Directors. The Board will hold annual elections to select a Board Chair and to fill any other Board officer positions that may be created by the Board or required by applicable law. The Board may exercise all the powers of the WECC and do all lawful acts and things (including the adoption of such rules and regulations for the conduct of its meetings, the exercise of its powers and the management of the WECC) as are consistent with these Bylaws and the Articles of Incorporation.

### **6.12 Delegation of Board Authority.**

The Board may delegate to the Chief Executive Officer or to any Board Committee formed pursuant to Section 7.7 any or all of its powers and authority except: 1) any power which it may not delegate pursuant to applicable Utah law; 2) the power to adopt any reliability standard; 3) the power to determine when to exercise the Backstop Authority of the WECC; 4) the power to approve budgets; 5) the power to form committees; 6) the power to amend the Bylaws; 7) the power to elect the Chair and other officers of the Board; 8) the power to enter into contracts obligating the WECC to pay an amount exceeding \$50,000; and 9) the power to hire, fire or set the terms of employment of the Chief Executive Officer. The Board may also delegate to any Member committee the power to make specific decisions, subject to the right of any Member to appeal any of such decisions to the Board within 30 days of the committee vote on the decision by writing a letter to the Chief Executive Officer that describes in reasonable detail the grounds for appeal, and requests that the appeal be considered by the Board at its next regularly scheduled meeting, subject to applicable notice requirements. Delegation will be by express decision and will require the affirmative vote of not less than twenty (20) Directors. Any Director may call for a vote to rescind such delegation at any time and such delegation will be rescinded if eight (8) or more Directors vote to do so.

6.12.1 Notice to Members. Within seven (7) days of any decision delegated pursuant to Section 6.12, except for routine decisions of the Chief Executive Officer, Members will be notified of the decision by electronic mail, posting on the WECC Web site and any other means determined appropriate by the Board. Routine decisions of the Chief Executive Officer will be noticed in periodic reports to the Board and Members as determined by the Board, which will be sent to Members by electronic mail and posted on the WECC Web site.

6.12.2 Board Review of Delegated Decisions. Decisions delegated pursuant to Section 6.12 will be reviewed by the Board at the request of any Director, provided such request is lodged with the Secretary within thirty (30) days of the notice. Whenever it determines that a matter requires an urgent decision, the Board may shorten the



deadline for requests for review, provided that: 1) the notice and opportunity for review will be reasonable under the circumstances; and 2) notices to Members will always contain clear notification of the procedures and deadlines for Board review. A request for review of a decision will stay the effect of the decision pending review unless the Board in making the delegation expressly determines otherwise.

## **7. Procedures for Board Decisions.**

### **7.1 Quorum.**

No business will be conducted by the Board unless at least seventeen (17) Directors are present, including at least three (3) Non-Affiliated Directors and at least one Director elected by each of not less than four (4) of the Member Classes; provided, that if all Member Class Director positions for a Class are vacant, or if a Class is not entitled to elect Member Class Directors, then no Director elected by such Class will be required to be present for the Board to conduct business.

### **7.2 Majority Vote.**

A decision of the Board will require an affirmative vote of a majority of Directors present. Directors may not vote by proxy or by absentee ballot, but Directors may participate in Board meetings by telephone as provided in Section 7.3 of these Bylaws.

### **7.3 Attendance at Board Meetings by Teleconference.**

Any or all of the WECC's Directors may participate in any meeting of the Board by telephone conference or any other means of communication that enable all Directors participating in the meeting to simultaneously hear one another. Every Director participating in a meeting in the manner described in the preceding sentence will be deemed to be present in person at that meeting.

### **7.4 Board Action by Unanimous Consent.**

7.4.1 Action Without a Meeting. Unless the WECC's Articles of Incorporation or applicable law provides otherwise, action required or permitted to be taken at a meeting of the Board may be taken without a meeting through one or more written consents describing the action taken. Any Board action taken by written consent must be signed by all Directors in office at the time the action is taken. Such actions must be noticed to Members in accordance with Section 7.5 and Members must be given an opportunity to comment prior to the Board taking such actions through electronic mail, comments on the Web site or other appropriate means. The required notice of such meeting may generally describe the arrangements (rather than the place) for the holding of the meeting. All other provisions herein contained or referred to will apply to such meeting as though it were physically held at a single place. All Board actions by written consent must be filed with the WECC's Board meeting minutes. Action taken under this Section is effective when the last Director signs the consent, unless the consent specifies an earlier or later effective date. Any action by written consent has the same effect as a meeting vote and may be described as such in any document.

7.4.2 Waiver of Procedures. For any specific action at any noticed meeting of the Board, and under exigent or unusual circumstances, the Board by unanimous vote of those present may waive any procedural requirement applicable to Board decision-making, including any requirement for notice of a specific potential action, except for the following: 1) the requirement for notice of the time and place of the meeting pursuant to Section 7.5; 2) the quorum and voting requirements of Sections 7.1 and 7.2; and 3) any non-procedural limitation on the power of the Board to make a decision, including, but not limited to, those restrictions in Sections 6.12 (limiting the power to delegate) and 13.1 (limiting the power to amend the Bylaws). Whenever such action is taken, a statement describing the action, the exigent or unusual circumstances, the specific procedure waived, the basis for the waiver and the votes of all Directors present shall be posted on the web site and communicated in writing or by email to all Members within five (5) days.

## **7.5 Notice of Board Meetings.**

7.5.1 Regular Meetings. Except as set forth in Section 7.5.2 regarding urgent business, all regular business of the Board will occur at the Board meetings, at least twenty-one (21) days' advance notice of which has been provided by the Chief Executive Officer to all Directors and all Members. Notice will include an agenda that will identify those matters on which a vote will be taken at the meeting. The foregoing requirement shall not preclude the Board from taking an action that is different from the specific proposed action identified in the agenda, as long as the relevant subject matter has been reasonably identified in the agenda. The Directors will establish a regular meeting schedule that will be made available to the Members. The schedule will include not less than two meetings of the Board annually.

7.5.2 Special Meetings. Whenever the Chair of the Board or any three (3) Directors find that there is urgent business requiring Board action before the next regular Board meeting, a special meeting of the Board may be called. Such special meetings will be held upon as much written notice to each Board Member and all Members as is possible under the circumstances, which will not be less than three (3) days. However, this notice of special meetings may be waived if: 1) the waiver is by a writing signed by a quorum of Board members; and 2) as much notice of the meeting as practicable has been given to WECC Members via e-mail and posting on the WECC Web site.

7.5.3 Public and Web Site Notice. Public notice of each meeting of the Board will be placed on WECC's Web site at least ten (10) days before such meeting (or such lesser time as provided pursuant to Section 7.5.2). In addition, the Chief Executive Officer will provide notice of each meeting by first-class mail, facsimile or electronic mail to each member of the public who so requests and who has provided appropriate information regarding delivery of notice.

## **7.6 Open Meetings.**

Except as provided in Section 7.6.1, all regular and special meetings of the Board will be open to observation by any Member and any member of the public.

7.6.1 Closed Session. Notwithstanding the provisions of Section 7.6, upon an affirmative vote of two-thirds (2/3) of the Directors present, the Board may meet in closed session: 1) to consider the employment, evaluation of performance, or dismissal of an employee of WECC and to deliberate regarding decisions the Board may be called upon to make regarding the nomination, qualification, appointment, or removal of a member of the Board of Directors; 2) to discuss pending or proposed litigation and to receive confidential attorney-client communications from legal counsel; and 3) to receive and discuss any information that is privileged, trade secret, cybersecurity, critical energy infrastructure information (as defined by the FERC), protected from public disclosure by law or that the Board determines should be confidential in order to protect a legitimate public interest.

7.6.1.1 Attendance by an Affected Director. Closed sessions of the Board may not be attended by a Director under the following circumstances: 1) where the qualifications or performance of the Director or the Director's spouse or children are being discussed; 2) where the Director is employed by an entity that is or is likely to become a party to the litigation being discussed; and 3) where the Director or the Board determines that the Director would have a serious and substantial conflict of interest by becoming privy to confidential attorney-client or trade secret information that is to be presented to the Board in closed session.

7.6.1.2 Announcement of Closed Session. Before adjourning into closed session, the Chair of the Board will announce the purpose of the closed session in a manner that provides the public an understanding of the general subject matter to be discussed but which does not reveal sensitive or personal information. The Board will not discuss additional items outside the scope of this description.

7.6.1.3 Confidentiality of Closed Session. All Directors and others present will maintain the confidentiality of discussions and decisions made in closed session. The Board will appoint a secretary for closed session to keep a minute book for the purpose of recording the subject matter discussed in closed session and any actions taken in closed session.

## **7.7 Board Committees.**

7.7.1 Governance and Nominating Committee. The Chair will appoint a Governance and Nominating Committee that shall: 1) return slates of candidates as required by these Bylaws; 2) oversee implementation and amendment of these Bylaws; and 3) address such other issues pertinent to Governance as the Board may choose to delegate to it. The Governance and Nominating Committee will consist of one Director from each

of the six Member Classes eligible to elect such Directors and one Non-Affiliated Director. The Chair will designate one of the appointed Directors to be the Chair of the Governance and Nominating Committee.

7.7.2 Other Board Committees. The Board may appoint such Board committees as it deems necessary from time to time to carry out its business affairs. In appointing such committees, the Board will specify their purpose, membership, voting, notice and meeting procedures and such other direction as the Board may deem appropriate. The Board may appoint one or more Members or other persons to participate in Board committees as full voting members or as non-voting advisory members.

7.7.3 Standards of Conduct for Board Committee Members. Members of Board committees shall comply with the Board Member Standards of Conduct set forth in Appendix A.

## **8. Member Committees.**

### **8.1 Purpose.**

The WECC will have committees composed of its Members to advise and make recommendations to the Board. Such committees will include both standing committees required by these Bylaws and such other committees as the Board may choose to create.

### **8.2 Standing Committees.**

WECC will have the following standing committees:

8.2.1 Planning Coordination Committee. This committee will advise and make recommendations to the Board on all matters within the jurisdiction of the WECC pertaining to maintaining reliability through evaluating generation and load balance and the adequacy of the physical infrastructure of interconnected bulk electric systems within the Western Interconnection.

8.2.2 Operating Committee. This committee will advise and make recommendations to the Board on all matters within the jurisdiction of the WECC pertaining to maintaining reliability through the operation and security of the interconnected bulk western electric systems in the Western Interconnection.

8.2.3 Market Interface Committee. This committee will advise and make recommendations to the Board on the development of consistent Market Interface practices and compatible commercial practices within the Western Interconnection. It will consider matters pertaining to the impact of WECC's reliability standards, practices, and procedures on the commercial electricity market in the Western Interconnection, and facilitate analysis of the impact of electricity market practices on electric system reliability.

### **8.3 Other Committees.**

The Board may create such other committees as it may desire from time to time. The Board will specify the functions, duties and responsibilities of any such committee at the time of its creation. The Board will also specify the membership rules, quorum requirements, voting levels and meeting and notice requirements at the time of creation. Any changes in the membership rules, quorum requirements, or voting levels of a committee, once established by the Board, will require a seventy-five percent (75%) vote of the Board to alter. The specific function or sunset date for a committee will be designated by the Board at the time of the committee's creation. The committee will terminate its activities upon the completion of its function or the expiration of the date set by the Board.

### **8.4 Committee Assessment and Streamlining.**

8.4.1 **Assessment of Standing Committee Activities.** No later than three (3) years following the Organizing Meeting of the WECC, the Board of Directors will conduct a thorough review of the activities of each of the WECC's standing committees (as defined in Section 8.2 of these Bylaws) to assess whether they are effectively furthering the WECC's purposes in a manner that is consistent with: 1) the provisions of Section 2.3 of these Bylaws; and 2) the then-current state and the expected future evolution of the electric power industry within the Western Interconnection. The Board's review will assess whether there are any aspects of the standing committees' functions or procedures that impede development of WECC standards, obligations, processes, and decisions that are timely, fair, effective, and reasonable in view of the commercial, legal, regulatory, and economic needs and objectives of the affected Members. The Board will propose to the membership, at the first annual Member meeting held after completion of the review required by this Section 8.4.1, any changes to standing committee structures, functions, or procedures that the Board determines are warranted by its review.

#### **8.4.2 Dissolution of Additional Member Groups.**

8.4.2.1 Except as otherwise provided in Section 8.4.2.2 below, no later than three (3) years following the Organizing Meeting of the WECC, all WECC Member groups other than the WECC's standing committees (as defined in Section 8.2 of these Bylaws) will dissolve automatically. The Member groups to automatically dissolve under this Section 8.4.2.1 will include, without limitation, all WECC Member subcommittees, work groups, and task forces. There will thereafter be no committees, subcommittees, or other groups of WECC Members other than: 1) the WECC's standing committees (as defined in Section 8.2 of these Bylaws); and 2) any established by the Board after it determines that the committee, subcommittee, or other group, when established, will satisfy the terms of assessment for standing committees set forth in Section 8.4.1 above.

8.4.2.2 If, at the time specified for dissolution of Member groups that are not standing committees in accordance with Section 8.4.2.1 above, FERC-

approved Regional Transmission organizations carrying on commercial operations within the Western Interconnection do not cover at least one-half the load in the Western Interconnection, the Board may delay the implementation of the actions specified in Section 8.4.2.1 until no later than six (6) months after FERC-approved regional transmission organizations covering at least one-half the load within the Western Interconnection are in place and carrying on commercial operations.

## **8.5 Procedures for Committee Decision-Making.**

- 8.5.1 Reports to Board of Directors. Action by a committee will be in the form of a recommendation for Board action except in those instances in which the Board has, by resolution, specifically delegated to a committee the power to take action subject to an appeal to the Board by any Member. The recommendation of a committee must be forwarded to the Board for its action along with any minority or dissenting reports filed with the committee Chair or Vice-Chair.
- 8.5.2 Subcommittees, Task Forces and Ad Hoc Groups. Any Board or member committee may create such subcommittees, task forces or other ad hoc groups (“subcommittee”) as it deems appropriate to carry out the committee’s responsibilities consistent with these Bylaws and the direction of the Board. The composition, responsibilities and procedures of such groups shall be specified by the committee as appropriate; provided, however that: 1) the committee may only delegate to such subcommittee responsibilities that are within the scope of the committee’s responsibilities pursuant to these Bylaws and direction of the Board; and 2) the subcommittee may only make recommendations to the committee. A committee may create a subcommittee without prior approval of the Board; provided, however, that the committee shall promptly inform the Board in writing and at the next Board meeting regarding the creation of the subcommittee. The notification to the Board shall include a charter for the subcommittee that describes how members of the subcommittee will be selected, the duties of the subcommittee, and whether the committee has established a sunset date for review of (1) the need for the subcommittee and (2) the charter of the subcommittee.
- 8.5.3 Committee Officers. The Board will appoint the Chair and Vice-Chair of each committee. The Committee Chair or Vice-Chair will preside over all meetings of the committee and will report recommendations of the committee to the Board of Directors. The Chair and Vice-Chair will be responsible for informing the Board regarding minority opinions and other information required by the Board along with overall committee recommendations. Whenever the committee elects to form a subcommittee to represent regions or address specific tasks, the Chair (or in the absence of the Chair, the Vice-Chair) will have the power to appoint the members of such subcommittee from both members of the committees and non-members. Upon resignation of the Committee Chair, the Vice Chair shall serve as Chair until the Board appoints a replacement. Upon resignation of the Vice Chair, the Chair may appoint a temporary Vice Chair to serve until the Board appoints a replacement. Upon resignation of both the Chair and Vice Chair, the Chair of the Board may

appoint one or more temporary replacements to serve until the Board appoints permanent replacements.

8.5.4 Committee Membership. Except as provided in Section 8.5.4.1, any Member of WECC may designate one representative as its committee member to any standing committee or other committee. The WECC Member will have one vote at any committee meeting through that committee member. Any number of other persons may attend a committee meeting, but such persons will have no right to vote without a prior designation of representation by a WECC Member, except that interested stakeholders ~~Interested Stakeholders~~ may, under Section 8.6, vote on proposed Reliability Standards or revisions to Reliability Standards.

8.5.4.1 Dual Representation for Functionally-Separated Members. A Member which has distinct and functionally-separated interests as both a transmission provider and a transmission customer may designate two representatives as committee members to any standing committee, one to represent each functionally separate interest. Each such committee member will have one vote. The privilege granted by this Section is subject to revocation by the Board on a case-by-case basis or generally whenever the Board finds, upon petition from any Member or its own motion, that such dual representation creates unfairness or imbalance within a committee.

8.5.5 Committee Voting and Classes.

8.5.5.1 Classes. For purposes of voting, committees will have three classes of membership:

8.5.5.1.1 Transmission Provider Members or Participating Stakeholders ~~Interested Stakeholders~~;

8.5.5.1.2 Transmission Customer Members or Participating Stakeholders ~~Interested Stakeholders~~; and

8.5.5.1.3 States and Provincial Members (Member Class 5).

8.5.5.2 Voting. Except as provided in Section 4.5.2, each committee member and Participating ~~Interested~~ Stakeholder (if any) will have one vote. In order for a recommendation to be made to the Board, such recommendation must receive a simple majority vote of both: 1) committee members and Participating ~~Interested~~ Stakeholders (if any) present and voting from the Transmission Provider Class; and 2) committee members and Participating ~~Interested~~ Stakeholders (if any) present and voting from Transmission Customer Class. Committees will adopt voting and record-keeping procedures to ensure that committee voting is conducted consistent with these Bylaws. This requirement will also apply where decision making power has been delegated to a committee pursuant to Section 6.12.

8.5.5.2.1 State and Provincial Votes. The position of the state and provincial Class committee members must be recorded, but the failure of a proposed recommendation or decision to obtain a simple majority vote of the state and provincial committee members will not prevent the recommendation or decision from being posted for due process comment or sent to the Board of Directors.

8.5.6 Notice and Review of Committee Recommendations and Decisions (Due Process). Committee recommendations or decisions delegated to a committee pursuant to Section 6.12 will be subject to the due process provisions of this Section. Committee recommendations or decisions related to the development or approval of Reliability Standards will be subject to the provisions of this Section 8.5.6 and Section 8.6. Following a committee's development of a proposed recommendation or decision, the committee will post the proposed recommendation or decision on the WECC Web site for review and comment by other WECC Members, interested stakeholders ~~Interested Stakeholders~~ (if the recommendation or decision concerns a Reliability Standard or revision), and other interested parties. The committee will provide all Members and ~~Interested~~ Participating Stakeholders (if the recommendation or decision concerns a Reliability Standard or revision) e-mail notification of the posting and will allow at least thirty (30) days for comment on the proposal. The committee will consider all such additional input before reaching its final recommendation or decision. If the committee's recommendation or decision changes significantly as a result of comment received, the committee will post the revised recommendation or decision on the Web site, provide e-mail notification to Members and ~~Interested~~ Participating Stakeholders (if the recommendation or decision concerns a Reliability Standard or revision), and provide no less than ten (10) days for additional comment before reaching its final recommendation or decision. Upon reaching its final recommendation or decision, the committee will forward it to the Board. Whenever it determines that a matter requires an urgent decision, the Board may shorten any time period set forth in this Section, provided that: 1) notice and opportunity for comment on recommendations or decisions will be reasonable under the circumstances; and 2) notices to Members will always contain clear notification of the procedures and deadlines for comment.

## **8.6 Procedures for Developing and Voting on Reliability Standards.**

8.6.1 Rights and Obligations of WECC Members and ~~Interested~~ Participating Stakeholders. All WECC Members and ~~Interested Stakeholders~~ interested stakeholders are entitled to participate in the development of and to vote on Reliability Standards or revisions to Reliability Standards, subject to any applicable obligations, limitations and conditions set forth in these Bylaws, and in accordance with the WECC Reliability Standards Development Procedures.



- 8.6.1.1 Participation. The right to participate in Reliability Standards development and voting includes the right to request the development or revision of a Reliability Standard, the right to receive notice of, attend and participate in related WECC committee and subcommittee discussions, the right to review information relevant to a Reliability Standard or revision, the right to provide written comments on a proposed Reliability Standard or revision, the right to participate in committee or subcommittee voting on a Reliability Standard or revision and the right to file an appeal requesting review of any committee or subcommittee decision on a Reliability Standard or revision.
- 8.6.1.2 Voting. The procedures and conditions for voting by WECC Members and ~~Interested Participating~~ Stakeholders are set forth in the Reliability Standards Development Procedures and in Section 8.5.5 and 8.5.5.2 of these Bylaws. ~~An Interested Participating~~ Stakeholder may only vote on a proposed Reliability Standard or revision if they have applied for and been granted ~~Interested Participating~~ Stakeholder status in accordance with Section 8.6.2 below. ~~An Interested Participating~~ Stakeholder is only entitled to vote on Reliability Standards and revisions. ~~An Interested Participating~~ Stakeholder is not entitled to vote in any other WECC committee balloting process or in elections for WECC Directors.
- 8.6.2 ~~Interested Participating~~ Stakeholder Application Process. Any person or entity that ~~Interested Stakeholders~~ is an interested stakeholder may apply to WECC for ~~Interested Participating~~ Stakeholder status and, upon WECC's acceptance of such application, acquire the participation and voting rights set forth above in Section 8.6.1. WECC staff, under the direction of the CEO, will process applications and make the initial determination of eligibility for ~~Interested Participating~~ Stakeholder status. Denial of ~~Interested Participating~~ Stakeholder status may be appealed to the WECC Governance and Nominating Committee and, if denied by the Governance and Nominating Committee, to the WECC Board. A person or entity's ~~Interested Participating~~ Stakeholder status will be maintained so long as the ~~Interested Participating~~ Stakeholder continues to meet the requirements set forth in Section 3.21 and participates in at least one WECC meeting per year at which a Reliability Standard or revision is discussed and/or voted on. In the event a person or entity's ~~Interested Participating~~ Stakeholder status lapses due to failure to meet the above minimum participation requirement, the person or entity may restore ~~Interested Participating~~ Stakeholder status by re-applying for ~~Interested Participating~~ Stakeholder status and attending a WECC meeting at which a Reliability Standard is discussed and/or voted on.

## **8.7 Notice of Committee Meetings.**

- 8.7.1 Standing Committees. The committee Chair, with the assistance of the Chief Executive Officer, will ensure that not less than ten (10) days' notice of all standing committee meetings is posted on the WECC Web site and is also provided to: 1) members of the committee; 2) ~~Interested Participating~~ Stakeholders (if the meeting

concerns development or approval of a Reliability Standard or revision); and 3) any WECC Member or member of the public requesting notice. A committee may take up any matter at a duly noticed meeting including matters not expressly identified in the notice; provided, however, that a final recommendation to the Board must be made in accordance with Section 8.5.6.

8.7.2 Other Committees. Notice of other committee meetings will be provided in the manner adopted for such notice by the affected Members and in accordance with the requirements of Section 8.6.1.

## **8.8 Open Meetings.**

All committee meetings of the WECC (including Board committees) will be open to any WECC Member and for observation by any member of the public, except as set forth in policies on closed sessions that the Board may adopt for the purpose of preventing public disclosure of information that the Board might consider in closed session pursuant to Section 7.6.1.

## **9. The Chief Executive Officer, Officers, and Employees.**

### **9.1 Designation of Officers and Terms of Office.**

The WECC will have a Chief Executive Officer, a Secretary, and any other officers specified by the Board from time to time. The Chief Executive Officer will also hold the title of President of the WECC if applicable law requires the WECC to have a President. Each officer will be appointed by the Board and will serve for the term of office specified in the Board action appointing the officer and until his or her successor is appointed. Any two or more offices may be held by the same person except the offices of Chief Executive Officer and Secretary.

### **9.2 Chief Executive Officer Qualifications.**

The Chief Executive Officer will be a person with senior management level experience and knowledge of bulk power electric transmission systems reliability, planning and operations.

### **9.3 Standards Applicable to All Employees.**

A person may not be an officer or employee of WECC if: 1) the person is also the employee of or has a contractual relationship with any Entity, or any Affiliate of any Entity, that is eligible for membership in the WECC; or 2) the person has a financial interest that, in the judgment of the Board or the Chief Executive Officer, creates the fact or appearance of bias, undue influence or lack of objectivity regarding any action or decision of the WECC. The Board will adopt Standards of Conduct for officers and employees setting forth their duty of care, duty of loyalty, duty to avoid conflicts of interest and related matters intended to promote their neutrality, objectivity and professionalism. Upon adoption, such standards shall be attached hereto as Appendix B.

9.3.1 Exemptions from the disqualification criteria found in Section 9.3 are as follows:

- 9.3.1.1 Status as a residential electricity customer will not disqualify a person from employment with WECC.
  - 9.3.1.2 A candidate for Chief Executive Officer or employee of WECC will not be disqualified for owning shares in a mutual fund because the mutual fund owns an interest in a Member or an Affiliate of a Member.
  - 9.3.1.3 The disqualification standards described in Section 9.3 will not apply to disqualify a candidate who is receiving payments from a pension plan of a Member or an Affiliate of a Member in a form other than securities of such Member or Affiliate if the pension plan payments bear no relationship to the economic performance of the Member or Affiliate.
- 9.3.2 If an officer or employee receives a gift or inheritance of securities in any Member or Affiliate, he/she must resign or dispose of such securities within six (6) months of the date of receipt. Within six (6) months of the time a new Member is added in which an officer or employee owns securities, the officer or employee will resign or dispose of those securities.

#### **9.4 Employment.**

The Chief Executive Officer will be employed by the Board of Directors and will serve at the Board's pleasure. Any contract of employment with a Chief Executive Officer will permit the Board to dismiss the officer with or without cause.

#### **9.5 Chief Executive Officer's Duties.**

Subject to the Board's direction, the Chief Executive Officer or his/her designees will have the following duties, among others:

- 9.5.1 Execute policies at the direction of the Board and be responsible to the Board for the performance of the WECC functions described in Section 2;
- 9.5.2 Hire and fire staff within the constraints of the annual budget;
- 9.5.3 Perform administrative duties, such as preparing annual budgets for the approval of the Board, making employment decisions and ensuring conformance with regulatory requirements;
- 9.5.4 Develop and implement employment policies and standards of conduct; and
- 9.5.5 Accept or reject membership applications in accordance with the criteria of these Bylaws.

#### **9.6 Secretary's Duties.**

- 9.6.1 Maintain Member and Affiliates Lists. The Secretary will maintain continuously updated lists of all Members and Affiliates.

- 9.6.2 Maintain Official Records. The Secretary will keep minutes of all WECC Board and Member meetings and will receive and maintain minutes of committee meetings and all other official records of the WECC. Within five (5) business days after any vote taken by Members, the Board, a Class or any committee, the Secretary will provide notice to all Members and Interested Stakeholders (if applicable) of the results of such a vote through postings on the website, email and/or other means of communication.
- 9.6.3 Maintain Web Site. The Secretary will oversee the creation, maintenance, and updating of the WECC's Web site and the information published through it.

## **10. Transmission Service Obligations.**

### **10.1 Non-Discriminatory Transmission Access.**

All Members owning, controlling or operating Transmission Facilities, or possessing rights to transmission capacity through contract, will provide interconnection and access to available transmission capacity to all other Members in a non-discriminatory manner through one of the following mechanisms: 1) a Regional Transmission Organization approved by the FERC in accordance with FERC Order 2000 and any successor order(s); 2) submission of an Open Access Tariff to the FERC; or 3) provision of non-discriminatory service in accordance with this Section 10.

- 10.1.1 Regional Transmission Organizations. A Member that is a Regional Transmission Organization approved by the FERC in accordance with FERC Order 2000 and any successor order(s), or a Member whose transmission capacity is controlled or operated by such a Regional Transmission Organization, will be deemed to be in compliance with Section 10 by virtue of its compliance with FERC Order 2000 and any successor order(s) and is exempt from Sections 10.2 through 10.4. Such a member will use the dispute resolution process specified in the bylaws, contracts, or tariffs of the applicable Regional Transmission Organization or other Local Regional Entity, provided that nothing in these Bylaws will prevent such a Member from using the dispute resolution process set forth in Section 11 where authorized or required by the bylaws, contracts, or tariffs of the applicable Regional Transmission Organization.
- 10.1.2 Members with Open Access Tariffs Filed with FERC. A Member which is not exempt pursuant to Section 10.1.1, but which has an Open Access Tariff which has been accepted for filing by the FERC, will be deemed to be in compliance with this Section 10 by virtue of its compliance with applicable FERC requirements governing its Open Access Tariff. Such Member is exempt from Sections 10.2 and 10.3; provided, however, that such Member must resolve transmission access disputes with other Member(s) in accordance with Sections 10.4, 10.5.2 and 11 of these Bylaws.
- 10.1.3 Other Members. Any Member subject to Section 10.1, but not eligible for exemption pursuant to Sections 10.1.1 or 10.1.2, will provide non-discriminatory

interconnection and transmission access to other Members in accordance with Sections 10.2 through 10.5 of these Bylaws.

10.1.4 Canadian and Mexican Members. At the request of any Canadian or Mexican Member, the Board may adopt alternative provisions to this Section 10 applicable to the requesting Member provided that: 1) the alternative provisions differ from this Section 10 to the minimum extent necessary to respect the laws and regulatory authorities governing the requesting Member; and 2) the alternative provisions require the requesting Member to provide interconnection and transmission service to other Members that is substantively equivalent to that required by this Section 10.

## **10.2 Service to be Provided.**

Members described in Section 10.1.3 will provide non-discriminatory interconnection and transmission service to other Members comparable to that which would be required of an entity subject to Sections 210 through 213 of the Federal Power Act. The provision of service may be pursuant to an agreement negotiated between such Members, or, if applicable, pursuant to a service agreement under a tariff filed in accordance with Section 10.3. In no event will these Bylaws require a Member to provide transmission service that FERC is precluded from ordering under Sections 212(g) and 212(h) of the Federal Power Act. However, nothing in these Bylaws will be construed as prohibiting any Member from providing retail wheeling voluntarily or pursuant to a state statute or a lawful decision of a regulatory agency or court of law. Nothing in this section is intended to imply that any non-jurisdictional entity Member is subject to FERC jurisdiction.

## **10.3 Open Access Tariffs.**

Except as provided in Section 10.3.1, Members described in Section 10.1.3 will file an Open Access Tariff or Tariffs consistent with Section 10.2 with the Secretary within sixty (60) days of becoming a Member. Upon the request of any Member, a Member subject to this Section 10.3 will provide a copy of its Open Access Tariff or Tariffs. Additionally, any change in any Open Access Tariff or Tariffs previously filed with the Secretary will be promptly filed with the Secretary after its adoption.

10.3.1 Petition for Exemption. Any Member described in Section 10.1.3 may petition the Board for an exemption from Section 10.3. The Board may grant such petition only if it finds that such Member is unlikely to receive a transmission service request. The granting of such a petition will not relieve the Member from the requirement to provide non-discriminatory access pursuant to Section 10.2 if the Member receives a transmission service request. If a Member has been granted an exemption from the filing of an Open Access Tariff by a Local Regional Entity based on criteria equivalent to this Section, such Member will be exempt from Section 10.3 of these Bylaws without the filing of a petition unless the Board determines otherwise.

## **10.4 Requests Involving Members of Regional Entities.**

If a request for transmission service involves only Members who are also members of the same Local Regional Entity and the tariffs or governing documents of such Local Regional Entity provide for a process for requesting interconnection or transmission service, the

process of the Local Regional Entity, as opposed to that set forth in this Section 10, will be followed. To the extent the governing documents of the Local Regional Entity establish different principles regarding the provision of interconnection or transmission service than those of the WECC, the principles of the Local Regional Entity will govern as among members of the Local Regional Entity; provided, however, that Members who are members of Regional Entities who receive requests for interconnection or transmission service from Members who are not members of the same Local Regional Entity will not be precluded from substantively responding to such requests in a manner consistent with the tariffs or governing documents of such Local Regional Entity, provided that such responses will be subject to the dispute resolution provisions of Section 11.

## **10.5 Request Process and Dispute Resolution.**

Members requesting interconnection or transmission service from Members described in Section 10.1.1 or 10.1.2 will do so in accordance with the applicable tariffs of the Member receiving the request. Members requesting such service from Members described in Section 10.1.3 will do so in accordance with this Section 10.5 in lieu of filing for such service pursuant to Sections 210 through 213 of the Federal Power Act.

10.5.1 Request Process and Interpretation of FERC Policy. Members described in Section 10.1.3 receiving requests from another Member for interconnection or transmission service pursuant to these Bylaws will respond to such requests in an expeditious and good faith manner. The Board may adopt procedural requirements regarding the processing of such requests to the extent it deems necessary and appropriate; provided, however, that the Board may not impose substantive obligations for the provision of interconnection or transmission service that are different from the substantive policies of the FERC applicable to such Members pursuant to Section 10.2. For the general guidance of arbitrators and Members and as it deems necessary, the Board may either request statements of policy from the FERC or adopt its own interpretations of FERC policy which will be subject to appeal to the FERC.

10.5.2 Dispute Resolution. Except as otherwise provided in Section 10.4, Members described in Sections 10.1.2 and 10.1.3, and any Member requesting interconnection or transmission service from such a Member, will resolve disputes regarding such requests in accordance with Section 11.

## **11. Dispute Resolution.**

Except as may be otherwise provided herein, and subject to the conditions set forth in Appendix C, Section A.1, disputes between Members and/or the WECC will be resolved pursuant to the WECC Dispute Resolution Procedures set forth in Appendix C. Matters subject to the jurisdiction of the WECC Compliance Hearing Body are not subject to the procedures in Appendix C.

## **12. Costs and Finances.**

### **12.1 Funding of Reliability Activities.**

12.1.1 U.S. Statutory Funding. The WECC shall fund all activities undertaken pursuant to Section 215 of the Federal Power Act in accordance with the funding provisions and procedures of that law and related FERC regulations and orders. The Board shall approve a budget for such activities in time for submission to the ERO and to the FERC for approval of such funding in accordance with applicable requirements.

12.1.2 International Funding. The WECC shall fund reliability activities undertaken pursuant to any agreements with appropriate Canadian or Mexican authorities in accordance with the provisions of those agreements.

12.1.3 Equitable Allocation of Funding. In adopting budgets for the costs of reliability activities, the Board shall endeavor to achieve an equitable allocation as between funding through Sections 12.1.1 and 12.1.2 based upon the net energy to load and other relevant factors consistent with applicable law, the Delegation Agreement and any International Reliability Agreements.

### **12.2 Dues.**

The Board may require Members and ~~Interested~~ Participating Stakeholders to pay nominal annual dues consistent with applicable FERC requirements (or those of International Reliability Agreements as applicable) to cover reasonable costs of membership and/or participation in standards development that are not funded through Sections 12.1.1 or 12.1.2. Initial dues of a Member or ~~Interested~~ Participating Stakeholder will be submitted with a completed application for membership or Participating Stakeholder status and will be for the prorated share of the full annual amount based on the Member's or Participating Stakeholder's actual months of membership or participation in the calendar year. In determining nominal dues, the Board may consider all relevant factors including, but not limited to, the ability of different classes of membership or ~~Interested~~ Participating Stakeholders to pay such dues. The Board may also reduce, defer or eliminate the dues obligation of an individual Member or ~~Interested~~ Participating Stakeholder for good cause shown.

### **12.3 Funding of Non-Statutory Activities.**

To the extent that the WECC elects to fund any activities not eligible for funding pursuant to Sections 12.1.1 and 12.1.2, it shall do so through the use of service fees, charges or dues applicable to the persons or entities that voluntarily participate in ~~or voluntarily benefit from~~ such activities. Participation in or funding of such activities shall not be a condition of membership in the WECC.

## **13. Amendments to these Bylaws.**

These Bylaws may be amended by either the Board or by the Members in accordance with the following procedures.

### **13.1 Amendment by the Board.**

Except for those provisions described below, the Board may approve an amendment of the Bylaws after providing not less than thirty (30) days' notice of the proposed amendment to all

Members. Approval of such an amendment requires the affirmative votes of not less than two-thirds (2/3) of the Directors in office. Such amendment will become effective sixty (60) days after its approval by the Board unless the vote is appealed to the Members prior to that time. Such an appeal will occur whenever a majority of any Class files a petition with the Secretary seeking such amendment. A vote on the appeal will occur at the next Annual Meeting unless the Board calls a special meeting of the Members beforehand. Upon appeal, the amendment will be deemed approved unless a majority of all Members vote to rescind the amendment. Notwithstanding the foregoing, the Board may not amend Sections 6.2 through 6.10 of the Bylaws, Section 8.4, Appendix C or this Section 13.1 without submitting such amendment to the Members for their prior approval.

### **13.2 Amendment by the Members.**

Upon petition filed with the Secretary by any Member or Director, at any Annual Meeting the Members may amend any provision of these Bylaws; provided: 1) the proposed amendment has first been presented to the Board and not adopted (this provision will not apply to amendments which the Board is prohibited from adopting); 2) Members have received not less than sixty (60) days' notice of the proposed amendment, the reasons there for and a statement of the Board's position regarding it; and 3) the amendment receives the affirmative votes of not less than two-thirds (2/3) of all Members.

### **13.3 Amendments in Response to Mandatory Membership.**

If at any time, pursuant to legislation or otherwise, membership becomes mandatory for some or all Members, upon the request of the affected Member(s) the Board will consider amendments to these Bylaws appropriate to such mandatory membership.

### **13.4 Amendments proposed by FERC.**

FERC, upon its own motion or upon complaint, may propose an amendment to these Bylaws pursuant to 18 C.F.R. § 39.10(b).

## **14. Termination of Organization.**

The WECC may be terminated upon a vote of a majority of the Members in accordance with the provisions of Utah law, the Federal Power Act and the requirements of the Delegation Agreement and applicable International Reliability Agreements. Immediately upon such a vote, the Board will, after paying all debts of the WECC, distribute any remaining assets in accordance with the requirements of Utah law, the Internal Revenue Code and these Bylaws.

## **15. Miscellaneous Provisions.**

### **15.1 Limitation on Liability.**

It is the express intent, understanding and agreement of the Members that the remedies for nonperformance expressly included in Section 4.8 hereof shall be the sole and exclusive remedies available hereunder for any nonperformance of obligations under these Bylaws. Subject to any applicable state or federal law which may specifically limit a Member's ability to limit its liability, no Member, its directors, members of its governing bodies, officers or employees shall be liable to any other Member or Members or to third parties for any loss or damage to property, loss of earnings or revenues, personal injury, or any other direct, indirect, or consequential damages or injury which may occur or result from the



performance or nonperformance of these Bylaws, including any negligence, gross negligence, or willful misconduct arising hereunder. This Section 15.1 of these Bylaws applies to such liability as might arise between Members under these Bylaws. This Section 15.1 does not apply to parties to the Agreement Limiting Liability Among Western Interconnected Systems (“WIS Agreement”) with respect to matters covered by the WIS Agreement and does not apply to any liability provision in any other agreement.

**15.2 Indemnification.**

WECC shall indemnify and hold harmless its Directors, officers, employees, agents and advisors against any and all damages, losses, fines, costs and expenses (including attorneys’ fees and disbursements), resulting from or relating to, in any way, any claim, action, proceeding or investigation, instituted or threatened, arising out of or in any way relating to any action taken or omitted to have been taken (or alleged to have been taken or omitted to have been taken) by such person in connection with actions on behalf of WECC, and against any and all damages, losses, fines, costs and expenses (including attorneys’ fees and disbursements) incurred in connection with any settlement of any such claim, action, proceeding or investigation unless such action of such person is determined to constitute fraud, gross negligence, bad faith or willful misconduct with respect to the matter or matters as to which indemnity is sought.

**15.3 No Third Party Beneficiaries.**

Nothing in these Bylaws shall be construed to create any duty to, any standard of care with reference to or any liability to any third party.

**15.4 Informal Inquiries for Information.**

Nothing in these Bylaws shall preclude: 1) a Member from making an informal inquiry for information outside of the procedures outlined in Section 4.6.13 hereof to another Member and 2) that other Member from responding voluntarily to that informal inquiry, provided, however, that any such response to an informal inquiry for information shall not be binding upon that other Member and shall be used by the Member making the informal inquiry for informational purposes only.

**16. Incorporation.**

WECC shall organize itself as a non-profit corporation pursuant to the laws of the state of Utah regarding non-profit corporations under the name “Western Electricity Coordinating Council.” All Members agree to take no actions that would contravene the ability of the WECC to maintain its status as a non-profit corporation existing pursuant to the Utah Act. The Board shall adopt these Bylaws as the Bylaws of the WECC as a non-profit corporation.

WECC is intended to qualify as an organization described in Section 501(c)(6) of the Internal Revenue Code. No part of any net earnings of the WECC shall inure to the benefit of any Member or individual. Upon liquidation, to the extent consistent with the Internal Revenue Code and Utah law, any monies remaining from assessments paid by Members for the costs of the WECC shall be rebated to Members in proportion to their payments. Any remaining assets of the WECC shall be transferred to another organization exempt from tax under Section 501(a) of the Internal Revenue

Code, or government agency, promoting the same purposes as the WECC, as designated by the Board.

**17. Governing Law.**

Unless otherwise agreed, if any conflict of law arises under these Bylaws among the Members, the laws of the United States of America shall govern, as applicable. The venue for any legal action initiated under these Bylaws which concerns a specific request for transmission service shall be the city and state (or province) in which the headquarters of the Member providing the service is located. The venue for any other legal action initiated under these Bylaws shall be the city and state (or province) in which the headquarters of the WECC is located.

## **APPENDICES**

- A. Board Member Standards of Conduct
- B. Officers and Employees Standards of Conduct
- C. WECC Dispute Resolution Procedures

**Appendix A**  
**Standards of Conduct for**  
**Members of the WECC Board of Directors**

By accepting appointment to the Board of Directors (the “Board”) of the Western Electricity Coordinating Council (the “WECC”), a Director agrees to abide by the duties required of corporate directors and trustees. Utah law (and similar law in other states) imposes quasi-fiduciary duties of care and loyalty on all corporate directors or trustees, including directors and trustees of nonprofit corporations. For as long as he or she remains a member of the Board of Directors of the WECC, a Director will abide by the following standards of conduct.

- I. Duty of care. The Directors of a corporation are bound to use due care and to be diligent in respect to the management and administration of the affairs of the corporation. This duty of care is generally thought to have two components: the time and attention devoted to corporate affairs and the skill and judgment reflected in business decisions.
  - A. Each Director will regularly attend Board of Directors meetings, digest the materials sent to him or her, participate in Board discussions and make independent inquiries as needed.
  - B. In voting on any matter before the Board or otherwise acting in his or her capacity as a Director, each Director will:
    1. make reasonable inquiry to inform himself or herself of the nature and consequences of the matter or action at issue;
    2. exercise, at a minimum, the degree of care, skill, and diligence that an ordinarily prudent business person would exercise under similar circumstances; and
    3. act in a manner the Director, in the exercise of his or her independent judgment, believes to be in the best interests of the WECC and the membership of the WECC, taken as a whole.
  - C. In exercising the duty of care described in paragraphs IA and B above, a Director has the right to rely on statements by the persons immediately in charge of business areas of the WECC, to rely on professionals and experts (such as engineers, accountants and lawyers) and to rely on committees of the WECC, unless facts or circumstances appear which would prompt further concerns of the ordinarily prudent person.
- II. Duty of loyalty. The duty of loyalty imposes on a Director the obligation to remain loyal to the WECC, acting at all times in the best interests of WECC and its Members as a whole and unhampered by any personal pecuniary gain. This duty does not preclude a Director from being employed in a competing or related business so long as the Director acts in good faith and does not interfere with the business of the WECC.
  - A. Each Director will carry out his or her duties as a Director in good faith.

- B. Each Director will refrain from using any influence, access, or information gained through his or her service as a Director to confer any improper personal benefit (financial or otherwise) upon himself or herself, any family member, or any person living in the Director's household.
- C. Each Director will refrain from using any influence, access, or information gained through his or her service as a Director to confer an improper benefit (financial or otherwise) on any organization:
  - 1. for which the Director serves as an officer, director, employee, consultant, or in any other compensated or management position; or
  - 2. in which the Director or any family member or person living in the Director's household has a material financial interest (whether as a shareholder, partner, or otherwise).
- D. To the extent permitted by law, each Director will maintain the confidentiality of:
  - 1. any confidential or proprietary information of the WECC disclosed or available to the Director;
  - 2. any confidential or proprietary information of WECC Member(s) to which the Director has access by virtue of his or her status as Director; and
  - 3. any confidential or proprietary information of third parties that has been provided to the WECC or the Board on condition of confidentiality.
- E. Conflicts of Interest. Because conflicts of interest may arise from time to time, specific guidelines are provided. In general, conflicts of interest involving a Director are not inherently illegal nor are they to be regarded as a reflection on the integrity of the Board or of the Director. It is the manner in which the Director and the Board deal with a disclosed conflict that determines the propriety of the transaction.

Directors of nonprofit corporations may have interests in conflict with those of the corporation. The duty of loyalty requires that a Director be conscious of the potential for such conflicts and act with candor and care in dealing with these situations.

The following are guidelines for Directors with actual or potential conflicts of interest:

- 1. Each Director has a responsibility to recognize potential conflicts of interest and to be guided when acting as a Director by his or her independent judgment of what is in the best interests of the WECC and the membership of the WECC, taken as a whole. If any Director has questions about whether a conflict of interest exists, he or she may make inquiry to the Chief Executive Officer of the WECC for advice.

2. Potential conflicts of interest may arise because of a Director's private, individual interests (personal conflicts of interest) or because of relationships the Director may have with other organizations or interest groups (organizational conflicts of interest). Current or past employment or other compensation-based relationships with one or more WECC Members are examples of potential organizational conflicts of interest. Whether a potential conflict of interest is personal or organizational, in all cases involving WECC affairs a Director's conflicting interests are subordinate to those of the WECC and the membership of the WECC, taken as a whole.
3. Personal conflicts of interest.
  - a. Personal conflicts of interest exist if a Director, a member of the Director's family, or a person sharing the Director's household: 1) has a material financial interest in a matter or transaction that comes before the Board for action; or 2) stands to receive a benefit (in money, property, or services) from a transaction involving the WECC to which the person is not legally entitled.
  - b. In cases of personal conflicts of interest, the affected Director's obligations are to:
    - (1) disclose to the Board, before the Board acts with respect to that matter, the material facts concerning the Director's personal conflict of interest; and
    - (2) refrain from voting, and from attempting to influence the vote of any other Director(s), in those matters in which the Director has a personal conflict of interest.
4. Organizational conflicts of interest.
  - a. An organization has a "direct" conflict of interest if a decision by the Board would confer material benefits on that organization that other WECC Members would not share, or impose material detriments or costs on that organization that other WECC Members would not share. The fact that many if not all Members are affected to some extent by Board decisions on core issues such as standards, new transmission lines and their ratings, does not create or constitute a "direct" conflict of interest.
  - b. It is not a "direct" conflict of interest for a Director to be associated with an organization or an interest group that may stand to benefit from decisions made or actions taken by the Board, so long as the Director does not attempt to use his or her position as a Director to confer special benefits on associated organizations or interest groups when other WECC Members would not share in those benefits.

- c. In cases of potential “direct” organizational conflicts of interest, the affected Director’s obligations are to:
- (1) disclose to the Board, before the Board acts with respect to the matter, the material facts concerning the organizational conflict of interest; and
  - (2) refrain from voting and from attempting to influence the vote of any other Director(s) with respect to the proposed action or decision.

## **Appendix B Officers and Employee Standards of Conduct**

By accepting employment with the Western Electricity Coordinating Council (the “WECC”), an Employee agrees to abide by these Standards of Conduct. For the purpose of these Standards, an Employee includes each and all officers, employees and substantially full-time consultants and contractors of the WECC.

- I. Duty of care. The Employees of the WECC are bound to use due care and to be diligent in respect to the management and administration of the affairs of the corporation. This duty of care is generally thought to have two components: the time and attention devoted to corporate affairs and the skill and judgment reflected in business decisions.

Employees shall not have any outside employment that limits in any way their ability to fulfill their employment responsibilities to WECC. If an Employee has any question about whether outside employment is consistent with this standard, they should consult with their supervisor.

- II. Duty of loyalty. The duty of loyalty imposes on an Employee the obligation to remain loyal to the WECC, acting at all times in the best interests of WECC and its Members as a whole and unhampered by any personal pecuniary gain. The WECC expects all Employees to avoid adversely affecting the public’s confidence in the integrity and reputation of the WECC. Any conduct or activities of any Employee should be capable of being justified and withstanding public scrutiny.
- A. Each Employee will carry out his or her duties as an Employee in good faith, with integrity and in a manner consistent with these Standards and all applicable laws governing the WECC.
- B. Each Employee will refrain from using, or creating the appearance of using, any influence, access, or information gained through his or her service as an Employee to confer any improper personal benefit (financial or otherwise) upon himself or herself, or Family Member.<sup>1</sup> Employees shall not accept gifts or entertainment that would tend to affect, or give the appearance of affecting, the performance of their duties; provided, however, that Employees may accept de minimus food or entertainment or non-cash gifts received as part of a social or special occasion in amounts not to exceed \$1000 per source per year.
- C. Each Employee will refrain from using, or creating the appearance of using, any influence, access, funds or information gained through his or her service as an Employee to confer an improper benefit (financial or otherwise) on any organization. The

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<sup>1</sup> For purposes of these Standards, a Family Member includes a spouse, domestic partner, child of the Employee, or a relative living in the same home as the Employee.



obligation to avoid the appearance of impropriety shall apply in particular to any organization:

1. for which the Employee is serving or has in the past served as an officer, director, employee, consultant, or in any other compensated or management position; or
  2. in which the Employee, or Family Member has a material financial interest known to the Employee (whether as a shareholder, partner, or otherwise).
- D. Employees shall not use their WECC position, WECC funds or WECC resources to support any political party, candidate or proposition except as expressly authorized by the Board.
- E. To the extent permitted by law, each Employee shall maintain the confidentiality of:
1. any confidential or proprietary information of the WECC disclosed or available to the Employee;
  2. any confidential or proprietary information of WECC Member(s) to which the Employee has access by virtue of his or her status as Employee; and
  3. any confidential or proprietary information of third parties that has been provided to the WECC or the Board on condition of confidentiality.
- F. Conflicts of Interest. The following conflicts of interest policy shall apply to all WECC Employees. Conflicts of interest may arise from time to time. In general, conflicts of interest involving an Employee are not inherently illegal, nor are they to be regarded as a reflection on the integrity of the WECC or of the Employee. It is the manner in which the Employee and the WECC deal with a disclosed conflict that determines the propriety of the transaction. The following are guidelines for Employees with actual or potential conflicts of interest:
1. In general, personal conflicts of interest exist if an Employee, or a Family Member, has a material financial interest in a matter or transaction that comes before WECC for action, or stands to receive a benefit (in money, property, or services) from a transaction involving WECC to which the person is not legally entitled. For purposes of determining whether stock constitutes a material financial interest, see Paragraph F(6) below.
  2. Organizational conflicts of interest exist if an Employee, or a Family Member, has a relationship with an organization or interest group that would cause a reasonable person to believe such Employee's judgment, loyalty, or objectivity might be influenced in a way that is adverse to the interests of WECC.
  3. Where there is any question about potential conflicts of interest, the Employee shall disclose to the Chief Executive Officer as soon as possible and prior to when

WECC takes action with respect to that matter, the material facts concerning the Employee's personal conflict of interest, and refrain from participating in, or from attempting to influence the action of any Directors or Employee(s) of WECC regarding those matters in which the Employee has a conflict of interest.

4. No Employee may be an employee, director of, or consultant to or provide services to or be associated in any way with any WECC Member without full disclosure to, and written consent of, the Chief Executive Officer. To the extent that an Employee becomes aware that a Family Member is or will in the future be engaged in activity described in this Paragraph F(4), the Employee shall promptly notify the Chief Executive Officer, who shall review all the material facts and determine whether they constitute a conflict of interest pursuant to Paragraphs F(1) and F(2), above.
5. No Employee shall participate in any electric energy transaction other than for ordinary personal use except to the extent necessary to, and consistent with, the functions of WECC. Participation in an energy transaction includes, but is not limited to, purchasing, selling, marketing, or brokering of electricity, ancillary services, electricity transmission or electricity distribution. To the extent that an Employee becomes aware that a Family Member is or will in the future be engaged in activity described in this Paragraph F(5), the Employee shall promptly notify the Chief Executive Officer who shall review all the material facts and determine whether they constitute a conflict of interest pursuant to Paragraphs F(1) and F(2), above.
6. All Employees shall promptly disclose to the CEO and the Chair of the Board any direct or indirect financial interest in excess of \$5,000 (including the direct or indirect ownership of securities) held by the Employee or a Family Member living with the Employee<sup>2</sup> in any Electric Line of Business entity as defined in Section 3.15 of the Bylaws doing business in the Western Interconnection. Upon such disclosure, the CEO and the Chair of the Board shall determine whether such financial interest constitutes a conflict of interest, or the appearance thereof, in light of the duties of the Employee, the ability to divest such financial interest without undue hardship and the totality of the circumstances. In response to such disclosure, the CEO and the Chair may impose such remedies as are reasonable under the circumstances and consistent with section 9.3 of the Bylaws. Such remedies may include, but are not limited to, restrictions on the Employee's duties or involvement in certain matters, transfer of the Employee to another position, broader disclosure of the financial interest, voluntary or mandatory divestiture of the interest (in whole or in part) or other remedies. Pursuant to section 9.3.2 of the Bylaws, if an Employee (not a Family Member) receives a gift or inheritance of securities

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<sup>2</sup> Nothing in this section shall require an Employee to investigate the financial interests of Family Members not living with the Employee. However, to the extent known to the Employee, the financial interests of a Family Member not living with the Employee may create a potential conflict of interest (or appearance thereof) subject to Sections II(B) and/or II(F)(1) of these standards, in which case disclosure pursuant to Section II(F)(3) is appropriate.

of a Member of the WECC, or if a new Member joins the WECC in which the Employee (not a Family Member) holds securities, the Employee must resign or divest such securities within six months thereafter. For the purposes of this section, none of the following shall constitute a direct or indirect financial interest:

- a. An interest that exists through diversified mutual funds;
- b. An interest that exists for six months following receipt of a gift or inheritance of securities of a Market Participant or acceptance of employment with the WECC, whichever is later (provided that employees of the WSCC shall have two years from the WECC organizational meeting to divest securities in their possession as of that date);
- c. An interest that exists through a pre-existing participation in a qualified defined benefits pension plan or health benefits plan of a Market Participant so long as the benefits under such plan do not vary with the economic performance or value of the securities of such Market Participant.

## Appendix C

### WECC Dispute Resolution Procedures

#### C. DISPUTE RESOLUTION.

C.1 Obligation To Comply with Dispute Resolution Procedures. If any dispute concerning one or more issues identified in Section C.2 below arises between a Member and one or more other Members, or between one or more Members and WECC, all of the parties to the dispute shall, to the extent permitted by law, be obligated to comply with the dispute resolution procedures specified in these Bylaws (except to the extent all of the parties to the dispute may agree otherwise as provided in Section C.4 below). Only Members and WECC have the right to invoke the provisions of this Appendix C and, except where all affected parties have separately agreed otherwise with respect to a particular dispute, only Members and WECC are obligated to carry out the dispute resolution procedures set forth herein. Any dispute subject to the provisions of this Appendix C to which WECC is made a party shall be subject to the additional requirements specified in Section C.3 below if the dispute is initiated by a party other than WECC. To the extent permitted by law (and except as otherwise permitted by the provisions of Section C.6.3), no party to a dispute subject to the provisions of this Appendix C may pursue any other available remedy with respect to the dispute until all of the parties to the dispute have fully complied with the dispute resolution procedures specified herein, *provided, however*, that if any party to a dispute subject to the provisions of this Appendix C refuses to comply with the dispute resolution procedures specified herein, all other parties to the dispute shall subsequently be relieved of any further obligation to comply with these dispute resolution procedures before pursuing other remedies in connection with that dispute.

C.2 Issues Subject to Dispute Resolution Procedures. Any dispute between or among the parties identified in Section C.1 above (that the parties to the dispute do not resolve through negotiations between or among themselves) shall be subject to the dispute resolution procedures set forth in this Appendix C if the dispute concerns: (i) the application, implementation, interpretation, or fulfillment of any guidelines, criteria, policies, procedures, or Bylaws of WECC or the North American Electric Reliability Council (or any successor organization); or (ii) any matter specified in Section C.6.2 below; except that any matter that is subject to the jurisdiction of the WECC Compliance Hearing Body is not subject to the requirements of this Appendix C. Notwithstanding the foregoing provisions of this Section C.2, however, neither WECC nor any Member shall be obligated to comply with the dispute resolution procedures of these Bylaws if: (a) the matter in dispute falls within the scope of the dispute resolution procedures set forth in the governing agreements of the Western Regional Transmission Association, the Southwest Regional Transmission Association, or the Northwest Regional Transmission Association to the extent that such organizations continue to exist; (b) the dispute is between two or more Members (or WECC), all of which, at the time of the dispute, are parties to the WECC Reliability Management System Agreement and the matter is within the scope of the dispute resolution procedures set forth in that agreement; or (c) the dispute is between two or more Members, all of which, at the time of the dispute, are parties to a separate agreement or treaty or where an applicable tariff, rate schedule, or other legal obligation of one of the parties provides for the parties to resolve the dispute in a manner other than in accordance with the provisions of this Appendix C of the Bylaws. With regard to a transmission access matter pursuant to Sections 10.1.2, 10.1.3, 10.5 and C.6.2.3, however, members agree that their rights and obligations pursuant to

Sections 210 and 211 of the FPA shall not by themselves supersede or relieve them of their obligation, if any, to participate in the procedures set forth in this Appendix C.

C.3 Limitations on Members' Rights To Make WECC a Party to a Dispute. In addition to the other provisions of this Appendix C of the Bylaws, any dispute (other than a dispute initiated by WECC) to which WECC is made a party shall be subject to the limitations set forth in Sections C.3.1 and C.3.2 below.

C.3.1 Bases for Using Dispute Resolution Procedures To Challenge WECC Action.

Subject to any limitation set forth in these Bylaws or in applicable statute, regulation or FERC order, one or more Members may use the dispute resolution procedures specified in this Appendix C to challenge any final action of WECC only on one or more of the following bases: (i) the action is contrary to applicable law or regulation; (ii) the action is contrary to WECC's Articles of Incorporation or these Bylaws (including WECC's purposes as set forth in those documents); (iii) the action was taken in violation of applicable procedures of WECC governing that action; or (iv) the action encompasses a decision in which there was plain error material to the decision. For purposes of this Appendix C, action taken by WECC shall be deemed final if: (a) the action has been taken or adopted or approved or accepted by WECC's Board of Directors (other than by a motion specifically providing that the action is conditional or will have temporary application not to exceed six months); (b) all conditions specified to make any conditional action of WECC's Board of Directors effective have been fulfilled; or (c) the action has been taken or adopted or approved or accepted by a committee, subcommittee, task force, or other group or person acting under authority of WECC without any provision making the action

subject to further approval or adoption or acceptance by the Board of Directors. Nothing contained in this Appendix C shall limit any rights any Member (or any other party) may have under applicable law or regulation to initiate or participate in an administrative or legal action to which WECC is made a party in accordance with applicable provisions of law or regulation.

C.3.2 Obligation to Bear WECC's Share of Facilitator Costs. If one or more Members initiate a dispute under this Appendix C to challenge an action of WECC, the Member(s) initiating the challenge shall be obligated to bear all of the costs of facilitators' services incurred to comply with the requirement of Section C.5 below, except to the extent WECC agrees to pay a share of the costs of facilitators' services.

C.4 Ability to Modify Dispute Resolution Procedures by Agreement. Any provision of the dispute resolution procedures set forth in this Appendix C may be modified, waived, or omitted by agreement of all of the parties to the dispute. Parties to a dispute subject to these provisions are obligated to comply with its procedures unless all of the parties to the dispute agree to do otherwise. The manner in which the dispute resolution procedures set forth in this Appendix C may be varied include (by way of example and not as limitation): the manner of selecting a facilitator or arbitrator; the procedures or time lines to be followed during mediation or arbitration; the grounds or forum or right to appeal an arbitrator's decision; the manner of allocating fees and costs associated with the dispute; whether the parties are obligated to proceed to arbitration if the dispute is not resolved through mediation; and whether a decision rendered through arbitration is binding on the parties. In addition, any dispute that does not fall within the scope specified in Section C.2 above may

be resolved according to the procedures set forth in Appendix C of these Bylaws if all of the parties to the dispute agree to do so.

C.5 Mediation.

C.5.1 Notice to Other Parties and WECC's Chief Executive Officer. To initiate the dispute resolution process with respect to a dispute governed by the provisions of this Appendix C, the Member or WECC that has elected to initiate the dispute shall deliver to all other parties to the dispute and to WECC's Chief Executive Officer (whether or not WECC is a party to the dispute) written notice invoking the dispute resolution procedures set forth in this Appendix C (a "Dispute Notice").

C.5.1.1 The Dispute Notice shall: (i) include a brief, general description of the matter(s) in dispute; (ii) include a complete list of all other Members the party submitting the Dispute Notice intends to make a party to the dispute; and (iii) state whether or not WECC is to be made a party to the dispute.

C.5.1.2 Within five business days of receiving a Dispute Notice, any party to the dispute may elect to deliver a brief supplemental description of the dispute to WECC's Chief Executive Officer.

C.5.1.3 Within 10 business days of receiving an initial Dispute Notice, WECC's Chief Executive Officer shall: (a) publish (or cause to be published) in WECC's newsletter or on its electronic bulletin board a notice containing a list of the parties to the dispute and a summary of the descriptions of the matter(s) in dispute provided by the parties to the dispute; and (b) deliver to each party to the dispute a copy of WECC's then-current standing list of



qualified facilitators, knowledgeable in the matters addressed by WECC (as approved by the Board of Directors).

C.5.1.4 No person may be listed on WECC's standing list of qualified facilitators unless the person has agreed to: (i) disclose, at any time the person is selected to serve as a facilitator under this Appendix C, any personal or financial interest the facilitator may have with respect to the matter(s) in dispute (including any indirect personal or financial interest that could arise because of interests or relationships affecting any of the facilitator's immediate family members); (ii) disclose any relationship the facilitator may have with any party to the dispute that is not permitted under Section C.5.2 below; and (iii) abide by all applicable provisions of these Bylaws, including restrictions on disclosure of matters discussed and information exchanged during mediation as provided in Section C.5.3 below.

C.5.2 Selection of a Facilitator. Within 10 calendar days after the delivery of a Dispute Notice, the parties to the dispute shall select a neutral facilitator by mutual agreement. If the parties to the dispute cannot agree on a facilitator within 10 calendar days after delivery of a Dispute Notice, the facilitator shall be selected from WECC's standing list of qualified facilitators as follows: The parties to the dispute shall take turns striking names from WECC's standing list of qualified facilitators until there is only one name remaining. (The parties to the dispute shall draw lots to determine the order in which they take turns striking names.) The last person whose name remains on the list shall serve as the facilitator. No facilitator other than a facilitator chosen by agreement of all the parties to the dispute may (i) have a

personal or financial interest in the matter(s) in dispute (including any indirect personal or financial interest that could arise because of interests or relationships affecting any of the facilitator's immediate family members); or (ii) be (or have an immediate family member who is) a past or present director, commissioner, officer, employee, consultant, agent, or other representative of any of the parties to the dispute. If the facilitator selected through the process of striking names specified above is disqualified under the preceding sentence, the facilitator whose name was stricken last shall serve in his or her place. In addition, if WECC is a party to a dispute initiated by one or more Members, turns striking names from the standing list of qualified facilitators shall alternate between WECC on the one hand and all other parties to the dispute on the other.

C.5.3 Mediation Process. The facilitator and representatives of all of the parties to the dispute shall meet within 14 calendar days after the facilitator has been selected and attempt in good faith to negotiate a resolution to the dispute. Each party's representative designated to participate in the mediation process must have the authority to settle the dispute (or, at a minimum, be authorized to negotiate on behalf of the party and make recommendations with respect to settlement of the dispute if final authority to approve a settlement is reserved to a party's board, executive committee, commission, or other governing body). At the parties' initial meeting with the facilitator, the facilitator shall, after soliciting input from the parties to the dispute, set the schedule for further meetings among the parties to the dispute (subject to the 60-day maximum mediation period specified in Section C.5.6 below). The parties to the dispute shall comply with the schedule set by the facilitator and attempt in good faith at every meeting to negotiate a resolution to the dispute. To the

extent permitted by law, neither the facilitator nor any party to the dispute may publicly disclose, rely on, or introduce as evidence in any subsequent arbitration, FERC proceeding, Canadian Regulatory Authority proceeding, proceeding before a Mexican Regulatory Authority, appeal, or litigation concerning the same or any related dispute: (i) any views expressed or suggestions made by another party to the dispute with respect to a possible settlement of the dispute; (ii) admissions made by another party to the dispute in the course of the mediation proceedings; (iii) proposals made or views expressed by the facilitator; or (iv) the fact that another party to the dispute has or has not indicated willingness to accept a proposal for settlement made by the facilitator. In those cases in which a party to a dispute subject to the provisions of this Appendix C of the Bylaws is a membership organization (including WECC, if applicable), nothing in the preceding sentence shall prohibit that organization from reasonably communicating with its members and governing body to share general information about the dispute, such as the parties, status, disputed issues, and positions of each of the parties with respect to the disputed issues.

C.5.4 Referral for Resolution. With the consent of all parties to the dispute, a resolution may include referring the matter to a technical body (such as a technical advisory panel of WECC) for resolution or an advisory opinion, to arbitration, directly to FERC or, in a dispute involving a Canadian Member, directly to the appropriate Canadian Regulatory Authority, or, in a dispute involving a Mexican Member, directly to the appropriate Mexican Regulatory Authority.

C.5.5 Mediation Participation by WECC Staff When WECC Not a Party. If, during the course of mediation to which WECC is not a party, the facilitator or any party to the dispute wishes to solicit the views of WECC concerning the application,

implementation, interpretation, or fulfillment of any guidelines, criteria, standards, policies, or procedures of WECC, the facilitator may request or permit the submission of WECC staff views only if: (i) any participation by WECC staff takes place exclusively in the presence of all parties to the dispute; (ii) participating WECC staff members agree to be equally available upon request to all parties to the dispute; and (iii) participating WECC staff members agree to comply with the restrictions on disclosure contained in Section C.5.3.

C.5.6 Mediation Deemed at Impasse After 60 Days. If the parties to the dispute have met and negotiated in good faith in accordance with the schedule set by the facilitator but have not succeeded in negotiating a resolution of the dispute within 60 calendar days after the first meeting with the facilitator pursuant to Section C.5.3 above, the parties to the dispute shall be deemed to be at impasse and, except as otherwise provided in Section C.5.6.2 below, shall also be deemed to have fulfilled their obligations under Section C.1 of these Bylaws to fully comply with the dispute resolution provisions before pursuing any other available remedy. If any party participating in the mediation process is subject to a contractual or statutory limitations period with respect to the matter in dispute, and the limitations period will expire before the 60-day period for mediation under this Section C.5.6 is completed, then the parties shall be deemed at impasse on the seventh calendar day preceding the expiration of the shortest applicable limitations period.

C.5.6.1 Disputes Not Subject to Provisions of Section C.6.2. Unless the matter in dispute is subject to the provisions of Section C.6.2 below, at any time after the parties to the dispute are deemed at impasse, the dispute may be submitted to binding arbitration in accordance with the procedures set forth in Section C.7 of these Bylaws (but only by agreement of all of the parties to the dispute). If the matter in dispute is subject to the provisions of

Section C.6.2 below, the parties' obligations with respect to submitting the matter to binding arbitration under Sections C.6 and C.7 of these Bylaws shall be as specified in Section C.5.6.2 below. In all other cases, if the parties to the dispute do not agree to submit the dispute to binding arbitration in accordance with the procedures set forth in Section C.7 of these Bylaws, any party to the dispute may at any time thereafter pursue any other remedy available under regulation, law, or equity (subject to the restrictions on disclosure set forth in Section C.5.3 above).

C.5.6.2 Disputes Covered by Section C.6.2. If the parties to a dispute concerning a matter subject to the provisions of Section C.6.2 either: (i) are deemed at impasse after attempting to resolve the matter through mediation as provided in Sections C.5.1 through C.5.6 above; or (ii) have agreed to submit the matter directly to binding arbitration without attempting to resolve the matter through mediation as provided in Sections C.5.1 through C.5.6 above, the parties to the dispute shall submit the matter to binding arbitration in accordance with the procedures set forth in Sections C.6 and C.7 of these Bylaws.

C.5.7 Costs of Facilitator's Services. Except as otherwise provided under Section C.3.2, the costs of the facilitator's services shall be born equally by all parties to the dispute unless the parties to the dispute agree otherwise, but the parties also intend that the costs of mediation should be taken into account in any resolution proposed through the mediation process.

C.5.8 Notice to WECC of Completion of Mediation. Within 10 calendar days after either: (i) reaching a negotiated resolution through the mediation process set forth in Section C.5; or (ii) reaching deemed impasse in accordance with Section C.5.6 above, the parties to the dispute shall jointly deliver to WECC's Chief Executive Officer a written notice briefly describing the outcome of the mediation process. Promptly

after receiving written notice describing the outcome of a mediation conducted in accordance with Section C.5, WECC's Chief Executive Officer shall publish (or cause to be published) in WECC's newsletter or on its electronic bulletin board a brief description of the outcome of the mediation, together with a list of all of the parties to the dispute.

C.6 General Provisions Relating to Binding Arbitration.

C.6.1 Matters for Which Binding Arbitration is Elective. Except with respect to any dispute that concerns one or more matters specified in Section C.6.2 below, the binding arbitration procedures set forth in Section C.7 may be invoked only by agreement of all of the parties to the dispute to be arbitrated and are solely for the convenience of WECC and its Members. If a dispute governed by this Appendix C does not concern a matter specified in Section C.6.2 below, a party to the dispute shall be deemed to have fulfilled its obligations to comply with Appendix C of these Bylaws (irrespective of whether the parties to the dispute agree to proceed with binding arbitration) to the extent that either: (i) that party has fully performed the obligations set forth in Sections C.1 through C.5.8; or (ii) all of the parties to the dispute have agreed to a different process for resolving the dispute and the agreed-upon process has been fully carried out.

C.6.2 Matters for Which Binding Arbitration Is Obligatory. If a dispute is governed by Appendix C of these Bylaws and is not resolved through the process of mediation in accordance with Sections C.5.1 through C.5.6 above, the parties shall be obligated to submit the matter to binding arbitration in accordance with the procedures set forth in Section C.7 (subject to the limitations on the arbitrator's authority set forth in Section C.6.3 below) if the dispute concerns one or more of the following matters:

- C.6.2.1 a decision of WECC’s Board of Directors or a Committee of the Board acting on the recommendation of, or on a matter within the jurisdiction of, the Operating Transfer Capability Policy Group (“OTCPG”) or successor;
- C.6.2.2 a transmission path rating, or a modification to a transmission path rating, assigned to one or more transmission paths operated by a Member (or jointly operated by more than one Member);
- C.6.2.3 transmission access, pursuant to Sections 10.1.2, 10.1.3, and 10.5; or
- C.6.2.4 any matter that, by vote of both WECC’s Board of Directors and WECC’s Membership, is designated as a matter to be subject to the provisions of Section C.6.2 of these Bylaws, provided that any matter submitted to WECC’s Membership pursuant to this provision must be approved by at least the number of votes required to amend these Bylaws under Section 13.2.

C.6.3 Limitations on Arbitrator’s Authority with Respect to Matters Specified in Section C.6.2. Unless all of the parties to a dispute agree otherwise, an arbitrator rendering a decision with respect to any matter specified in Section C.6.2 above shall have no authority to consider or award remedies for past economic harm or damages of any kind, including without limitation actual or direct damages; indirect, consequential, or incidental damages; or exemplary or punitive damages. Nothing in this Section C.6.3 shall: (i) limit any rights that a party to a dispute concerning a matter specified in Section C.6.2 above may have to pursue legal claims for damages or other economic remedies after the arbitrator has rendered his or her decision on that matter (within the scope of his or her authority under this Section C.6.3); or (ii) limit an

arbitrator's authority under Section C.8 below to shift costs or impose monetary sanctions for "good cause" (as that term is defined in Section C.8).

C.6.4 Arbitration Decisions Not To Modify Underlying Rights and Obligations. Unless all of the parties to a dispute agree otherwise, the resolution through binding arbitration of any dispute governed by this Appendix C shall not have the effect of increasing, decreasing, or otherwise modifying WECC's or any Member's obligation to abide by, or ability to enforce or impose penalties or sanctions with respect to, any guidelines, criteria, standards, policies, procedures, decisions, or Bylaws of WECC or any limitation on the foregoing, whether established by law; regulation; judicial, executive, or administrative order, decree, or decision; tariff; contract; course of performance; treaty; or otherwise.

C.6.5 Laws Relating to Binding Arbitration. WECC and its Members recognize that some Members may be subject to laws (including without limitation United States federal or state laws, Canadian or provincial laws, or Mexican laws) that limit or define those Members' ability to agree in advance to be subject to binding arbitration. If a Member has the right or obligation under applicable law to refuse to submit to binding arbitration in connection with any dispute that would otherwise be subject to binding arbitration under Section C.6.2 of these Bylaws, that Member shall not be obligated to comply with the binding arbitration procedures set forth in Sections C.6 and C.7. Any Member subject to any law or other legally binding authority that may limit (or permit the Member to limit) its obligation to comply with the provisions requiring binding arbitration under Sections C.6 and C.7 or to fully comply with a valid arbitrator's decision rendered in accordance with this Appendix C shall provide



notice to this effect to all other disputing parties and WECC's Chief Executive Officer upon initiation of any dispute involving that Member if the dispute is subject to Section C.6.2. Upon receiving a notice under Section C.6.5, any other party to the dispute shall thereafter be relieved of any obligation to comply with the provisions Sections C.6 and C.7 in connection with that dispute, except to the extent that the Member giving notice agrees to be fully bound by procedures governing and results of any arbitration proceeding. If there are more than two parties to a dispute covered by the preceding sentence, however, then all parties to the dispute other than the party giving notice under Section C.6.5 shall make good faith efforts to establish a mutually acceptable approach for resolving among themselves whatever aspects of the dispute can reasonably be resolved through the procedures set forth in this Appendix C without the participation of the party giving notice under Section C.6.5. If any Member fails to submit to binding arbitration, or fails to abide by a valid arbitrator's decision rendered in accordance with this Appendix C, that Member shall thereafter have no right to enforce any of the provisions of Section C.6.2 (concerning obligations to submit specified disputes to binding arbitration) against any other Member or WECC until such time as the WECC Board of Directors, or a delegate designated by the Board, determines that it is appropriate to restore the Member's ability to enforce the provisions of Section C.6.2.

C.6.6 Consistency with Laws, Regulatory Jurisdiction and Orders, Etc. Nothing contained in this Appendix C and no arbitrator's decision rendered in accordance with Section C.7 shall be construed to require or shall otherwise operate to cause any Member or WECC to incur any obligation or take any action that is contrary to: (i) any

applicable law or regulation; (ii) any applicable authority, order, decree, rule, or decision of a regulatory, judicial, administrative, executive, or other governmental body having jurisdiction over one or more of the matters or parties subject to this Appendix C or covered by an arbitrator's decision; or (iii) any applicable rate schedule, tariff, treaty, or valid, pre-existing contractual obligation with which any party subject to this Appendix C or covered by an arbitrator's decision is legally obligated to comply.

C.7 Arbitration Procedures.

C.7.1 Notice to WECC of Initiation of Binding Arbitration. Within 10 calendar days after all of the parties to a dispute have agreed (or become obligated under Section C.6.2 above) to submit the dispute to binding arbitration under Sections C.6 and C.7, the parties to the dispute shall deliver written notice to WECC's Chief Executive Officer (an "Arbitration Notice").

C.7.1.1 The Arbitration Notice shall: (i) include a brief, general description of the issues to be arbitrated; and (ii) identify all parties who have agreed (or become obligated) to submit the dispute to binding arbitration under Sections C.6 and C.7.

C.7.1.2 Within five business days of receiving an Arbitration Notice, WECC's Chief Executive Officer shall: (a) publish (or cause to be published) in WECC's newsletter or on its electronic bulletin board a notice containing a list of the parties to the arbitration and the parties' brief, general description of the issues to be arbitrated; and (b) deliver to each party to the dispute a copy of

WECC's then-current standing list of qualified arbitrators, knowledgeable in matters addressed by WECC (as approved by the Board of Directors).

C.7.1.3 No person may be listed on WECC's standing list of qualified arbitrators unless the person has agreed to: (a) disclose, at any time the person is selected to serve as a arbitrator under this Appendix C, any personal or financial interest the arbitrator may have with respect to the matter(s) in dispute (including any indirect personal or financial interest that could arise because of interests or relationships affecting any of the arbitrator's immediate family members); (b) disclose any relationship the arbitrator may have with any party to the dispute that is not permitted under Section C.7.2 below; (c) assemble a complete record of the arbitration process and the materials received as evidence by the arbitrator if any of the parties to the dispute elect to appeal or contest the arbitrator's decision; and (d) abide by all applicable provisions of and procedures specified by Sections C.6 and C.7.

C.7.2 Selection of an Arbitrator. Within 10 calendar days after all of the parties to a dispute have agreed (or become obligated) to submit the dispute to binding arbitration under Sections C.6 and C.7, the parties to the dispute shall select an arbitrator by mutual agreement. If the parties cannot agree on an arbitrator within 10 calendar days after agreeing to arbitrate their dispute, the arbitrator shall be selected from WECC's standing list of qualified arbitrators as follows: The parties to the dispute shall take turns striking names from WECC's standing list of qualified arbitrators until there is only one name remaining. (The parties to the dispute shall draw lots to determine the order in which they take turns striking names.) The last

person whose name remains on the list shall serve as the arbitrator. No arbitrator other than an arbitrator chosen by agreement of all the parties to the dispute may (i) have a personal or financial interest in the matter(s) in dispute (including any indirect personal or financial interest that could arise because of interests or relationships affecting any of the arbitrator's immediate family members); or (ii) be (or have an immediate family member who is) a past or present director, commissioner, officer, employee, consultant, agent, or other representative of any of the parties to the dispute. If the arbitrator selected through the process of striking names specified above is disqualified under the preceding sentence, the arbitrator whose name was stricken last shall serve in his or her place.

C.7.3 Initial Statements and Proposed Arbitration Decisions. Within 10 calendar days after the selection of an arbitrator under Section C.7.2 above, each party to the dispute shall submit a statement in writing to all other parties to the dispute and to the arbitrator. Each disputing party's statement shall set forth in reasonable detail the nature of the dispute, the issues to be arbitrated, and the party's reasonable, good faith proposal for resolving the dispute. As provided in Section C.5.3 above, to the extent permitted by law, no party to an arbitration conducted under Sections C.6 and C.7 shall publicly disclose, rely on, or introduce as evidence in any arbitration, FERC proceeding, Canadian Regulatory Authority proceeding, proceeding before a Mexican Regulatory Authority, appeal, or litigation concerning the same or any related dispute any information required to be kept confidential by the terms of Section C.5.3.

C.7.4 Procedural Matters. The arbitrator shall determine discovery procedures, how evidence shall be taken, what written submittals may be made, and other such procedural matters, taking into account the complexity of the issues involved, the extent to which factual matters are disputed and the extent to which the credibility of witnesses is relevant to a resolution. Each party to the dispute shall produce all evidence determined by the arbitrator to be relevant and material to the issues presented. If such evidence involves proprietary or confidential information, the party submitting the evidence shall petition the arbitrator for a protective order, and to the extent the arbitrator determines there is good cause the arbitrator shall issue an appropriate protective order and all parties to the dispute shall comply with the protective order. The arbitrator may elect to resolve the arbitration matter solely on the basis of written evidence and arguments.

C.7.5 Out-of-Court Sworn Testimony. At the request of any disputing party, the arbitrator shall have the discretion to allow that party to examine witnesses through sworn out-of-court testimony (referred to in the United States as “deposition” and in Canada as “discovery”) to the extent the arbitrator deems the evidence sought to be relevant and appropriate. In general, out-of-court witness examinations shall be limited to a maximum of three per party and shall be held within 30 calendar days after the making of a request. Each witness examination shall be limited to a maximum of three hours’ duration. The arbitrator shall have the discretion to permit the number and duration of examination sessions allowed under this Section C.7.5 to be increased, and to extend the 30-day time limit, upon request for good cause shown.

All objections are reserved for the arbitration hearing except for objections based on privilege and proprietary or confidential information.

C.7.6 Intervention by Other Parties. Unless all of the parties to the dispute agree otherwise, no one (whether a Member, WECC, or any other entity or person) that is not a party to a dispute at the initiation of arbitration under Sections C.6 and C.7 shall have the right to intervene in the arbitration. Any party wishing to intervene in an arbitration under Sections C.6 and C.7 may petition the arbitrator for permission to intervene, provided that the petition is submitted to the arbitrator not more than 30 calendar days after notice of the arbitration is posted by WECC's Chief Executive Officer in accordance with Section C.7.1. The arbitrator shall have the discretion to permit a party to intervene if the arbitrator determines that the party petitioning to intervene has a direct and substantial interest in the outcome of the arbitration. In exercising his or her discretion concerning a requested intervention, the arbitrator shall also consider any additional complexity or delay that may be caused by allowing the intervention and also any other remedies available to the party requesting intervention. Any party that is granted the privilege of intervening in an arbitration under Sections C.6 and C.7 shall be permitted to intervene subject to the same terms, conditions, limitations, rights, and obligations of all other parties to the dispute, including without limitation the binding effect of arbitrator's decision, limitations on rights of appeal, the obligation to share equally in the costs of the arbitrator, and the obligation to be subject to the provisions of Section C.8.

C.7.7 Consideration of WECC Criteria, Etc. The Arbitrator shall give due consideration to the reliability criteria, standards, guidelines, policies, and procedures of WECC and

the North American Electric Reliability Council (or any successor organization) to the extent they are relevant to resolution of the matter(s) in dispute. If the arbitrator's decision will include interpretation of any of WECC's reliability criteria, standards, guidelines, policies, and procedures, (and WECC is not a party to the arbitration), the arbitrator shall, before rendering his or her decision, consult with WECC (subject to the provisions of Section C.7.10 below) concerning the interpretation of WECC's applicable reliability criteria, standards, guidelines, policies, and procedures.

C.7.8 Evidence and Rebuttal. The arbitrator shall consider all issues material to the matter(s) in dispute. The arbitrator shall take evidence submitted by the parties to the dispute in accordance with procedures established by the arbitrator and may request additional information the arbitrator deems material to the resolution of the dispute. With the consent of all parties to the dispute, the arbitrator's request for additional information may include the opinion of any individual or organization with recognized expertise in the matter(s) in dispute, subject to the following conditions: (i) any verbal communication with an expert consulted by the arbitrator must take place exclusively in the presence of all parties to the dispute and copies of any written communications must be provided to all parties to the dispute; (ii) any expert consulted by the arbitrator must agree to be equally available upon request to all of the parties to the dispute; (iii) any expert consulted by the arbitrator must agree to comply with the restrictions on disclosure contained in Section C.5.3; and (iv) all parties to the dispute shall be afforded a reasonable opportunity to question the expert and to rebut any additional information submitted by the expert at the request of the arbitrator.

C.7.9 Arbitrator's Decision. The arbitrator shall make all reasonable efforts to complete hearings (if applicable) and submissions of written evidence not more than 90 calendar days after receiving initial statements submitted under Section C.7.3 above. As soon as practicable, but in no event more than 30 calendar days after the completion of hearings and evidence submittals, the arbitrator shall render his or her final decision for resolving the dispute. By agreement of all of the parties to the dispute or at the discretion of the arbitrator for good cause, the foregoing deadline for delivery of the arbitrator's decision may be extended. The arbitrator's decision shall be based on the arbitrator's good faith determination of a resolution that will: (i) be consistent with any laws, rules, and regulations applicable to the matter(s) in dispute; (ii) be consistent with any valid pre-existing agreements among the parties to the dispute that bear on the matter(s) in dispute; (iii) not require any party to the dispute to take action that is not in compliance with any of WECC's reliability criteria, standards, guidelines, policies, and procedures; and (iv) best serve to promote or maintain reliable operation of the interconnected bulk power systems of the Western Interconnection, without imposing inequitable burdens or benefits on any of the parties to the dispute or others that may be affected by implementation of the arbitrator's decision. The arbitrator shall deliver to each of the parties to the dispute, along with his or her decision, a written statement including specific findings of fact, conclusions of law (if applicable), and an explanation of the arbitrator's basis for rendering his or her decision. Subject to any protective order that may have been issued under Section C.7.4 above, WECC's Chief Executive Officer shall publish (or cause to be published) in WECC's newsletter or electronic bulletin board a brief



summary of the arbitrator's decision. An arbitrator's decision that is not appealed shall not be deemed to be precedential in any other arbitration related to a different dispute.

C.7.10 WECC Staff Participation in Arbitration When WECC Not a Party. If, during the course of binding arbitration conducted under Sections C.6 and C.7 (in which WECC is not a party) the arbitrator or any party to the dispute wishes to solicit the views of WECC staff concerning the application, implementation, interpretation, or fulfillment of any guidelines, criteria, standards, policies, or procedures of WECC, the arbitrator may request or permit the submission of WECC staff views only with the consent of all of the parties to the dispute and only if: (i) any participation by WECC staff takes place exclusively in the presence of all parties to the dispute; (ii) participating WECC staff members agree to be equally available upon request to all parties to the dispute; and (iii) participating WECC staff members agree to comply with the restrictions on disclosure contained in Section C.5.3.

C.7.11 Compliance and Costs. Unless one or more of the parties to the dispute initiates and notifies all other parties to the dispute that it has initiated a process to contest or appeal the arbitrator's decision under Sections C.9 through C.13, upon the decision by the arbitrator, the parties to the dispute shall, within the time frame specified by the arbitrator, and, subject to Section C.6.6 above, take whatever action is required to comply with the arbitrator's decision to the extent the arbitrator's decision does not require regulatory action. To the extent the arbitrator's decision affects jurisdictional rates, terms and conditions of service, or facilities or otherwise requires local, state, federal, or provincial approval or regulatory action, or a FERC filing or a Canadian

Regulatory Authority filing by a Canadian Member or a Mexican Regulatory Authority filing by a Mexican Member, the affected Member (or WECC, if WECC is the party with the obligation to seek regulatory action) shall, within the time frame specified by the arbitrator, submit the arbitrator's decision or an appropriate filing to implement the arbitrator's decision and support the appropriate authority's acceptance or approval of the arbitrator's decision or implementation filing, except in cases where any party to the dispute has given notice of its intent to contest or appeal the arbitrator's decision. All costs associated with the arbitration (not including costs associated with attorney and expert witness fees incurred by the parties to the dispute) shall be divided equally among the parties to the dispute unless: (i) all of the parties to the dispute agree to an alternate method of allocating costs; or (ii) in rendering his or her decision, the arbitrator exercises his or her discretion under Section C.8 below to assess fees, costs, or other monetary sanctions against one or more of the parties to the dispute for good cause.

C.7.12 Entry of Judgment. At any time after an arbitrator has rendered his or her decision in an arbitration conducted under Sections C.6 and C.7 (provided that the time provided for initiating an appeal under Sections C.11.1 and C.12 below has expired and no appeal or other means of contesting the arbitrator's decision has been initiated), judgment on the decision rendered by the arbitrator may be entered by any court of competent jurisdiction (subject to the provisions of Sections C.6.3, C.6.4, and C.6.6 above). If the award is against the United States, a party to the arbitration may apply to the United States District Court for the district in which the principal office of the

applicable United States department or agency is located for an order confirming the award pursuant to 5 U.S.C. § 580.

C.8 Arbitrator's Discretion to Shift Costs or Impose Sanctions for Cause. Each party to any dispute submitted to arbitration under Sections C.6 and C.7 shall bear its own costs and fees associated with representation and participation in the arbitration process, and shall share equally in the arbitrator's fees except that the arbitrator shall have the discretion, to the extent permitted by law, to require one or more of the parties to the dispute to pay part or all of the costs and fees (including without limitation attorneys' and arbitrator's fees) of one or more other parties to the dispute, or to impose monetary sanctions on some other basis that is reasonable under the circumstances, for good cause. As used in this Section C.8, "good cause" means conduct involving serious abuse of or failure to comply with the dispute resolution process set forth in this Appendix C, willfully undertaken to harass or delay other parties to the dispute or to substantially impede the arbitrator's ability to render a decision consistent with the provisions set forth in Section C.7.9.

C.9 Rights to Appeal Arbitration Decisions. Except to the extent otherwise provided by applicable United States state or federal law, applicable Canadian or provincial law, or applicable Mexican law, a party to a dispute resolved by arbitration under Sections C.6 and C.7 may appeal or contest the arbitrator's decision only on one or more of the bases specified in Section C.9.1 below and only in accordance with the procedures set forth in Sections C.9.2 through C.13.

C.9.1 Grounds for Appealing Arbitration Decisions. A party to a dispute resolved by arbitration under Sections C.6 and C.7 may contest or appeal the arbitrator's decision only on the basis that: (i) the arbitrator's decision is contrary to applicable law or

regulation (including without limitation the FPA or FERC's then-applicable standards or policies, or comparable types of provisions that may apply under applicable Canadian, provincial, Mexican, or other laws and regulations); (ii) the arbitrator's decision is demonstrably arbitrary and capricious and without support in the record assembled during the arbitration; (iii) the arbitrator failed to afford one or more parties to the dispute an opportunity for a fair and meaningful hearing; (iv) the arbitrator engaged in serious misconduct in connection with the arbitration; (v) the arbitrator exceeded the authority conferred upon him or her under this Appendix C or as otherwise established by agreement of all the parties to the dispute; or (vi) the arbitrator's decision is contrary to the provisions of Section C.6.6.

C.9.2 Matter and One or More Parties to Dispute Subject to FERC Jurisdiction. If (i) the subject matter of a dispute arbitrated under Sections C.6 and C.7 is within the jurisdiction of FERC, and (ii) the conditions specified in Section C.12.1 or C.12.2 are satisfied, the rights of the parties to contest or appeal the arbitrator's decision shall be as set forth in Sections C.10 and C.12 below (subject also to the provisions of Section C.9.1 above). Notwithstanding the foregoing, nothing herein shall be construed or operate to require any Canadian or Mexican party or any other party that is not a "public utility" within the meaning of the FPA to make any filing with FERC under Sections 205 or 206 of the FPA.

C.9.3 All Parties and Matters in Dispute Subject to Jurisdiction of a Canadian Regulatory Authority. If all of the parties to an arbitrated dispute are subject to the jurisdiction of a particular Canadian Regulatory Authority, and if all matters in dispute are also subject to the jurisdiction of the same Canadian Regulatory Authority, any disputing

party may appeal an arbitrator's decision to that Canadian Regulatory Authority, where such Canadian Regulatory Authority has jurisdiction to hear the appeal, or to the appropriate Canadian court. Any appeal to a Canadian Regulatory Authority or Canadian court shall be subject to the provisions set forth in Sections C.10 and C.11 below.

- C.9.4 All Parties and the Matter in Dispute Subject to Jurisdiction of a Mexican Regulatory Authority. If all of the parties to an arbitrated dispute are subject to the jurisdiction of a particular Mexican Regulatory Authority, and if all matters in dispute are also subject to the jurisdiction of the same Mexican Regulatory Authority, any disputing party may appeal an arbitrator's decision to the appropriate Mexican Regulatory Authority, subject to the provisions set forth in Sections C.10 and C.11 below.
- C.9.5 Appeal to Court. If none of the preceding provisions concerning appealing or contesting an arbitrator's decision before FERC, a Canadian Regulatory Authority, or a Mexican Regulatory Authority apply to an arbitrated dispute, any party to an arbitrator's decision rendered in accordance with the provisions of Sections C.6 and C.7 may appeal the arbitrator's decision to a court of competent jurisdiction as provided under Section C.13 below.
- C.10 Appealing or Contesting Arbitrator's Decision to FERC or a Presiding Authority. Subject to the conditions specified in Sections C.9.1 through C.9.5 above, any disputing party may appeal or contest an arbitrator's decision to FERC or an appropriate Presiding Authority as follows:
- C.10.1 Record on Appeal. Except as otherwise provided in Section C.10.3 below, any appeal or action to contest an arbitrator's decision to FERC or a Presiding Authority

shall be based solely upon the record assembled by the arbitrator. All parties to arbitrations conducted under Sections C.6 and C.7 intend that: (i) the FERC or other Presiding Authority should afford substantial deference to the factual findings of the arbitrator; (ii) the portion, if any, of the arbitrator's decision relating to issues not of first impression (i.e., matters previously decided by the FERC or other Presiding Authority or a court of competent jurisdiction in cases involving comparable facts and circumstances) should be afforded appropriate deference by the FERC or other Presiding Authority; and (iii) the portion, if any, of the arbitrator's decision relating to issues of first impression should be afforded no deference by the FERC or other Presiding Authority.

C.10.2 No Expansion of Record on Appeal. Except as otherwise provided in Section C.10.3 below, no Member, non-Member, or WECC that has been a party to an arbitration under Sections C.6 and C.7 shall seek to expand the factual record before FERC or a Presiding Authority beyond that assembled by the arbitrator.

C.10.3 Exceptions to Limitations on Record on Appeal. If the arbitrator fails to assemble a complete record of the evidence submitted with respect to an arbitrated decision that is appealed pursuant to Sections C.9 through C.13, the parties to the appeal shall, notwithstanding the provisions of Sections C.10.1 and C.10.2 above, have the right to supplement the arbitrator's record before FERC or the Presiding Authority with any materials received into evidence by the arbitrator but omitted from the record assembled by the arbitrator. If an arbitrator's decision is appealed under Section C.9.1(iii) or (iv) above on the grounds that the arbitrator improperly excluded evidence so as to materially prejudice the outcome of the arbitration with respect to

one or more of the parties to the dispute, any party to the appeal may submit the evidence asserted to be improperly excluded, but only as a basis to request that FERC or the Presiding Authority vacate the arbitrator's decision and remand the matter to the arbitrator (or, if FERC or the Presiding Authority determines that the arbitrator engaged in serious misconduct, to a newly selected arbitrator) for reconsideration of the matter with inclusion of the improperly excluded evidence. If an arbitrator's decision is appealed under Section C.9.1(iv) above on the grounds of serious misconduct by the arbitrator, any party to the appeal may offer new evidence relating to the arbitrator's alleged misconduct.

C.11 Procedures for Appeals to Presiding Authority. If any party to an arbitration under Sections C.6 and C.7 desires to appeal an arbitrator's decision to an appropriate Presiding Authority, it shall provide written notice to that effect to all other parties to the arbitration, the arbitrator, and WECC's Chief Executive Officer within 14 calendar days following the date of the arbitrator's decision. If notice of appeal is timely provided:

C.11.1 Within 30 calendar days after the date of the appealing party's first notice of appeal, the party providing notice of appeal shall file its statement of position regarding the appeal with the Presiding Authority, together with the complete evidentiary record of the arbitration and a copy of the arbitrator's decision. The statement of position shall state that the appeal requested has been the subject of an arbitration pursuant to this Agreement.

C.11.2 Within 30 calendar days after the date of the appealing party's first notice of appeal, any other party that was a party to the arbitration may file its statement of position regarding the appeal with the Presiding Authority.

- C.11.3 Copies of all materials filed with the Presiding Authority by any party during the course of an appeal shall be delivered to all other parties to the arbitration and to WECC's Chief Executive Officer.
- C.11.4 Implementation of the arbitrator's decision shall be deemed stayed pending an appeal unless and until, at the request of a disputing party, the Presiding Authority issues an order shortening or extending the stay of implementation.
- C.11.5 WECC's Chief Executive Officer shall publish (or cause to be published) a summary of each appeal in WECC's newsletter or electronic bulletin board.
- C.11.6 The Members and WECC intend that any Presiding Authority's order resulting from an appeal under Sections C.9 and C.11 shall be subject to judicial review pursuant to laws governing the Presiding Authority and the matter in dispute that provide for judicial review of Presiding Authority action.
- C.12 Procedures for Contesting or Appealing Arbitrator's Decision Before FERC. If any party to a dispute arbitrated under Sections C.6 and C.7 elects, subject to the limitations set forth in Sections C.9.1 through C.9.5 above, to contest or appeal an arbitrator's decision before FERC, the party so electing shall provide written notice to that effect to all other parties to the arbitration, the arbitrator, and WECC's Chief Executive Officer within 14 calendar days following the date of the arbitrator's decision. The provisions contained in Sections C.10.1, C.10.2, and C.10.3 above shall apply with respect to the record of the arbitration submitted to FERC. In addition, the following provisions shall apply:
- C.12.1 FERC Filing by Prevailing Party. If the arbitrator's decision requires the prevailing party to take action that must have FERC approval or involves the provision of FERC-jurisdictional service by the prevailing party, the prevailing party shall file the



arbitrator's decision or make an appropriate filing with FERC to implement the arbitrator's decision. Provided that it has given notice as required under Section C.12 above, any non-prevailing party may contest the prevailing party's filing in accordance's with FERC's applicable rules and regulations.

C.12.2 Complaint to FERC by Prevailing Party. If the arbitrator's decision requires a non-prevailing party to take action that must have FERC approval or involves the provision of FERC-jurisdictional service by any non-prevailing party, then, if the non-prevailing party has given notice as required under Section C.12 above, the prevailing party may submit the arbitrator's decision to FERC in the form of a complaint.

C.13 Appeal to Court. If none of the provisions that govern appealing or contesting an arbitrator's decision before FERC, a Canadian Regulatory Authority, or a Mexican Regulatory Authority as set forth in Sections C.9.2, C.9.3, or C.9.4 above apply, any disputing party may appeal an arbitrator's decision to any court of competent jurisdiction, subject to the conditions specified in Section C.9.1 above. Except as otherwise provided in Section C.10.3 above (substituting the words "court of competent jurisdiction" for "FERC or the Presiding Authority"), any appeal to a court shall be based solely upon the record assembled by the arbitrator, and no Member, non-Member, or WECC who is a party to an arbitration under Sections C.6 and C.7 shall seek to expand the factual record before the court beyond that assembled by the arbitrator.

## **Appendix of Additional Definitions Relating to Alternative Dispute Resolution Provisions**

Arbitration Notice has the meaning specified in Section C.7.1 of these Bylaws.

Canadian Regulatory Authority. The agency or agencies established under the laws of Canada or the applicable Provinces of Canada and having jurisdiction over facilities, interconnections, transmission rates, charges, terms, and conditions of service of a Canadian Member.

Dispute Notice has the meaning specified in Section C.5.1 of these Bylaws.

FERC. The Federal Energy Regulatory Commission or a successor agency.

FPA. The Federal Power Act (16 U.S.C. §§ 824 *et. seq.*), as it may be amended from time to time.

Mexican Regulatory Authority. The agency or agencies established under the laws of Mexico or the applicable states of Mexico and having jurisdiction over facilities, interconnections, transmission rates, charges, terms, and conditions of service of a Mexican Member.

Presiding Authority. As used in Sections C.10 and C.11, the term “Presiding Authority” has the following meanings: with respect to an appeal to an appropriate Canadian Regulatory Authority, “Presiding Authority” means the presiding Canadian Regulatory Authority or Canadian court with jurisdiction to hear the appeal; and with respect to an appeal to an appropriate Mexican Regulatory Authority, “Presiding Authority” means the presiding Mexican Regulatory Authority or Mexican court with jurisdiction to hear the appeal.

# **EXHIBIT C**

## Exhibit C – Regional Standard Development Procedure

Exhibit C shall set forth the Regional Entity’s standards development procedure, which NERC agrees meets the following common attributes:

### COMMON ATTRIBUTE 1

Proposed regional reliability standards shall be subject to approval by NERC, as the electric reliability organization, and by FERC before becoming mandatory and enforceable under Section 215 of the FPA [add reference to any applicable authorities in Canada and Mexico]. No regional reliability standard shall be effective within the Western Electricity Coordinating Council (“WECC”) area unless filed by NERC with FERC [and applicable authorities in Canada and Mexico] and approved by FERC [and applicable authorities in Canada and Mexico].

### COMMON ATTRIBUTE 2

WECC regional reliability standards shall provide for as much uniformity as possible with reliability standards across the interconnected bulk power system of the North American continent. A WECC reliability standard shall be more stringent than a continent-wide reliability standard, including a regional difference that addresses matters that the continent-wide reliability standard does not, or shall be a regional difference necessitated by a physical difference in the bulk power system. A regional reliability standard that satisfies the statutory and regulatory criteria for approval of proposed North American reliability standards, and that is more stringent than a continent-wide reliability standard, would generally be acceptable.

### COMMON ATTRIBUTE 3

WECC regional reliability standards, when approved by FERC [add applicable authorities in Canada], shall be made part of the body of NERC reliability standards and shall be enforced upon all applicable bulk power system owners, operators, and users within the WECC area, regardless of membership in the region.

### COMMON ATTRIBUTE 4

**Requester** — The requester is the sponsor of the regional reliability standard request and may assist in the development of the standard. Any member of WECC, or group within WECC shall be allowed to request that a regional reliability standard be developed, modified, or withdrawn. Additionally, any entity (person, organization, company, government agency, individual, etc.) that is directly and materially affected by the reliability of the bulk power system in the WECC area shall be allowed to request a regional reliability standard be developed, modified, or withdrawn.

## **COMMON ATTRIBUTE 5**

**[Standards or other named] committee** — The WECC [standards] committee manages the standards development process. The [standards] committee will consider which requests for new or revised standards shall be assigned for development (or existing standards considered for deletion). The [standards] committee will advise the WECC board on standards presented for adoption.

## **COMMON ATTRIBUTE 6**

*[Alternative 6A: For a Regional Entity that chooses to vote using a balanced stakeholder committee.]*

The [standards] committee is a balanced stakeholder committee, inclusive of all stakeholder interests that provide for or are materially impacted by the reliability of the bulk power system. [The [standards] committee votes to approve standards.] See Appendix A for the representation model of the [standards] committee.

*[Alternative 6B: For a Regional Entity that chooses to vote using a balanced ballot body of stakeholders.]*

**[Registered ballot body]** — The registered ballot body comprises all entities or individuals that qualify for one of the stakeholder segments; are registered with WECC as potential ballot participants in the voting on standards; and are current with any designated fees. Each member of the registered ballot body is eligible to vote on standards. [Each standard action has its own ballot pool formed of interested members of the registered ballot body. Each ballot pool comprises those members of the registered ballot body that respond to a pre-ballot survey for that particular standard action indicating their desire to participate in such a ballot pool.] The representation model of the registered ballot body is provided in Appendix A.]

## **COMMON ATTRIBUTE 7**

WECC will coordinate with NERC such that the acknowledgement of receipt of a standard request identified in step 1, notice of comment posting period identified in step 4, and notice for vote identified in step 5 below are concurrently posted on both the WECC and NERC websites.

## **COMMON ATTRIBUTE 8**

An acceptable standard request shall contain a description of the proposed regional reliability standard subject matter containing sufficiently descriptive detail to clearly define the purpose, scope, impacted parties, and other relevant information of the proposed standard.

### **COMMON ATTRIBUTE 9**

Within [no greater than 60] days of receipt of a completed standard request, the [standards] committee shall determine the disposition of the standard request.

### **COMMON ATTRIBUTE 10**

The [standards] committee may take one of the following actions:

- Accept the standard request as a candidate for development of a new standard, revision of an existing standard, or deletion of an existing standard. The [standards] committee may, at its discretion, expand or narrow the scope of the standard request under consideration. The [standards] committee shall prioritize the development of standard in relation to other proposed standards, as may be required based on the volume of requests and resources.
- Reject the standard request. If the [standards] committee rejects a standard request, a written explanation for rejection will be delivered to the requester within [no greater than 30] days of the decision.
- Remand the standard request back to the requester for additional work. The standards process manager will make reasonable efforts to assist the requester in addressing the deficiencies identified by the [standards] committee. The requester may then resubmit the modified standard request using the process above. The requester may choose to withdraw the standard request from further consideration prior to acceptance by the [standards] committee.

### **COMMON ATTRIBUTE 11**

Any standard request that is accepted by the [standards] committee for development of a standard (or modification or deletion of an existing standard) shall be posted for public viewing on the WECC website within [no greater than 30] days of acceptance by the committee.

### **COMMON ATTRIBUTE 12**

The standards process manager shall submit the proposed members of the drafting team to the [standards] committee. The [standards] committee shall approve the drafting team membership within 60 days of accepting a standard request for development, modifying the recommendations of the standards process manager as the committee deems appropriate, and assign development of the proposed standard to the drafting team.

### **COMMON ATTRIBUTE 13**

At the direction from the [standards] committee, the standards process manager shall facilitate the posting of the draft standard on the WECC website, along with a draft implementation plan and supporting documents, for a no less than a [30]-day comment period. The standards process

manager shall provide notice to WECC stakeholders and other potentially interested entities, both within and outside of the WECC area, of the posting using communication procedures then currently in effect or by other means as deemed appropriate.

#### **COMMON ATTRIBUTE 14**

The drafting team shall prepare a summary of the comments received and the changes made to the proposed standard as a result of these comments. The drafting team shall summarize comments that were rejected by the drafting team and the reason(s) that these comments were rejected, in part or whole. The summary, along with a response to each comment received will be posted on the WECC website no later than the next posting of the proposed standard.

#### **COMMON ATTRIBUTE 15**

Upon recommendation of the drafting team, and if the [standards] committee concurs that all of the requirements for development of the standard have been met, the standards process manager shall post the proposed standard and implementation plan for ballot and shall announce the vote to approve the standard, including when the vote will be conducted and the method for voting. Once the notice for a vote has been issued, no substantive modifications may be made to the proposed standard unless the revisions are posted and a new notice of the vote is issued.

#### **COMMON ATTRIBUTE 16**

The standards process manager shall schedule a vote by the WECC [registered ballot body/[standards] committee]. The vote shall commence no sooner than [15] days and no later than [30] days following the issuance of the notice for the vote.

#### **COMMON ATTRIBUTE 17**

*[Alternative 17A: For an RE that chooses to vote using a balanced stakeholder committee.]*

The [standards] committee shall give due consideration to the work of the drafting team, as well as the comments of stakeholders and minority objections, in approving a proposed regional reliability standard for submittal to the WECC board. The [standards] committee may vote to approve or not approve the standard. Alternatively, the [standards] committee may remand the standard to the drafting team for further work or form a new drafting team for that purpose.

*[Alternative 17B: For an RE that chooses to vote using a balanced ballot body of stakeholders.]*

The WECC registered ballot body shall be able to vote on the proposed standard during a period of [not less than 10] days.

#### **COMMON ATTRIBUTE 18**

*[Alternative 18A: For an RE that chooses to vote using a balanced stakeholder committee.]*

The [standards] committee may not itself modify the standard without issuing a new notice to stakeholders regarding a vote of the modified standard.

*[Alternative 18B: For an RE that chooses to vote using a balanced ballot body of stakeholders.]*

All members of WECC are eligible to participate in voting on proposed new standards, standard revisions or standard deletions. [Alternatively: Each standard action requires formation of a ballot pool of interested members of the registered ballot body.]

### **COMMON ATTRIBUTE 19**

*[Alternative 19A: For an RE that chooses to vote using a balanced stakeholder committee.]*

Actions by the committee shall be recorded in the regular minutes of the committee.

*[Alternative 19B: For an RE that chooses to vote using a balanced ballot body of stakeholders.]*

Approval of the proposed regional reliability standard shall require a [two thirds] majority in the affirmative (affirmative votes divided by the sum of affirmative and negative votes). Abstentions and non-responses shall not count toward the results, except that abstentions may be used in the determination of a quorum. A quorum shall mean [XX%] of the members of the [registered ballot body/ballot pool] submitted a ballot.

### **COMMON ATTRIBUTE 20**

Under no circumstances may the board substantively modify the proposed regional reliability standard.

### **COMMON ATTRIBUTE 21**

Once a regional reliability standard is approved by the board, the standard will be submitted to NERC for approval and filing with FERC [and applicable authorities in Canada and Mexico.]

### **COMMON ATTRIBUTE 22**

- **Open** - Participation in the development of a regional reliability standard shall be open to all organizations that are directly and materially affected by the WECC bulk power system reliability. There shall be no undue financial barriers to participation. Participation shall not be conditioned upon membership in WECC, and shall not be unreasonably restricted on the basis of technical qualifications or other such



requirements. Meetings of drafting teams shall be open to the WECC members and others.

### **COMMON ATTRIBUTE 23**

- **Balanced** - The WECC standards development process strives to have an appropriate balance of interests and shall not be dominated by any two interest categories and no single interest category shall be able to defeat a matter.

### **COMMON ATTRIBUTE 24**

- **Inclusive** — Any entity (person, organization, company, government agency, individual, etc.) with a direct and material interest in the bulk power system in the WECC area shall have a right to participate by: a) expressing a position and its basis, b) having that position considered, and c) having the right to appeal.

### **COMMON ATTRIBUTE 25**

- **Fair due process** — The regional reliability standards development procedure shall provide for reasonable notice and opportunity for public comment. At a minimum, the procedure shall include public notice of the intent to develop a standard, a public comment period on the proposed standard, due consideration of those public comments, and a ballot of interested stakeholders.

### **COMMON ATTRIBUTE 26**

- **Transparent** — All actions material to the development of regional reliability standards shall be transparent. All standards development meetings shall be open and publicly noticed on the regional entity's Web site.

### **COMMON ATTRIBUTE 27**

- Does not unnecessarily delay development of the proposed reliability standard.

### **COMMON ATTRIBUTE 28**

Each standard shall enable or support one or more of the reliability principles, thereby ensuring that each standard serves a purpose in support of the reliability of the regional bulk power system. Each standard shall also be consistent with all of the reliability principles, thereby ensuring that no standard undermines reliability through an unintended consequence.

**COMMON ATTRIBUTE 29**

While reliability standards are intended to promote reliability, they must at the same time accommodate competitive electricity markets. Reliability is a necessity for electricity markets, and robust electricity markets can support reliability. Recognizing that bulk power system reliability and electricity markets are inseparable and mutually interdependent, all regional reliability standards shall be consistent with NERC’s market interface principles. Consideration of the market interface principles is intended to ensure that standards are written such that they achieve their reliability objective without causing undue restrictions or adverse impacts on competitive electricity markets.

**COMMON ATTRIBUTE 30**

To ensure uniformity of regional reliability standards, a regional reliability standard shall consist of the elements identified in this section of the procedure. These elements are intended to apply a systematic discipline in the development and revision of standards. This discipline is necessary to achieving standards that are measurable, enforceable, and consistent.

**COMMON ATTRIBUTE 31**

All mandatory requirements of a regional reliability standard shall be within the standard. Supporting documents to aid in the implementation of a standard may be referenced by the standard but are not part of the standard itself.

**COMMON ATTRIBUTE 32**

<b>Applicability</b>	Clear identification of the functional classes of entities responsible for complying with the standard, noting any specific additions or exceptions.  If not applicable to the entire WECC area, then a clear identification of the portion of the bulk power system to which the standard applies. Any limitation on the applicability of the standard based on electric facility requirements should be described.
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**COMMON ATTRIBUTE 33**

<b>Measure(s)</b>	Each requirement shall be addressed by one or more measures. Measures are used to assess performance and outcomes for the purpose of determining compliance with the requirements stated above. Each measure will identify to whom the measure applies and the expected level of performance or outcomes required demonstrating compliance. Each measure
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	<p>shall be tangible, practical, and as objective as is practical. It is important to realize that measures are proxies to assess required performance or outcomes. Achieving the measure should be a necessary and sufficient indicator that the requirement was met. Each measure shall clearly refer to the requirement(s) to which it applies.</p>
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**COMMON ATTRIBUTE 34**

<p><b>Compliance Monitoring Process</b></p>	<p>Defines for each measure:</p> <ul style="list-style-type: none"> <li>• The specific data or information that is required to measure performance or outcomes.</li> <li>• The entity that is responsible for providing the data or information for measuring performance or outcomes.</li> <li>• The process that will be used to evaluate data or information for the purpose of assessing performance or outcomes.</li> <li>• The entity that is responsible for evaluating data or information to assess performance or outcomes.</li> <li>• The time period in which performance or outcomes is measured, evaluated, and then reset.</li> <li>• Measurement data retention requirements and assignment of responsibility for data archiving.</li> <li>• Violation severity levels.</li> </ul>
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# PROCESS FOR DEVELOPING AND APPROVING WECC STANDARDS

## Introduction

This document explains the WECC process for requesting, announcing, developing, revising, withdrawing and approving WECC Standards as defined below (“WECC Standards Process”). The process involves several steps:

- A request to develop a new Standard or revise an existing Standard
- Decision to proceed with development or revision of a Standard and assignment to a Standing Committee and Subgroup
- Public (including members) notification of intent to develop or revise a Standard
- Drafting stage
- Posting of draft for public comment
- Review of all comments and public posting of decisions reached on each comment
- WECC Standing Committee/~~Interested~~ Participating Stakeholder balloting of proposed Standard
- Consideration of any appeals
- WECC Board of Directors (Board) decision regarding approval, disapproval or remand of proposed Standard
- Forwarding proposed WECC Reliability Standards to ERO

The process for developing and approving WECC Standards includes:

1. Notification of pending Standard change before a wide audience of all “interested and affected parties”
2. Posting Standard change drafts for all parties to review
3. Provision for gathering and posting comments from all parties
4. Provision for an appeals process – both “due process” and “technical” appeals

WECC Standing Committees have the responsibility for developing and balloting WECC Standards. Standing Committee chairs are responsible for ensuring administration of the process and completion of all Standing Committee responsibilities. Standing Committees are assisted by a Standards Request Routing Committee and supported by Subgroups that draft the Standards, ensure the draft Standard is properly reviewed consistent with WECC due process requirements, respond to comments on the draft Standard, and revise the draft Standard in response to these comments. Board approval signifies that WECC has adopted the Standard. WECC staff has the role of tracking the Standard as it moves through the process and facilitating resolution of issues. In accordance with Section 8.6 of the WECC Bylaws, ~~Interested Stakeholders~~ interested stakeholders may participate in Reliability Standard development and vote at the Standing Committee level on Reliability Standards or revisions to Reliability Standards.

## WECC Bylaws Controlling

It is the intention of the drafters of the WECC Standards Process that the procedures described herein be interpreted and applied in a manner that is consistent with the WECC Bylaws. Should any conflict between this WECC Standards Process and the WECC Bylaws arise, the WECC Bylaws will control.

## Terms

**Days.** All references to days in this document refer to calendar days.

**Due Process Appeals Committee.** The committee that receives all appeals alleging that WECC's due process procedure was not properly followed during the development or revision of a Standard. The Due Process Appeals Committee consists of three Directors appointed by the Board Chair. The WECC Chief Executive Officer or his/her designee will be the staff coordinator for the Due Process Appeals Committee.

**Interested Participating Stakeholder.** ~~An Interested~~ Participating Stakeholder as defined in Section 3.21 of the WECC Bylaws.

**Standard.** In the context of this document, the term Standard refers to a Reliability Standard or a commercial Business Practice.

**Standard Request Form.** The form titled WECC Standards/Business Practice Request Form approved by WECC for the purpose of requesting a new Standard or a revision to an existing Standard.

**Standards Request Routing Committee.** This committee consists of the chairs of the three Standing Committees or their designees. This Committee is responsible for determining if a Standard Request is within the scope of WECC's activities, and assigning the request to the appropriate Standing Committee(s).

**Standing Committee.** The Market Interface Committee (MIC), Operating Committee (OC) or Planning Coordination Committee (PCC).<sup>1</sup> MIC, OC, and PCC will coordinate their responsibilities for those Standards that have a combination of market, operating, and planning implications.

**Subgroup.** A subcommittee, work group, or task force of the MIC, OC, PCC, or a combination of representatives from these committees that is responsible for developing a draft WECC Standard, posting it for review, and addressing public comments on the draft.<sup>2</sup> Voting members of a Subgroup are the individuals appointed to the group. In addition, one representative of the entity requesting a Standard has the option of joining the Subgroup as a voting member.

**Technical Appeals Committee.** The committee that receives appeals alleging that a party's technical comments were not properly addressed during the development of a Standard. The Technical Appeals Committee consists of the Vice Chairs of the Market Interface Committee, Operating Committee, Planning Coordination Committee, and a Director appointed by the Board Chair. The WECC Chief Executive Officer or his/her designee will be the staff coordinator for the Technical Appeals Committee. The Director appointed to the committee will act as chair. Replacement of a Technical Appeals Committee member in the event of a

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<sup>1</sup> In accordance with WECC Bylaws Section 8.5.4, Membership in WECC's Standing Committees is open to all WECC members.

<sup>2</sup> Formation of Subgroups is in accordance with the Market Interface Committee's, Planning Coordination Committee's, and Operating Committee's Organizational Guidelines.

conflict of interest will be at the discretion of the Technical Appeals Committee Chair. If the chair has a conflict of interest, the WECC Board Chair will appoint another Director to serve as chair for the duration of the appeal in question.

## **Normal Process for Standards**

### **Step 1 – Request To Revise or Develop a Standard**

Requests to develop or revise a Standard will be submitted to the WECC staff through the use of the WECC Standard Request Form. Requesters may be any individual or organization. WECC membership is not a requirement as long as the requester has an interest in electric system reliability or commercial business practices in the Western Interconnection.

### **Step 2 – Request Validation and Routing**

The Standard Request Form will be reviewed for completeness and assigned a tracking number by the WECC staff. Staff may assist with completing the request, or report to the Standards Request Routing Committee that the request is incomplete and request guidance. When complete, the WECC staff will forward the request to the Standards Request Routing Committee. This committee will confer either in person or via conference call within two weeks of receipt of a completed request to determine whether the request is within WECC's scope.

The WECC staff will maintain a web-based form that tracks all requests through the standard development process, as well as a standards development tracking log that is posted on the WECC website.

Upon ascertaining that a request is within the scope of WECC's activities, the Standards Request Routing Committee will assign the request to the chair of the appropriate Standing Committee(s), who will in turn assign it to a Subgroup. One Standing Committee will be designated as the lead Standing Committee. If the request has implications for any combination of planning, operations, or market issues, the chair of the lead Standing Committee, in consultation with the Standards Request Routing Committee, will evaluate the technical expertise of the Subgroup and may augment membership in the Subgroup for the purpose of drafting the proposed Standard or revision(s) to ensure that the Subgroup includes a composite of individuals having the appropriate planning, operations, and market expertise. Notification of such assignments will be posted on the WECC website and sent to all parties that subscribe to the WECC standards e-mail list. In addition, such assignments will be simultaneously noticed to NERC. The Subgroup will act in accordance with duly approved Subgroup guidelines. Any other interested parties may participate in the deliberations of the Subgroup.

### **Step 3 – Subgroup Begins Drafting Phase and Announces on WECC Web Site**

The Subgroup will begin working on the request at the Subgroup's next scheduled meeting, or no later than a designated number of days following assignment from the Routing Committee, as directed by the lead Standing Committee chair. Notification of Subgroup meetings will be posted on the WECC website and sent to all parties that subscribe to the WECC standards e-mail list at least 30 days prior to the meeting. In addition notification of all Subgroup meetings will be simultaneously noticed to NERC. These meetings will be open to interested

stakeholders. The Subgroup chair will facilitate interested stakeholder participation in the discussion in order to encourage Subgroup understanding of the issues and consensus among the meeting participants. The Subgroup will work to achieve a consensus recommendation.

Standard requesters have the right, and are encouraged to participate in the Subgroup drafting process. Requesters may be called on to provide additional information, supporting studies, and other information to support the requirements of the proposed Standard or revision(s).

All WECC Standards will follow a standard format that refers to the Responsible Entities included in the NERC Functional Model and includes compliance measures according to the WECC standard template. The drafting group will include definitions for any terms included in the Standard or revision(s) that need to be added to the WECC glossary.

In the course of its review, the Subgroup:

- will review the preliminary technical assessment provided by the requester.
- will compare with existing standards to determine whether a the request is better served by drafting a new standard or modifying an existing standard.
- may perform or request additional technical studies, if necessary.
- will complete an impact assessment report as part of its evaluation to assess the potential effects of the request.
- may request from the Board or Standing Committee additional time to study the proposed request if the Subgroup believes it necessary to fully assess the proposed change.

Upon reaching a determination, by majority vote, that the requested Standard or revision to an existing Standard is needed, the Subgroup will announce the proposed Standard or proposed revision(s) in an existing Standard by posting on the WECC website a summary of the Standard or revision(s) it expects to draft, and an explanation as to why the new Standard or revision(s) in an existing Standard is needed. Notice of this posting, and its location on the WECC website, will be sent to all parties that subscribe to the WECC standards e-mail list. In addition these notifications will be simultaneously noticed to NERC.

If the Subgroup determines, by majority vote, that a new or revised Standard is not needed, it will prepare an explanation in consultation with the Standards Request Routing Committee and post it on the WECC website for a specified comment period. The party that submitted the request, parties subscribing to the WECC standards email list, the Standing Committees, and Board will all be notified of the posting and its location on the WECC website.

#### **Step 4 – Draft Standard Posted for Comment**

The Subgroup will post the first draft of the new or revised Standard on the WECC website and provide 45 days for comments. Along with the draft, the Subgroup will prepare and post an impact assessment report. Alternatively, the Subgroup may request input from affected parties regarding their estimated cost to implement the draft Standard and will use that data to prepare an impact assessment report, which will be posted for comment when it becomes available. The draft will include all mandatory requirements. In addition, it will include measurements, Violation Risk Factors, and Violation Severity Levels. Notice of this posting and a solicitation for comments on the draft will be sent to all WECC members and all individuals who subscribe

to the WECC standards e-mail list. In addition the notification of posting and solicitation for comments will be simultaneously noticed to NERC. Members of electric industry organizations may respond through their organizations, or directly, or both. All comments will be supplied electronically and will be posted on the WECC website.

### **Step 5 – Subgroup Deliberates on Comments**

Subgroup chairs are responsible for ensuring that comments are addressed in a timely manner. The Subgroup will post its response to comments on the WECC website within 30 days of the close of the comment period. All parties that submit comments are strongly encouraged to participate in Subgroup deliberations.

If the Subgroup determines, by majority vote, any technical comments including those on the draft or the impact assessment report are significant, it will repeat Steps 3 and 4 as many times as considered necessary by the Subgroup to ensure adequate opportunity for interested stakeholder input. All interested stakeholders are strongly encouraged to submit their comments as early in the process as possible. The number of days for comment on each subsequent revision to the draft of the proposed Standard or revision(s) will be 30 days. Parties whose comments have been rejected by a Subgroup may request review of such comments by the Standing Committee and Interested Participating Stakeholders when the proposed Standard or revision(s) is brought before the Standing Committee for a vote (in Step 7).

The Subgroup will attempt to achieve a consensus recommendation on a final draft. A majority vote of the Subgroup is required to approve submitting the recommended Standard or revision(s) to the Standing Committee and Interested Participating Stakeholders. Voting will be conducted in accordance with this WECC Standards Process, the WECC Bylaws, and any other applicable regulatory requirements. Balloting results will be documented. All dissenting voters, as well as others participating in the Subgroup deliberations, will be encouraged to provide dissenting comments and, if possible, specific language that would make the Standard acceptable. If the Subgroup vote fails to capture a simple majority to approve the submittal to the Standing Committee and Interested Participating Stakeholders, and there is no apparent way to reach a majority agreement, the Subgroup will report to and seek guidance from the Standing Committee Chair.

### **Step 6 – Subgroup Submits Draft for Standing Committee/~~Interested~~ Participating Stakeholder Vote**

The Subgroup's final draft Standard or revision(s) will be posted on the WECC website and the appropriate Standing Committees and Interested Participating Stakeholders will be notified of the Subgroup's recommendation. The posting will include the final Subgroup vote, all comments that were not incorporated into the draft Standard, the impact assessment report and the date on which the Standing Committee and Interested Participating Stakeholders are scheduled to vote on the Subgroup's recommendation. Notice of the posting will be sent to the Standing Committees, all ~~registered~~ Interested Participating Stakeholders, and the standards e-mail list. In addition the notification of posting for ballot will be simultaneously noticed to NERC.



## **Step 7 – Standing Committee/~~Interested~~ Participating Stakeholders Vote on Recommendation to Board**

In accordance with Sections 8.5 and 8.6 of the WECC Bylaws, the Standing Committee and ~~Interested~~ Participating Stakeholders will vote on the draft Standard, revision(s) or withdrawal no later than at the next Standing Committee meeting, subject to applicable notice requirements. A minimum of 30 days notice will be provided prior to all Standing Committee meetings at which new or revised Standards will be considered for approval.<sup>3</sup> Notification of such meetings will be posted on the WECC website and sent to all parties that subscribe to the WECC standards e-mail list. Whenever it determines that a matter requires an urgent decision, the Board may shorten the time period set forth in this section in accordance with the requirements in the WECC Bylaws.<sup>4</sup>

The Standing Committee and ~~Interested~~ Participating Stakeholders may vote to amend or modify a proposed Standard or revision(s) or remand it back to the Subgroup to propose needed modifications. The reasons for the modification(s) will be documented, posted, and provided to the Board. If any changes are made at the Standing Committee meeting, the roll call of votes for and against the proposal and abstentions will be recorded at the meeting, and the revised proposal will be posted for 10 days for comments.<sup>3</sup> The comments will be posted and distributed to the Standing Committee and ~~Interested~~ Participating Stakeholders. All Standing Committee members and ~~Interested~~ Participating Stakeholders, including those who did not vote at the meeting, will be allowed 10 days from the time comments are posted to submit or change their votes, and the Standing Committee/~~Interested~~ Participating Stakeholder votes will be recounted based on these new and revised votes to determine whether a majority has voted for the proposal. Any parties that object to the modifications may appeal to the appropriate appeals committee as provided in Step 8.

A majority vote of the Standing Committee and ~~Interested~~ Participating Stakeholders, as specified in Section 8.5.5.2 of the WECC Bylaws, is required to approve submitting the recommended Standard or revision(s) to the Board for a vote. In accordance with Section 8.5.5.2 only Standing Committee members and ~~Interested~~ Participating Stakeholders who are present at a meeting of the Standing Committee may vote on a Standard.

Although any of the three Standing Committees (together with ~~Interested~~ Participating Stakeholders) may vote on submitting the recommended Standard or revision(s) to the Board, only the vote of the lead Standing Committee and ~~Interested~~ Participating Stakeholders will determine the course of action. If the Standing Committees do not agree, the lead Standing Committee and ~~Interested~~ Participating Stakeholders will decide whether to return the draft to the Subgroup for further work, to submit the recommended Standard or revision(s) to the Board, or terminate the Standard development activity with the posting of an appropriate notice to the Standards requester, the Subgroup, and the Board (if appropriate). The Standing Committee chairs will coordinate input from their respective Committees and ~~Interested~~ Participating

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<sup>3</sup> WECC Bylaws, Section 8.5.6 – “If the committee’s recommendation or decision changes significantly as a result of comment received, the committee will post the revised recommendation or decision on the Web site, provide e-mail notification to Members and ~~Interested~~ Participating Stakeholders (if the recommendation or decision concerns a Reliability Standard or revision), and provide no less than ten (10) days for additional comment before reaching its final recommendation or decision.”

Stakeholders to the lead Standing Committee so that the lead Standing Committee and Interested Participating Stakeholders will have all relevant information when voting. Relevant voting information from all Standing Committees will be submitted to the Board for its consideration in determining whether or not to approve the Standard.

If the Standing Committee and Interested Participating Stakeholders approve the Standard or revision(s), the Standing Committee sends its recommendation, together with the proposed Standard or revision(s), and any comments on which the Standing Committee and Interested Participating Stakeholders did not agree, plus minority opinions, to the Board for final approval. To be considered by the Board, any “no” votes on a proposed Standard or revision(s) should be accompanied by a text explaining the “no” vote and if possible specific language that would make the Standard or revision(s) acceptable. Proposed Standards or revision(s) will be posted no less than 30 days prior to the Board vote.<sup>4</sup> The date of the expected Board vote will also be posted.

## **Step 8 – Appeals Process**

Appeals are available at various levels of the Standards Development Process as follows:

Rejection of a Standards Request by the Standards Request Routing Committee may be appealed to a Standing Committee and Interested Participating Stakeholders, and if necessary, to either a Due Process or Technical Appeal Committee, as appropriate.

Appeals of Subgroup decisions, including Routing Committee decisions, may be made to a Standing Committee and Interested Participating Stakeholders. The Standing Committee will post its findings. The subsequent rejection of such an appeal by a Standing Committee and Interested Participating Stakeholders may be further appealed to an appeals committee. The appeals committee will post and submit its findings and recommendations to the Standing Committee chair who will determine the appropriate course of action. Any submittal to the Board of Directors for approval will include any findings and recommendations of the appeals committee.

A new Standard or revision(s) to an existing Standard recommended by a Standing Committee and Interested Participating Stakeholders may be appealed on either technical or due process grounds. Any due process or technical appeals must be submitted, in writing, to the WECC staff within 15 days of the date the Standing Committee posts a recommendation.

The WECC staff will conduct an investigation and issue a written report of its findings and recommendations to the appealing party and Standing Committee. If the appealing party does not agree with the staff report, it can request that the appeal be referred to the Technical or Due Process Appeals Committee, which will conduct an investigation and issue a report including findings and recommendations. The Technical Appeals Committee will make assignments as necessary to existing WECC technical work groups and task forces, form new technical groups if necessary, and use other technical resources as required to address technical appeals. The appealing party has the burden of proof and must demonstrate that the decision will adversely impact it. The Technical or Due Process Appeals Committee will issue a majority decision.

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<sup>4</sup> WECC Bylaws, Section 7.5.1 – “Except as set forth in Section 7.5.2 regarding urgent business, all regular business of the Board will occur at the Board meetings, at least twenty-one (21) days’ advance notice of which has been provided...”

Each level of appeal will be completed within 30 days. The Board of Directors, at its discretion, may implement the Standard or revision(s) on an interim or emergency basis during the appeals process using the Urgent Action interim Standard Process set forth below.

### **Step 9 – Board Approval**

The WECC Board of Directors will consider the proposed Standard or revision(s) no later than at its next meeting occurring at least 30 days after the lead Standing Committee vote. The Board will consider the Standing Committee’s recommendations and minority opinions, all comments that were not incorporated into the draft Standard or revision(s), the impact assessment report, and inputs from the Due Process and Technical Appeals Committees. The Board will not amend or modify a proposed Standard, except to make nonmaterial changes to the language of a Standard or revision thereto. If approved, the Standard will be posted on the WECC website and all parties notified.

If the new or modified Standard is not approved, the Board may return the Standard to the Standing Committee and ~~Interested~~ Participating Stakeholders for further work, or the Board may terminate the Standard activity with an appropriate notice and explanation to the Standard requester, Standing Committee, and ~~Interested~~ Participating Stakeholders. These Board actions will also be posted.

A majority vote of the Directors present at a Board meeting, as specified in Section 7.2 of the WECC Bylaws, is required to approve the recommended Standard or revision(s).

### **Step 10 – ERO Review, FERC Approval and Implementation of Reliability Standards**

To the extent required under Section 215 of the Federal Power Act, 18 C.F.R. Part 39, and according to procedures established in the delegation agreement between WECC and the Electric Reliability Organization (“ERO”), the Board shall submit new Reliability Standards and revisions to existing Reliability Standards for review by the ERO and approval by FERC. Upon approval by FERC, the Reliability Standards will be made part of the body of NERC reliability standards and enforced upon all applicable bulk power system owners, operators, and users within the WECC region. Parties’ right to participate in the ERO and FERC review processes shall be as established in the applicable regulations and the ERO/WECC delegation agreement. Reliability Standards subject to ERO review shall become effective as approved by FERC or applicable Canadian or Mexican authorities.

### **Step 11 – Implementation of Standards Not Subject to ERO/FERC/Other Approval**

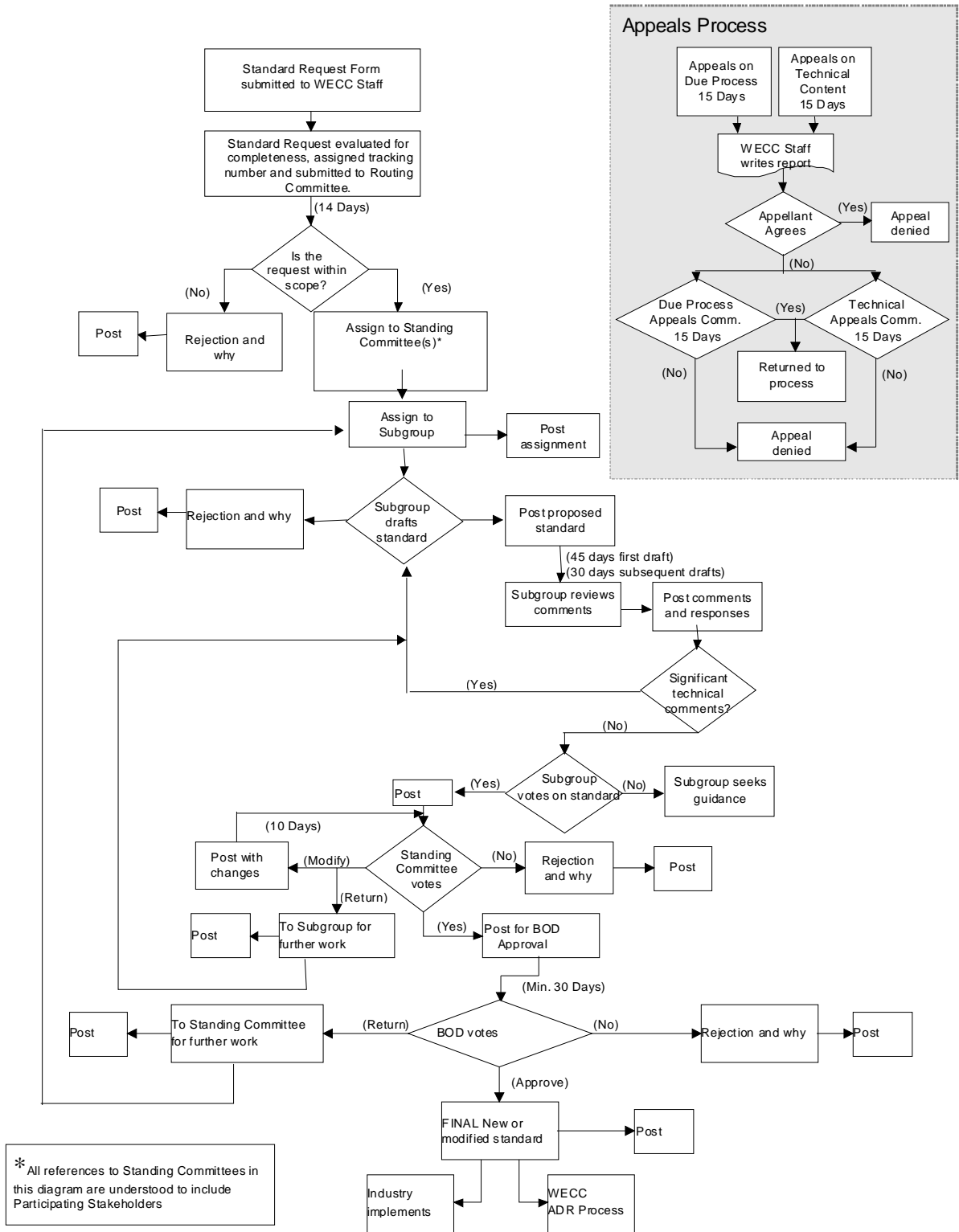
All new and modified Standards not subject to ERO review and FERC, Canadian or Mexican approval as provided in Step 10 shall become effective as ordered by the WECC Board. As of the effective date of such new or modified Standard, all industry participants in the Western Interconnection that such Standard is applicable to are expected to implement and abide by the Standard. Any and all parties to this Process retain the right of appeal to other authorities as the law allows.

### **Expedited Process for Urgent Action Interim Standards**

In cases requiring urgent action, such as in the development of emergency operating procedures, the Standing Committees and ~~Interested~~ Participating Stakeholders may propose a new or modified interim Standard for approval by the WECC Board through a process that eliminates any or all of the steps outlined above, but only to the extent necessary, and only in a manner that is consistent with the WECC Bylaws. Such interim Standard shall be replaced by a Board-approved permanent Standard, developed using all the steps identified in this document within one year (or such additional time as may reasonably be required to complete all steps) from the date on which the WECC Board approved the interim standard. An interim Standard may be converted to a successor permanent Standard as long as any procedural steps bypassed in developing the interim Standard are completed with respect to the permanent Standard. If necessary, the Board may renew an interim Standard to allow additional time for the development of a successor permanent Standard. Renewal may occur more than once, but a good faith effort must be made to develop a successor permanent Standard.

| Approved by the WECC Board ~~October 4, 2007~~ [Month, Day] 2008

# Process for Developing and Approving WECC Standards



# **EXHIBIT D**

**Compliance Monitoring and Enforcement Program**

**Western Electricity Coordinating Council**

**Compliance Monitoring and Enforcement Program**

~~October 16, 2007~~

[Month, Day] 2008

# Compliance Monitoring and Enforcement Program

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### **ATTACHMENT 2 – COMPLIANCE ENFORCEMENT AUTHORITY HEARING [PROCESSPROCEDURES](#)**

# Compliance Monitoring and Enforcement Program

## COMPLIANCE MONITORING AND ENFORCEMENT PROGRAM

### 1.0 INTRODUCTION

This Compliance Monitoring and Enforcement Program (“Compliance Program”) is the program to be used by the North American Electric Reliability Corporation (“NERC”) and the Regional Entities to monitor, assess, and enforce compliance with Reliability Standards within the United States. This is accomplished through compliance monitoring and rigorous proactive Compliance Audits. Compliance monitoring and enforcement programs also will be implemented in Canada consistent with Canadian laws and agreements.

### 1.1 Definitions

- 1.1.1** Alleged Violation: A potential violation that the Compliance Enforcement Authority ~~has completed its accuracy and completeness review and~~ has determined that evidence exists to indicate a Registered Entity has violated a Reliability Standard.
- 1.1.2** Annual Audit Plan: A plan developed annually by the Compliance Enforcement Authority that includes the Reliability Standards and Registered Entities to be audited, the schedule of Compliance Audits, and Compliance Audit Participant requirements for the calendar year.
- 1.1.3** Applicable Governmental Authority: The Federal Energy Regulatory Commission (“FERC”) within the United States and the appropriate governmental authority with subject matter jurisdiction over reliability in Canada and Mexico.
- 1.1.4** Complaint: An allegation that a Registered Entity violated a Reliability Standard.
- 1.1.5** Compliance Audit: A systematic, objective review and examination of records and activities to determine whether a Registered Entity meets the requirements of applicable Reliability Standards.
- 1.1.6** Compliance Audit Participants: Registered Entities scheduled to be audited and the audit team members.
- 1.1.7** Compliance Enforcement Authority: NERC or the Regional Entity in their respective roles of monitoring and enforcing compliance with the NERC Reliability Standards.
- 1.1.8** Compliance Violation Investigation: A comprehensive investigation, which may include an on-site visit with interviews of the appropriate personnel, to determine if a violation of a Reliability Standard has occurred.

## Compliance Monitoring and Enforcement Program

- 1.1.9** Confirmed Violation: An Alleged Violation for which an entity has: 1) accepted the finding of the violation by a Regional Entity or NERC and will not seek an appeal, 2) completed the appeals process within NERC, or 3) allowed the time for submitting an appeal to NERC to expire.
- 1.1.10** Exception Reporting: Information provided to the Compliance Enforcement Authority by a Registered Entity indicating that violations of a Reliability Standard have occurred (e.g., a system operating limit has been exceeded). Some Reliability Standards require Exception Reporting.
- 1.1.11** Mitigation Plan: An action plan developed by a Registered Entity to (i) correct a violation of a Reliability Standard and (ii) prevent re-occurrence of the violation. A Mitigation Plan is usually required whenever a Registered Entity violates a Reliability Standard as determined by any means including Compliance Enforcement Authority decision, Settlement Agreement, or otherwise.
- 1.1.12** NERC Compliance Registry: A compilation of the Regional Compliance Registries from each Regional Entity plus the entities for which NERC serves as the Compliance Enforcement Authority.
- 1.1.13** NERC Compliance Monitoring and Enforcement Program Implementation Plan or NERC Implementation Plan: The annual NERC Compliance Monitoring and Enforcement Program Implementation Plan that specifies the Reliability Standards that are subject to reporting by Registered Entities to the Compliance Enforcement Authority in order to verify compliance and identifies the appropriate monitoring procedures and reporting schedules for each such Reliability Standard.
- 1.1.14** Periodic Data Submittals: Modeling, studies, analyses, documents, procedures, methodologies, operating data, process information or other information to demonstrate compliance with Reliability Standards and provided by Registered Entities to the Compliance Enforcement Authority on a time frame required by a Reliability Standard or an ad hoc basis.
- 1.1.15** Regional Compliance Registry: A list, pursuant to Section 500 of the NERC Rules of Procedure and the NERC Statement of Compliance Registry Criteria of the owners, operators or users of the bulk power system or the entities registered as their designees for the purpose of compliance within a Regional Entity's geographic footprint that perform one or more functions in support of reliability of the bulk power system. The Registry is used to determine the Reliability Standards applicable to the Registered Entity.

## Compliance Monitoring and Enforcement Program

- 1.1.16** Regional Implementation Plan: An annual plan, submitted by November 1 of each year to NERC for approval that, in accordance with NERC Rule of Procedure Section 401.6 and the NERC Compliance Monitoring and Enforcement Program Implementation Plan, that identifies (1) all Reliability Standards identified by NERC to be actively monitored during each year, (2) other Reliability Standards proposed for active monitoring by the Regional Entity, (3) the methods to be used by the Regional Entity for reporting, monitoring, evaluation, and assessment of performance criteria with each Reliability Standard, and (4) the Regional Entity's Annual Audit Plan.
- 1.1.17** Registered Entity: An owner, operator, or user of the bulk power system or the entities registered as their designees for the purpose of compliance that is included in the NERC and Regional Compliance Registry.
- 1.1.18** Remedial Action Directive: An action (other than a penalty or sanction) required by a Compliance Enforcement Authority that (1) is to bring a Registered Entity into compliance with a Reliability Standard or to avoid a Reliability Standard violation, and (2) is immediately necessary to protect the reliability of the bulk power system from an imminent threat.
- 1.1.19** Required Date: The date given a Registered Entity in a notice from the Compliance Enforcement Authority by which some action by the Registered Entity is required. Such date shall provide the Registered Entity a reasonable period of time in which to take the required action, given the circumstances and the action required.
- 1.1.20** Self-Certification: Attestation by a Registered Entity of compliance or non-compliance with Reliability Standards for which Self-Certification is required by the Compliance Enforcement Authority and that are included for monitoring in the Regional Implementation Plan.
- 1.1.21** Self-Reporting: A report by a Registered Entity of a violation of a Reliability Standard, based on its own assessment in order to provide prompt reports of any Reliability Standard violation and the actions that were taken or will be taken to resolve the violation.
- 1.1.22** Spot Checking: A process in which the Compliance Enforcement Authority requests a Registered Entity to provide information to support the Registered Entity's Self-Certification, Self Reporting, or Periodic Data Submittal and to assess whether the Registered Entity complies with Reliability Standards. Spot Checking may also be random or initiated in response to events, as described in the Reliability Standards, or by operating problems, or system events. Spot Checking may require an on-site review to complete.

## Compliance Monitoring and Enforcement Program

### 2.0 IDENTIFICATION OF ORGANIZATIONS RESPONSIBLE FOR COMPLYING WITH RELIABILITY STANDARDS

The Compliance Enforcement Authority shall register the organizations responsible for complying with Reliability Standards, in accordance with Section 500 of the NERC Rules of Procedure. The Compliance Enforcement Authority shall identify the owners, operators, and users of the bulk power system that meet the definition of Registered Entities within the Compliance Enforcement Authority's area of responsibility. Each Registered Entity shall inform the Compliance Enforcement Authority promptly of changes to its Registration information. The Compliance Enforcement Authority shall inform each Registered Entity at the time of registration of the Reliability Standards that are applicable to the Registered Entity. The Compliance Enforcement Authority shall maintain on its website a current listing of Reliability Standards that are applicable to all Registered Entities.

The Compliance Enforcement Authority will designate a contact person(s) and require each Registered Entity to designate a contact person(s) responsible for sending and receiving all necessary information and communications concerning compliance matters. The Compliance Enforcement Authority will designate where Registered Entities are to send information, data, Mitigation Plans, or any other compliance-related correspondence.

Each Regional Entity shall develop, maintain, and provide to NERC a Regional Compliance Registry with updates as changes occur. NERC shall maintain the NERC Compliance Registry on its web site. NERC will provide FERC and any other Applicable Governmental Authorities monthly updates to the NERC Compliance Registry.

As provided for herein, during the course of compliance monitoring and enforcement activities relating to U.S. entities, NERC may obtain information that it will provide to FERC and, if the information pertains to a Registered Entity or to a portion of the bulk power system over which another Applicable Governmental Authority has jurisdiction, to such other Applicable Governmental Authority. However, NERC will not provide non-public U.S. compliance information that is subject to 18 C.F.R. §39.7(b)(4) to Applicable Governmental Authorities other than FERC without first obtaining permission from FERC for such disclosures and subject to such limitations as FERC may place on such disclosures. Similarly, during the course of compliance monitoring and enforcement activities relating to non-U.S. entities, NERC may obtain information that it will provide to the Applicable Governmental Authorities, including FERC, that have jurisdiction over the Registered Entity or the portion of the bulk power system to which the information pertains, but subject to any limitations placed on the disclosure of non-public, non-U.S. compliance information by the Applicable Governmental Authority with jurisdiction or by other law of the applicable jurisdiction.

### 3.0 COMPLIANCE MONITORING AND ENFORCEMENT PROCESSES

The Compliance Enforcement Authority will monitor, assess, and enforce compliance with Reliability Standards using eight (8) monitoring processes to collect information in order to make assessments of compliance: (1) Compliance Audits, (2) Self-Certifications, (3) Spot Checking, (4) Compliance Violation Investigations, (5) Self-Reporting, (6) Periodic Data

## Compliance Monitoring and Enforcement Program

Submittals, (7) Exception Reporting, and (8) Complaints. These processes are described in sections 3.1 through 3.8 below.

Enforcement actions taken by the Compliance Enforcement Authority through the Compliance Program may include the imposition of remedial actions, sanctions, and penalties, where applicable, which shall be based on the schedule of penalties and sanctions approved for implementation by FERC and other Applicable Governmental Authorities. The imposition and acceptance of sanctions and penalties shall not be considered an acceptable alternative to any Registered Entity's continuing obligation to comply with the Reliability Standards. Registered Entities found in violation of a Reliability Standard will be required to mitigate the violation regardless of any enforcement actions taken.

~~Prior to reporting an Alleged Violations of Reliability Standards to NERC under Section 8.0, the Compliance Enforcement Authority may review the report of violation submitted to it by the Registered Entity, audit team, or others for accuracy and completeness. This may include a review of the applicability of the Reliability Standard(s) upon the Registered Entity, a review of the Registered Entity's actions or conduct in light of the particular Reliability Standard or requirement reported to have been violated, and a review of the functions performed by the Registered Entity and the function reported to have violated the Reliability Standard or requirement. Any corrections to the report of violation are to be made by the Compliance Enforcement Authority, and the Alleged Violation is to be reported to NERC if the Compliance Enforcement Authority has confirmed that the report contains evidence indicating the Registered Entity may have violated a Reliability Standard.~~

The Compliance Program requires timely data from Registered Entities to effectively monitor compliance with Reliability Standards. If data, information or other reports to determine compliance requested from a Registered Entity are not received by the Required Date, the Compliance Enforcement Authority may execute the steps described in **Attachment 1, Process for Non-submittal of Requested Data**.

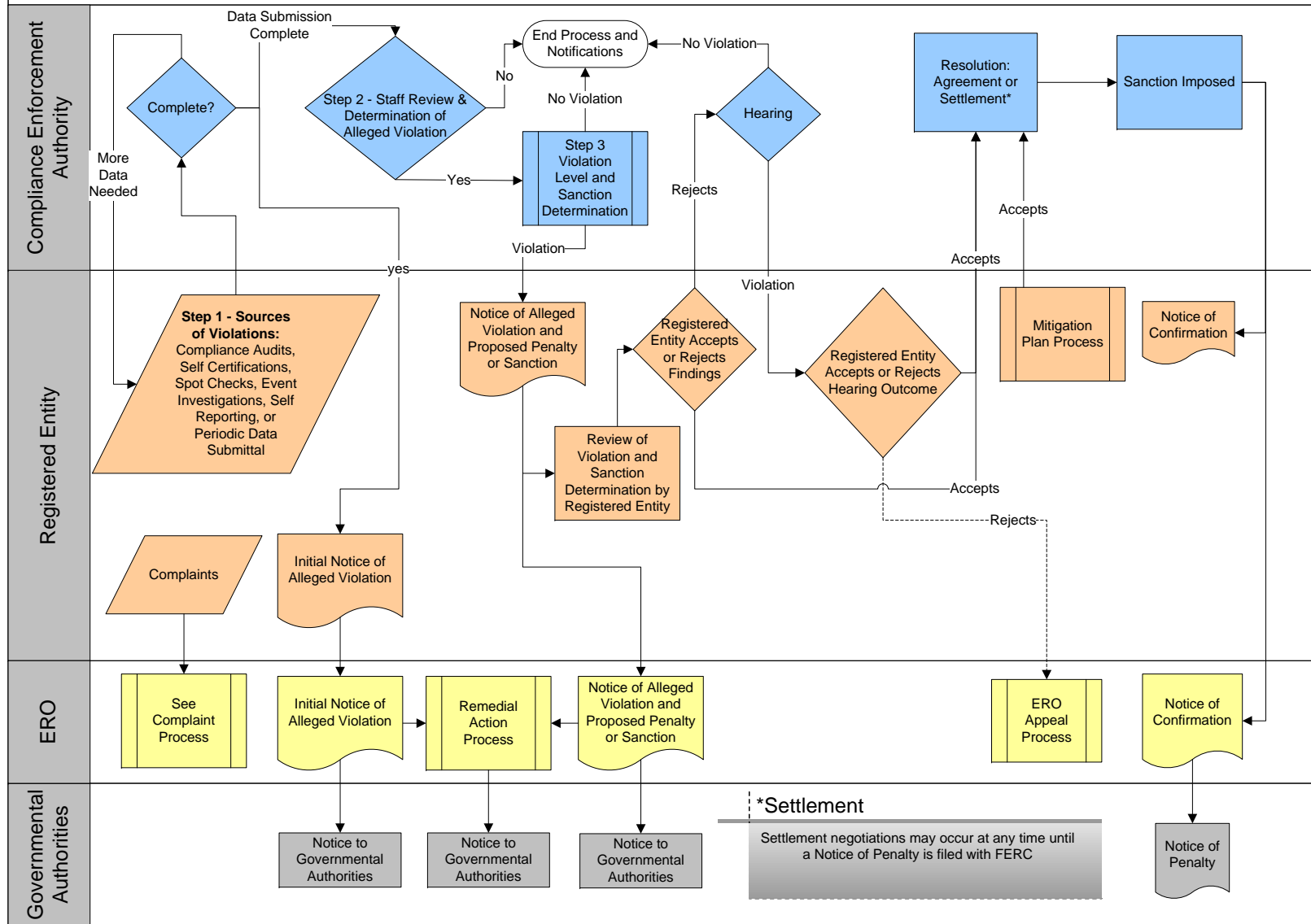
Parties engaged in the process described in this section should consult with each other on the data and information that would be appropriate for effectively addressing this section's process requirements. If a party believes that a request for data or information is unreasonable, the party may request a written determination from the NERC compliance program officer.

Any report or other submission of information by a Registered Entity required by the Compliance Program shall be signed by an officer, employee, attorney or other authorized representative of the Registered Entity. Electronic signatures are permitted in accordance with processes established by NERC and the Regional Entity. NERC or the Compliance Enforcement Authority may require the signer to provide a statement of the basis of his or her authority to sign on behalf of the Registered Entity.

**Figure 3.0 NERC Compliance Program Process** depicts the overall process steps for the Compliance Program and each of the subsequent process diagrams are either inputs to the overall process or represent an expansion of a single process (i.e., hearing process) shown on this diagram.

# Compliance Monitoring and Enforcement Program

## NERC Compliance Monitoring and Enforcement Program Overview



## Compliance Monitoring and Enforcement Program

### 3.1 Compliance Audits

All Registered Entities are subject to audit for compliance with all Reliability Standards applicable to the functions for which the Registered Entity is registered. Compliance Audits are conducted on the Registered Entity's site to the extent required by NERC Rule of Procedure 403.11.2. [Compliance Audit processes for Compliance Audits conducted in the United States shall be based on professional auditing standards recognized in the U.S., including Generally Accepted Accounting Standards, Generally Accepted Government Auditing Standards and standards sanctioned by the Institute of Internal Auditors. Compliance Audit processes for Compliance Audits conducted outside the U.S. may be based on Canadian or other international standards.](#) All Compliance Audits shall be conducted in accordance with audit guides established for the Reliability Standards included in the Compliance Audit, consistent with accepted auditing guidelines as approved by NERC. The audit guides will be posted on NERC's website.

#### 3.1.1 Compliance Audit Process Steps

The process steps for a Compliance Audit are as follows and as shown on **Figure 3.1**:<sup>1</sup>

- The Compliance Enforcement Authority distributes the Annual Audit Plan (developed in coordination with NERC) to the Compliance Audit Participants and NERC. The Compliance Enforcement Authority provides additional information to the Compliance Audit Participants, including audit materials, coordinating agendas and changes to the audit schedule as required. Prior to the Compliance Audit, the Compliance Enforcement Authority informs the Registered Entity of the Reliability Standards to be evaluated. NERC or the Regional Entity provides the audit schedules to FERC and to any other Applicable Governmental Authority based upon the agreements in place with the other Applicable Governmental Authority.
- At least two (2) months prior to commencement of a regularly scheduled Compliance Audit, the Compliance Enforcement Authority notifies the Registered Entity of the audit, identifies the audit team members and their recent employment history, and requests data, including a completed NERC pre-audit questionnaire. If the audit team members change from the time of the original notification, the Compliance Enforcement Authority will promptly notify the Registered Entity of the change and will allow time for the Registered Entity to object to the member (see Section 3.1.5).
- The Registered Entity provides to the Compliance Enforcement Authority the required information in the format specified in the request.
- The audit team reviews the submitted information for conformance with the requirements of the Reliability Standards prior to performing the audit. The audit team follows NERC audit guidelines in the implementation of the audit. This shall include conducting an exit briefing with the Registered Entity, providing for a review of the audit report with the Registered Entity before it is finalized, and issuing an audit report, including an

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<sup>1</sup>This process normally completes within sixty (60) days of the completion of the on-site Compliance Audit work at the Registered Entity's site.



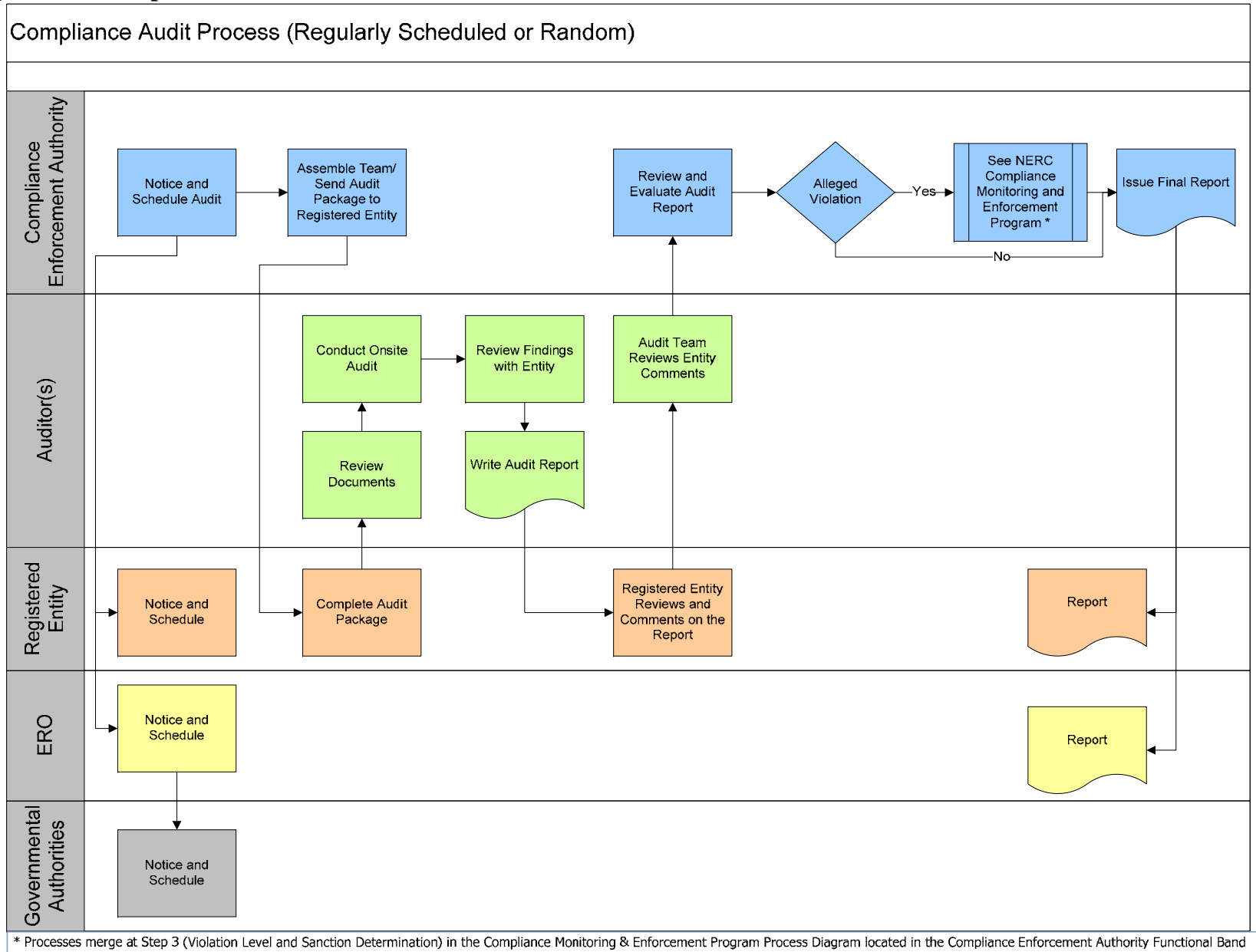
## Compliance Monitoring and Enforcement Program

assessment of compliance with the Reliability Standards to the Compliance Enforcement Authority.

- The Compliance Enforcement Authority reviews the report developed by the audit team and completes an assessment of any Alleged Violations with the Reliability Standards identified in the report.
- The Compliance Enforcement Authority provides the final audit report to the Registered Entity and to NERC.
- If the Compliance Enforcement Authority concludes that a reasonable basis exists for believing a violation of a Reliability Standard has occurred, it shall send the Registered Entity a notice containing the information set forth in Section 5.1 and the process moves to step 3 (Notice of Alleged Violation) of the Compliance Program Process shown in **Figure 3.0**.
- Regional Entities will notify NERC of any Alleged Violations as required by Section 8.0.

# Compliance Monitoring and Enforcement Program

**Figure 3.1 – Compliance Audit Process**



## **Compliance Monitoring and Enforcement Program**

### **3.1.2 Compliance Enforcement Authority Annual Audit Plan and Schedule**

The Compliance Enforcement Authority shall develop an Annual Audit Plan. The Annual Audit Plan of Regional Entities will be included in the Regional Implementation Plans submitted to NERC for review and approval (see Section 4.2). NERC or the Regional Entity provides the Annual Audit Plans to FERC and to any other Applicable Governmental Authority consistent with the agreements in place with the Applicable Governmental Authority.

Prior to January 1 of the year covered by the Annual Audit Plan, the Compliance Enforcement Authority shall notify Registered Entities subject to Compliance Audits during the upcoming year, of the audit schedules, methods, and data requirements for the audit. The Compliance Enforcement Authority will give due consideration to any schedule changes requested by Registered Entities to avoid unnecessary burdens.

Revisions and additions to a Regional Entity Annual Audit Plan shall be approved by NERC and the Registered Entity shall be notified in a timely manner (normally 60 days in advance) of changes or revisions to scheduled audit dates.

### **3.1.3 Frequency of Compliance Audits**

The Compliance Enforcement Authority will perform comprehensive Compliance Audits as required by the NERC Rules of Procedure based on criteria established by NERC. Additionally, an unscheduled Compliance Audit of any Registered Entity (i) may be initiated at any time by the Compliance Enforcement Authority if reasonably determined to be necessary to ensure the Registered Entities' compliance with Reliability Standards, and (ii) shall be initiated by the Compliance Enforcement Authority or by NERC if directed by FERC. Prior to or on the same date it notifies the Registered Entity that an unscheduled Compliance Audit is being initiated, the ~~The~~ Compliance Enforcement Authority shall notify NERC and FERC that an unscheduled Compliance Audit is being initiated. The Registered Entity shall receive at least ten (10) business days advance notice that an unscheduled Compliance Audit is being initiated, which notice shall include identification of the members of the Compliance Audit team. The Registered Entity shall make any objections to the composition of the Compliance Audit team, which shall be based on failure to meet the criteria specified in Section 3.1.5, at least five (5) business days prior to the start of on-site audit work for the unscheduled Compliance Audit.

### **3.1.4 Scope of Compliance Audits**

A Compliance Audit will include all Reliability Standards applicable to the Registered Entity monitored in the NERC Implementation Plans in the current and three previous years, and may include other Reliability Standards applicable to the Registered Entity. If a Reliability Standard does not require retention of data for the full period of the Compliance Audit, the Compliance Audit will be applicable to the data retention period specified in the Reliability Standard.

### **3.1.5 Conduct of Compliance Audits**

The audit team shall be comprised of staff personnel from the Compliance Enforcement Authority and may include contractors and industry volunteers as determined by the Compliance Enforcement Authority to be appropriate to comprise a sufficient audit team. The audit team

## **Compliance Monitoring and Enforcement Program**

leader shall be a staff member from the Compliance Enforcement Authority and is responsible for the conduct of the Compliance Audit and preparation of the audit report. At their discretion, NERC Compliance Staff may participate on any Regional Entity Compliance Audit team either as an observer or as an audit team member as determined by the Regional Entity. Additionally, FERC and other regulatory bodies with regulatory authority for the Registered Entity may participate on the audit team for any Compliance Audit of a Registered Entity.

Each audit team member must:

- Be free of conflicts of interests. For example, employees or contractors of the Registered Entity being audited shall not be allowed to participate as auditors in the Compliance Audit of the Registered Entity.
- Comply with the NERC Antitrust Compliance Guidelines and shall have either signed appropriate confidentiality agreements or acknowledgments that the confidentiality agreement signed by the Compliance Enforcement Authority is applicable.
- Successfully complete all NERC or NERC-approved Regional Entity auditor training applicable to the Compliance Audit. As a transitional matter, for Compliance Audits conducted prior to January 1, 2008, at least a majority of audit team members must have successfully completed such training.

Prior to the Compliance Audit, copies of executed confidentiality agreements or acknowledgements will be provided to the Registered Entity.

A Registered Entity subject to a Compliance Audit may object to any member of the audit team on grounds of a conflict of interest or the existence of other circumstances that could interfere with the team member's impartial performance of his or her duties. Such objections must be provided in writing to the Compliance Enforcement Authority no later than fifteen (15) days prior to the start of on-site audit work. This fifteen (15) day requirement shall not apply (i) where an audit team member has been appointed less than twenty (20) days prior to the start of on-site audit work, in which case the Registered Entity must provide any objections to the Compliance Enforcement Authority within five (5) business days after receiving notice of the appointment of the Compliance Audit team member; and (ii) in the case of an unscheduled Compliance Audit pursuant to Section 3.1.3, in which case the Registered Entity must provide any objections to the Compliance Enforcement Authority at least five (5) business days prior to the start of start of on-site audit work for the unscheduled Compliance Audit. The Compliance Enforcement Authority will make a final determination on whether the member will participate in the Compliance Audit of the Registered Entity. Nothing in this paragraph shall be read to limit the participation of NERC or FERC staff in the Compliance Audit.

### **3.1.6 Compliance Audit Reports**

The audit team shall develop a draft audit report that shall include a description of the objective, scope, and methodology of the Compliance Audit; identify any Alleged Violations of Reliability Standards; identify any Mitigation Plans or Remedial Action Directives, which have been completed or pending in the year of the Compliance Audit; and identify the nature of any confidential information redacted. A separate document may be prepared that contains

## Compliance Monitoring and Enforcement Program

recommendations of the audit team. Any recommendations contained in that document will be considered non-binding. The draft report will be provided to the Registered Entity for comment.

The audit team will consider corrections based on comments of the Registered Entity and provide the final audit report to the Compliance Enforcement Authority who will review the report and assess compliance with the Reliability Standards and provide the Registered Entity with a copy of the final report. Regional Entities will provide the final report to NERC, which will in turn provide the report to FERC if the report pertains to a Registered Entity or to a portion of the bulk power system over which FERC has jurisdiction and/or to another Applicable Governmental Authority if the report pertains to a Registered Entity or to a portion of the bulk power system over which the ~~and to any~~ other Applicable Governmental Authority has jurisdiction. Provided, that NERC will not disclose non-public U.S. compliance information that is subject to 18 C.F.R. §39.7(b)(4) to Applicable Governmental Authorities other than FERC without first obtaining permission from FERC for such disclosure and subject to such limitations as FERC may place on such disclosure; and NERC will not disclose non-public non-U.S. compliance information to an Applicable Governmental Authority (including FERC) without first obtaining permission for such disclosure from the Applicable Governmental Authority with jurisdiction over the Registered Entity or the portion of the bulk power system to which such non-public information pertains and subject to any limitations placed on such disclosure by such Applicable Governmental Authority or by other law of the applicable jurisdiction. The Registered Entity shall receive the final audit report at least five (5) business days prior to the release of the report to the public. Work papers and other documentation associated with the audit shall be maintained by the Compliance Enforcement Authority in accordance with NERC requirements.

In the event the audit report identifies Alleged Violations, the final audit report, or pertinent part thereof identifying the Alleged Violation(s) and any proposed penalty or sanction(s), shall not be released to the public by NERC or the Compliance Enforcement Authority until (i) NERC submits a notice of penalty to FERC, or (ii) such Alleged Violation(s) have been admitted by the Registered Entity or resolved by a settlement with the Compliance Enforcement Authority pursuant to the provisions of Section 5.0.

Information deemed by a Compliance Enforcement Authority or the Registered Entity as critical energy infrastructure information or confidential information (as defined in Section 1501 of the NERC Rules of Procedure) shall be redacted from any public reports.

### 3.2 Self-Certification

The Compliance Enforcement Authority may require Registered Entities to self-certify their compliance with Reliability Standards.

If a Self-Certification accurately identifies a violation of a Reliability Standard, an identification of the same violation in a subsequent Compliance Audit or Spot Check, will not subject the Registered Entity to an escalated penalty as a result of the Compliance Audit process unless the severity of the violation is found to be greater than reported by the Registered Entity in the Self-Certification.

#### 3.2.1 Self-Certification Process Steps

## Compliance Monitoring and Enforcement Program

The process steps for the Self-Certification process are as follows and as shown in **Figure 3.2.1**:<sup>2</sup>

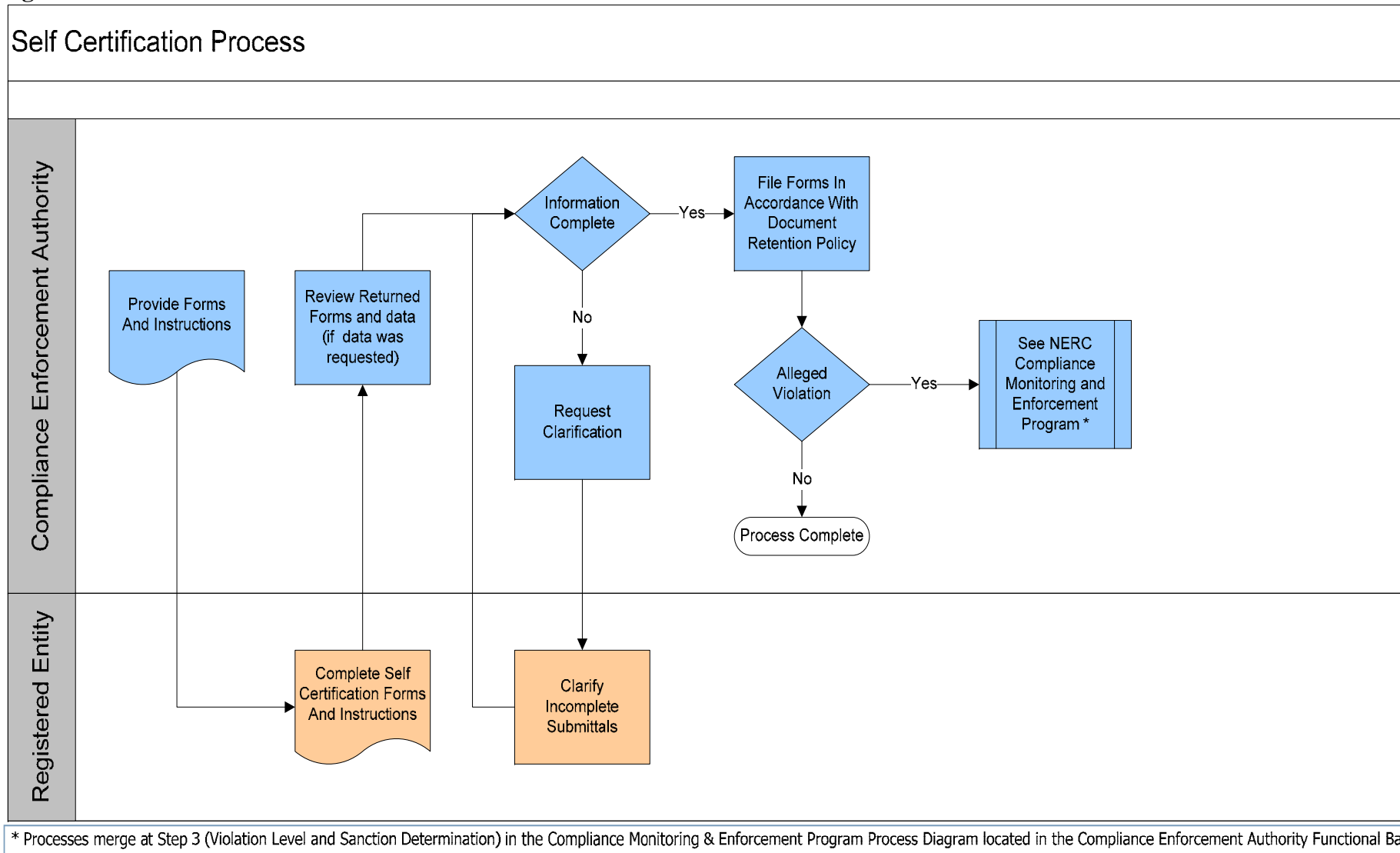
- The Compliance Enforcement Authority posts and updates the reporting schedule and informs Registered Entities. The Compliance Enforcement Authority ensures that the appropriate Reliability Standards, compliance procedures, and required submittal forms for the Reliability Standards being evaluated are maintained and available electronically.
- The Compliance Enforcement Authority requests the Registered Entity to make a Self-Certification within the advance notice period specified by the Reliability Standard. If the Reliability Standard does not specify the advance notice period, this request will be issued in a timely manner (normally thirty (30) days advance notice).
- The Registered Entity provides the required information to the Compliance Enforcement Authority.
- The Compliance Enforcement Authority reviews information to determine compliance with the Reliability Standards and may request additional data and/or information if necessary.
- The Compliance Enforcement Authority completes the assessment of the Registered Entity for compliance with the Reliability Standard (and with the Registered Entity's Mitigation Plan, if applicable). If the Compliance Enforcement Authority concludes that a reasonable basis exists for believing a violation of a Reliability Standard has occurred, it shall send the Registered Entity a notice containing the information set forth in Section 5.1 and the process moves to step 3 (Notice of Alleged Violation) of the Compliance Program Process shown in **Figure 3.0**
- Regional Entities will notify NERC of any Alleged Violations as required by Section 8.0.

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<sup>2</sup>If no non-compliances are found, this process normally completes within sixty (60) days of the Compliance Enforcement Authority's receipt of data.

# Compliance Monitoring and Enforcement Program

Figure 3.2.1 – Self Certification Process



## Compliance Monitoring and Enforcement Program

### 3.3 Spot Checking

Spot Checking will be conducted by the Compliance Enforcement Authority. Spot Checking may be initiated by the Compliance Enforcement Authority at any time to verify or confirm Self-Certifications, Self Reporting, and Periodic Data Submittals. Spot Checking may also be random or may be initiated in response to events, as described in the Reliability Standards, or by operating problems, or system events. The Compliance Enforcement Authority then reviews the information submitted to verify the Registered Entity's compliance with the Reliability Standard. A Compliance Audit may be initiated by the Compliance Enforcement Authority as a result of a Spot Check as necessary.

#### 3.3.1 Spot Checking Process Steps

The process steps for Spot Checking are as follows and as shown in **Figure 3.3.1**:<sup>3</sup>

- The Compliance Enforcement Authority notifies the Registered Entity that Spot Checking will be performed and the reason for the spot check within the advance notice period specified by the Reliability Standard. If the Reliability Standard does not specify the advance notice period, any information submittal request made by the Compliance Enforcement Authority will allow at least twenty (20) days for the information to be submitted or available for review.
- The Compliance Enforcement Authority, during the advance notice period, notifies the Registered Entity of the names and employment histories of the persons who will be conducting the Spot Checking. The Registered Entity may object to inclusion of any individual on the Spot Checking team in accordance with Section 3.1.5. Any such objections must be submitted by the later of (i) five (5) business days before the information being requested by the Compliance Enforcement Authority is submitted and (ii) five (5) business days after the Registered Entity is notified of the persons on the Spot Checking team. Nothing in this step shall be read to limit the participation of NERC or FERC staff on the Spot Checking Team.
- The spot check may require submission of data, documentation, or possibly an on-site review.
- The Registered Entity provides required information to the Compliance Enforcement Authority in the format specified in the request.
- The Compliance Enforcement Authority reviews information to determine compliance with the Reliability Standards and may request the additional data and/or information if necessary for a complete assessment of compliance.
- The Compliance Enforcement Authority reviews its draft assessment of the Registered Entity's compliance with the Registered Entity and provides an opportunity for the Registered Entity to comment on the draft assessment.

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<sup>3</sup>If no alleged violations are found, this process normally completes within ninety (90) days of the Compliance Enforcement Authority's receipt of data.

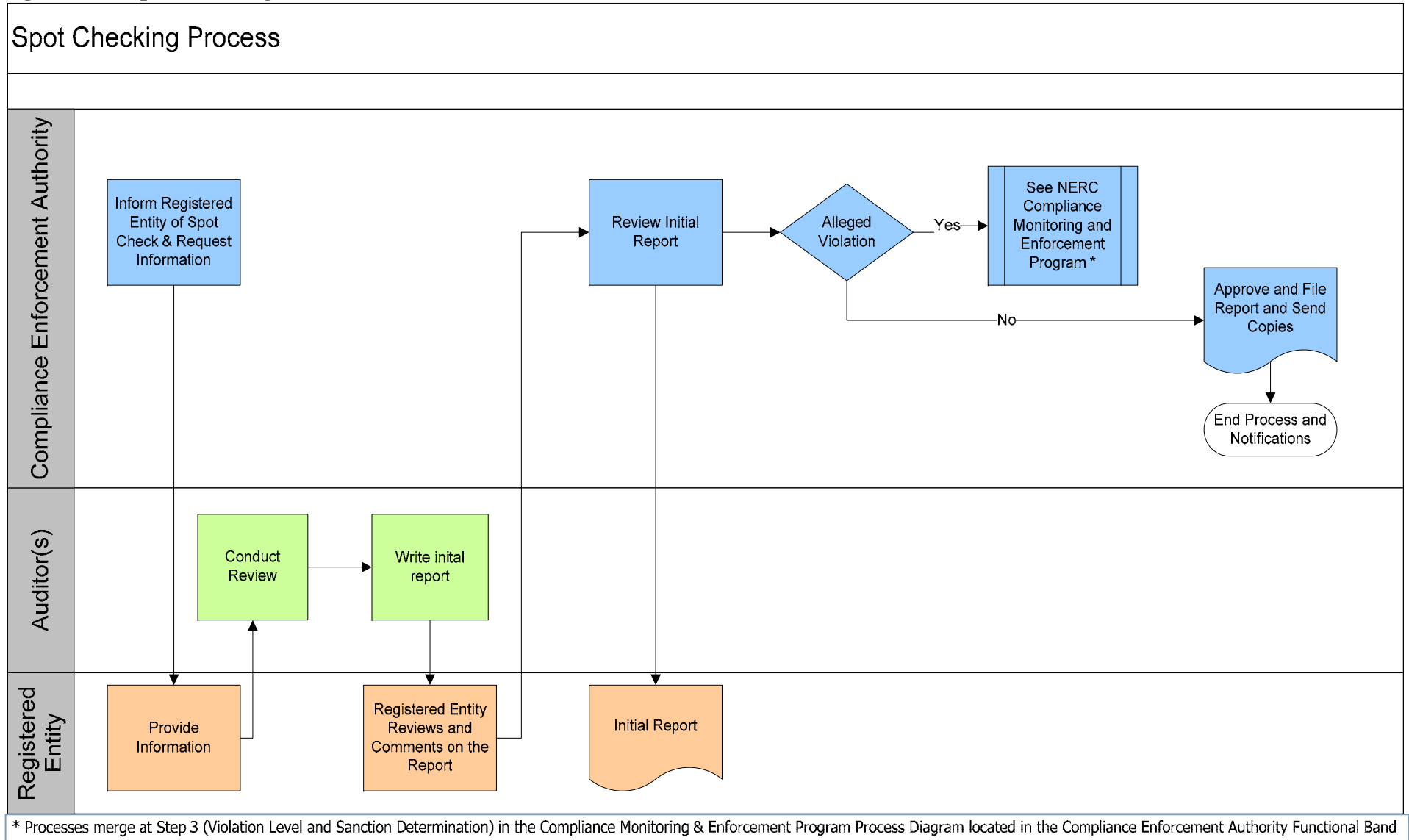


## Compliance Monitoring and Enforcement Program

- The Compliance Enforcement Authority completes and documents the assessment of the Registered Entity for compliance with the Reliability Standard and provides a report to the Registered Entity indicating the results of the spot check.
- If the Compliance Enforcement Authority concludes that a reasonable basis exists for believing a violation of a Reliability Standard has occurred, it shall send the Registered Entity a notice containing the information set forth in Section 5.1 and the process moves to step 3 (Notice of Alleged Violation) of the Compliance Program Process shown in **Figure 3.0**
- Regional Entities will notify NERC of any Alleged Violations as required by Section 8.0.

# Compliance Monitoring and Enforcement Program

Figure 3.3.1 Spot Checking Process



## Compliance Monitoring and Enforcement Program

### 3.4 Compliance Violation Investigations

A Compliance Violation Investigation may be initiated at any time by the Compliance Enforcement Authority, NERC, FERC or another Applicable Governmental Authority in response to a system disturbance, Complaint, or possible violation of a Reliability Standard identified by any other means. Compliance Violation Investigations will generally be led by the Regional Entity's staff. NERC reserves the right to assume the leadership of a Compliance Violation Investigation.<sup>4</sup> The Regional Entity shall not be entitled to appeal NERC's decision to lead a Compliance Violation Investigation. Compliance Violation Investigations are confidential, unless FERC directs that a Compliance Violation Investigation should be public or that certain information obtained in the Compliance Violation Investigation should be publicly disclosed. Confirmed Violations resulting from a Compliance Violation Investigation will be made public.

If an Applicable Governmental Authority other than FERC initiates a Compliance Violation Investigation of a U.S.-related matter, NERC shall provide notice to FERC of the Compliance Violation Investigation prior to disclosure of any non-public U.S.-related compliance information regarding the matter to be investigated to the other Applicable Governmental Authority. NERC's notice to FERC shall describe the nature of the proposed disclosures to the other Applicable Governmental Authority and shall state the procedures NERC will utilize in connection with the Compliance Violation Investigation to ensure compliance with the requirements of 18 C.F.R. §39.7(b)(4) concerning nondisclosure of violations and Alleged Violations. If FERC initiates a Compliance Violation Investigation of a non-U.S.-related matter, NERC shall provide notice of the Compliance Violation Investigation to the Applicable Governmental Authority having jurisdiction over the Registered Entity or the portion of the bulk power system that is the subject of the Compliance Violation Investigation prior to disclosure to FERC of any non-public non-U.S.-related compliance information regarding the matter to be investigated. NERC's notice to the other Applicable Governmental Authority shall describe the nature of the proposed disclosures to FERC and shall state the procedures NERC will utilize in connection with the Compliance Violation Investigation to ensure compliance with regulations of the other Applicable Governmental Authority or other law of the applicable jurisdiction concerning disclosure of non-public compliance information.

#### 3.4.1 Compliance Violation Investigation Process Steps

The process steps for a Compliance Violation Investigation are as follows and as shown in **Figure 3.4.1:**<sup>5</sup>

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<sup>4</sup> Examples of situations in which NERC may decide to lead a Compliance Violation Investigation include: (i) to assure consistency in investigative processes, (ii) to coordinate investigations into matters that may cross Regional Entity boundaries, (iii) where the possible violation is related to the Regional Entity or one of its affiliates, divisions, committees or subordinate structures, or (iv) where the Regional Entity determines it cannot conduct the Compliance Violation Investigation.

<sup>5</sup>If no alleged violation(s) are found, this process normally completes within sixty (60) days following the decision to initiate a Compliance Violation Investigation.

## Compliance Monitoring and Enforcement Program

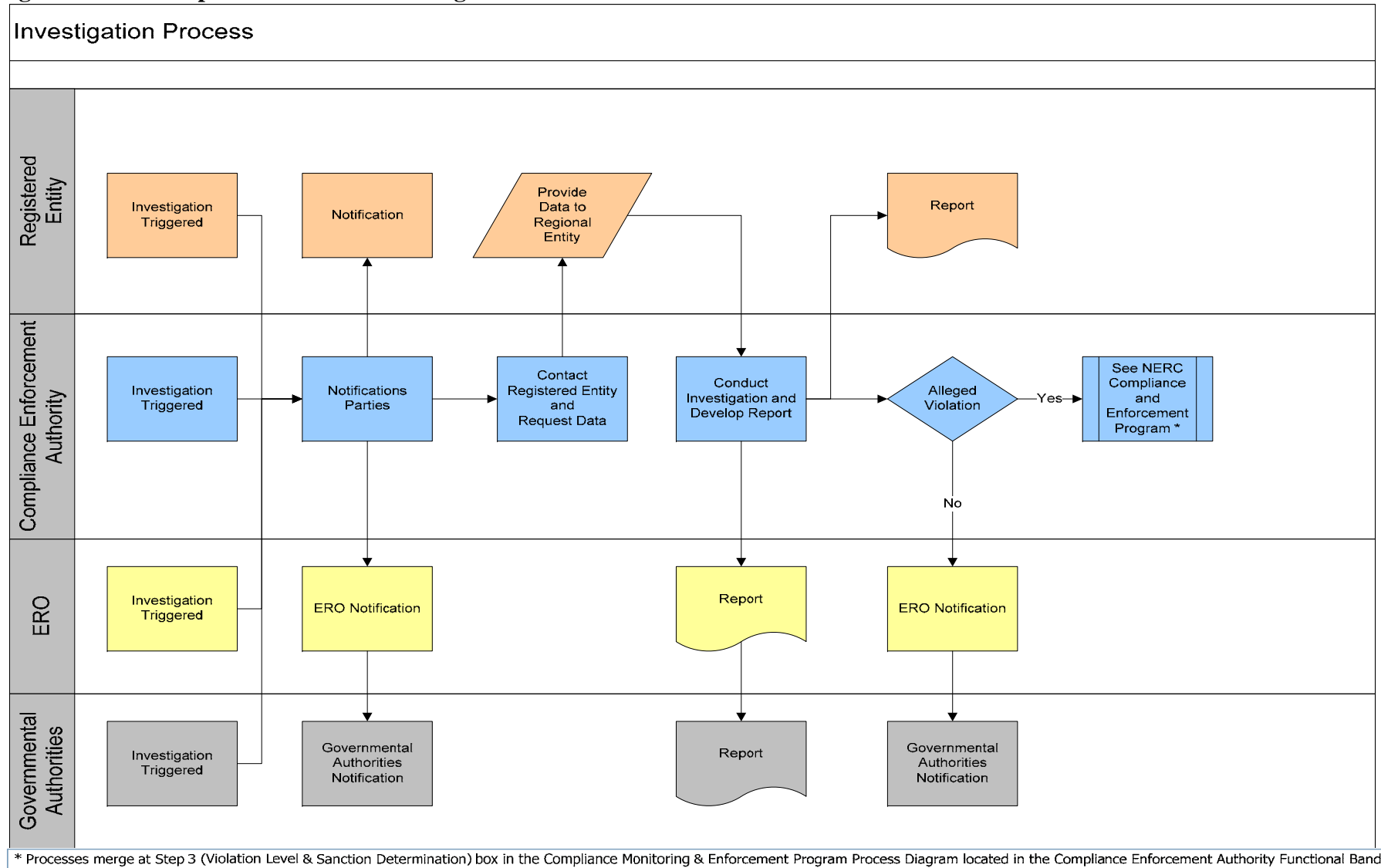
- The Compliance Enforcement Authority is notified or becomes aware of circumstances indicating a possible violation of a Reliability Standard and determines whether a Compliance Violation Investigation is warranted. Within two (2) business days of the decision to initiate a Compliance Violation Investigation, the Compliance Enforcement Authority: (i) notifies the Registered Entity of the initiation and initial scope of the Compliance Violation Investigation, the requirements to preserve all records and information relevant to the Compliance Violation Investigation and, where appropriate, the reasons for the Compliance Violation Investigation, and (ii) notifies NERC of the initiation of and the reasons for the Compliance Violation Investigation. While the Compliance Enforcement Authority may, at its discretion, notify the Registered Entity of the reasons for its investigation, the investigation, as it unfolds, need not be limited to this scope.
- NERC assigns a NERC Staff member to the Compliance Violation Investigation and to serve as a single point of contact for communications with NERC. Within two (2) business days after NERC is notified of the decision to initiate a Compliance Violation Investigation, NERC will notify each Applicable Governmental Authority having jurisdiction over a Registered Entity or a portion of the bulk power system to which the notifies FERC or other Applicable Governmental Authorities of a Compliance Violation Investigation relates. within two (2) business days after NERC is notified of the decision to initiate a Compliance Violation Investigation. Provided, that NERC will not disclose non-public U.S. compliance information that is subject to 18 C.F.R. §39.7(b)(4) to an Applicable Governmental Authority other than FERC without first obtaining permission from FERC for such disclosure and subject to any limitations placed by FERC on such disclosure, and NERC will not disclose non-public non-U.S. compliance information to an Applicable Governmental Authority (including FERC) without first obtaining permission from the Applicable Governmental Authority that has jurisdiction over the Registered Entity or portion of the bulk power system to which the non-public information pertains and subject to any limitations placed on such disclosure by such Applicable Governmental Authority or by other law of the applicable jurisdiction.
- The Compliance Enforcement Authority requests data or documentation and provides a list of individuals on the investigation team and their recent employment history. The Registered Entity may object to any individual on the investigation team in accordance with Section 3.1.5; however, the Registered Entity may not object to participation by NERC, by FERC staff or by staff of another Applicable Governmental Authority on the investigation team. If the Reliability Standard does not specify the advance notice period, a request is normally issued with no less than twenty (20) days advance notice.
- Within ten (10) business days of receiving the notification of a Compliance Violation Investigation, a Registered Entity subject to an investigation may object to any member of the investigation team on grounds of a conflict of interest or the existence of other circumstances that could interfere with the team member's impartial performance of his or her duties. Such objections must be provided in writing to the Compliance Enforcement Authority within such ten (10) business day period. The Compliance Enforcement Authority will make a final determination as to whether the individual will participate in the investigation of the Registered Entity.

## Compliance Monitoring and Enforcement Program

- If necessary, the Compliance Violation Investigation may include an on-site visit with interviews of the appropriate personnel and review of data.
- The Registered Entity provides the required information to the Compliance Enforcement Authority in the format as specified in the request.
- The Compliance Enforcement Authority reviews information to determine compliance with the Reliability Standards. The Compliance Enforcement Authority may request additional data and/or information if necessary for a complete assessment or to demonstrate compliance.
- The Compliance Enforcement Authority may require the Registered Entity (i) to provide a verification under oath by an officer, employee, attorney or other authorized representative of the Registered Entity attesting to the accuracy, completeness and truth of the Registered Entity's responses to the Compliance Enforcement Authority's requests for documents and information; and (ii) to produce one or more officers, employees or other authorized representatives of the Registered Entity who are familiar with the subject matter of the Compliance Violation Investigation to provide testimony under oath concerning the matters under investigation.
- The Compliance Enforcement Authority completes the assessment of compliance with the Reliability Standard and/or approval of the applicable Mitigation Plan, writes and distributes the report, and notifies the Registered Entity.
- If the Compliance Enforcement Authority concludes that a reasonable basis exists for believing a violation of a Reliability Standard has occurred, it shall send the Registered Entity a notice containing the information set forth in Section 5.1 and the process moves to step 3 (Notice of Alleged Violation) of the Compliance Program Process shown in **Figure 3.0**
- Regional Entities will notify NERC of any Alleged Violations as required by Section 8.0.
- If the Compliance Enforcement Authority determines that no violation occurred, it shall send the Registered Entity and NERC a notice that the investigation has been completed. NERC will in turn notify FERC and, if the investigation pertained to a Registered Entity or to a portion of the bulk power system over which another Applicable Governmental Authority has jurisdiction, will also notify such—any other Applicable Governmental Authority. Provided, however, that NERC will not disclose non-public U.S. compliance information that is subject to 18 C.F.R. §39.7(b)(4) to Applicable Governmental Authorities other than FERC without first obtaining permission from FERC for such disclosure and subject to any limitations placed by FERC on such disclosure, and NERC will not disclose non-public non-U.S. compliance information to an Applicable Governmental Authority (including FERC) without first obtaining permission from the Applicable Governmental Authority that has jurisdiction over the Registered Entity or portion of the bulk power system to which the non-public information pertains and subject to any limitations placed on such disclosure by such Applicable Governmental Authority or by other law of the applicable jurisdiction.

# Compliance Monitoring and Enforcement Program

Figure 3.4.1 – Compliance Violation Investigation Process



## Compliance Monitoring and Enforcement Program

### 3.5 Self-Reporting

Self-Reporting is encouraged at the time a Registered Entity becomes aware (i) of a violation of a Reliability Standard or (ii) a change in the violation severity level of a previously reported violation. Self-Reporting of a violation of a Reliability Standard is encouraged regardless of whether the Reliability Standard requires reporting on a pre-defined schedule in the Compliance Program and the violation is determined outside the pre-defined reporting schedule.

#### 3.5.1 Self-Reporting Process Steps

The process steps for Self-Reporting are as follows and as shown in **Figure 3.5.1**:<sup>6</sup>

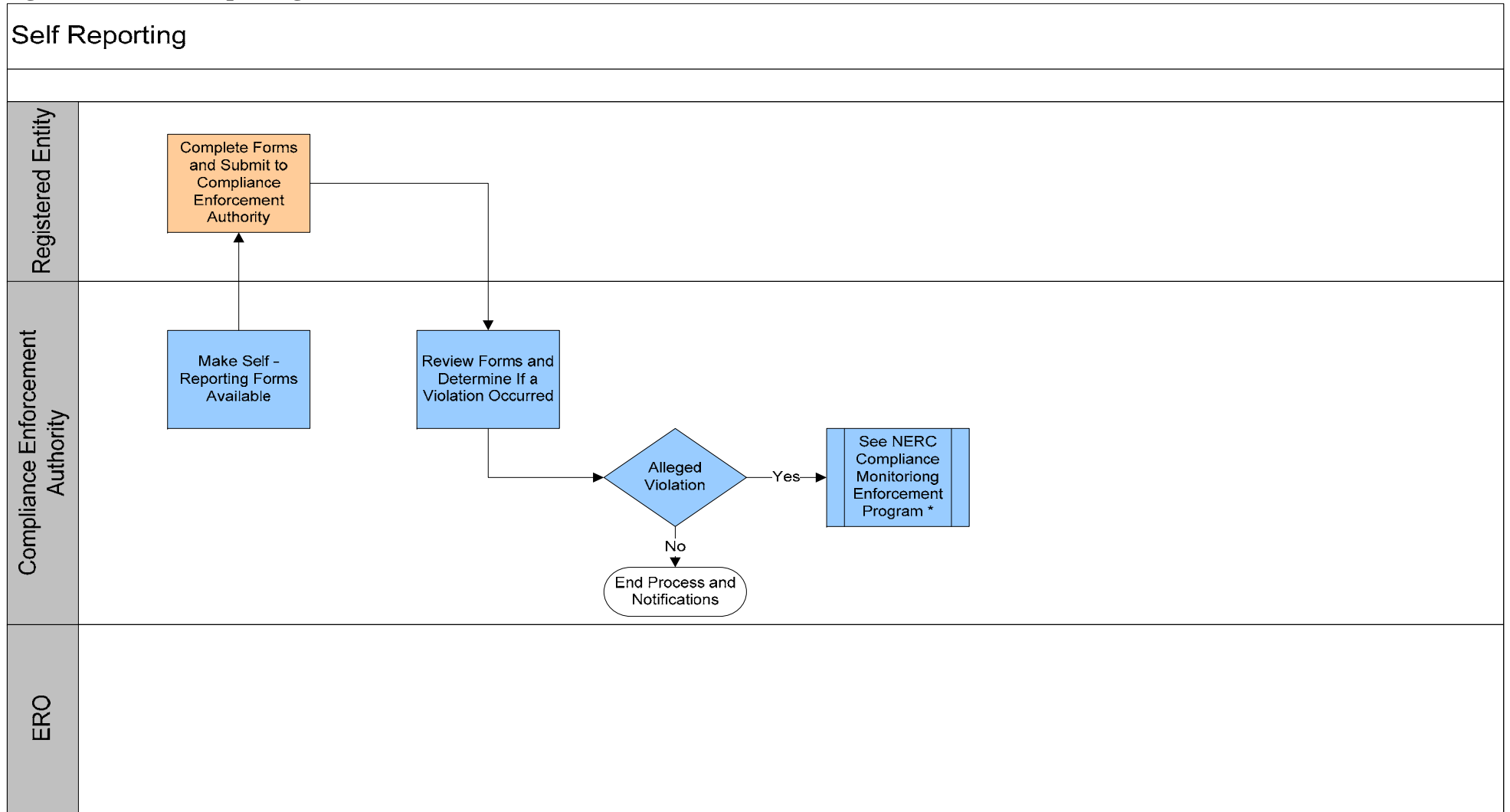
- The Compliance Enforcement Authority posts the Self-Reporting submittal forms and ensures they are maintained and available on its Web site.
- The Registered Entity provides the Self-Reporting information to the Compliance Enforcement Authority.
- The Compliance Enforcement Authority reviews the information to determine compliance with the Reliability Standards and may request the Registered Entity to provide clarification or additional data and/or information.
- The Compliance Enforcement Authority completes the assessment of the Registered Entity for compliance with the Reliability Standards and any Mitigation Plan, if applicable, and notifies the Registered Entity.
- If the Compliance Enforcement Authority concludes that a reasonable basis exists for believing a violation of a Reliability Standard has occurred, it shall send the Registered Entity a notice containing the information set forth in Section 5.1 and the process moves to step 3, Notice of Alleged Violation, of the Compliance Program Process shown in **Figure 3.0**.
- Regional Entities notify NERC of any Alleged Violations as required by Section 8.0.

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<sup>6</sup>This process normally completes within sixty (60) days following the Compliance Enforcement Authority's receipt of data.

## Compliance Monitoring and Enforcement Program

Figure 3.5.1 – Self Reporting Process



\* Processes merge at Step 3 (Violation Level and Sanction Determination) in the Compliance Monitoring & Enforcement Program Process Diagram located in the Compliance Enforcement Authority Functional Band



## Compliance Monitoring and Enforcement Program

### 3.6 Periodic Data Submittals

The Compliance Enforcement Authority requires Periodic Data Submittals in accordance with the schedule stated in the applicable Reliability Standard, established by the Compliance Enforcement Authority, or on an as-needed basis. Requests for data submittals will be issued by the Compliance Enforcement Authority to Registered Entities with at least the minimum advance notice period specified by the applicable Reliability Standard. If the Reliability Standard does not specify an advance notice period, the request will normally be issued with no less than twenty (20) days advance notice.

#### 3.6.1 Periodic Data Submittals Process Steps

The process steps for Periodic Data Submittal are as follows and as shown in **Figure 3.6.1**:<sup>7</sup>

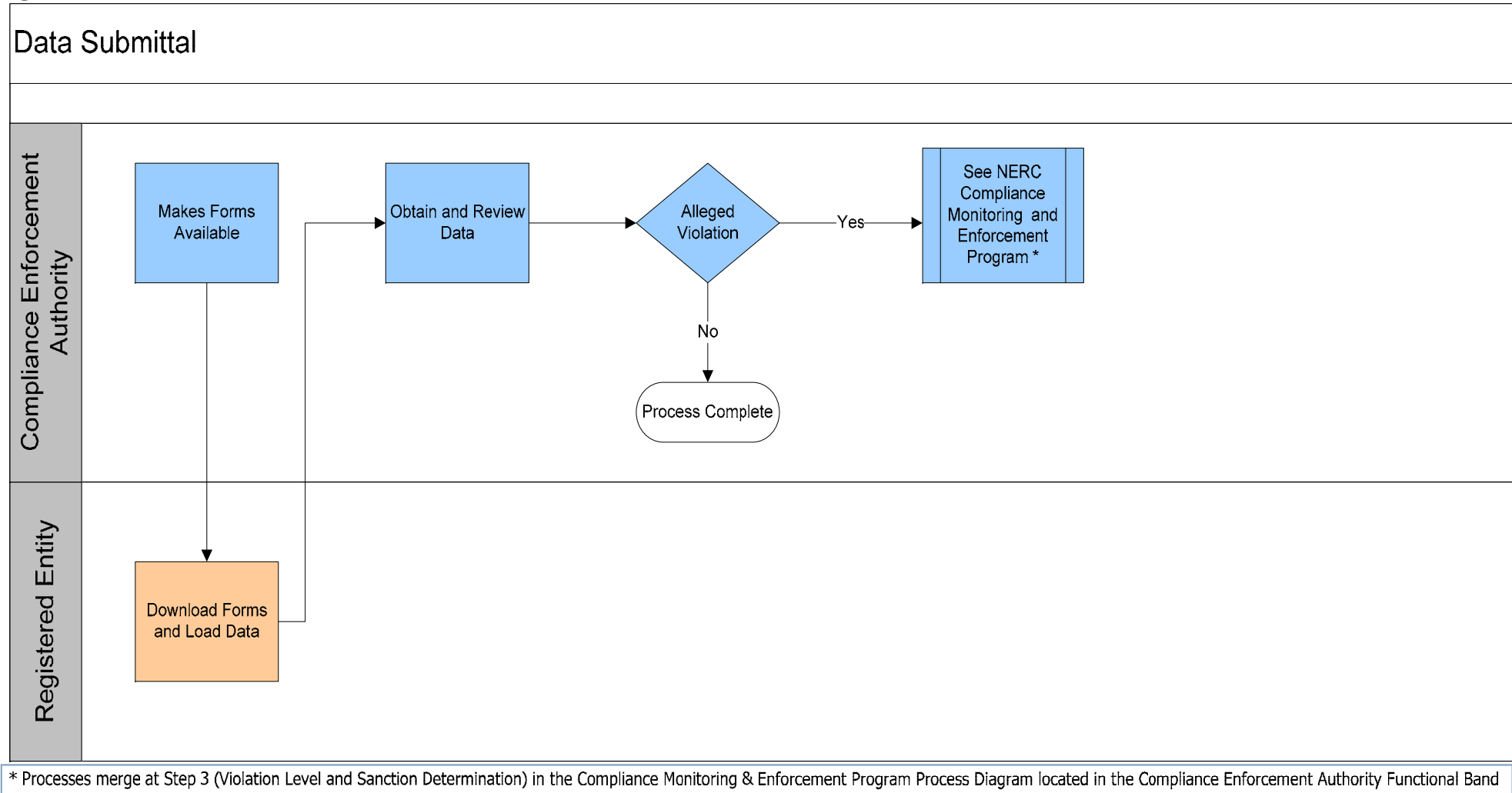
- The Compliance Enforcement Authority posts the current data reporting schedule on its web site and keeps Registered Entities informed of changes and/or updates. The Compliance Enforcement Authority ensures that the appropriate Reliability Standard compliance procedures and the required submittal forms for the Reliability Standards being evaluated are maintained and available via its Web site.
- The Compliance Enforcement Authority makes a request for a Periodic Data Submittal.
- The Registered Entity provides the required information to the Compliance Enforcement Authority in the format as specified in the request.
- The Compliance Enforcement Authority reviews the data submittal to determine compliance with the Reliability Standards and may request additional data and/or information for a complete assessment or to demonstrate compliance.
- The Compliance Enforcement Authority reviews its draft assessment of the Registered Entity's compliance with the Reliability Standard and provides an opportunity for the Registered Entity to comment on the assessment before it is finalized.
- The Compliance Enforcement Authority completes the assessment of the Registered Entity for compliance with the Reliability Standard and notifies the Registered Entity.
- If the Compliance Enforcement Authority concludes that a reasonable basis exists for believing a violation of a Reliability Standard has occurred, it shall send the Registered Entity a notice containing the information set forth in Section 5.1 and the process moves to step 3 (Notice of Alleged Violation) of the Compliance Program Process shown in **Figure 3.0**
- Regional Entities notify NERC of any Alleged Violations as required by Section 8.0.

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<sup>7</sup>If no violation(s) are found, this process generally completes within ten (10) business days of the Compliance Enforcement Authority's receipt of data.

# Compliance Monitoring and Enforcement Program

Figure 3.6.1 – Data Submittal Process



## Compliance Monitoring and Enforcement Program

### 3.7 Exception Reporting

Some Reliability Standards require reporting of exceptions to compliance with the Reliability Standard as a form of compliance monitoring. The Compliance Enforcement Authority shall require Registered Entities to provide reports identifying any exceptions to the extent required by any Reliability Standard.

The Compliance Enforcement Authority shall also require Registered Entities to confirm the number of exceptions that have occurred in a given time period identified by NERC, even if the number of exceptions is zero.

### 3.8 Complaints

Either NERC or Regional Entities may receive Complaints alleging violations of a Reliability Standard. A Regional Entity will conduct a review of each Complaint it receives to determine if the Complaint provides sufficient basis for a Compliance Violation Investigation, except that NERC will review any Complaint (1) that is related to a Regional Entity or its affiliates, divisions, committees or subordinate structures, (2) where the Regional Entity determines it cannot conduct the review, or (3) if the complainant wishes to remain anonymous or specifically requests NERC to conduct the review of the Complaint.

If the Complaint is submitted to NERC, NERC will forward the information to the Regional Entity, as appropriate.

All anonymous Complaints will be reviewed and any resulting Compliance Violation Investigations conducted by NERC will be conducted in accordance with Section 3.8.2 to prevent disclosure of the identity of the complainant.

The Compliance Enforcement Authority conducting the review will determine if the Complaint may be closed as a result of the initial review and assessment of the Complaint to determine if it provides sufficient basis for a Compliance Violation Investigation. The Regional Entity will report the results of its review of the Complaint to NERC. If, as a result of the initial review of the Complaint, the Compliance Enforcement Authority determines that a Compliance Violation Investigation is warranted, a Compliance Violation Investigation will be conducted in accordance with Section 3.4.

#### 3.8.1 Complaint Process Steps

The detailed process steps for the Complaint process are as follows and as shown in **Figure 3.8.1**.<sup>8</sup>

- The complainant notifies NERC or a Regional Entity using the NERC compliance hotline, submitting a NERC Complaint reporting form, or by other means. A link to the Complaint reporting form will be posted on the NERC and Regional Entity Web sites.

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<sup>8</sup>If no violations are found, this process normally completes within sixty (60) days following receipt of the Complaint.

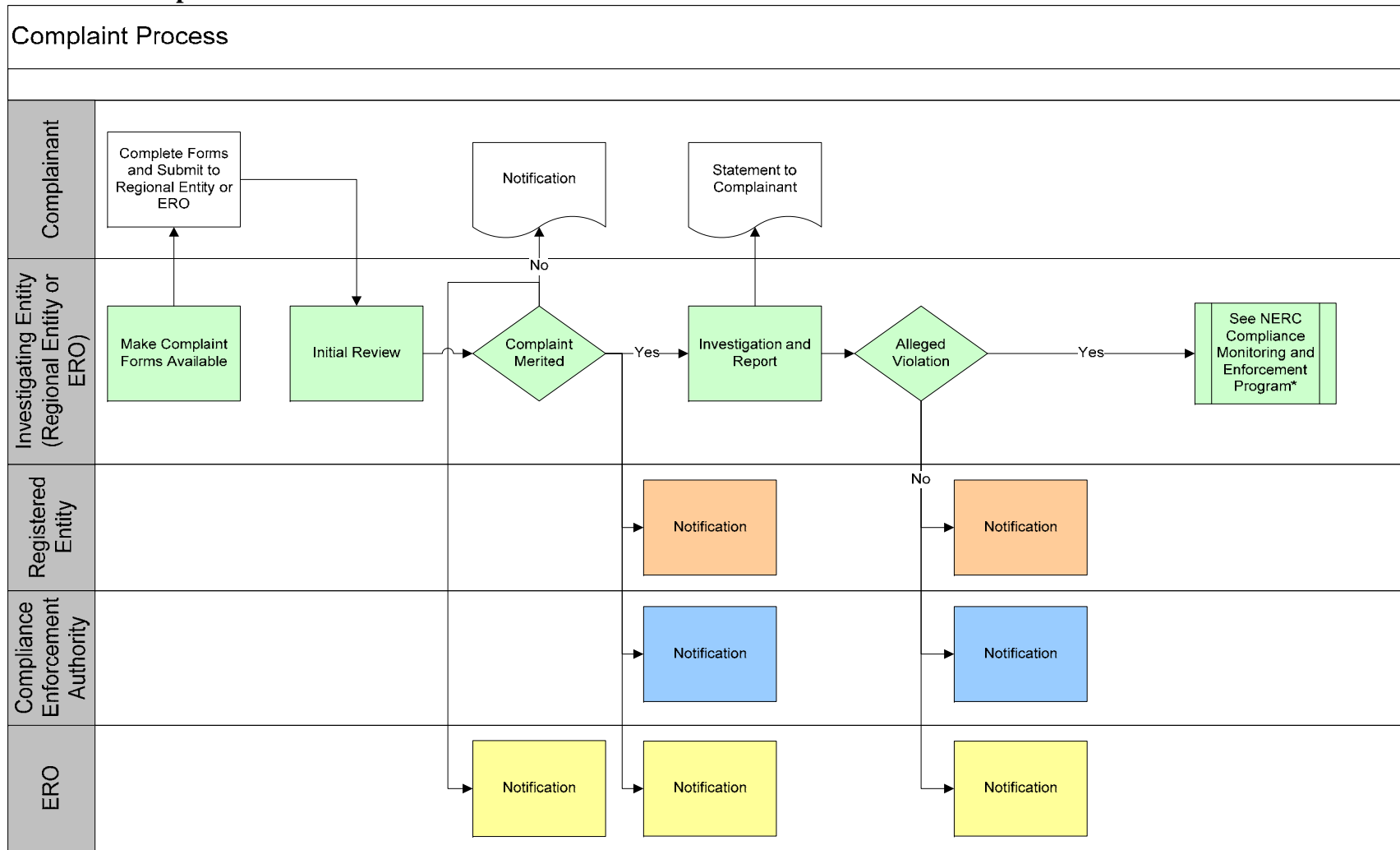
## **Compliance Monitoring and Enforcement Program**

The Complaint should include sufficient information to enable NERC or the Regional Entity to make an assessment of whether the initiation of a Compliance Violation Investigation is warranted. NERC or the Regional Entity may not act on a Complaint if the Complaint is incomplete and does not include sufficient information.

- If the Compliance Enforcement Authority determines that a Compliance Violation Investigation is warranted, it initiates the Compliance Violation Investigation in accordance with Section 3.4; otherwise it takes no further action. The Compliance Enforcement Authority notifies the complainant, the Registered Entity, and NERC of the Compliance Violation Investigation. If the Compliance Enforcement Authority determines that a Compliance Violation Investigation is not warranted, it will notify the complainant, NERC, and the Registered Entity that no further action will be taken.
- The Compliance Enforcement Authority fully documents the Complaint and the Complaint review, whether a Compliance Violation Investigation is initiated or not.

# Compliance Monitoring and Enforcement Program

Figure 3.8.1 – Complaint Process



+ Anonymous complainant identities will be withheld

\* Processes merge at Step 3 (Violation Level and Sanction Determination) in the Compliance Monitoring & Enforcement Program Process Diagram located in the Compliance Enforcement Authority Functional Band

## **Compliance Monitoring and Enforcement Program**

### **3.8.2 Anonymous Complainant Notification Procedure**

An anonymous complainant who believes, or has information indicating, there has been a violation of a Reliability Standard, can report the possible violation and request that the complainant's identity not be disclosed.<sup>9</sup> All Complaints lodged by a person or entity requesting that the complainant's identity not be disclosed shall be investigated by NERC following the procedural steps described in Section 3.8.1. Anonymous Complaints received by a Regional Entity will either be directed to NERC or the Regional Entity will collect and forward the information to NERC, at the Regional Entity's discretion. Neither NERC nor the Regional Entity shall disclose the identity of any person or entity reporting possible violations to NERC or to a Regional Entity that requests that his/her/its identity not be revealed. The identity of the complainant will only be known by NERC and in the case where a Regional Entity collects the information, by NERC and the Regional Entity. If the Compliance Enforcement Authority determines that a Compliance Violation Investigation is not warranted, it will notify the complainant, NERC, and the Registered Entity that no further action will be taken.

## **4.0 ANNUAL IMPLEMENTATION PLANS**

### **4.1 NERC Compliance Monitoring and Enforcement Program Implementation Plan**

NERC will maintain and update the NERC Implementation Plan, to be carried out by Compliance Enforcement Authorities in the performance of their responsibilities and duties in implementing the NERC Compliance Monitoring and Enforcement Program. The NERC Implementation Plan will be provided to the Regional Entities by October 1 of each year and will specify the Reliability Standards requiring reporting by Registered Entities to the Compliance Enforcement Authority to provide verification of compliance through one of the monitoring methods described in this Compliance Plan document. The NERC Implementation Plan will be posted on the NERC web site.

### **4.2 Regional Entity Implementation Plan**

By November 1 of each year, Regional Entities will submit a Regional Implementation Plan for the following calendar year to NERC for approval. The Regional Implementation Plan and the Regional Entity's other relevant Compliance Program documents shall be posted on the Regional Entity's Web site.

## **5.0 ENFORCEMENT ACTIONS**

The Compliance Enforcement Authority shall determine (i) whether there have been violations of Reliability Standards by Registered Entities within the Compliance Enforcement Authority's area of responsibility, and (ii) if so, the appropriate remedial actions, and penalties and sanctions, as prescribed in the NERC Sanction Guidelines (Appendix 4B to the NERC Rules of Procedure). NERC will work to achieve consistency in the application of the Sanction Guidelines by Regional Entities by direct oversight and review of penalties and sanctions, and each Regional Entity shall provide to NERC such information as is requested by NERC concerning any penalty, sanction, or remedial actions imposed by the Regional Entity.

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<sup>9</sup>NERC has established a Compliance Hotline that may be used for the submission of Complaints by persons or entities that do not want his/her/its identity disclosed (see [www.nerc.com](http://www.nerc.com) for additional information).

## Compliance Monitoring and Enforcement Program

Parties engaged in the process described in this section should consult with each other on the data and information that would be appropriate for effectively addressing this section's process requirements. If a party believes that a request for data or information other than in the context of the hearing procedures is unreasonable, the party may request a written determination from the NERC compliance program officer.

### 5.1 Notification to Registered Entity of Alleged Violation

If the Compliance Enforcement Authority alleges that a Registered Entity has violated a Reliability Standard, the Compliance Enforcement Authority shall provide written notice of Alleged Violation and sanction (signed by an officer or designee) to the Registered Entity (CEO or equivalent and compliance contact) and NERC. The Compliance Enforcement Authority may also issue an initial notice of Alleged Violation, without specifying the proposed penalty or sanction, to the Registered Entity. The notice of Alleged Violation and sanction shall contain, at a minimum:

- (i) the Reliability Standard and requirement(s) thereof the Registered Entity has allegedly violated,
- (ii) the date and time the Alleged Violation occurred (or is occurring),
- (iii) the facts the Compliance Enforcement Authority believes demonstrate or constitute the Alleged Violation,
- (iv) the proposed penalty or sanction, if any, determined by the Compliance Enforcement Authority to be applicable to the Alleged Violation in accordance with the NERC Sanction Guidelines, including an explanation of the basis on which the particular penalty or sanction was determined to be applicable,
- (v) notice that the Registered Entity shall, within thirty (30) days, elect one of the following options or the Compliance Enforcement Authority will deem the Registered Entity to have accepted the determination of violation and proposed penalty or sanction:
  1. agree with the Alleged Violation and proposed penalty or sanction, and agree to submit and implement a Mitigation Plan to correct the violation and its underlying causes, and may provide a response in accordance with Section 5.2, or
  2. agree to the Alleged Violation and agree to submit and implement a Mitigation Plan to eliminate the violation and its underlying causes, but contest the proposed penalty or sanction, and may provide a response in accordance with Section 5.2, or
  3. contest both the Alleged Violation and proposed penalty or sanction,
- (vi) notice that the Registered Entity may elect to submit a Mitigation Plan while contesting the Alleged Violation and/or the proposed penalty or sanction, and that submission of a Mitigation Plan will not waive the Registered Entity's right to contest the Alleged Violation and/or the proposed penalty or sanction; and
- (vii) required procedures to submit the Registered Entity's Mitigation Plan.

## Compliance Monitoring and Enforcement Program

NERC shall forward a copy of the notice of Alleged Violation to FERC and, if the Alleged Violation pertains to a Registered Entity or to a portion of the bulk power system over which another Applicable Governmental Authority has jurisdiction, to such ~~any~~ other Applicable Governmental Authority, within two (2) business days of receipt from the Compliance Enforcement Authority, provided, that NERC will not disclose non-public U.S. compliance information that is subject to 18 C.F.R. §39.7(b)(4) to Applicable Governmental Authorities other than FERC without first obtaining permission from FERC for such disclosure and subject to any limitations placed by FERC on such disclosure, and NERC will not disclose non-public non-U.S. compliance information to an Applicable Governmental Authority (including FERC) without first obtaining permission from the Applicable Governmental Authority that has jurisdiction over the Registered Entity or portion of the bulk power system to which the non-public information pertains and subject to any limitations placed on such disclosure by such Applicable Governmental Authority or by other law of the applicable jurisdiction.

### 5.2 Registered Entity Response

If the Registered Entity does not contest or does not respond to the notice of Alleged Violation within thirty (30) days, it shall be deemed to have accepted the Compliance Enforcement Authority's determination of violation and sanction (if applicable), in which case the Compliance Enforcement Authority shall issue to the Registered Entity and NERC a final report of Confirmed Violation. A Registered Entity may provide a written explanatory statement to accompany the final report.

If the Registered Entity contests the Alleged Violation or the proposed sanction, the Registered Entity shall submit to the Compliance Enforcement Authority a response explaining its position, signed by an officer employee, attorney or other authorized representative, together with any supporting information and documents. The Compliance Enforcement Authority shall schedule a conference with the Registered Entity within ten (10) business days after receipt of the response. If the Compliance Enforcement Authority and the Registered Entity are unable to resolve all issues within forty (40) days after the Registered Entity's response, the Registered Entity may request a hearing. If no hearing request is made the violation will become a Confirmed Violation when filed by NERC with FERC or other Applicable Governmental Authority.

If a hearing is requested the Compliance Enforcement Authority shall initiate the hearing process by convening a hearing body and issuing a written notice of hearing to the Registered Entity and the hearing body and identifying the Compliance Enforcement Authority's designated hearing representative.<sup>10</sup>

### 5.3 Hearing Process for Compliance Hearings

The Compliance Enforcement Authority hearing process is set forth in **Attachment 2**.

### 5.4 Settlement Process

Settlement negotiations may occur at any time, including prior to the issuance of a notice of Alleged Violation and sanction until a notice of penalty is filed with FERC or another Applicable Governmental

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<sup>10</sup>If the dispute involves a proposed Mitigation Plan, which has not been accepted by the Compliance Enforcement Authority, the Registered Entity may file a request for hearing with the Compliance Enforcement Authority.



## Compliance Monitoring and Enforcement Program

Authority. All settlement negotiations will be confidential until such time as the settlement is approved by NERC. For all settlement discussions, the Compliance Enforcement Authority shall require the Registered Entity to designate an individual(s) authorized to negotiate on its behalf. All settlement agreements must conform to the requirements of NERC Rule of Procedure 403.18 and, if approved, must provide for waiver of the Registered Entity's right to further hearings and appeal.

The Compliance Enforcement Authority will issue a letter setting forth the final settlement terms including all penalties, sanctions and mitigation requirements provided for in the final settlement.

The Regional Entity shall report the terms of all settlements of compliance matters to NERC. NERC will review the settlement for the purpose of evaluating its consistency with other settlements entered into for similar violations or under other, similar circumstances. Based on this review, NERC will either approve the settlement or reject the settlement and notify the Regional Entity and the Registered Entity of changes to the settlement that would result in approval. If NERC rejects the settlement, the Regional Entity will attempt to negotiate a revised settlement agreement with the Registered Entity including any changes to the settlement specified by NERC.

NERC will ~~(i)~~ report the approved settlement of the violation to FERC and, if the settlement relates to a Registered Entity or to a portion of the bulk power system over which another Applicable Governmental Authority has jurisdiction, to such other Applicable Governmental Authority, provided, that NERC will not disclose non-public U.S. compliance information that is subject to 18 C.F.R. §39.7(b)(4) to Applicable Governmental Authorities other than FERC without first obtaining permission from FERC for such disclosure and subject to any limitations placed by FERC on such disclosure, and NERC will not disclose non-public non-U.S. compliance information to an Applicable Governmental Authority (including FERC) without first obtaining permission from the Applicable Governmental Authority that has jurisdiction over the Registered Entity or portion of the bulk power system to which the non-public information pertains and subject to any limitations placed on such disclosure by such Applicable Governmental Authority or by other law of the applicable jurisdiction. ~~and (ii)~~ NERC will also publicly post the violation settled (regardless of whether the settlement includes or does not include an admission of a violation) and the resulting penalty or sanction provided for in the settlement. This posting shall include a copy of the settlement or a description of the terms of the settlement. The Compliance Enforcement Authority will issue a letter setting forth the final settlement terms including all penalties, sanctions and mitigation requirements provided for in the final settlement. Postings of Confirmed Violations are addressed in Section 8.0.

### 5.5 NERC Appeal Process

The Registered Entity may appeal the hearing body's decision to NERC, as provided for in NERC Rules of Procedure, Sections 407.3 and 410. The steps for the NERC appeals process are as shown in **Figure 5.5**:<sup>11</sup>

On appeal, NERC shall either affirm the Regional Entity decision or remand to the Regional Entity with reasons for its ~~decision~~ remand, which may include a direction to the Regional Entity to revise the decision. In addition, it may direct the Regional Entity to revise a decision that clearly conflicts with the goal of consistent national reliability enforcement or where the requirement to revise the decision is necessary for NERC's oversight of Regional Entity compliance activities, in which case any Party may

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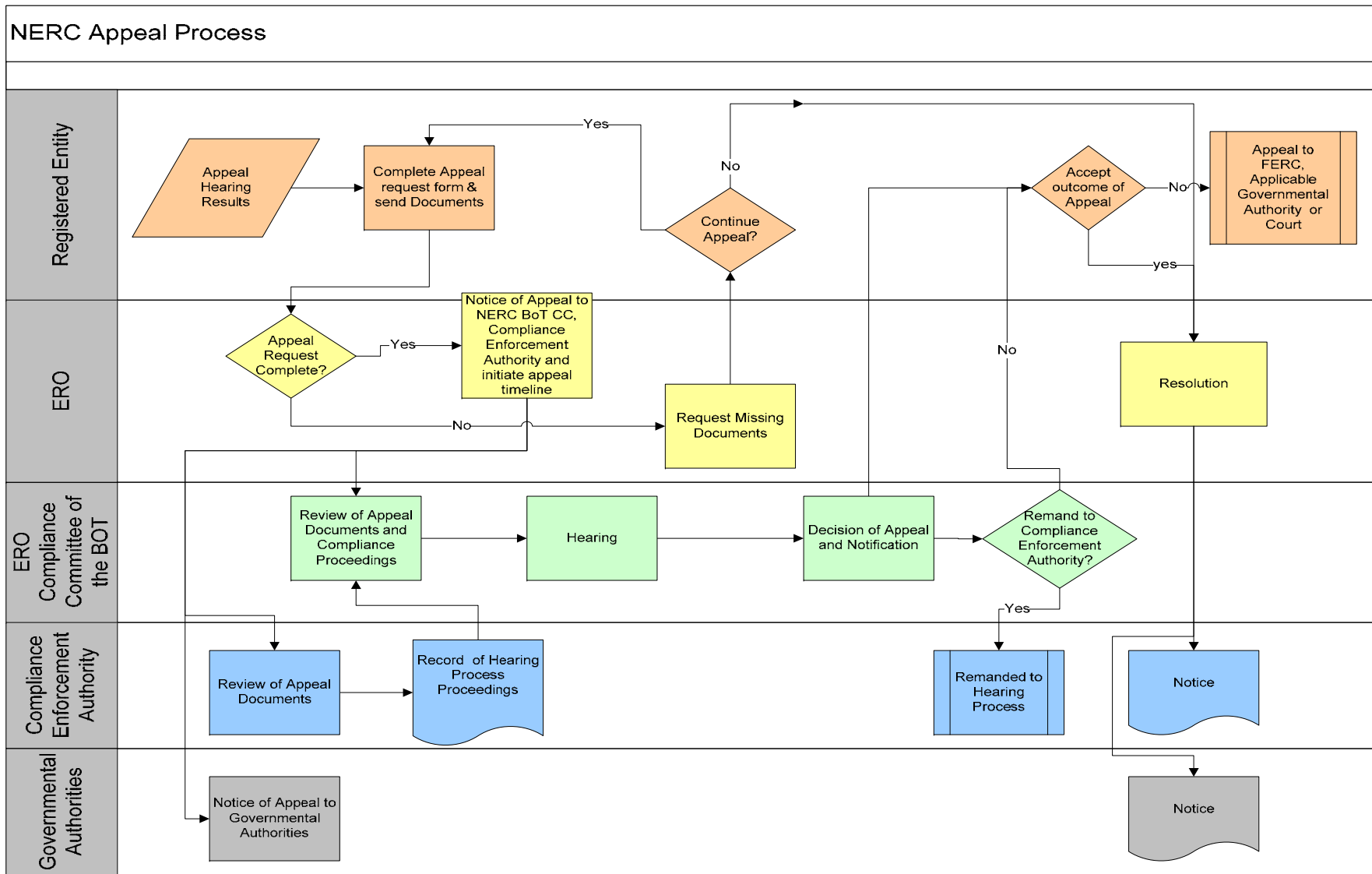
<sup>11</sup>This process generally completes within ninety (90) days of NERC's receipt of request for appeal.

## Compliance Monitoring and Enforcement Program

~~reopen the proceedings on any issue.~~ If NERC directs the Regional Entity to revise its decision, the Registered Entity that was the subject of the decision or the Compliance Staff of the Regional Entity whose interests are adversely affected by the directed revision may reopen the proceeding on any issue whose resolution is affected by NERC's directive, irrespective of whether the issue was previously litigated, settled or unopposed.

# Compliance Monitoring and Enforcement Program

## Figure 5.5 – NERC Appeal Process



## Compliance Monitoring and Enforcement Program

### 5.6 Notice of Penalty; Effective Date

If the Registered Entity does not dispute the notice of Alleged Violation and the penalty and sanction or a decision has been entered finding a violation and all appeals have been concluded, NERC shall file a notice of penalty with FERC and, if the Alleged Violation pertains to a Registered Entity or to a portion of the bulk power system over which another Applicable Governmental Authority has jurisdiction, to such any other Applicable Governmental Authority; provided, that NERC will not disclose any non-public U.S. compliance information that is subject to 18 C.F.R. §39.7(b)(4) to Applicable Governmental Authorities other than FERC without first obtaining permission from FERC for such disclosure and subject to any limitations placed by FERC on such disclosure, and NERC will not disclose non-public non-U.S. compliance information to an Applicable Governmental Authority (including FERC) without first obtaining permission from the Applicable Governmental Authority that has jurisdiction over the Registered Entity or portion of the bulk power system to which the non-public information pertains and subject to any limitations placed on such disclosure by such Applicable Governmental Authority or by other law of the applicable jurisdiction. NERC will include with the notice of penalty any statement provided by the Registered Entity as set forth in Section 8.0. NERC may direct the Regional Entity to revise a penalty determination ~~that clearly conflicts with the goal of consistent national reliability enforcement~~, in which case the Registered Entity subject to the penalty, or the Compliance Staff of the Regional Entity, any Party may reopen the proceedings on any issue on which the penalty was based, irrespective of whether the issue was previously litigated, settled or unopposed.

The penalty or sanction will be effective upon the expiration of the thirty-day period following filing with the FERC of the notice of penalty or, if FERC decides to review the penalty or sanction, upon final determination by FERC.

## 6.0 MITIGATION OF VIOLATIONS OF RELIABILITY STANDARDS

Parties engaged in the process described in this section should consult with each other on the data and information that would be appropriate for effectively addressing this section's process requirements. If a party believes that a request for data or information other than in the context of the hearing procedures is unreasonable, the party may request a written determination from the NERC compliance program officer.

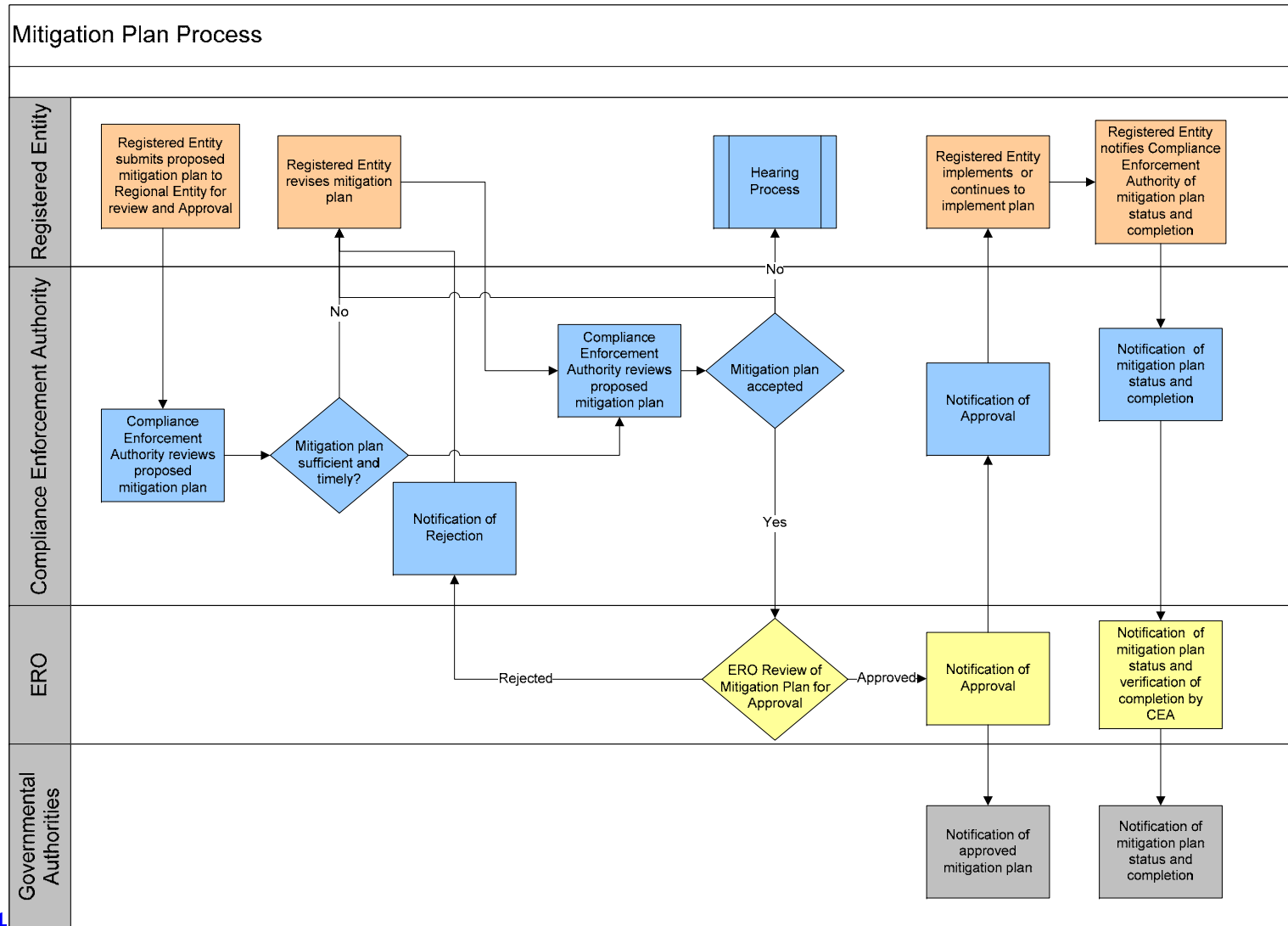
### 6.1 Requirement for Submission of Mitigation Plans

A Registered Entity found to be in violation of a Reliability Standard that requires a mitigation plan shall file with the Compliance Enforcement Authority (i) a proposed Mitigation Plan to correct the violation, or (ii) a description of how the violation has been mitigated, and any requests for extensions of Mitigation Plans or a report of completed mitigation.

**Figure 6.1** shows the process steps for Mitigation Plans.

# Compliance Monitoring and Enforcement Program

Figure 6.1 – Mitigation Plan Process



1.1

## **Compliance Monitoring and Enforcement Program**

### **6.2 Contents of Mitigation Plans**

A Mitigation Plan shall include the following information:

- The Registered Entity's point of contact for the Mitigation Plan, who shall be a person (i) responsible for filing the Mitigation Plan, (ii) technically knowledgeable regarding the Mitigation Plan, and (iii) authorized and competent to respond to questions regarding the status of the Mitigation Plan. This person may be the Registered Entity's point of contact described in Section 2.0.
- The Alleged or Confirmed Violation(s) of Reliability Standard(s) the Mitigation Plan will correct.
- The cause of the Alleged or Confirmed Violation(s).
- The Registered Entity's action plan to correct the Alleged or Confirmed Violation(s).
- The Registered Entity's action plan to prevent recurrence of the Alleged or Confirmed Violation(s).
- The anticipated impact of the Mitigation Plan on the bulk power system reliability and an action plan to mitigate any increased risk to the reliability of the bulk power-system while the Mitigation Plan is being implemented.
- A timetable for completion of the Mitigation Plan including the completion date by which the Mitigation Plan will be fully implemented and the Alleged or Confirmed Violation(s) corrected.
- Implementation milestones no more than three (3) months apart for Mitigation Plans with expected completion dates more than three (3) months from the date of submission.
- Any other information deemed necessary or appropriate

The Mitigation Plan shall be signed by an officer employee, attorney or other authorized representative of the Registered Entity, which if applicable, shall be the person that signed the Self-Certification or Self Reporting submittals.

### **6.3 Timetable for Completion of Mitigation Plans**

The Mitigation Plan shall be completed in time to have a reasonable potential to correct all of the violation(s) prior to the next applicable compliance reporting/assessment period after occurrence of the violation for which the Mitigation Plan is submitted. In all cases the Mitigation Plan should be completed without delay. The Compliance Enforcement Authority will expect full compliance with the Reliability Standard to which the Mitigation Plan is applicable at the next report or assessment of the Registered Entity. At the Compliance Enforcement Authority's discretion, the completion deadline may be extended for good cause including: (i) short assessment periods (i.e., event driven or monthly assessments), and (ii) construction requirements in the Mitigation Plan that extend beyond the next assessment period or other

## **Compliance Monitoring and Enforcement Program**

extenuating circumstances. If the Mitigation Plan extends beyond the next applicable reporting/assessment period, sanctions for any violation of the applicable Reliability Standard(s) occurring during the implementation period will be held in abeyance and will be waived if the Mitigation Plan is satisfactorily completed.

Any violations assessed during the period of time the accepted Mitigation Plan is being implemented will be recorded by the Compliance Enforcement Authority with associated sanctions or penalties. Regional Entities will report any findings of violations recorded during this time period to NERC with the notation that the Registered Entity is working under an accepted Mitigation Plan with an extended completion date with penalties and sanctions held in abeyance until completion of the Mitigation Plan. Upon completion of the accepted Mitigation Plan in accordance with Section 6.6, the Compliance Enforcement Authority will notify the Registered Entity that any findings of violations of the applicable Reliability Standard during the period that the accepted Mitigation Plan was being implemented have been waived and no penalties or sanctions will apply. Regional Entities will also notify NERC of any such waivers of violations of Reliability Standards.

A request for an extension of any milestone or the completion date of the accepted Mitigation Plan by a Registered Entity must be received by the Compliance Enforcement Authority at least five (5) business days before the original milestone or completion date. The Compliance Enforcement Authority may accept a request for an extension or modification of a Mitigation Plan if the Compliance Enforcement Authority determines the request is justified, and shall notify NERC of the extension or modification within five (5) business days.

If a Mitigation Plan submitted by a Registered Entity is rejected by the Compliance Enforcement Authority or the hearing body in accordance with Section 6.5, the Registered Entity shall be subject to any findings of violation of the applicable Reliability Standards during the period the Mitigation Plan was under consideration and to imposition of any penalties or sanctions imposed for such violations.

### **6.4 Submission of Mitigation Plans**

A Mitigation Plan may be submitted at any time but shall have been submitted by the Registered Entity within thirty (30) days after being served the notice of Alleged Violation and penalty or sanction, if the Registered Entity does not contest the violation and penalty or sanction. If the Registered Entity disputes the notice of Alleged Violation or penalty or sanction, the Registered Entity shall submit its Mitigation Plan within ten (10) business days following issuance of the written decision of the hearing body, unless the Registered Entity elects to appeal the hearing body's determination to NERC. The Registered Entity may choose to submit a Mitigation Plan while it contests an Alleged Violation or penalty or sanction; such submission shall not be deemed an admission of a violation or the appropriateness of a penalty or sanction. If the Registered Entity has not yet submitted a Mitigation Plan, or the Registered Entity submits a Mitigation Plan but it is rejected by the Compliance Enforcement Authority or the hearing body in accordance with Section 6.5, any subsequent violations of the Reliability Standard identified by the Compliance Enforcement Authority before the hearing body renders its decision will not be held in abeyance and will be considered as repeat violations of the Reliability Standard.

### **6.5 Review and Acceptance or Rejection of Proposed Mitigation Plans**

## Compliance Monitoring and Enforcement Program

Unless extended by the Compliance Enforcement Authority, it will complete its review of the Mitigation Plan, and will issue a written statement accepting or rejecting the Mitigation Plan, within thirty (30) days of receipt; otherwise the Mitigation Plan will be deemed accepted. If the Compliance Enforcement Authority rejects a Mitigation Plan, the Compliance Enforcement Authority will provide the Registered Entity with a written statement describing the reasons for the rejection, and will require the Registered Entity to submit a revised Mitigation Plan by the Required Date. The Compliance Enforcement Authority will notify the Registered Entity within ten (10) business days after receipt of a revised Mitigation Plan whether the Compliance Enforcement Authority will accept or reject the revised Mitigation Plan and provide a written statement describing the reasons for rejection and the Required Date for the second revised Mitigation Plan. If the second review results in rejection of the Mitigation Plan, the Registered Entity may request a hearing in accordance with the [Hearing Process Procedures](#), by submitting to the Compliance Enforcement Authority a written request for hearing including an explanation of why the Mitigation Plan should be accepted. After the hearing is completed, the Compliance Enforcement Authority will issue a written statement accepting a Mitigation Plan it deems as appropriate.

Regional Entities will notify NERC within (5) five business days of the acceptance of a Mitigation Plan and will provide the accepted Mitigation Plan to NERC. NERC will review the accepted Mitigation Plan, [within thirty \(30\) days following its receipt of the Mitigation Plan from the Regional Entity](#), and will notify the Regional Entity, which will in turn notify the Registered Entity, as to whether the Mitigation Plan is approved or disapproved by NERC. If NERC disapproves a Mitigation Plan that was accepted by the Regional Entity, NERC shall state its reasons for the rejection, and may state the changes to the Mitigation Plan that would result in approval by NERC. NERC will submit to [the Commission FERC](#), as non-public information, an approved Mitigation Plan relating to violations of Reliability Standards within seven (7) business days after NERC approves the Mitigation Plan. [NERC may subsequently publicly post the approved Mitigation Plan as part of the public posting of the report of the related Confirmed Violation in accordance with Section 8.0.](#)

### 6.6 Completion/Confirmation of Implementation of Mitigation Plans

The Registered Entity shall provide updates at least quarterly to the Compliance Enforcement Authority on the progress of the Mitigation Plan. The Compliance Enforcement Authority will track the Mitigation Plan to completion and may conduct on-site visits and review status during audits to monitor Mitigation Plan implementation.

Upon completion of the Mitigation Plan, the Registered Entity shall provide to the Compliance Enforcement Authority certification, signed by an officer, employee, attorney or other authorized representative of the Registered Entity, that all required actions described in the Mitigation Plan have been completed and shall include data or information sufficient for the Compliance Enforcement Authority to verify completion. The Compliance Enforcement Authority shall request such data or information and conduct follow-up assessments, on-site or other Spot Checking, or Compliance Audits as it deems necessary to verify that all required actions in the Mitigation Plan have been completed and the Registered Entity is in compliance with the subject Reliability Standard.



## **Compliance Monitoring and Enforcement Program**

In the event all required actions in the Mitigation Plan are not completed within the applicable deadline including any extensions of the original deadline granted under section 6.3, any violation(s) of a Reliability Standard subject to the Mitigation Plan that occurred during the originally scheduled time period for completion will be enforced immediately and a new Mitigation Plan must be submitted for acceptance by the Compliance Enforcement Authority. In addition, the Compliance Enforcement Authority may conduct a Compliance Audit of, or issue a Remedial Action Directive to, the Registered Entity.

Regional Entities will provide to NERC the quarterly status reports and such other information as NERC requests, and will notify NERC when each Mitigation Plan is verified to have been completed.

### **6.7 Recordkeeping**

The Compliance Enforcement Authority will maintain a record containing the following information for each Mitigation Plan:

- Name of Registered Entity.
- The date of the violation.
- Monitoring method by which the violation was detected, i.e., Self-Certification, Self-Reporting, Compliance Audit, Compliance Violation Investigation, Complaint, etc.
- Date of notification of violation and sanction.
- Expected and actual completion date of the Mitigation Plan and major milestones.
- Expected and actual completion date for each required action.
- Accepted changes to milestones, completion dates, or scope of Mitigation Plan.
- Registered Entity's completion notice and data submitted as evidence of completion.

### **7.0 REMEDIAL ACTION DIRECTIVES**

The Compliance Enforcement Authority may issue a Remedial Action Directive when such action is immediately necessary to protect the reliability of the bulk power system from an imminent threat. A Remedial Action Directive may include, but is not limited to, any of the following: specifying operating or planning criteria, limits, or limitations; requiring specific system studies; defining operating practices or guidelines; requiring confirmation of data, practices, or procedures through inspection testing or other methods; requiring specific training for personnel; requiring development of specific operating plans; directing a Registered Entity to develop and comply with a plan to remediate a violation; imposing increased auditing or additional training requirements; and requiring a Registered Entity to cease an activity that may constitute a violation of a Reliability Standard.

## Compliance Monitoring and Enforcement Program

A Remedial Action Directive may be issued to a Registered Entity at any time, including during any procedures relating to an Alleged Violation of a Reliability Standard. The Compliance Enforcement Authority will specify if a Remedial Action Directive obviates the need for a Mitigation Plan.

Prior to issuing a Remedial Action Directive, the Regional Entity shall consult the Reliability Coordinator for the Registered Entity, if applicable, to ensure that the Remedial Action Directive is not in conflict with directives issued by the Reliability Coordinator.

Any Remedial Action Directive must be provided in a notice to the Registered Entity and shall include (i) a list of the violations or possible violations of Reliability Standards that are the basis for issuance of the Remedial Action Directive; (ii) a discussion of the factual basis for the Remedial Action Directive; (iii) a deadline for compliance and (iv) notice to the Registered Entity that failure to comply with the directive by the Required Date may result in further Remedial Action Directives or significantly increased sanctions. The Compliance Enforcement Authority will cause the notice of the Remedial Action Directive to be delivered to the Registered Entity by (i) electronic means to the Registered Entity's designated contact person and (ii) by a recognized express courier service that provides tracking and verification of delivery to the recipient. The date of delivery as specified by the express courier service's verification of delivery shall be the date of actual receipt of the Remedial Action Directive. The Compliance Enforcement Authority will monitor implementation of Remedial Action Directives as necessary to verify compliance.

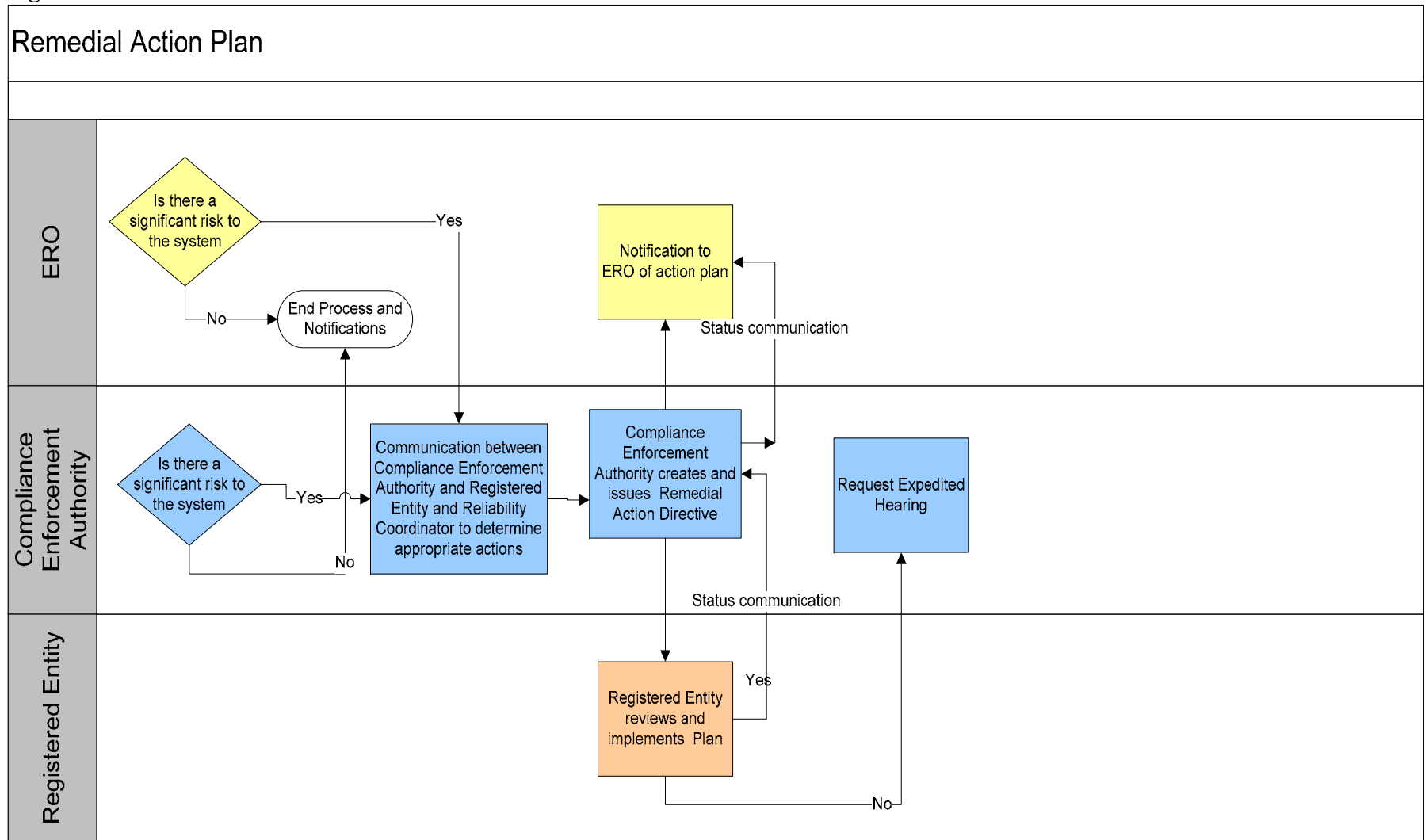
The Regional Entity will notify NERC within two (2) business days after issuing a Remedial Action Directive.

Once the Compliance Enforcement Authority has given the Registered Entity notice of the Remedial Action Directive, the Registered Entity may contest the Remedial Action Directive by giving written notice to the Compliance Enforcement Authority within two (2) business days following the date of actual receipt of notice of the Remedial Action Directive. Due to the urgency of resolving any objections to a Remedial Action Directive, the hearing shall be conducted under the expedited hearing process set forth in Section 1.9 of **Attachment 2, Hearing Process Procedures**. Notice to contest the Remedial Action Directive and participation in the hearing process set forth in Section 1.9 of **Attachment 2, Hearing Process Procedures** shall constitute the Registered Entity's right to appeal the Remedial Action Directive. The Registered Entity may elect not to implement the Remedial Action Directive until the hearing process is completed, or may proceed with implementing the Remedial Action Directive even if it is contesting the Remedial Action Directive.

**Figure 7.0** shows the process steps for a Remedial Action Directive.

# Compliance Monitoring and Enforcement Program

Figure 7.0 – Remedial Action Process



## Compliance Monitoring and Enforcement Program

### 8.0 REPORTING AND DISCLOSURE

Regional Entities shall prepare and submit to NERC all required reports (including those required by NERC Rules of Procedure, Sections 403.15, 403.17 and 403.19, containing current information concerning (1) Registered Entity compliance with Reliability Standards, (2) all Alleged and Confirmed Violations of Reliability Standards by Registered Entities, (3) the status of Alleged Violations, (4) sanctions and penalties, (5) Remedial Action Directives imposed, and (6) Mitigation Plan(s) accepted including dates for all required actions and for completion.

Regional Entities shall report to NERC, on a confidential basis, any allegations or evidence of violations of Reliability Standards regardless of significance, whether verified or still under investigation that are received or obtained by the Regional Entity through any means, within five (5) business days, unless the violation indicated or alleged has resulted in or has the potential to result in, a reduced level of reliability to the bulk power system (as provided in Section 408 of the NERC Rules of Procedure), in which cases the Regional Entity shall notify NERC within forty-eight (48) hours. NERC shall notify FERC and, [where the report pertains to a Registered Entity or to a portion of the bulk power system over which another Applicable Governmental Authority has jurisdiction, shall also notify such](#) ~~any~~ other Applicable Governmental Authority within two (2) business days of receiving such a report from the Regional Entity; [provided, that NERC will not disclose any non-public U.S. compliance information that is subject to 18 C.F.R. §39.7\(b\)\(4\) to an Applicable Governmental Authority other than FERC without first obtaining permission from FERC for such disclosure and subject to any limitations placed by FERC on such disclosure, and NERC will not disclose non-public non-U.S. compliance information to an Applicable Governmental Authority \(including FERC\) without first obtaining permission from the Applicable Governmental Authority that has jurisdiction over the Registered Entity or portion of the bulk power system to which the non-public information pertains and subject to any limitations placed on such disclosure by such Applicable Governmental Authority or by other law of the applicable jurisdiction.](#) Such reports shall include information regarding the nature of the violation indicated or alleged and its potential impact on the reliability of the bulk power system, the name of the Registered Entity involved, the status and timetable of any compliance violation assessment, and the name of a Regional Entity staff person knowledgeable about the information to serve as a point of contact, as required by Section 408 of the NERC Rules of Procedure and 18 C.F.R. §39.7(b)

Regional Entities shall report to NERC at least quarterly the status of violations of Reliability Standards, regardless of significance, that have not yet resulted in a final determination of violation or have not completed the hearing process, or for which mitigation activities (including activities being carried out pursuant to a settlement) have not been completed. Regional Entities will ensure the information is current when these reports are provided.

Regional Entities shall report to NERC all Confirmed Violations of Reliability Standards by Registered Entities including all penalties, sanctions, Mitigation Plans and schedules, and settlements within ten (10) business days of each determination. At the same time, Regional Entities will provide the report to the affected Registered Entity, accompanied by a notice that the Registered Entity may provide a statement to NERC to accompany the report when posted by NERC. The Registered Entity's statement must include the name, title, and signature of an officer, employee, attorney or other authorized representative of the Registered Entity.

## Compliance Monitoring and Enforcement Program

NERC will publicly post each report of a Confirmed Violation, together with any statement submitted by the Registered Entity, no sooner than five (5) business days after the report is provided by the Regional Entity to NERC and the Registered Entity.

NERC will provide reports quarterly to FERC and, where a report contains information pertaining to a Registered Entity or to a portion of the bulk power system over which another Applicable Governmental Authority has jurisdiction, to such ~~any~~ other Applicable Governmental Authorities on the status of all Alleged and Confirmed Violations for which mitigation activities have not been completed; provided, that NERC will not disclose any non-public U.S. compliance information that is subject to 18 C.F.R. §39.7(b)(4) to an Applicable Governmental Authority other than FERC without first obtaining permission from FERC for such disclosure and subject to any limitations placed by FERC on such disclosure, and NERC will not disclose non-public non-U.S. compliance information to an Applicable Governmental Authority (including FERC) without first obtaining permission from the Applicable Governmental Authority that has jurisdiction over the Registered Entity or portion of the bulk power system to which the non-public information pertains and subject to any limitations placed on such disclosure by such Applicable Governmental Authority or by other law of the applicable jurisdiction. NERC will publish public reports quarterly on its Web site of all Confirmed Violations of Reliability Standards during the quarter just completed, with the identity of the violator.

### 9.0 DATA RETENTION AND CONFIDENTIALITY

#### 9.1 Records Management

The Compliance Enforcement Authority records management policy shall provide for a routine and orderly process for the retention and disposal of electronic and paper records related to the Compliance Program, ensure verification of compliance with appropriate business, regulatory, and legal requirements and at a minimum conform to the ~~Reliability Standards~~ data retention requirements of the Reliability Standards. The policy shall allow for the maintenance of records as required to implement the Compliance Program.

#### 9.2 Retention Requirements

The Compliance Enforcement Authority records management policy will require that information and data generated or received pursuant to Compliance Program activities, including Compliance Audits, Self-Certifications, Spot Checking, Compliance Violation Investigations, Self-Reporting, Periodic Data Submittals, Exception Reporting, and Complaints, as well as a hearing process, will be retained for the longer of (i) five (5) years or (ii) any retention period specified in a Reliability Standard or by FERC or another Applicable Governmental Authority. The obligation to retain information and data commences upon the initiation of the Compliance Program activity that produces the data or information. If the information or data is material to the resolution of a controversy, the retention period for such data shall not commence until after the controversy is resolved.

Upon request from NERC, Regional Entities will provide to NERC copies of such information and data. NERC will retain the information and data in order to maintain a record of activity under the Compliance Program. In providing the information and data to NERC, the Regional Entity shall preserve any mark of confidentiality.

## **Compliance Monitoring and Enforcement Program**

### **9.3 Confidentiality and Critical Energy Infrastructure Information**

#### **9.3.1 Definitions**

Information or data generated or received pursuant to Compliance Program activities, including a hearing process, shall be treated in a confidential manner pursuant to the provisions of Section 1500 of the NERC Rules of Procedure. The terms “confidential information,” “confidential business and market information,” “critical energy infrastructure information,” and “critical infrastructure” shall have the meanings stated in Section 1501 of the NERC Rules of Procedure.

#### **9.3.2 Protection of Confidential Information**

The Compliance Enforcement Authority personnel (including any contractors, consultants and industry volunteers) and committee members, and participants in Compliance Program activities shall be informed of, and agree to comply with, Section 1500 of the NERC Rules of Procedure concerning confidential information.

#### **9.3.3 Critical Energy Infrastructure Information**

The Compliance Enforcement Authority will keep confidential all critical energy infrastructure information in accordance with Section 1500 of the NERC Rules of Procedures. Information deemed to be critical energy infrastructure information shall be redacted and shall not be released publicly.

## Compliance Monitoring and Enforcement Program

### ATTACHMENT 1

#### PROCESS FOR NON-SUBMITTAL OF REQUESTED DATA

If data, information, or other reports (including Mitigation Plans) requested from a Registered Entity are not received by the Required Date, the Compliance Enforcement Authority may sequentially execute the following steps for each Reliability Standard for which the Compliance Enforcement Authority has requested data, information, or other reports. The Compliance Enforcement Authority however will afford the Registered Entity reasonable opportunity to resolve a difficulty submitting data due to time or format issues

- Step 1:** The Compliance Enforcement Authority will issue a follow-up notification to the Registered Entity's designated contact.
- Step 2:** The Compliance Enforcement Authority will issue a follow-up notification to the Registered Entity's vice president or equivalent responsible for compliance (with a copy to NERC and the Registered Entity's designated contact).
- Step 3:** The Compliance Enforcement Authority will issue a follow-up notification to the Registered Entity's chief executive officer or equivalent (with a copy to NERC, the Registered Entity's vice president or equivalent responsible for compliance and the Registered Entity's designated contact).
- A full Compliance Audit may be scheduled at this step.
- Step 4:** Thirty (30) days after the Required Date, a Reliability Standard violation may be applied at the Severe Violation Severity Level.

**Step 4 does not apply to Compliance Audits and Mitigation Plan tracking requests.**

## Compliance Monitoring and Enforcement Program

### ATTACHMENT 2

#### COMPLIANCE ENFORCEMENT AUTHORITY HEARING PROCESS PROCEDURES

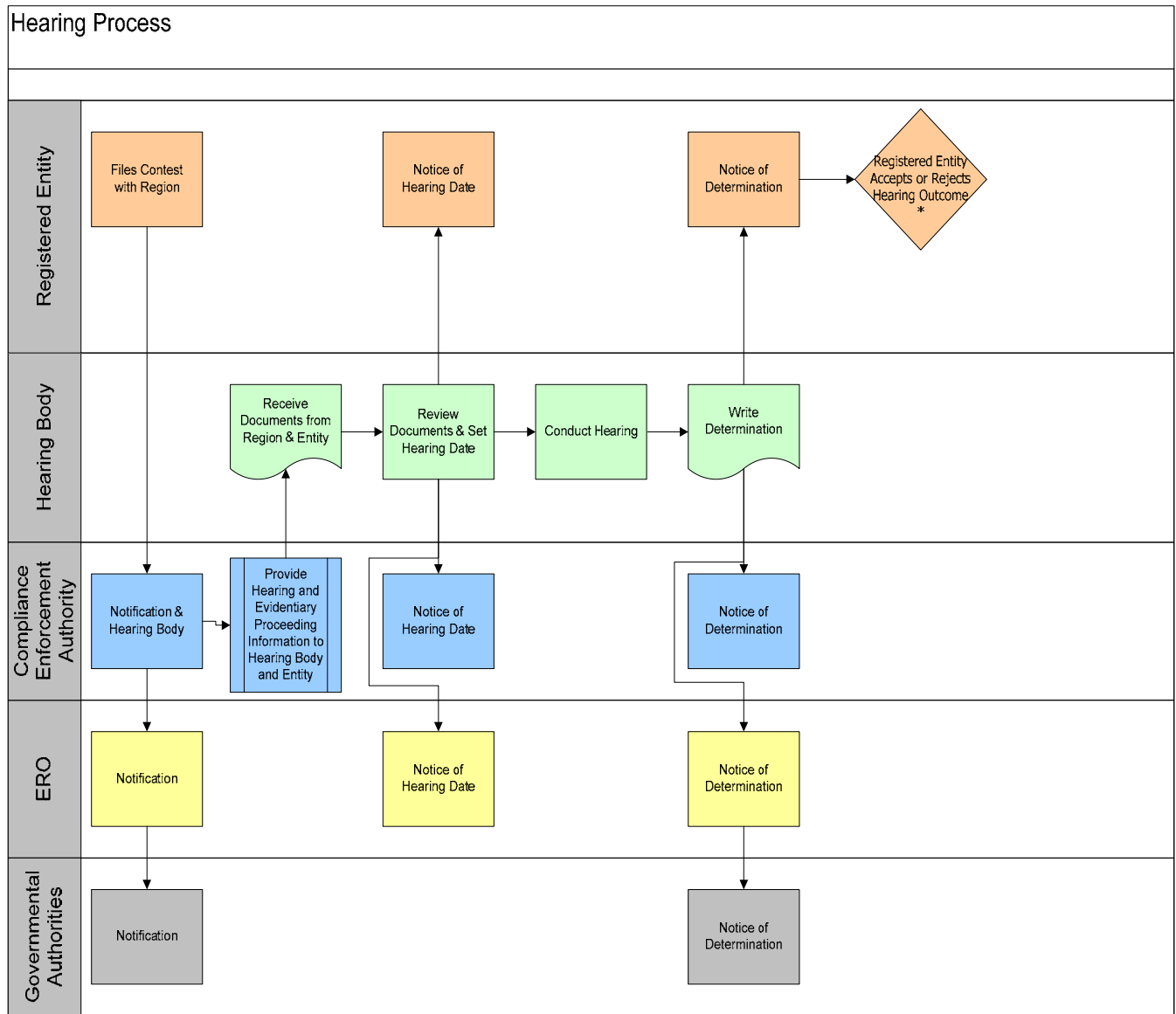
This **Attachment 2** sets forth the procedures to be followed to conduct compliance hearings. In this **Attachment 2**, the Compliance Enforcement Authority and the Registered Entity are sometimes referred to as the “parties.” Subject to the authority of the hearing body to alter or extend any time periods or deadlines specified in this **Attachment 2** and to hold such numbers of conferences and hearings as are necessary, it shall be the objective of the hearing process to complete the steps specified herein for formal compliance hearings within ninety (90) days following the issuance of written notice that the hearing body is convened.

**Figure ATT-2** shows the hearing process steps.



# Compliance Monitoring and Enforcement Program

**Figure ATT-2 –Hearing Process**



\*This merges with the Compliance Monitoring & Enforcement Program flow diagram at the Registered Entity Accepts or Rejects Hearing Outcome decision box

## 1.0 HEARING PROCEDURES

### 1.1 APPLICABILITY, DEFINITIONS AND INTERPRETATION

#### 1.1.1 Procedure Governed

These Hearing Procedures shall govern the procedure before the Western Electricity Coordinating Council (“WECC”) in proceedings concerning (i) disputes regarding whether any entity should be or has been properly registered or certified, (ii) whether Registered Entities within WECC’s area of responsibility have violated Reliability Standards, (iii) if so, to determine the appropriate Mitigation Plans, as well as any remedial actions, penalties or sanctions in accordance with the NERC *ERO Sanction Guidelines* and other applicable penalty guidelines

## Compliance Monitoring and Enforcement Program

approved by FERC pursuant to 18 C.F.R. Section 39.7(g)(2), or (iv) any other dispute that relates to enforcement of reliability standards properly before the WECC.

The standard of proof in any proceeding under these Hearing Procedures shall be by a preponderance of the evidence. The burden of persuasion on the merits of the proceedings shall rest upon the Compliance Staff alleging noncompliance with a Reliability Standard, proposing a penalty, opposing a Registered Entity's Mitigation Plan, or requiring compliance with a Remedial Action Directive.

### 1.1.2 Deviation

To the extent permitted by law, any provision in these Hearing Procedures may be waived, suspended or modified by the Hearing Officer or the Hearing Panel for good cause shown, either upon the Hearing Officer's or the Hearing Panel's own motion or upon the motion of any Party.

### 1.1.3 Standards for Discretion

These Hearing Procedures, and any discretion exercised hereunder, shall be interpreted in a manner intended to ensure just and reasonable proceedings and to effectuate the following Standards for Discretion:

- a) Integrity of the Fact-Finding Process - The principal goal of the hearing process is to assemble a complete factual record to serve as a basis for a correct and legally sustainable ruling, decision or order.
- b) Fairness - Persons appearing in WECC proceedings should be treated fairly. To this end, Parties should be given fair notice and opportunity to present explanations, factual information, documentation and legal argument. Action shall be taken as necessary to eliminate any disadvantage or prejudice to a Party that would otherwise result from another Party's failure to act diligently and in good faith.
- c) Independence - The hearing process should be tailored to protect against undue influence from any Person, Party or interest group.
- d) Balanced Decision-Making - Decisions should be based solely on the facts and arguments of record in a proceeding and by individuals who satisfy the conflict of interest provisions of section 1.8.4 of these Hearing Procedures.
- e) Impartiality - Persons appearing before the Hearing Panel should not be subject to discriminatory or preferential treatment. Registered Entities should be treated consistently unless a reasonable basis is shown in any particular proceeding to depart from prior rulings, decisions or orders.
- f) Administrative Efficiency and Expedition - Proceedings shall be brought to a conclusion as swiftly as is possible in keeping with the other goals of the hearing process.

### 1.1.4 Definitions and Interpretation

## Compliance Monitoring and Enforcement Program

Unless otherwise defined, capitalized terms shall have the meanings described in the WECC Compliance Monitoring and Enforcement Program. Unless the context otherwise requires, the singular of a term used herein shall include the plural and the plural of a term shall include the singular. To the extent the text of a rule is inconsistent with its caption, the text of the rule shall control.

The following terms shall have the following meanings:

“Adjudicatory Officer,” means any person serving as a member of the Hearing Panel, Hearing Officer or Technical Advisor with respect to any proceeding.

“Bulk-Power System,” for the purposes of these procedures, has the identical meaning as the definition of “Bulk Electric System” under the NERC Glossary.

“Clerk” means the person designated by WECC to receive filings and serve documents issued by or on behalf of, and otherwise provide support for, the Hearing Panel and Hearing Officer.

“Compliance Hearing Body,” is as defined in the WECC Compliance Hearing Body Charter.

“Critical Energy Infrastructure Information,” as defined in Section 1501 of the NERC Rules of Procedure.

“Critical ~~infrastructure~~Energy Infrastructure Information,” as defined in Section 1501 of the NERC Rules of Procedure—, means specific engineering, vulnerability, or detailed design information about proposed or existing critical infrastructure that: (1) relates to details about the production, generation, transportation, transmission, or distribution of energy; (2) could be useful to a person in planning an attack on critical infrastructure; and(3) does not simply give the general location of the critical infrastructure.

“Cybersecurity Incident,” as defined in 18 C.F.R. § 39.1.

“Director of Compliance” means the Director of Compliance of WECC, who is responsible for the management and supervision of Staff.

“Document” means, in addition to the commonly understood meaning of the term as information written or printed on paper, any electronically stored information, including writings, drawings, graphs, charts, photographs, sound recordings, images and other data or data compilations stored in any medium from which information can be obtained, and shall be translated by the producing party into reasonably usable form.

“ERO” means the Electric Reliability Organization, currently the North American Electric Reliability Corporation, or any successor organization, certified by FERC pursuant to 18 C.F.R. Section 39.3.

“FERC” means the Federal Energy Regulatory Commission.

“Hearing Panel” means the persons assigned to render a final decision in matters requiring a determination under these Hearing Procedures.

## Compliance Monitoring and Enforcement Program

“NERC” means North American Electric Reliability Corporation.

“Notice of Proceeding” means (1) a request for a hearing by a Registered Entity to contest an Alleged Violation, a proposed Penalty or a Remedial Action Directive, (2) a request for hearing by a Registered Entity or the Staff concerning a dispute as to whether the entity should be registered or certified, (3) a request for hearing by a Registered Entity in response to a Staff rejection of a proposed [revised Mitigation Plan submitted after Compliance Staff rejected the Registered Entity’s initial proposed Mitigation Plan](#), or (4) any other notice that a proceeding has been properly commenced.

-“Penalty” as used herein includes all penalties and sanctions, including but not limited to a monetary or non-monetary penalty; a limitation on an activity, function, operation or other appropriate sanction; or the addition of the Registered Entity to a reliability watch list composed of major violators.

“Person” means any individual, partnership, corporation, limited liability company, governmental body, association, joint stock company, public trust, organized group of persons, whether incorporated or not, or any other legal entity.

“Reliable Operation” has the meaning set forth in the Federal Power Act, as it may be amended from time to time.

“Reliability Standards” means standards approved by FERC pursuant to Section 215 of the Federal Power Act and 18 C.F.R. Section 39.5, as such standards are authorized and in effect from time to time.

-“Service List,” means the list maintained by the Clerk identifying the name, address, telephone number, and facsimile number and email address, if available, of each Party, the Hearing Officer, the Director of Compliance, the Registered Entity’s designated agent for service and any other individuals designated for service by a Party.

-“Staff” means individuals employed or contracted by WECC who have the authority, among other things, to make initial determinations as to need for registration, compliance or violation with Reliability Standards by Registered Entities and associated Penalties, Mitigation Plans, and Remedial Action Directives.

-“WECC’s area of responsibility” means WECC’s corporate region.

### 1.2 FILING AND SERVICE

#### 1.2.1 Form and Content of Filings

All filings shall include (1) a caption that sets forth the title and docket number (if any) of the proceeding, (2) a heading that describes the filing and the Party on whose behalf the filing is made, (3) the name, address, telephone number and email address of the Party’s representative of the making, and (4) the service list. All filings shall be signed by an authorized representative of the Party on whose behalf the filing is made. The signature constitutes a certificate that the signer has read the filing, that the contents are true to the best of the signer’s knowledge and belief, and that service required by these Hearing Procedures has been made. Each filing shall include a service list identifying the Parties and authorized representatives served.

## **Compliance Monitoring and Enforcement Program**

All filings shall be typewritten, printed, reproduced or prepared using a computer or other word or data processing equipment on white paper 8½ inches by 11 inches with inside text margins of not less than one inch. Page numbers shall be centered and have a bottom margin of not less than ½ inch. Line numbers, if any, shall have a left-hand margin of not less than ½ inch. Typeface shall be either Arial or Times New Roman font, black type on white background, and at least 12-point (at least 10-point for footnotes). Written testimony shall include continuous line numbers on the left-hand side of each page of text. Attachments shall, whenever practical, conform to these requirements, except that any typeface shall be at least 8-point. Confidential documents shall comply with the requirements of any Protective Order issued under Section 1.10.

### **1.2.2 Submission of Filings**

The original and five copies of any filing shall be made with the Clerk of WECC during WECC business hours (0800-1630 Mountain Time) each day except Saturday, Sunday, legal holidays and any other day declared by the WECC. Filing is complete when date stamped by the Clerk or received in the electronic mail by the Clerk.

Unless as otherwise provided, a filing may be effected by electronic mail if the filed documents are in pdf format and the requisite number of copies are delivered to the Clerk's office within seven [business](#) days thereafter.

### **1.2.3 Service**

A copy of each filing must served on each person listed on the service list, by personal delivery, email (with paper copy to follow), United States mail (first class or registered) mail or deposit with an express courier service. The Clerk shall provide copies of all issuances of the Hearing Officer and Hearing Panel by similar means to each person listed on the service list and each member of the Hearing Panel, provided that the Initial and Final Decisions shall be served electronically and by certified mail on the Registered Entity and the Staff. Service is effective immediately if by personal delivery or email, upon deposit in the U.S. mail, or upon delivery to an express courier service.

### **1.2.4 Time**

The time in which any action is required to be done shall be computed by excluding the day of the act or event from which the time period begins to run, and by including the last day of the time period, unless the last day is a Saturday, Sunday, legal holiday or any other day upon which the Office of WECC is closed, in which event the last day shall be the first succeeding day that is not such a day. ~~The time in which any action is required to be done shall be computed by excluding intermediate Saturdays, Sundays, and legal holidays, or days upon which the Office of WECC is closed when the period is less than fifteen (15) days.~~ Any Party requesting an extension of time after the expiration of the period prescribed shall demonstrate circumstances sufficient to justify the failure to act in a timely manner. Unless otherwise provided, whenever a Party has the right or is required to do some act within a prescribed period after the service, four days shall be added to the prescribed period when served by mail and the period until the next business day shall be added if served by courier.

## **1.3 PLEADINGS, MOTIONS AND OTHER FILINGS**

## Compliance Monitoring and Enforcement Program

### 1.3.1 Initiation of a Proceeding

A proceeding is initiated by a Notice of Proceeding. Any Notice of ~~Proceeding issued by the WECC staff and any Notice of~~ Alleged Violation or other action triggering a right to a hearing shall clearly state (as applicable) that the Registered Entity has the right to contest proposed registration or certification, that the Registered Entity has a right to a hearing, and shall describe or include (as applicable) the alleged violation, the proposed Penalty, the Staff's rejection of the proposed Mitigation Plan, or the issuance of a Remedial Action Directive. ~~The~~Upon receipt of a Notice of Proceeding, the Clerk shall identify issue a notice of hearing, which identifies the Hearing Panel and, if applicable, the Hearing Officer assigned to the proceeding.

~~Upon the issuance or receipt of a Notice of Proceeding, the Clerk shall assign, and assigns~~ a docket number that includes (separated by dashes) (1) the last two digits of the month and year, (2) the letters "[Regional Entity designation]", and (3) a four digit number that is assigned sequentially beginning January 1 of each year (*e.g.*, 0707-WECC-0001).

Within five business days after the issuance of a Notice of Proceeding, WECC staff shall file and serve the notice of the Alleged Violation, the sanction originally provided to the Registered Entity and copies of any documents gathered and reviewed by WECC in the course of determining an Alleged Violation has occurred and in determining the proposed sanction or penalty. Within twenty days after the issuance of the Notice of Proceeding, (1) the Registered Entity shall file (as applicable) an explanation of why the Alleged Violation is in error, why the registration determination is in error, why the proposed penalty or sanction is inappropriate and/or the Registered Entity's proposed Mitigation Plan, together with copies of all documents relied on by the Registered Entity to support its position, and (2) (if applicable) the Staff shall file its explanation why the Registered Entity's proposed Mitigation Plan was not accepted, and copies of all documents relied on by the Registered Entity to support its position.

### 1.3.2 Amendments

Amendments to any filings initiating a proceeding or requesting a hearing may be allowed by the Hearing Officer or the Hearing Panel upon motion made within a reasonable time after the basis for the amendment became apparent, on such terms and conditions as are deemed to be just and reasonable.

### 1.3.3 Requirements for Motions

Unless otherwise provided, a Party may at any time seek any relief provided for under these Hearing Procedures or otherwise applicable authority by filing a motion in writing (or orally if during a hearing). All motions shall include a plain and concise statement of any facts upon which the motion is based, citations to the record or other sources, if available, any required verification under oath by a person having knowledge of the matters set forth in the filing, a description of the specific relief sought, and the authority that supports the request for relief. Unless otherwise provided, any responses to motions shall be filed within 14 business days after service of the motion, and replies to responses shall be filed within seven business days after service of the responses.

The Hearing Panel or Hearing Officer, in their discretion, may elect to hold oral argument on any matters in dispute.

## **Compliance Monitoring and Enforcement Program**

### **1.3.4 Intervention; Consolidation of Related Proceedings**

No interventions shall be permitted except upon approval of FERC. The Hearing Panel or Hearing Officer may, upon motion or their own initiative, order two or more matters partially or fully consolidated for any or all purposes if (1) events giving rise to the proceeding are the subject of another proceeding involving another Registered Entity, (2) it appears likely that consolidation is necessary to obtain all information necessary for decision and (3) reasonable procedures can be developed to prevent inappropriate disclosure of confidential information. Consolidation shall not be ordered unless all Parties in both proceedings have been provided notice and opportunity to be heard

### **1.3.5 Summary Disposition**

The Hearing Panel or Hearing Officer may, upon motion or their own initiative, order summary disposition, in whole or in part, if there are no genuine issues of material fact with respect to the matters subject to summary disposition and the Party is entitled to summary disposition as a matter of law. Any factual allegations contained in a motion for Summary Disposition shall be supported by affidavit.

### **1.3.6 Interlocutory Review**

Where the ruling for which interlocutory review is sought presents an extraordinary circumstance which makes prompt review necessary to prevent prejudice to a Participant's ability to present its position in the proceeding~~For good cause shown~~, a Party may seek interlocutory review of any Hearing Officer ruling within 14 business days after the ruling. The Hearing Panel may affirm, reverse, remand, decline to act or take any other action on the Hearing Officer's ruling.

### **1.3.7 Pre-Evidentiary Hearing Submission of Testimony and Evidence**

With the exception of examination of an adverse Party, all witness testimony, exhibits, and any documents intended to be introduced in connection with cross-examination, shall be filed at least five business days in advance of the evidentiary hearing pursuant to a schedule adopted for the proceeding.

### **1.3.8 Pre-Evidentiary Hearing Memorandum**

Upon request of the Hearing Officer or the Hearing Panel, the Parties may be required to submit a memorandum prior to hearing describing the Party's position on the issue(s) in dispute, the key facts and arguments, and the applicable Reliability Standard, rules, orders or other authority. A Party will not be deemed to have waived any issue, fact or argument that is not set forth in a pre-evidentiary hearing memorandum.

## **1.4. DOCUMENT PRODUCTION**

### **1.4.1 Inspection and Copying of Documents in Possession of Staff**

#### **(a) Documents to be Available for Inspection and Copying**

Within five (5) business days of the initiation of the proceeding, the Staff shall make available to the Registered Entity for inspection and copying, all documents prepared by the Staff or obtained

## Compliance Monitoring and Enforcement Program

from the WECC, the Registered Entity or other sources, through or in connection with its investigation, the any compliance process that led to the institution of proceedings and not previously made available, including but not limited to all requests for information and responses, transcripts and transcript exhibits. Documents shall be made available during normal business hours at the WECC office where the documents are ordinarily maintained, or at such other office as the Hearing Panel or Hearing Officer, in his or her discretion, shall designate, or the Parties otherwise agree. –The Registered Entity shall be responsible for the cost of photocopying, which shall be at a reasonable rate. Documents received by the Staff thereafter shall be made available to the Registered Entity within 14 business days after receipt or as soon as possible if within 14 business days of the evidentiary hearing. In cases involving more than one Party other than the Staff, the Hearing Officer or Hearing Panel shall determine the extent to the extent to which, and conditions governing the provision of, documents relating to one Party shall be made available to another Party.

### (b) Documents That May Be Withheld

The following documents are not subject to disclosure:

(1) Documents subject to the attorney-client or attorney work-product privileges (in applying this provision, the attorney-client privilege shall be recognized as absolute and any demand for production of attorney work product shall be granted only after a showing of substantial need by the Respondent);

(2) Documents ~~not containing material exculpatory evidence~~ that would disclose (i) an examination, investigatory or enforcement technique or guideline of WECC, a federal, state, or foreign regulatory authority, or a self-regulatory organization; (ii) the identity of a source, including a federal, state, or foreign regulatory authority or a self-regulatory organization that furnished information or was furnished information on a confidential basis regarding an investigation, an examination, an enforcement proceeding, or any other type of civil or criminal enforcement action; or (iii) an examination, an investigation, an enforcement proceeding, or any other type of civil or criminal enforcement action under consideration by, or initiated by, WECC, a federal, state, or foreign regulatory authority, or a self-regulatory organization; or

~~(3) Upon motion granted by the Hearing Panel or Hearing Officer, documents that (a) are not discoverable under the Federal Rules of Civil Procedure, (b) do not contain material exculpatory evidence, and (3) are not necessary for a complete record.~~

~~Upon motion (3) Documents containing confidential information, to the extent that disclosure would violate any applicable confidentiality requirement.~~

The Staff shall provide to the Registered Entity, at the time the documents are provided, a list of documents withheld. Upon motion based on reasonable belief of a violation of these provisions or on their own motion, the Hearing Panel or Hearing Officer may require Staff (1) to submit ~~a list of documents withheld or~~ any withheld document and (2) disclose to Registered Entity any document not meeting the standards of this subsection.

### 1.4.2 Other Discovery Procedures

In addition to the production of documents by Staff for inspection and copying by Registered Entity pursuant to Subparagraph 1.4.1(a), the Parties shall be entitled to utilize all other discovery methods provided for in Rules 402 through 408 of the FERC Rules of Practice and Procedure, 18 C.F.R. §385.402 through 385.408, including data requests, written interrogatories



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and requests for production of documents or things, depositions by oral examination, requests for inspection of documents and other property, and requests for admissions. Unless otherwise directed by the Hearing Officer or Hearing Panel upon motion by a Party or by the Hearing Officer, or by the Hearing Panel on its own motion, such discovery, and the resolution of any disputes concerning such discovery, shall be conducted in accordance with the provisions of Rules 402 through 408 and 410 of the FERC Rules of Practice and Procedure, 18 C.F.R. §385.402 through 385.408 and 385.410, which are hereby incorporated by reference into these Hearing Procedures, subject to the following limitations and modifications to such Rules:

- 1) The provisions of Subparagraph 1.4.1(b) shall apply to any such discovery.
- 2) Rule 403(b)(2) (18 C.F.R. §385.403(b)(2)) and Rule 410(d)(2) (18 C.F.R. §385.410(b)(2)) shall not be applicable.
- 3) The Hearing Officer and the Hearing Panel do not have the authority to issue subpoenas to, or otherwise order or compel the appearance by or production of documents or information by, any person or entity that is not a Party.
- 4) References to the “Commission” in Rules 402 through 408 and 410 shall be to FERC except as follows: (i) the references in Rules 402(a), 404(b)(1) and 405(b) and the second reference in Rule 410(d) shall be deemed to be to the Hearing Panel, and (ii) the reference in Rule 385.406(b)(4) to “Commission trial staff” shall be deemed to be to Staff.
- 5) Unless otherwise ordered by the Hearing Officer or Hearing Panel, a data request, set of interrogatories, request for production of documents or things, request for inspection of documents or other property, or request for admissions, shall not specify a due date or response date that is fewer than 21 days from the date of service of the request.
- 6) Unless otherwise ordered by the Hearing Officer or Hearing Panel, all such discovery shall be requested, scheduled and conducted so as to be completed within six (6) months following the date of the initial prehearing conference held pursuant to Paragraph 1.5.2.

The Hearing Officer’s ruling on all motions relating to disputes concerning such discovery shall consider the following objectives: (i) full disclosure of all relevant documents and information; (ii) the exercise of due diligence in the conduct of discovery by a Participant; and (iii) disallowing use of discovery as a means to delay the proceeding or to harass or burden any other Participant. The Parties shall be entitled to utilize all discovery methods provided for in the Federal Rules of Civil Procedure, including requests for production of documents, written interrogatories, requests for admission, and depositions of witnesses under oath.

## **1.5 HEARINGS AND CONFERENCES**

### **1.5.1 General**

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The Clerk shall issue a notice for each conference and hearing, which shall identify the matter(s) to be considered, the person(s) comprising the Hearing Panel or Hearing Officer, and the date, time and place of the hearing or conference. Unless otherwise ordered, all hearings and conferences shall be held during normal business hours at the principal office of WECC. Hearings need not be held on consecutive days.

All hearings, conferences, and other meetings shall be closed to the public, and all notices, rulings, orders or any other issuances of the Hearing Officer or Hearing Panel shall be nonpublic and held in confidence by the Parties unless the ERO ([within the U.S., in accordance with the authorization previously granted by FERC to release information about a non-public proceeding](#)) or FERC ([in the case of U.S.-related information](#)) or another [Applicable Governmental Authority \(in the case of non-U.S.-related information\)](#) determines that public release is appropriate. Only the Adjudicatory Officers, representatives of the Parties, and other necessary personnel (such as court reporters) shall be allowed to participate in or obtain information relating to the proceeding.

Upon a request, the Hearing Panel or Hearing Officer may permit Parties to appear and witnesses to testify via videoconference or teleconference at any conference or hearing if necessary to avoid undue expense or undue delay in the proceeding.

All hearings and (at the discretion of the Hearing Panel or Hearing Officer) all conferences shall be transcribed verbatim by a certified court reporter. A Party may request corrections to the transcript within 35 days after receipt of the transcript and any responses shall be filed within ten [business](#) days thereafter. Each Party is responsible for the costs of a copy of any transcript ordered by it.

### **1.5.2 Prehearing and Status Conferences**

A prehearing conference shall be held within a thirty days after initiation of a proceeding, to identify issues then known to the Parties, establish a schedule and to address any other relevant matter. Any Party may request, and the Hearing Panel or Hearing Officer may call, a status conference at any time subsequent to the Prehearing Conference to address any issues that have arisen. The Hearing Panel or Hearing Officer may summarize actions taken in a memorandum.

### **1.5.3 Evidentiary Hearings**

A Party has the right to present such evidence, to make such objections and arguments, and to conduct such cross-examination as may be necessary to assure the true and full disclosure of the facts. All testimony shall be under oath.

Evidence is admissible if it is of a type commonly relied upon by reasonably prudent persons in the conduct of their affairs, but may be excluded if immaterial or unduly repetitious or prejudicial. The Hearing Panel or Hearing Officer may exclude material from the record only in response to a motion or objection by a Party.

Upon 14 [business](#) days' advance notice and subject to the objection by another Party, any Party may call and cross-examine as an adverse witness, any other Party, or any employee or agent thereof.

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~~The standard of proof in the hearing shall be by a preponderance of the evidence. The burden of persuasion shall rest upon Staff alleging noncompliance with a Reliability Standard, proposing a Penalty or Remedial Action Directive, or opposing a Registered Entity's Mitigation Plan.~~

Upon motion, the Hearing Panel or Hearing Officer may take official notice of and the type of information any of the following:

- 1) Rules, regulations, administrative rulings and orders, and written policies of governmental bodies and Regional Entities, including WECC;
- 2) Municipal and other ordinances;
- 5) Generally recognized scientific or technical facts within the specialized knowledge of WECC;
- 4) Other facts not reasonably subject to dispute; and
- 6) All other matters of which the courts of the United States may take judicial notice.

Any document, and any item officially noticed that exists in document form, shall be introduced into the record in the form of an exhibit.

The Hearing Panel or (prior to issuance of an Initial Decision) the Hearing Officer may allow oral argument, and also may reopen the evidentiary record and hold additional hearings if warranted by any changes in fact or law since the hearing.

### 1.5.4 The Record

The record shall include the following:

- 1) The filing(s) that initiated the proceeding, responsive documents, and a list of all documents comprising the record;
- 2) Notices, rulings, orders, decisions and other issuances of the Hearing Officer and Hearing Panel;
- 3) All motions, briefs and other filings;
- 4) All prefiled testimony, exhibits, other evidence, information excluded from evidence, transcripts and matters officially noticed;
- 5) All Notices of *ex parte* communications and any notifications of recusal and motions for disqualification of any Adjudicatory Officer and any responses or replies thereto;
- 6) The Hearing Officer's Initial Decision, and exceptions thereto; and
- 7) The Hearing Panel's Final Decision and any Notice of Penalty therewith.

### 1.5.5 Briefs and Other Post-Hearing Pleadings

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At the close of the evidentiary hearing, Parties may file initial briefs, proposed findings of fact and reply briefs. Absent good cause shown, post-hearing pleadings shall not seek to introduce additional evidence into the record after the hearing has ended.

### **1.6 DECISIONS**

#### **1.6.1 Initial Decisions**

The Hearing Officer shall issue an Initial Decision that shall include (1) a statement of each finding and conclusion, and the reasons or basis therefore, for all material issues of fact, law or discretion presented on the record, and (2) appropriate proposed orders to dispose of the proceeding, including any Penalty, sanction, remedial action or Mitigation Plan required. Any proposal for a Penalty shall include a proposed Notice of Penalty. The Initial Decision shall note if the subject of the proceeding has been deemed to involve a Cybersecurity Incident or if any information in the proceeding was deemed to be Critical Energy Infrastructure Information protected pursuant to Paragraph 1.10. The Initial Decision shall normally be issued within thirty days following the submission of post-hearing briefs, or, if waived, following the conclusion of the hearing.

Any Party may file exceptions to the Initial Decision and replies consistent with any deadlines established in the proceeding.

#### **1.6.2 Hearing Panel Final Decision**

The Hearing Panel shall issue a Final Decision following the receipt of (1) the Initial Decision, any exceptions and replies thereto, and oral argument, if any, (where a Hearing Officer has been appointed) or (2) the briefs and reply briefs (where no Hearing Officer was appointed). The Hearing Panel shall strive, but shall not be required, to issue its Final Decision within thirty (30) days after the matter is ready for decision.

In cases where a Hearing Officer is appointed, the Final Decision may adopt, modify, amend or reject the initial opinion in its entirety or in part. The Final Decision shall include (1) a statement of each finding and conclusion, and the reasons or basis therefore, for all material issues of fact, law or discretion presented on the record, and (2) appropriate orders to dispose of the proceeding, including any Penalty, sanction, remedial action or Mitigation Plan required. If the Final Decision imposes a Penalty, it shall be entitled Final Order and Notice of Penalty. The Final Order shall note if the subject of the proceeding has been deemed to involve a Cybersecurity Incident or if any information in the proceeding was deemed to be critical energy infrastructure information protected pursuant to Paragraph 1.5.9.

When the Hearing Panel serves the Final Decision, it will inform the Parties of their appeal rights. The Clerk shall transmit the documents identified in Section 1.5.4 ~~(1)-(2), (6)-(7)~~, which, ~~together with any other portions of the record requested by the ERO,~~ shall constitute the record for purposes of 18 C.F.R. § 39.7(d)(5)), to the ERO at the time it serves the ERO with the Final Decision.

#### **1.6.3 Appeal**

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A Final Decision of the Hearing Panel may be appealed to NERC in accordance with NERC's Rules of Procedure, Section 410. The Clerk shall transmit the record of any docket to NERC that is the subject of an appealed Final Order.

### 1.6.4 Settlement

Settlement Agreements may be entered into at any time including prior to the issuance of a Notice of Proceeding or during an appeal at the ERO, until a Notice of Confirmed Violation, Notice of Penalty, Notice of Mitigation Plan or Remedial Action Directive, whichever is applicable, is filed with the appropriate regulatory authority. All Settlement Agreements entered into prior to the issuance of a Final Decision shall be subject to approval of the Hearing Panel. Any rejected Settlement Agreement shall not be admissible into evidence and the proceedings shall continue as if the Settlement Agreement had not been filed.

## 1.7 PARTIES AND APPEARANCES

### 1.7.1 Parties

The Parties shall include: the Registered Entity who is the subject of the Notice of Alleged Violation, contested Mitigation Plan or contested Remedial Action Directive that is the basis for the proceeding, whichever is applicable; and the Staff shall be Parties to the proceeding. Unless otherwise and any other Person authorized allowed or required by FERC, a Person shall not be permitted to intervene to participate as an intervenor in a proceeding conducted pursuant to these Hearing Procedures.

### 1.7.2 Appearances

Parties shall file written appearances within seven (7) business days after service of the filing initiating the proceeding. A Party's written appearance shall identify the name(s) of each individual authorized to represent the Party in the proceeding exclusive of witnesses. An individual may appear on his or her own behalf. A corporation, association, partnership or governmental body may appear by an attorney or any *bona fide* officer or designee who has the authority to act on behalf of the Party.

A Party's written appearance shall state, with respect to each individual that the Party identifies for service, the individual's name, address, telephone number, and facsimile number and email address, if available, where service shall be made.

A Party may withdraw any individual from the Party's representation or otherwise change the identity of individuals authorized to represent the Party in a proceeding by filing a notice of a change in service list.

Any attorney appearing on behalf of a Party shall be licensed to practice and in good standing before the Supreme Court of the United States or the highest court of any State, territory of the United States or the District of Columbia.

### 1.7.3 Confidentiality

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All participants in any proceeding before the Hearing Panel shall be take all actions necessary to be bound by confidentiality obligations consistent with NERC Rule of Procedure 1504.

### 1.8 RESPONSIBILITIES OF ADJUDICATORY OFFICERS

#### 1.8.1 Hearing Panel

The Hearing Panel shall be selected from the Compliance Hearing Body, as provided in the WECC Compliance Hearing Body Charter, and the composition of the Hearing Panel shall assure that no two industry segments may control, and no single industry segment may veto, any decision by the Hearing Panel. The Hearing Panel is vested with all necessary the authority to preside over all matters relating to a proceeding, including the following:

1. To establish the scope of the proceeding, including segregation of issues into separate phases of the proceeding and consolidation of related proceedings;
2. Take such action as necessary to assure the confidentiality of the proceeding and documents produced in connection with the proceeding;
3. Establish and modify the schedule for the proceeding, and modify any deadline or required interval;
4. Supervise discovery and rule on any disputes relating thereto;
5. Preside over prehearing conferences, status hearings, oral arguments and evidentiary hearings, including administering oaths and affirmations, ruling on evidentiary matters, requiring the introduction of additional evidence;
6. Issue a Final Decision and rule upon all motions and all other requests for relief;
7. Take other actions necessary and appropriate for the adjudication of the proceeding.

~~Unless waived by the Parties in a particular circumstance, all~~ All actions (including all rulings, orders and determinations) of the Hearing Panel shall require a quorum consisting of a majority of the persons assigned to the Hearing Panel. ~~, unless waived by the Parties in a particular circumstance, subject in all events to the requirement that no two industry segments may control, and no single industry segment may veto, Hearing Panel actions.~~ All rulings, orders and determinations of the Hearing Panel shall require the vote of a majority of the persons constituting a quorum. Where necessary, one or more persons assigned to the Hearing Panel may participate by teleconference as long as a majority are present in person; provided that all persons assigned to the Hearing Panel may participate by teleconference with respect to a Remedial Action Directive hearing. All rulings, orders and determinations shall be recorded in a written ruling or in a transcript and shall be designed to promote the conduct of a full, fair and impartial proceeding and to effectuate the standards of discretion.

#### 1.8.2 Hearing Officer

WECC may designate one or more Staff members, third-party contractors, or industry stakeholders to serve as Hearing Officers and may thereby preside over any aspect of the

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proceeding to the same extent as the Hearing Panel, except that the Hearing Officer will issue an Initial Decision and the Final Decision or other order finally disposing of the proceeding or issues within the proceeding must be issued by the Hearing Panel.

### 1.8.3 Technical Advisor

The Hearing Officer and/or the Hearing Panel may designate one or more Staff members, third-party contractors, or industry stakeholders to serve as Technical Advisors to assist in any proceeding by providing technical advice.

### 1.8.4 Conflict of Interest

A person shall be disqualified from serving as an Adjudicatory Officer in any proceeding if (1) he or she has been involved in or consulted at any time in regard to any Staff investigation, initial determination of violation or Penalty, or assessment of a Registered Entity's proposed Mitigation Plan relating to the proceeding or (2) his or her participation would violate WECC's applicable conflict of interest policies. An Adjudicatory Officer shall recuse himself or herself from serving in proceeding if disqualified.

Any Adjudicatory Officer shall disclose to the Service List his or her identity, employment history and professional affiliations within two [business](#) days of assignment to the proceeding.

### 1.8.5 Ex Parte Communications

No Adjudicatory Officer assigned to a proceeding may communicate concerning any matter relating to the proceeding, directly or indirectly with any Person who is not an Adjudicatory Officer with respect to a proceeding, except after reasonable notice to all Parties and opportunity to participate.

Any Adjudicatory Officer who makes or receives an *ex parte* communication shall, within seven (7) [business](#) days, file and serve on the Parties a description of the date, time, place ~~and~~, substance of [and a list of each person making or receiving the \*ex parte\* communication](#), and include any written *ex parte* communication.

### 1.8.6 Motion for Disqualification

Any Party may move to disqualify an Adjudicatory Officer on the basis of conflict of interest, or on the basis of a prohibited *ex parte* communication or other circumstances that could interfere with the impartial performance of his or her duties. The motion shall describe the underlying facts by affidavit and shall be filed within fifteen days after the Party learns of the facts believed to constitute the basis for disqualification or reasonably in advance of any hearing, whichever is earlier. The ruling [on a motion to disqualify an Adjudicatory Officer](#) shall be made by the Hearing Officer, ~~but if no Hearing Officer has been assigned or the motion relates to the Hearing Panel,~~ [provided that the ruling on a motion to disqualify a Hearing Panel member shall be made by the Hearing Panel](#); ~~without participation by the member subject to the motion.~~ Any challenge to a disqualification ruling by a Hearing Officer is waived if no interlocutory appeal has been filed within five [business](#) days of the ruling. Any disqualified Adjudicatory Officer shall be replaced as soon as practicable.

## 1.9 REMEDIAL ACTION DIRECTIVES

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### 1.9.1 Initiation of Remedial Action Directive Hearing

Staff may issue a Remedial Action Directive to a Registered Entity at any time, including during any proceeding related to an alleged violation of a Reliability Standard. ~~The Notice of the Remedial Action Directive shall not be effective until actual receipt by the Registered Entity, as provided by electronic mail in Section 7.0 of the Compliance Monitoring and either personal delivery or express courier.~~ Enforcement Program. WECC will notify NERC within two (2) business days after its Staff issues a Remedial Action Directive.

The Registered Entity may contest the Remedial Action Directive by filing a written notice with the Clerk of the WECC that states that the Registered Entity contests the Remedial Action Directive and that the Registered Entity requests a Remedial Action Directive hearing. The Registered Entity shall attach a copy of the Remedial Action Directive to its written notice. The Registered Entity must provide such notice within two (2) business days following ~~electronic mail issuance~~ actual receipt of the Remedial Action Directive. If the Registered Entity does not give written notice to WECC within the required time period, the Registered Entity shall be deemed to have waived its right to contest the Remedial Action Directive.

The Clerk shall assign a docket number, and issue a Notice of Hearing.

### 1.9.2 Remedial Action Directive Procedure

Proceedings to address Remedial Action Directives shall be conducted only under the expedited hearing process set forth in this Paragraph 1.9.2. All other provisions of the Hearing Procedures shall apply to the Remedial Action Directive hearing unless inconsistent with or inapplicable to the procedures set forth in this paragraph.

The Remedial Action Directive hearing will be conducted according to the following guidelines:

- a) The Hearing Panel or Hearing Officer will hold a prehearing conference within two (2) business days after receipt of the Registered Entity's request for a hearing.
- b) An evidentiary hearing will be conducted on the matter, in person or by teleconference, within seven (7) business days after the prehearing conference. The provisions in Section 1.4 concerning document production shall not apply.
- c) At the evidentiary hearing, Staff and the Registered Entity shall have the opportunity to present oral witness testimony and evidence, which shall be rendered under oath, and to conduct cross-examination.
- d) At the evidentiary hearing, the Parties shall have the opportunity to make opening and closing statements, but shall not file any briefs or draft opinions, and oral argument shall not be held.
- e) The Hearing Panel shall issue a summary written decision within ten (10) business days following the hearing, stating whether the Registered Entity shall (upon receipt of the decision) or shall not be required to comply with the Remedial Action Directive and identifying any modifications to the Remedial Action Directive that it finds appropriate. In the event a Hearing Officer has been appointed, the Initial Decision will be issued



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within a timeframe that permits review and comment by the Parties and issuance of a summary written decision within the ten-day deadline.

- f) Within thirty (30) days following issuance of its summary written decision, the Hearing Panel shall issue a full written decision. The written decision shall state the conclusions of the Hearing Panel with respect to the Remedial Action Directive, and shall explain the reasons for the Hearing Panel's conclusions.
- g) The Final Decision may be appealed to NERC pursuant to section 1.6.3.

### 1.10. PROTECTIVE ORDERS

- a) At any time during a proceeding, including in connection with document production under section 1.4, on the Hearing Officer's or the Hearing Panel's own motion or on the motion of any Party, an order may be entered to designate as proprietary and protect the confidential, proprietary or trade secret nature of any data, information or studies, or any other information the public release of which may cause a security risk or harm to a Party.
- b) The following types of information will be considered entitled to protection through a Protective Order: (i) confidential business and market information, including information that is proprietary, commercially valuable, or competitively sensitive; (ii) critical energy infrastructure information, ~~for which NERC Security Guidelines for the Electricity Sector – Protecting Potentially Sensitive Information may be used as a guide~~; (iii) information related to a Cybersecurity Incident; (iv) personnel information that identifies or could be used to identify a specific individual, or that reveals personnel, financial, medical or other personal information; (v) audit work papers; or (vi) investigative files that would disclose investigative techniques. Nothing in this Subparagraph shall require Staff to produce any documents it is entitled to withhold under Subparagraph 1.4.1(b)
- c) A Party submitting a motion for a protective order shall specify the proposed expiration date for the proprietary status of the data, information or studies, if any, and shall propose requirements or safeguards to be met for individuals participating in the proceeding to review the protected information.
- d) A document submitted and marked as proprietary, or a statement made at a hearing and identified as proprietary, shall be afforded proprietary treatment pending the timely submission of a motion to protect the confidential, proprietary or trade secret nature of that document or statement and a ruling on such a motion by the Hearing Officer or Hearing Panel.
- e) The protective order shall identify the data, information or studies that will be accorded proprietary treatment; the individuals participating in the proceeding, by category or otherwise, entitled to view the proprietary information; and the requirements, conditions or safeguards that must be met before an individual may view the information. The order shall also specify any required indications of confidentiality, such as colored paper or notation.

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- f) A public redacted version of each document and transcript that contains information that is protected pursuant to this Paragraph must be filed with the proprietary version and must be served on each Party for distribution to those individuals participating in the proceeding who are not entitled to view the proprietary information.
- g) Should it be necessary to address proprietary information during a hearing, the Hearing Officer or Hearing Panel shall exclude from the hearing all individuals other than those entitled to access to the proprietary information in accordance with the protective order.

# **EXHIBIT E**

## 1. Scope of activities funded through the ERO funding mechanism

The WECC activities that will be funded through the ERO funding mechanism are as follows:

1. Reliability Standard Development
2. Compliance Enforcement  
This category will encompass WECC's Compliance Enforcement Program, including activities under the WECC Reliability Management System
3. Organization Registration and Certification
4. Reliability Readiness [Audit Evaluation](#) and Improvement
5. Reliability Assessment and Performance Analysis  
This category includes WECC's Transmission Expansion Planning Program, and Loads and Resources Area, including necessary data gathering activities
6. Training and Education  
This category includes WECC's Training Program
7. Situational Awareness and Infrastructure Security  
This category includes WECC's Reliability Coordinator Functions

WECC shall submit its annual budget for carrying out its Delegated Authority functions and related activities as well as all other WECC activities and funding to NERC no later than June 1 of the prior fiscal year such that NERC may submit its budget to the Commission 130 days in advance of the beginning of each fiscal year. The WECC budget submission shall include supporting materials, including WECC's complete business plan and organization chart, explaining the proposed collection of all dues, fees and charges, ~~and~~ the proposed expenditure of funds collected in sufficient detail to justify the requested funding collection and budget expenditures, [and how any WIRAB approved funding affects the allocation and collection of costs to WECC end users in the United States](#). NERC shall develop, in consultation with WECC, a reasonable and consistent system of accounts, with a level of detail and record keeping comparable to the Commission's Uniform System of Accounts and sufficient to allow the Commission to compare each Commission-approved NERC fiscal year budget with the actual results at the NERC and Regional Entity level. WECC shall follow NERC's prescribed system of accounts, except to the extent NERC permits a departure from the prescribed system of accounts. [NERC shall make an informational filing with the Commission describing any such waiver it permits and providing an explanation supporting the permitted departure](#). WECC's funding system shall include reasonable reserve funding for unforeseen and extraordinary expenses and other contingencies, consistent with generally accepted

accounting principles. NERC shall review and approve WECC's budget for meeting its responsibilities under the Delegation Agreement.

## 2. Allocation of Costs

WECC will equitably allocate its reasonable fees and other charges for activities undertaken pursuant to the Delegation Agreement among all Load-Serving Entities (LSEs) or Balancing Authorities according to the following cost allocation rules:

1. All fees and other charges pursuant to the Delegation Agreement shall be allocated among LSEs or Balancing Authorities within the Western Interconnection on the basis of Net Energy for Load (NEL) unless a different method(s) of allocating and calculating such dues, fees and charges ~~is expressly provided for in the annual business plan and budget~~ has been submitted to and approved by NERC and WECC to the Commission pursuant to 18 C.F.R. §39.4 in accordance with Section 8(b) of the delegation agreement.
2. WECC will develop a list of LSEs or Balancing Authorities responsible for paying charges pursuant to the Delegation Agreement.
3. Entities on the list of LSEs or Balancing Authorities will be responsible for collection and/or payment of charges through the mechanism described in either Option 1 or 2 below. Each Balancing Authority will inform WECC by June 1<sup>st</sup> of each year of its choice of Option 1 or 2, and will give WECC at least 90 days notice of its intention to change from one option to the other.
  - a. OPTION 1 -- The Balancing Authority will provide WECC a list of all LSEs located within its area, including each LSE's name, contact information, and Net Energy for Load. This information will be updated annually and provided to WECC no later than June 1<sup>st</sup> of each year. WECC will use this list to bill each LSE for all costs on an annual basis.
  - b. OPTION 2 -- The Balancing Authority will provide WECC a list of all LSEs located within its area no later than June 1<sup>st</sup> of each year. WECC will bill the Balancing Authority for all costs on an annual basis. The Balancing Authority will be responsible for equitably allocating WECC costs among the LSEs in its area (if applicable) on the basis of Net Energy for Load, collecting the funds, and ensuring that WECC receives full payment on an annual basis.
4. WECC will submit annually to NERC an updated list of all LSEs located within the Western Interconnection.

### 3. Collection of Funding

(a) WECC will render invoices and collect funds from LSEs or Balancing Authorities within the Western Interconnection according to the following billing and collection rules:

1. WECC will send an annual invoice in a prompt and timely manner after receipt from NERC of the information needed to issue invoices, but no later than November 15<sup>th</sup> each year to each LSE or Balancing Authority (depending on the Balancing Authority's choice of Option 1 or 2 above).
2. The invoice will identify the total payment due, and will show the allocation of funds between the following three areas:
  - Electric Reliability Organization statutory costs
  - Regional Reliability Organization statutory costs
  - Western Interconnection Regional Advisory Body (WIRAB) costs
3. Payment of all invoiced amounts will be due on or before January 2nd of each year.
4. WECC will transfer collected funds to the ERO in a timely manner as follows. Once a week, until all funds are collected, WECC will electronically transfer to the ERO, in immediately available funds, all payments received from LSEs or Balancing Authorities for payment of annual invoices. In order to ensure clear communication regarding the allocation of funds, WECC will send an email to the Chief Financial Officer at the ERO outlining the breakdown of funds collected (including a listing of entities from which payments were collected and the amounts collected from each entity) on the same day that WECC electronically transfers payment to the ERO.
5. WECC will exercise commercially reasonable efforts to collect invoices that are not paid on the due date(s) as follows. If WECC does not receive payment in full from an LSE or Balancing Authority by January 2nd, WECC will send the LSE or Balancing Authority a duplicate invoice together with a demand for payment within 30 days of the total due under the invoice, including statutory, and if applicable, non-statutory costs. If the LSE or Balancing Authority fails to remit payment within the additional 30 day period, the account will be turned over to the ERO for collection. WECC agrees that it shall not in any way use its position as billing and collection agent for NERC to attempt to influence NERC's policies or decisions on matters relating to adoption of reliability standards (including regional standards and differences), administration of the compliance monitoring and enforcement program and other compliance and enforcement matters, determination and imposition of penalties and sanctions, budgeting matters including review and approval of WECC's budgets and business plans, or any other NERC decisions, including by issuing invoices, engaging in collection activities or transferring funds collected to NERC in an untimely manner or other than in accordance with

this Agreement. To the extent WECC uses another entity as collection agent, it will incorporate these safeguards in the arrangements with the collection agent.

(b) Upon approval of the annual funding requirements by applicable governmental authorities, NERC will fund WECC's costs identified in Section 1 of this Exhibit E in four equal quarterly installments.

#### **4. Application of Penalties**

As part of WECC's Compliance Enforcement Program, WECC may levy monetary sanctions against an organization in the Western Interconnection. Payment of a monetary sanction is due to WECC within 30 days of the date upon which the sanction takes effect under the rules governing WECC Compliance Enforcement Program. If payment is not received on or before the applicable due date, WECC will send a demand for payment and take appropriate steps to ensure collection.

WECC will segregate any payment received from monetary sanctions in a separate accounting group and the monies will be used to offset the next year's statutory function costs. All penalty monies received by WECC, other than penalty monies received from an operational function or division or affiliated entity of WECC shall be applied as a general offset to the entity's budget requirements for U.S.-related activities under this Agreement for the subsequent fiscal year. Any penalty monies received from an operational function or division or affiliated entity of WECC shall be transmitted to or retained by NERC and shall be used by NERC as a general offset to NERC's budget for its activities as the ERO under the Act for the following year.

#### **5. Non-Statutory Activities**

WECC will identify in its annual Business Plan and Budget filing any non-statutory activity, and how WECC will maintain accounts for funding and expenses associated with all non-statutory activities that are separate from the funding and expenses associated with statutory activities. Currently, the only non-statutory activity relates to the Western Renewable Generation Information System ("WREGIS"), a system to identify and track renewable energy credits. WECC maintains separate funding mechanisms and accounts for the funding and expenses of WREGIS, and the program is currently funded through the California Energy Commission.- In particular, under the WECC Time & Expense Guidelines, Accounting for Income, Time and Expenses to Appropriate Activity Codes (filed with NERC as part of its April 1, 2008 filing concerning the 2007 budget true-up), WECC assigns WREGIS revenues and expenses to a separate accounting code, and incorporates the separate code on invoices, and expense reports, and for payroll. Although funds associated with statutory and non-statutory net assets are pooled, the above guidelines assure proper allocation between statutory and non-statutory accounts. WECC agrees that no costs of non-statutory activities are to be included in the calculation of WECC's dues, fees, and other charges for its activities pursuant to this Agreement. Instead, as provided in

Bylaws section 12.3, any fees to fund non-statutory activities are voluntary and not a condition for membership.

\*\* If any applicable date set forth above falls on a weekend or federal holiday, then the relevant date will be the next business day.



**ATTACHMENT 11C**

**CLEAN VERSION  
OF REVISED WECC COMPLIANCE HEARING BODY CHARTER**

# **WECC COMPLIANCE HEARING BODY CHARTER**

## **Purpose/Responsibilities**

Following successful implementation of North America's first mandatory electric reliability standards in the Western Interconnection under the Western Electricity Coordinating Council Reliability Criteria Agreement of June 18, 1999, WECC has entered into a Delegation Agreement with the North American Electric Reliability Corporation (NERC) under which NERC has delegated to WECC enforcement authorities within the United States that NERC has received by virtue of being certified by the Federal Energy Regulatory Commission as the Electric Reliability Organization (ERO) authorized under Section 215 of the Federal Power Act. Exhibit D of that Delegation Agreement provides for a rigorous program of enforcement of reliability standards that are made mandatory under Section 215 and which may be made mandatory and enforceable under Canadian law as well.

This Charter establishes the WECC's procedures for establishing these balanced compliance panels (Hearing Panels or panels) in order to fulfill WECC's obligations under the Delegation Agreement, Exhibit D, Attachment 2. It provides a mechanism for the identification of the need for formation of a panel, for the determination if the panel should have three or five members, and for balanced population of the panel with panel members both within and outside the Electric Line of Business as defined by the WECC Bylaws. The Charter assumes that WECC will employ one or more Hearing Officers to gather evidence and prepare proposed decisions in most cases so that hearing panels, in most cases will review a paper record, a proposed decision, and written exceptions to the proposed decision. In such cases, the panel may also hear oral arguments at the request of either party. In particularly significant cases, involving high sanction amounts and strongly disputed facts, the Hearing Officer, Chair of the Compliance Hearing Body (CHB) or WECC Board Chair may request that the evidentiary case be conducted by or in the presence of the Hearing Panel.

The Hearing Officer will be responsible, in consultation with the Parties, for identifying the need for a Hearing Panel and for setting the date or dates on which the panel will meet. The Hearing Officer will then request the Chair of the Compliance Hearing Body (CHB) to identify members of the panel as set forth in this Charter. From among those panel members, the CHB Chair may designate a panel chair. Panels will consist of five members unless the Parties agree that, e.g. for the sake of cost control, the panel may consist of three members. Panel members will be selected to ensure that panels contain members with technical knowledge of the electric utility industry and also so that there are panel members who have no affiliation with the Electric Line of Business within the WECC footprint. Where possible, all panel members should attend panel meetings in person, but where necessary, a panel may be scheduled to meet with a majority of the panel present in person if the remaining panel members are available by teleconference. If and when the Expedited Hearing Process related to Remedial Action Directives described in Section 1.9 of Exhibit D, Attachment 2 is in use, all members of the panel may participate by teleconference.

Panels of the CHB may be required to resolve disputes between WECC Compliance Staff and Registered Entities in any of the following situations or combinations thereof : (1) disputes regarding whether the entity has been properly registered as a Registered Entity under Section 215, (2) disputes regarding whether an Alleged Violation of a mandatory reliability standard has occurred and should be a Confirmed Violation , (3) disputes regarding the level of monetary penalty proposed to be assessed by WECC Compliance Staff on a Registered Entity for an Alleged Violation, (4) disputes regarding the terms of a proposed Mitigation Plan required to achieve future compliance with a reliability standard for which there has been a Confirmed Violation, (5) disputes related to Remedial Action Directives and (6) any other dispute that relates to enforcement of reliability standards under Section 215 of the Federal Power Act or comparable Canadian or Mexican authority.

Although this Charter anticipates that efforts will be taken to minimize the costs incurred in assembling CHB panels, because this function is directly related to enforcement of Section 215 reliability standards and fulfillment of WECC's obligations under the Delegation Agreement, reasonable travel costs and, where necessary stipends for participation of panel members will be provided from the WECC Section 215 mandatory fee budget. This Charter assumes that all panel members will be reimbursed for CHB travel and that panel members who are not employed by WECC Members may request a reasonable stipend for the time they spend participating on CHB panels.

The Chair of the CHB shall regularly report to the WECC Board of Directors concerning the activities of the CHB, including information concerning the ongoing and projected cost of this activity so that future WECC budgets may accurately anticipate and include these costs.

## **Composition and Governance**

The CHB shall be an open committee consisting of two classes of members:

**Class A:** WECC non-affiliated directors, personnel employed by WECC Members who are not engaged in the Electric Line of Business, and consultants who meet the same standards of independence required by the WECC Bylaws for non-affiliated directors, and

**Class B:** Personnel employed by WECC Members engaged in the Electric Line of Business or who are otherwise affiliated with such Members.

All current members of the Reliability Compliance Committee developed under the Reliability Management System agreement shall be eligible to serve as Class A or Class B members of the CHB, depending on their affiliation. Additional CHB members may be recruited from the WECC Board, from WECC Member employees, and from consultants to form a CHB with enough potential panel members to ensure that adequate hearing panels can be formed to meet the needs of the hearing process required by Exhibit D, Attachment 2. Individuals may be considered for participation on CHB panels by submitting to WECC information the CHB Chair or Vice Chair will need to populate balanced panels as

described in this Charter at the lowest reasonable cost. (See Appendix C to this Charter) Prior to serving on a panel, prospective members of the CHB must complete training developed by the WECC Hearing Officer staff to familiarize them with the requirements of Exhibit D and the hearing processes in which they will participate as members of a CHB panel. This Charter does not establish quorum requirements for the CHB as a whole because it does not anticipate that the CHB in its entirety will need to meet as a committee. While it is most desirable that once a panel is established decisions are made by full panel participation, a quorum of a CHB panel necessary to make a decision shall be a majority that includes one panel member from each of the two Classes.

The Chair of the WECC Board, with the advice and consent of the Governance and Nominating Committee, shall appoint a Chair and Vice Chair for the CHB. The Chair and Vice Chair of the CHB shall be members of the WECC Board of Directors and may, themselves, be either Class A or Class B members of the CHB. The Chair of the CHB (or the Vice Chair in the event the Chair is unavailable) shall respond to requests from the Hearing Officer for the creation of a Hearing Panel by contacting members of the CHB and asking for their availability to serve on the date or dates selected by the Hearing Officer for the case or cases that need to be decided by the panel. If both the Chair and Vice Chair of the CHB are unavailable and if waiting for their availability could cause WECC to violate a deadline in Exhibit D, the Chair of the Board (or in his or her absence the Vice Chair of the Board) may act as interim Chair of the CHB under this Charter until the return of either the Chair or Vice Chair of the CHB. The Chair of the CHB (or alternate) shall assemble panels using the following guidance.

Each panel shall be balanced between CHB members from Class A and Class B, and the Chair of the CHB shall appoint a majority of members from Class A including, where possible, at least one WECC non-affiliated director.<sup>1</sup> The Chair of the CHB shall consider the cost to the WECC Section 215 budget in selecting panel member, making an effort to control costs where possible, by trying to select members who can serve voluntarily (i.e. where only travel costs must be reimbursed), except that each panel shall have a non-affiliated director as a member unless none are available. However, the Chair of the CHB may select panel members who require a reasonable meeting stipend if that is necessary to achieve balance between the two classes and to ensure adequate technical knowledge among the panelists. The Chair of the CHB shall endeavor to ensure that at least two members of each five member panel or one member of each three member panel shall have technical knowledge of electric industry systems.

Panel members must personally serve and may not provide proxy votes or appoint alternates to serve in their place. Panel members must commit to being available on the

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<sup>1</sup> this will result in at least three Class A members and no more than two Class B members for five member panels or at least two Class A members and no more than one Class B member for three member panels. To ensure against unanticipated last minute inability of a panel member to serve as a result of illness or family emergency, the Chair of CHB will normally identify an additional member from each Class, designating them as alternates. Each alternate would be asked to hold the dates for the panel's work open in the event one of the other panel members from the same Class could not participate, but the alternate would not be expected travel and could participate by telephone.

dates identified for the hearing of a case or cases before they are selected. Once the case or cases that a panel is selected for are decided, the obligation of those members to serve is completed though they may be asked to serve on additional panels for other cases when and if the members are available.

Proposed amendments to this Charter shall be addressed to the WECC Board through the CHB Chair.

\* Appendices A, B and C in the original charter have been removed to reflect the new Hearing Procedures in Attachment 2 of the Compliance Monitoring and Enforcement Program (CMEP).

**ATTACHMENT 11D**

**REDLINED VERSION  
OF REVISED WECC COMPLIANCE HEARING BODY CHARTER**

# **WECC COMPLIANCE HEARING BODY CHARTER**

## **Purpose/Responsibilities**

Following successful implementation of North America's first mandatory electric reliability standards in the Western Interconnection under the Western Electricity Coordinating Council Reliability Criteria Agreement of June 18, 1999, WECC has entered into a Delegation Agreement with the North American Electric Reliability Corporation (NERC) under which NERC has delegated to WECC enforcement authorities within the United States that NERC has received by virtue of being certified by the Federal Energy Regulatory Commission as the Electric Reliability Organization (ERO) authorized under Section 215 of the Federal Power Act. Exhibit D of that Delegation Agreement provides for a rigorous program of enforcement of reliability standards that are made mandatory under Section 215 and which may be made mandatory and enforceable under Canadian law as well.

This Charter establishes the WECC's procedures for establishing these balanced compliance panels (Hearing Panels or panels) in order to fulfill WECC's obligations under the Delegation Agreement, Exhibit D, Attachment 2. It provides a mechanism for the identification of the need for formation of a panel, for the determination if the panel should have three or five members, and for balanced population of the panel with panel members both within and outside the Electric Line of Business as defined by the WECC Bylaws. The Charter assumes that WECC will employ one or more Hearing Officers to gather evidence and prepare proposed decisions in most cases so that hearing panels, in most cases will review a paper record, a proposed decision, and written exceptions to the proposed decision. In such cases, the panel may also hear oral arguments at the request of either party. In particularly significant cases, involving high sanction amounts and strongly disputed facts, the Hearing Officer, Chair of the Compliance Hearing Body (CHB) or WECC Board Chair may request that the evidentiary case be conducted by or in the presence of the Hearing Panel.

The Hearing Officer will be responsible, in consultation with the Parties, for identifying the need for a Hearing Panel and for setting the date or dates on which the panel will meet. The Hearing Officer will then request the Chair of the Compliance Hearing Body (CHB) to identify members of the panel as set forth in this Charter. From among those panel members, the CHB Chair may designate a panel chair. Panels will consist of five members unless the Parties agree that, e.g. for the sake of cost control, the panel may consist of three members. Panel members will be selected to ensure that panels contain members with technical knowledge of the electric utility industry and also so that there are panel members who have no affiliation with the Electric Line of Business within the WECC footprint. Where possible, all panel members should attend panel meetings in person, but where necessary, a panel may be scheduled to meet with a majority of the panel present in person if the remaining panel members are available by teleconference. If and when the Expedited Hearing Process related to Remedial Action Directives described in Section 1.9 of Exhibit D, Attachment 2 is in use, all members of the panel may participate by teleconference.

Panels of the CHB may be required to resolve disputes between WECC Compliance Staff and Registered Entities in any of the following situations or combinations thereof : (1) disputes regarding whether the entity has been properly registered as a Registered Entity under Section 215, (2) disputes regarding whether an Alleged Violation of a mandatory reliability standard has occurred and should be a Confirmed Violation , (3) disputes regarding the level of monetary penalty proposed to be assessed by WECC Compliance Staff on a Registered Entity for an Alleged Violation, (4) disputes regarding the terms of a proposed Mitigation Plan required to achieve future compliance with a reliability standard for which there has been a Confirmed Violation, (5) disputes related to Remedial Action Directives and (6) any other dispute that relates to enforcement of reliability standards under Section 215 of the Federal Power Act or comparable Canadian or Mexican authority.

Although this Charter anticipates that efforts will be taken to minimize the costs incurred in assembling CHB panels, because this function is directly related to enforcement of Section 215 reliability standards and fulfillment of WECC's obligations under the Delegation Agreement, reasonable travel costs and, where necessary stipends for participation of panel members will be provided from the WECC Section 215 mandatory fee budget. This Charter assumes that all panel members will be reimbursed for CHB travel and that panel members who are not employed by WECC Members may request a reasonable stipend for the time they spend participating on CHB panels.

The Chair of the CHB shall regularly report to the WECC Board of Directors concerning the activities of the CHB, including information concerning the ongoing and projected cost of this activity so that future WECC budgets may accurately anticipate and include these costs.

## **Composition and Governance**

The CHB shall be an open committee consisting of two classes of members:

**Class A:** WECC non-affiliated directors, personnel employed by WECC Members who are not engaged in the Electric Line of Business, and consultants who meet the same standards of independence required by the WECC Bylaws for non-affiliated directors, and

**Class B:** Personnel employed by WECC Members engaged in the Electric Line of Business or who are otherwise affiliated with such Members.

All current members of the Reliability Compliance Committee developed under the Reliability Management System agreement shall be eligible to serve as Class A or Class B members of the CHB, depending on their affiliation. Additional CHB members may be recruited from the WECC Board, from WECC Member employees, and from consultants to form a CHB with enough potential panel members to ensure that adequate hearing panels can be formed to meet the needs of the hearing process required by Exhibit D, Attachment 2. Individuals may be considered for participation on CHB panels by submitting to WECC information the CHB Chair or Vice Chair will need to populate balanced panels as



described in this Charter at the lowest reasonable cost. (See Appendix C to this Charter) Prior to serving on a panel, prospective members of the CHB must complete training developed by the WECC Hearing Officer staff to familiarize them with the requirements of Exhibit D and the hearing processes in which they will participate as members of a CHB panel. This Charter does not establish quorum requirements for the CHB as a whole because it does not anticipate that the CHB in its entirety will need to meet as a committee. While it is most desirable that once a panel is established decisions are made by full panel participation, a quorum of a CHB panel necessary to make a decision shall be a majority that includes one panel member from each of the two Classes.

The Chair of the WECC Board, with the advice and consent of the Governance and Nominating Committee, shall appoint a Chair and Vice Chair for the CHB. The Chair and Vice Chair of the CHB shall be members of the WECC Board of Directors and may, themselves, be either Class A or Class B members of the CHB. The Chair of the CHB (or the Vice Chair in the event the Chair is unavailable) shall respond to requests from the Hearing Officer for the creation of a Hearing Panel by contacting members of the CHB and asking for their availability to serve on the date or dates selected by the Hearing Officer for the case or cases that need to be decided by the panel. If both the Chair and Vice Chair of the CHB are unavailable and if waiting for their availability could cause WECC to violate a deadline in Exhibit D, the Chair of the Board (or in his or her absence the Vice Chair of the Board) may act as interim Chair of the CHB under this Charter until the return of either the Chair or Vice Chair of the CHB. The Chair of the CHB (or alternate) shall assemble panels using the following guidance.

Each panel shall be balanced between CHB members from Class A and Class B, and the Chair of the CHB shall appoint a majority of members from Class A including, where possible, at least one WECC non-affiliated director.<sup>1</sup> The Chair of the CHB shall consider the cost to the WECC Section 215 budget in selecting panel member, making an effort to control costs where possible, by trying to select members who can serve voluntarily (i.e. where only travel costs must be reimbursed), except that each panel shall have a non-affiliated director as a member unless none are available. However, the Chair of the CHB may select panel members who require a reasonable meeting stipend if that is necessary to achieve balance between the two classes and to ensure adequate technical knowledge among

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<sup>1</sup> ~~It is anticipated that this~~ this will result in at least three Class A members and no more than two Class B members for five member panels or at least two Class A members and no more than one Class B member for three member panels, ~~but in the event of unavailability of sufficient Class A members, a panel may be selected with a three to two or two to one majority of Class B members.~~ To ensure against unanticipated last minute inability of a panel member to serve as a result of illness or family emergency, the Chair of CHB will normally identify ~~three members~~ an additional member from each ~~Class for a five member panel or two from each Class for a three member panel,~~ designating ~~one of the Class B members~~ them as ~~an alternate. The alternates. Each~~ alternate would be asked to hold the dates for the panel's work open in the event ~~one of the other panel members~~ from the same Class could not participate, but the alternate would not be expected travel and could participate by telephone.

the panelists. The Chair of the CHB shall endeavor to ensure that at least two members of each five member panel or one member of each three member panel shall have technical knowledge of electric industry systems.

Panel members must personally serve and may not provide proxy votes or appoint alternates to serve in their place. Panel members must commit to being available on the dates identified for the hearing of a case or cases before they are selected. Once the case or cases that a panel is selected for are decided, the obligation of those members to serve is completed though they may be asked to serve on additional panels for other cases when and if the members are available.

Proposed amendments to this Charter shall be addressed to the WECC Board through the CHB Chair.

\* Appendices A, B and C in the original charter have been removed to reflect the new Hearing Procedures in Attachment 2 of the Compliance Monitoring and Enforcement Program (CMEP).