

DOCKET NOS. RR06-1-012 AND RR07-2-002

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

ATTACHMENT 5

**REVISED AMENDED AND RESTATED DELEGATION AGREEMENT
BETWEEN NERC AND
MIDWEST RELIABILITY ORGANIZATION**

ATTACHMENT 5A: CLEAN VERSION

ATTACHMENT 5B: REDLINED VERSION



**MIDWEST
RELIABILITY
ORGANIZATION**



**Daniel P. Skaar
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July 9, 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 purpose of this letter is to advise NERC that Midwest Reliability Organization will be prepared to execute the revised delegation agreement upon Commission approval (Docket No. RR07-2-002), which is due to be filed on or before July 21, 2008.

Sincerely,

Daniel P. Skaar

DPS:ddl



ATTACHMENT 5A

CLEAN VERSION

**AMENDED AND RESTATED DELEGATION AGREEMENT BETWEEN
NORTH AMERICAN ELECTRIC RELIABILITY CORPORATION
AND MIDWEST RELIABILITY ORGANIZATION**

AMENDED AND RESTATED 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 Midwest Reliability Organization, 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 Midwest Reliability Organization may be individually referred to herein as “Party” or collectively as “Parties.”

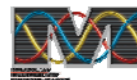
WITNESSETH

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 Midwest Reliability Organization 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, Midwest Reliability Organization is not organized on an Interconnection-wide basis and therefore is not entitled to the rebuttable presumptions accorded such an entity;



WHEREAS, NERC will work through Midwest Reliability Organization 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 Midwest Reliability Organization 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 Midwest Reliability Organization, 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 Midwest Reliability Organization to propose and enforce Reliability Standards pursuant to the Act.

(d) Midwest Reliability Organization Rules means the bylaws, a rule of procedure or other organizational rule or protocol of Midwest Reliability Organization.

(e) 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, Midwest Reliability Organization hereby represents and warrants to NERC that:

(i) Midwest Reliability Organization is and shall remain during the term of this Agreement validly existing and in good standing pursuant to 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. Midwest Reliability Organization is governed in accordance with its bylaws by a balanced stakeholder board. Pursuant to these bylaws, no two industry sectors can control any Midwest Reliability Organization decision and no single industry sector can veto any Midwest Reliability Organization decision. The relevant portions of such bylaws are attached hereto in **Exhibit B¹**, and as so attached are in full force and effect. No other such corporate governance documents are binding upon Midwest Reliability Organization.

(ii) As set forth in **Exhibit C** hereto², Midwest Reliability Organization has developed a standards development procedure, which provides the process that Midwest Reliability Organization may use to develop Regional Reliability Standards that are proposed to NERC for adoption.

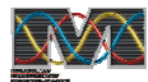
(iii) As set forth in **Exhibit D** hereto³, Midwest Reliability Organization has developed a regional compliance enforcement program, which provides for the enforcement of Reliability Standards within its geographic boundaries.

(b) NERC hereby represents and warrants to Midwest Reliability Organization that:

¹ The **Exhibit B** from each Regional Entity shall meet the requirements contained in **Exhibit B** to this pro forma Agreement.

² The **Exhibit C** from each Regional Entity shall meet the requirements contained in **Exhibit C** to this pro forma Agreement.

³ The **Exhibit D** from each Regional Entity shall meet the requirements contained in **Exhibit D** to this pro forma Agreement.



(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.

3. Covenants.

(a) During the term of this Agreement, Midwest Reliability Organization shall maintain and preserve its qualifications for delegation pursuant to the Act and shall not amend the Midwest Reliability Organization 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 Midwest Reliability Organization under this Agreement without first obtaining the consent of Midwest Reliability Organization, which consent shall not be unreasonably withheld or delayed.

(c) During the term of this agreement, NERC and Midwest Reliability Organization 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 Midwest Reliability Organization 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 Midwest Reliability Organization for the purpose of proposing Reliability Standards to NERC, as set forth in Section 5 of this Agreement, and



enforcing Reliability Standards, as set forth in Section 6 of this Agreement, 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) For Cross-Border Regional Entities, the authority delegated by this Agreement shall extend 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 Midwest Reliability Organization 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, Midwest Reliability Organization 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, Midwest Reliability Organization shall be entitled to:

(i) propose Reliability Standards, Regional Variances, 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 Midwest Reliability Organization reasonable notice and opportunity to be heard; and

(ii) develop Regional Reliability Standards through Midwest Reliability Organization's process as set forth in **Exhibit C**. Proposals approved through Midwest Reliability Organization's process shall be reviewed by the NERC Board of Trustees after NERC provides notice and an opportunity for interested persons to comment. In the case of a proposal from a Regional Entity organized on an Interconnection-wide basis, comments shall be limited to the factors identified in NERC Rule 313, section 3.1 as it may be amended from time to time. The NERC board of trustees shall promptly thereafter consider such proposed Regional Reliability Standard or Regional Variance, applying the rebuttable presumption described in



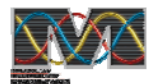
subsection 5(b) if the proposed Regional Reliability Standard or Regional Variance is from a Regional Entity organized on an Interconnection-wide basis, and either approve the proposed standard and submit it to the Commission for approval, or disapprove it in writing setting forth its reasons. Midwest Reliability Organization may appeal any disapproval of a proposed Regional Reliability Standard or Regional Variance to the Commission.

(b) Pursuant to Section 215(d)(3) of the Act, NERC shall rebuttably presume that a proposal from a Regional Entity organized on an Interconnection-wide basis for a Regional Reliability Standard or Regional Variance 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.

6. Enforcement.

(a) In connection with its delegated authority pursuant to this Agreement, Midwest Reliability Organization shall enforce Reliability Standards (including Regional Reliability Standards and Regional Variances) within the geographic boundaries set forth in **Exhibit A** through the compliance enforcement program set forth in **Exhibit D**. NERC and Midwest Reliability Organization 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. Midwest Reliability Organization 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, Midwest Reliability Organization agrees to comply with the NERC Rules in implementing this program.

(b) Midwest Reliability Organization shall report promptly to NERC any self-reported violation or investigation of a violation or an alleged violation of a Reliability Standard and its eventual disposition. Such report shall include the owner's, operator's, or user's name, which Reliability Standard or Reliability Standards were violated or allegedly violated, when the violation or alleged violation occurred, other pertinent facts about the violation including



circumstances surrounding the violation with any known risk to the bulk power system, when the violation was or will be mitigated, the name of a person knowledgeable about the violation or alleged violation to serve as a point of contact with the Commission, and any other information required by NERC compliance program procedures. NERC shall promptly forward such report to the Commission. NERC and Midwest Reliability Organization shall cooperate in filing such periodic summary reports as the Commission shall from time to time direct on violations of Reliability Standards and summary analyses of such violations.

(c) Each violation or alleged violation shall be treated as nonpublic until the matter is filed with the Commission as a notice of penalty or resolved by an admission that the owner, operator, or user of the bulk power system violated a Reliability Standard or by a settlement or other negotiated disposition. The disposition of each violation or alleged violation that relates to a Cybersecurity Incident or that would jeopardize the security of the bulk power system if publicly disclosed shall be nonpublic unless the Commission directs otherwise.

(d) All appeals of penalties imposed by Midwest Reliability Organization shall be filed with NERC, in accordance with the NERC Rules.

(e) Midwest Reliability Organization shall maintain the capability to conduct investigations of potential violations of Reliability Standards and to conduct such investigations in a confidential manner.

(f) Midwest Reliability Organization shall maintain a program of proactive enforcement audits including procedures for spot-checks of self-reported compliance and periodic audits of all responsible entities as defined in **Exhibit D**.

(g) As part of its compliance enforcement program, Midwest Reliability Organization shall maintain a conflict of interest policy that assures the integrity of such program and the independence of the compliance program staff from those subject to enforcement actions.

(h) As often as NERC deems necessary, but no less than every three years, NERC shall review Midwest Reliability Organization'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 the bulk power system.

(i) Midwest Reliability Organization 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 Sections 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(h) 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.

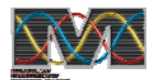
(j) NERC shall conduct a review with the Regional Entities that provides for the exchange of information on practices, experiences, and lessons learned in the implementation of compliance enforcement programs.

7. Delegation-Related Services. NERC will engage Midwest Reliability Organization 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. Midwest Reliability Organization 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 Midwest Reliability Organization activities necessary for Midwest Reliability Organization 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 Midwest Reliability Organization without providing appropriate funding to carry out such mandates;

(b) Midwest Reliability Organization and NERC agree that costs of carrying out Midwest Reliability Organization'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 proposed by Midwest Reliability Organization and approved by NERC and the Commission. If Midwest Reliability Organization proposes to use a formula other than net energy for load beginning in the following year, Midwest Reliability Organization 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 Midwest Reliability Organization 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 Midwest Reliability Organization with the form for budget submittal no later than April 30 of the prior year.

(e) Midwest Reliability Organization shall submit its annual budget for carrying out its Delegated Authority functions and related activities listed on **Exhibit E**, as well as all other Midwest Reliability Organization 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 Midwest Reliability Organization budget submission shall include supporting materials, including Midwest Reliability Organization'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. NERC shall develop, in consultation with the Regional Entities, 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. Midwest Reliability Organization shall follow NERC's prescribed system of accounts except to the extent that 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.

(f) Midwest Reliability Organization's funding system shall include reasonable reserve funding for unforeseen and extraordinary expenses and other contingencies, consistent with generally accepted accounting principles.

(g) NERC shall review and approve Midwest Reliability Organization's budget for meeting its responsibilities under the Delegation Agreement.

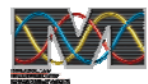
(h) Midwest Reliability Organization shall submit unaudited quarterly interim financial statements in form provided by NERC no later than 20 days after the end of the fiscal quarter (March 31, June 30, September 30, and December 31).

(i) Midwest Reliability Organization 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.

(j) 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 Midwest Reliability Organization in order to ensure that the documentation fairly represents in all material respects appropriate funding under this Agreement.

(k) **Exhibit E** to this Agreement sets forth the mechanism through which Midwest Reliability Organization 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 Midwest Reliability Organization shall transmit to NERC any penalty monies received from an operational function or division or affiliated entity of Midwest Reliability Organization.

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, 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. Midwest Reliability Organization may not delegate in whole or in part its Delegated Authority to any other entity; provided, however, that nothing in this provision shall prohibit Midwest Reliability Organization from contracting with other entities to assist it in carrying out its Delegated Authority, provided Midwest Reliability Organization 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 non-breaching 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 pursuant to



subsections 6(e) and 7(i) to ensure that Midwest Reliability Organization continues to meet all applicable statutory and regulatory requirements necessary to maintain its eligibility for delegation. If Midwest Reliability Organization 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 Midwest Reliability Organization'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 Midwest Reliability Organization 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 Midwest Reliability Organization 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. Midwest Reliability Organization 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



Midwest Reliability Organization 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 Midwest Reliability Organization'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 Midwest Reliability Organization or NERC is found liable for gross negligence or intentional misconduct, in which case Midwest Reliability Organization 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 Section 1500 of 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 the 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

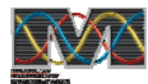


Confidential Information is exposed are under obligations of confidentiality that are at least as restrictive as those contained herein. This confidentiality provision does not prohibit reporting and disclosure as directed by NERC, as set forth in Section 6 of this Agreement.

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 Midwest Reliability Organization under this Agreement without first obtaining the consent of Midwest Reliability Organization, which consent shall not be unreasonably withheld or delayed. To the extent Midwest Reliability Organization 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 Midwest Reliability Organization under this Agreement, Midwest Reliability Organization 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 Midwest Reliability Organization to NERC and the Commission, or at such other time as may be mutually agreed by Midwest Reliability Organization and NERC.

17. Dispute Resolution. In the event a dispute arises under this Agreement between NERC and Midwest Reliability Organization, 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: Dave Nevius
Facsimile: (609) 452-9550

If to Midwest Reliability Organization:

Midwest Reliability Organization
2774 Cleveland Avenue N.
Roseville, MN 55113
Attn: Wayne VanOsdol
Facsimile: (651) 855-1712

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 Midwest Reliability Organization 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

MIDWEST RELIABILITY
ORGANIZATION

By: _____

By: _____

Name: David A. Whiteley

Name: Daniel P. Skaar

Title: Executive Vice President

Title: President

Date:

Date:



Exhibit A - Regional Boundaries

The Midwest Reliability Organization (MRO) is one of eight Regional Reliability Organizations that comprise the North American Electric Reliability Council (NERC). The MRO is a non-profit organization committed to safeguarding the reliability of the electric power system in the upper Midwest part of North America.

The region supplies approximately 280,000,000 terawatt-hours to more than twenty million people and spans nine states (Illinois, Iowa, Michigan, Minnesota, Montana, Nebraska, North Dakota, South Dakota, and Wisconsin) and two Canadian provinces (Manitoba and Saskatchewan) covering roughly one million square miles.



The service territory or corporate footprint of the region as identified in the map above is based upon Load Serving Entities, or by load. See Exhibit E for a list of the Load Serving Entities.

For a more detailed map please refer to <http://www.midwestreliability.org>.

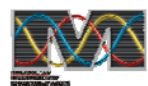


Exhibit B - Governance

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

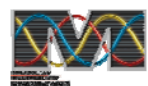
CRITERION 1: The Regional Entity shall be governed by an independent board, a balanced stakeholder board, or a combination independent and balanced stakeholder board. (Federal Power Act § 215(e)(4)(A), 18 C.F.R. § 39.8(c)(1), Order No. 672 at ¶ 727.)

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
MIDWEST RELIABILITY ORGANIZATION, INC.**

As amended through March 29, 2007

TABLE OF CONTENTS

ARTICLE 1	DEFINITIONS	1
Section 1.1	Affiliate	1
Section 1.2	Bulk-Power System	1
Section 1.3	Bulk-Power System Users	1
Section 1.4	Canadian Utilities	1
Section 1.5	Cooperative	1
Section 1.6	Corporate Region	1
Section 1.7	FERC	1
Section 1.8	Federal Power Marketing Agencies	2
Section 1.9	Generators and Power Marketers	2
Section 1.10	Good Utility Practice	2
Section 1.11	Industry Sector(s)	2
Section 1.12	Investor Owned Utility	2
Section 1.13	Large End-Use Electricity Customers	2
Section 1.14	MAPP	2
Section 1.15	Member	2
Section 1.16	Municipal Utilities	3
Section 1.17	NERC	3
Section 1.18	Organizational Standards	3
Section 1.19	Person	3
Section 1.20	Public Utility District	3
Section 1.21	Regional Entity	3
Section 1.22	Regulatory Participant	3
Section 1.23	Reliability Standard	3
Section 1.24	Small End-Use Electricity Customers	3
Section 1.25	Transmission System Operator	3
ARTICLE 2	PURPOSE	4
Section 2.1	Purpose	4
Section 2.2	Activities	4
Section 2.3	Not-for-Profit Corporation	4
ARTICLE 3	POWERS	4
Section 3.1	Powers	4
ARTICLE 4	OFFICES	4
Section 4.1	Offices	4
ARTICLE 5	MEMBERS	5
Section 5.1	Classes of Members	5
Section 5.2	Qualifications of Members	5
Section 5.3	Admission of Members	5

Section 5.4	Voting Rights.....	5
Section 5.5	Transfer of Membership	5
Section 5.6	Obligations of Members	5
Section 5.7	Withdrawal.....	5
Section 5.8	Budget and Fees	6
ARTICLE 6 MEETING OF MEMBERS		6
Section 6.1	Annual Meeting of Members	6
Section 6.2	Special Meetings of Members	6
6.2.1	Who May Call.	6
6.2.2	Notice of Meeting.	7
6.2.3	Time and Place of Special Meetings.....	7
6.2.4	Notice Requirements; Business Limited.....	7
Section 6.3	Notice Requirements.....	7
6.3.1	To Whom Given.	7
6.3.2	When Given; Contents.	7
6.3.3	Waiver of Notice; Objections.....	7
Section 6.4	Record Date; Determining Members Entitled to Notice and Vote.....	8
Section 6.5	Right to Vote; Act of Members.....	8
6.5.1	Special Voting Requirements.....	8
6.5.2	Change of Dues Structure.	8
6.5.3	Fractional Voting Alternative.....	8
Section 6.6	Quorum.....	8
Section 6.7	Action by Written Ballot	9
Section 6.8	Action by Electronic Communication.....	9
Section 6.9	Member Representatives; Proxies.....	9
6.9.1.	Designation of Representative.	9
6.9.2	Authorization.....	9
6.9.3	Effective Period.	9
6.9.4	Revocation.	9
Section 6.10	Reimbursement of Member Expenses	10
ARTICLE 7 BOARD OF DIRECTORS.....		10
Section 7.1	Management of Corporation	10
Section 7.2	Voting.....	10
Section 7.3	Composition of the Board of Directors	10
Section 7.4	Terms of Directors	11
Section 7.5	Reimbursement	11
Section 7.6	Vacancies	11
Section 7.7	Meetings; Notice.....	11
Section 7.8	Quorum.....	12
Section 7.9	Board Action.....	12
Section 7.10	Action Without a Meeting.....	12
Section 7.11	Action by Electronic Communication.....	12
ARTICLE 8 ORGANIZATIONAL GROUPS		12

Section 8.1	Establishment of Organizational Groups	12
Section 8.2	Reimbursement	13
ARTICLE 9	OFFICERS	13
Section 9.1	Officers.....	13
Section 9.2	Election and Term of Office.....	13
Section 9.3	Removal	13
Section 9.4	Vacancies	13
Section 9.5	President	13
Section 9.6	Secretary	14
Section 9.7	Treasurer	14
ARTICLE 10	CERTIFICATES OF MEMBERSHIP	14
Section 10.1	Certificates of Membership.....	14
ARTICLE 11	BOOKS AND RECORDS	15
Section 11.1	Books and Records; Financial Statements	15
ARTICLE 12	FISCAL YEAR.....	15
Section 12.1	Fiscal Year	15
ARTICLE 13	TRANSFER OF ASSETS.....	15
Section 13.1	Member Approval Not Required	15
Section 13.2	Member approval; when required	15
ARTICLE 14	CONTRACTS, CHECKS, DEPOSITS, AND GIFTS	15
Section 14.1	Contracts.....	15
Section 14.2	Checks, Drafts, or Orders	16
Section 14.3	Deposits	16
Section 14.4	Gifts	16
ARTICLE 15	INSURANCE, LIABILITY, AND INDEMNIFICATION.....	16
Section 15.1	Insurance	16
Section 15.2	Limitations on Liability.....	16
Section 15.3	Indemnification	16
ARTICLE 16	TRANSITION	18
Section 16.1	.....	18
ARTICLE 17	PARTICIPATION BY REGULATORY PARTICIPANTS.....	18
Section 17.1	.....	18
ARTICLE 18	PARTICIPATION BY FEDERAL POWER MARKETING ADMINISTRATIONS.....	18
Section 18.1	.....	18
Section 18.2	.....	18

Section 18.3	19
Section 18.4	19
Section 18.5	19
18.5.1.	19
18.5.2.	19
18.5.3.	19
ARTICLE 19 DETERMINATION OF VIOLATIONS AND DISPUTE	
RESOLUTION.....	19
Section 19.1	19
Section 19.2	20
ARTICLE 20 AMENDMENT OF BYLAWS.....	20
Section 20.1	20

**BYLAWS
OF THE
MIDWEST RELIABILITY ORGANIZATION, INC**
a Delaware nonprofit corporation
(the “Corporation”)

ARTICLE 1
DEFINITIONS

Section 1.1 Affiliate. “Affiliate” means with respect to any entity, any other entity that, directly or indirectly, through one or more intermediaries, controls, or is controlled by, or is under common control with, such entity, as determined in the sole discretion of the board of directors of the Corporation. For this purpose, “control” may be presumed by the direct or indirect ownership of 50 percent or more of the outstanding voting capital stock or other equity interests having ordinary voting power. A member of, or owner of an interest in, a transmission company that FERC has found meets the independence requirements for a regional transmission organization shall not be deemed to be an affiliate of such transmission company.

Section 1.2 Bulk-Power System. “Bulk-Power System” means (1) facilities and control systems necessary for operating an interconnected electric energy transmission network (or any portion thereof); and (2) electric energy from generation facilities needed to maintain transmission system reliability. The term does not include facilities used in local distribution of electric energy. The term Bulk-Power System shall be interpreted consistently with any definition given by NERC.

Section 1.3 Bulk-Power System Users. “Bulk-Power System Users” means any entity that sells, purchases, or transmits electric power over the Bulk-Power System, or that owns, operates or maintains facilities or control systems that are part of the Bulk-Power System.

Section 1.4 Canadian Utilities. “Canadian Utilities” means any government-owned utility serving in Canada within the Corporate Region.

Section 1.5 Cooperative. “Cooperative” means an entity serving within the Corporate Region which generally has the following characteristics: (1) private independent electric utility; (2) incorporated under the laws of the states in which they operate; (3) established to provide electric service to its members; (4) owned by the consumers they serve; and (5) governed by a board of directors elected from the membership. This sector includes Generation and Transmission Cooperatives and Public Utility Districts.

Section 1.6 Corporate Region. “Corporate Region” means the geographic area boundaries of the Bulk-Power Systems as designated by each of the Members.

Section 1.7 FERC. “FERC” means the Federal Energy Regulatory Commission.

Section 1.8 Federal Power Marketing Agencies. “Federal Power Marketing Agencies” means agencies of the federal government created to market power within the Corporate Region.

Section 1.9 Generators and Power Marketers. “Generators and Power Marketers” means any entity that owns or operates more than 50 MW of generation in the Corporate Region, or is a power marketer doing business in the Corporate Region, and that does not qualify also to participate in the Investor-Owned Utility, Cooperative, Municipal Utility, Federal Power Marketing Agency or Canadian Utilities Sector.

Section 1.10 Good Utility Practice. “Good Utility Practice” means 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.

Section 1.11 Industry Sector(s). “Industry Sector or Sector(s)” means a group of Bulk-Power System Users in the Corporate Region with substantially similar reliability interests, as determined by these Bylaws. The Industry Sectors shall include the following: (1) Transmission System Operators; (2) Generators and Power Marketers; (3) Investor Owned Utilities (4) Cooperatives; (5) Municipal Utilities (6) Federal Power Marketing Agencies; (7) Canadian Utilities; (8) Large End-Use Electricity Customers; and (9) Small End-Use Load Electricity Customers.

Section 1.12 Investor Owned Utility. “Investor Owned Utility” means any for-profit entity that owns and operates a distribution system and serves end-use load within the Corporate Region pursuant to an obligation to serve under state, federal or provincial law, including a default service obligation, or pursuant to a tariff by which the entity offers service to the general public.

Section 1.13 Large End-Use Electricity Customers. “Large End-Use Electricity Customers means any entity in North America with: (1) at least one service delivery taken at 50 kV or higher (radial supply or facilities dedicated to serve customers) that is not purchased for resale; or (2) any single end-use customer with an average aggregated service load (not purchased for resale) of at least 50,000 MWh annually, excluding cogeneration or other back feed to the serving utility. This sector also includes organizations are represent the interest of such entities.

Section 1.14 MAPP. “MAPP” means the MAPP Reliability Council, pursuant to the MAPP Restated Agreement, as of November 11, 2001.

Section 1.15 Member. “Member” means a member of the Corporation.

Section 1.16 Municipal Utilities. “Municipal Utilities” means any electric utility that is owned by a state or municipality, or group of municipalities, including a joint action agency, which serves within the Corporate Region.

Section 1.17 NERC. “NERC” means the North American Electric Reliability Council or a successor entity.

Section 1.18 Organizational Standards. “Organizational Standards” means a standard, including adequacy requirements, outside the authority of NERC that has been duly approved by the board of directors of the Corporation. Organizational Standards do not include Reliability Standards approved by NERC. Such Organizational Standards may be filed with the appropriate regulatory authorities.

Section 1.19 Person. “Person” means any natural person, corporation, Cooperative, partnership, association, or other private or public entity.

Section 1.20 Public Utility District. “Public Utility District” means an entity that is a state political or governmental subdivision which owns electric generation, transmission and distribution facilities and that was created and organized under state statutes that are different than those that Municipal Utilities in the same state are created and organized under.

Section 1.21 Regional Entity. “Regional Entity means an entity having enforcement authority pursuant to a delegation agreement with NERC and pursuant to any agreements or laws relating to the Corporation’s functions in Canada.

Section 1.22 Regulatory Participant. “Regulatory Participant” means any state or provincial regulatory agencies in the Corporate Region exercising authority over the rates, terms or conditions of electric service of an entity other than itself within the Corporate Region, or the planning, siting, construction or operation of electric facilities of an entity other than itself within the Corporate Region, as well as any representatives of FERC, regional advisory bodies that may be established by FERC, or representatives of any federal regulator or agency.

Section 1.23 Reliability Standard. “Reliability Standard means a NERC reliability standard, duly in effect, under the rules, regulations and laws governing such standards, to provide for reliable operation of the Bulk-Power System.

Section 1.24 Small End-Use Electricity Customers. “Small End-Use Electricity Customers” means: (1) any person or entity within North America that takes service below 50 kV; or (2) any single end-use customer with an average aggregated service load (not purchased for resale) of less than 50,000 MWh annually, excluding cogeneration or other back feed to the serving utility. This sector also includes organizations (including state consumer advocates) that represent the interests of such entities.

Section 1.25 Transmission System Operator. “Transmission System Operator” means an entity that operates or controls operation of high voltage transmission facilities within the Corporate Region (more than 300 miles of transmission at 100 kV or greater) that does not also own, operate or control generation within the Corporate Region, except to the limited extent

permitted by FERC for independent transmission organizations with respect to ancillary service obligations. Transmission System Operators include regional transmission organizations, independent transmission providers, independent system operators approved by FERC, and transmission-only companies.

ARTICLE 2 **PURPOSE**

Section 2.1 Purpose. The Corporation will be a Regional Entity within the NERC structure for the purpose of preserving and enhancing electric service reliability, adequacy and security in the Corporate Region and other interconnected regions for the benefit of all end-users of electricity and all entities engaged in providing electric services in the Corporate Region, with due regard for safety, environmental protection and economy of service.

Section 2.2 Activities. In support and furtherance of its purpose, the Corporation's responsibilities shall include, but not be limited to: (1) proposing Reliability Standards, including regional variances or regional differences required to maintain and enhance electric service reliability, adequacy and security in the Corporate Region; (2) approving Organizational Standards; (3) assessing compliance with and enforcing Reliability Standards and Organizational Standards; (4) conducting investigations and data analysis on disturbances, system events, and related matters; (5) conducting long-term assessments of reliability within the Corporate region; and (6) other related activities.

Section 2.3 Not-for-Profit Corporation. The Corporation is operated as a Delaware non-stock, nonprofit corporation and is organized pursuant to the general corporation law of the State of Delaware.

ARTICLE 3 **POWERS**

Section 3.1 Powers. The Corporation shall have the power to engage in any lawful act or activity for which corporations may be organized under the general corporation law of the State of Delaware, subject to any limitations provided in applicable federal, provincial or state law or in the Corporation's certificate of incorporation or these Bylaws.

ARTICLE 4 **OFFICES**

Section 4.1 Offices. The principal office of the Corporation shall be located initially within the Corporate Region, at such location as the board of directors may from time to time determine, giving consideration to the total cost to the Corporation and convenience of travel for staff, Members and Regulatory Participants. Once established, the principal office may remain in its location, even if outside the Corporate Region.

ARTICLE 5 MEMBERS

Section 5.1 Classes of Members. The Corporation shall have one class of Members. Each Affiliate of a Member may separately be a Member.

Section 5.2 Qualifications of Members. A Member may be any entity eligible to be a member of an Industry Sector.

Section 5.3 Admission of Members. New Members may join the Corporation upon submittal of an application, in a form approved by the president, and payment of the fees as established by the Corporation. The Member shall designate the Sector to which it belongs. A Member may change its Sector designation once each calendar year, by providing notice to the president at least sixty (60) days prior to the beginning of such year. The president shall review a membership application and may request demonstration by the applicant that it qualifies for membership in a particular Sector. Any dispute with respect to a Member's qualifications for a particular Sector shall be resolved by the board of directors. The president shall have authority to approve an application for membership, subject to review by the board of directors.

Section 5.4 Voting Rights. Each Member in good standing shall be entitled to one vote in the Sector in which it is a Member, on matters submitted to a vote of Members. A Member delinquent in payment of its dues, fees or other obligations to the Corporation shall not be entitled to a vote.

Section 5.5 Transfer of Membership. A Member of the Corporation may not transfer its membership or a right arising from such membership except to any Person succeeding to all or substantially all of the assets of the Member. The president shall have authority to approve any such transfer, subject to review by the board of directors.

Section 5.6 Obligations of Members. By applying for and becoming a Member of the Corporation, each Member acknowledges that it is authorized and agrees to comply with Organizational Standards, Reliability Standards, and other obligations of Members of the Corporation set forth in these Bylaws or duly adopted by the board of directors in order to achieve the purposes of the Corporation. Such obligations include but are not limited to requirements to provide data and information needed to perform the functions of the Corporation and the payment of dues and any authorized penalties, including penalties and other obligations resulting from violations of: (1) Reliability Standards assessed in accordance with NERC rules; and (2) Organizational Standards assessed in accordance with rules duly approved by the board of directors. All monies, plus any accumulated interest that the Corporation collects from the issuance of penalties resulting from violations of Organizational Standards shall be used by the Corporation to defer expenses or distributed in a fair and equitable manner to Members, as determined by the board of directors.

Section 5.7 Withdrawal. A Member may withdraw from participation in the Corporation by providing written notice to the president of the Corporation of such withdrawal. Such notice shall specify a date, not earlier than thirty (30) days from the date of notice, on which the withdrawal shall become effective; provided however, that any such withdrawing

Member shall remain liable to the Corporation for any fees, dues, sanctions or obligations to the Corporation incurred while it was a Member, or which apply to violations of Organizational Standards that occurred prior to the effective date of withdrawal, as well as its share of any obligations of the Corporation for the current fiscal year. If notice is given after October 1 of the current calendar year, the Member will also be liable for any fees and dues included in the budget for the following fiscal year. The Member will not be responsible for compliance with Organizational Standards after the withdrawal date.

Section 5.8 Budget and Fees. The board of directors shall propose to NERC a budget for delegated functions exercised by the Corporation pursuant to a delegation agreement with NERC and pursuant to any agreements or laws relating to the Corporation's functions in Canada. For those functions outside the scope of the Corporation's delegated functions, the board of directors may from time to time fix the amount of dues, assessments, or fees, if any, and determine the methods of collection, consistent with this Section or with any resolution duly adopted by the Members under Section 6.5.2 of these Bylaws.

ARTICLE 6 **MEETING OF MEMBERS**

Section 6.1 Annual Meeting of Members. The Members shall hold an annual meeting each calendar year. The annual meeting of the Members shall be held in December of each year, or at such other time specified by the board of directors, in order for Members to review the proposed budget and operations of the Corporation. All Members shall be entitled to at least thirty (30) days prior written notice of the annual meeting. At the annual meeting of Members: (1) each Sector shall elect the successor(s), if any, for any director(s) from their Sector whose term will expire before the next annual meeting of the Members, provided however, that any Sector may elect a successor director representing such Sector prior to such annual meeting, in accordance with the provisions of this Article 6, in which case the election of such succeeding director(s) shall be reported to the Corporation at such annual meeting; (2) the president and treasurer shall report on the activities and financial condition of the Corporation; (3) the Members shall review, and may modify, the budget of the Corporation for the ensuing year (if not modified, the budget as approved by the board of directors shall be deemed accepted); and (4) the Members shall consider and act upon such other matters as may be raised, consistent with the notice of the annual meeting. The failure to hold an annual meeting in accordance with these Bylaws shall not affect the validity of a corporate action.

Section 6.2 Special Meetings of Members.

6.2.1 Who May Call. Special meetings of the Members may be called by six (6) members of the board of directors, by the president or if at least 10 percent of the Members sign, date, and deliver to the president one or more written demands for a special meeting describing the purpose for which it is to be held.

6.2.2 Notice of Meeting. Within fifteen (15) days after receipt of a demand for a special meeting from Members, the president shall cause a special meeting to be called and held on notice no later than forty-five (45) days after receipt of the demand. If the president

fails to cause a special meeting to be called and held as required by this section, a Member making the demand may call the meeting by giving notice under Section 6.3. In either event, notice of the meeting and the costs of the meeting shall be at the expense of the Corporation.

6.2.3 Time and Place of Special Meetings. Special meetings of Members shall be held at a location designated by the president or the board of directors. If a special meeting is demanded by the Members, the meeting must be held in a facility of appropriate size to accommodate the Membership and at a location within the Corporate Region.

6.2.4 Notice Requirements; Business Limited. The notice of a special meeting must contain a statement of the purposes of the meeting. The business transacted at a special meeting is limited to the purposes stated within the notice of the meeting. Business transacted at a special meeting that is not included in those stated purposes is voidable by or on behalf of the Corporation, unless 90 percent of the Members entitled to vote were present at such meeting or have waived notice of the meeting under Section 6.3.

Section 6.3 Notice Requirements.

6.3.1 To Whom Given. Notice of meetings of Members must be given to every Member as of the record date determined under Section 6.4. If the meeting is an adjourned meeting and the date, time and place of the meeting were announced at the time of the adjournment, notice is not required unless a new record date for the adjourned meeting is or must be fixed.

6.3.2 When Given; Contents. In all cases where a specific minimum notice period has not been fixed by law or these Bylaws, the notice must be given at least five (5) days before the date of a meeting and not more than sixty (60) days before the date of a meeting. The notice must contain the date, time and place of the meeting, and an agenda of the matters upon which action may be taken at the meeting. A matter may be added to the agenda of a meeting at the meeting upon the affirmative vote of three-quarters (3/4) of the Sector votes cast on a motion to amend the agenda.

6.3.3 Waiver of Notice; Objections. A Member may waive notice of a meeting of Members. A waiver of notice by a Member entitled to notice is effective whether given before, at, or after the meeting, and whether given in writing, or by attendance. Attendance by a Member at a meeting is a waiver of notice of that meeting, unless the Member objects at the beginning of the meeting to the transaction of business because the meeting is not lawfully called or convened, or objects before a vote on an item of business because the item may not lawfully be considered at that meeting and does not participate in the consideration of the item at that meeting.

Section 6.4 Record Date; Determining Members Entitled to Notice and Vote. The board of directors may fix a date not more than forty (40) days before the date of a meeting of Members as the date for the determination of the Members entitled to notice of and entitled to vote at the meeting. When a date is so fixed, only Members on that date are entitled to notice and to vote at a membership meeting unless the board of directors fixes a new date for

determining the right to notice and to vote, which it must do if the meeting is adjourned to a date more than sixty (60) days after the record date for determining Members entitled to notice of the original meeting.

Section 6.5 Right to Vote; Act of Members. Voting of the Members shall be by Sector, with each Sector entitled to the same number of votes as it has directors on the board. If a quorum is present, except with respect to amendments of these Bylaws, modification of a budget approved by the board of directors or termination of the Corporation, the affirmative vote of the majority of the Sector votes present and entitled to vote, which must also be a majority of the required quorum, is the act of the Members. Within a Sector, each Member within the Sector shall have one vote. If a quorum is present with respect to the Sector, the affirmative vote of the majority of the Members within the Sector present and entitled to vote, which must also be a majority of the required quorum, is the act of the Sector. All of the Sector's votes shall be cast consistent with the act of the Sector unless the Sector adopts a fractional voting alternative as described in Section 6.5.3.

6.5.1 Special Voting Requirements. In order to amend the Bylaws, except as provided in Article 20 with respect to the board of directors, two-thirds (2/3) of the Sector votes cast shall be required to approve the proposed amendment. The substance of the proposed amendment must be contained in the notice of the meeting at which the vote will be taken; provided that, the Members may modify a proposed bylaw amendment at the meeting. Two-thirds (2/3) of the Sector votes cast shall be required to approve a proposed modification of a budget approved by the board. Two-thirds (2/3) of the Sector votes cast shall be required to approve any proposal to terminate the Corporation. To the extent practicable, all Member votes may be held electronically under such terms and conditions as are approved by the Board.

6.5.2 Change of Dues Structure. The Members may change the dues structure by resolution with an affirmative vote of two-thirds (2/3) of the Sector votes cast.

6.5.3 Fractional Voting Alternative. A Sector may adopt fractional voting. Member votes for and against are converted to percentages and multiplied by the applicable sector weight. Abstentions are not counted and do not impact the voting tabulation.

Section 6.6 Quorum. A quorum for a meeting of Members is a majority of the Sector votes entitled to vote at the meeting. A quorum for a meeting of a Sector is a majority of the Members of that Sector present or voting electronically on matters before the meeting. A quorum is necessary for the transaction of business at a meeting of Members. If a quorum is not present, a meeting may be adjourned from time to time for that reason by the Sectors or Members then represented or present.

Section 6.7 Action by Written Ballot. An action that may be taken at a regular or special meeting of Members may be taken without a meeting if the Corporation mails or delivers a written ballot to every Member entitled to vote on the matter. Whenever possible, voting by Sectors for directors shall be by written ballot preceding the regular meeting of the Members.

Approval by written ballot is valid only when the number of votes cast by ballot equals or exceeds the quorum required to be present at a meeting authorizing the action, and the number of approvals equals or exceeds the number of votes that would be required to approve the matter at a meeting at which the total number of votes cast was the same as the number of votes cast by ballot.

Solicitations for votes by written ballot must: (1) indicate the number of responses needed to meet the quorum requirements; (2) state the percentage of approvals necessary to approve the matter; and (3) specify the time by which a ballot must be received by the Corporation in order to be counted. A written ballot may not be revoked.

Section 6.8 Action by Electronic Communication. Any vote of a Sector to elect a board member or for any other purpose may be taken by electronic means without a meeting or during a meeting. In addition, a conference among Members by a means of communication through which the participants may simultaneously hear each other during the conference is a meeting of the Members, if the same notice is given of the conference as would be required for a meeting and if the number of persons participating in the conference is a quorum. Participation in a meeting by this means is personal presence at the meeting. A Member may participate in a meeting of the Members by a means of communication through which the Member, other persons participating, and all persons physically present at the meeting may simultaneously communicate with each other during the meeting. Participation in a meeting by this means constitutes personal presence at the meeting.

Section 6.9 Member Representatives; Proxies.

6.9.1. Designation of Representative. Each year prior to the annual meeting of Members, each Member shall designate the individual authorized to vote on Corporation matters on behalf of the Member, in accordance with procedures approved by the board. A Member may change such designation at any time.

6.9.2 Authorization. The individual designated to vote by a Member may appoint a proxy to vote or otherwise act for the Member at any meeting or electronically by signing an appointment form either personally or by an attorney so designated by the Member.

6.9.3 Effective Period. An appointment of a proxy is effective when received by the secretary or other officer or agent authorized to tabulate votes. An appointment is valid for the next regular or specially scheduled meeting or electronic ballot. However, a proxy is not valid for more than sixty (60) days from its date of execution.

6.9.4 Revocation. An appointment of a proxy is revocable by the Member. Appointment of a proxy is revoked by the person appointing the proxy by signing and delivering to the secretary or other officer or agent authorized to tabulate proxy votes. This may be done either in a written statement that the appointment of the proxy is revoked or a subsequent appointment form.

Section 6.10 Reimbursement of Member Expenses. The Corporation will be under no obligation to reimburse Members for expenses associated with their attendance at regular or special Member meetings.

ARTICLE 7
BOARD OF DIRECTORS

Section 7.1 Management of Corporation. Consistent with these Bylaws, the business and affairs of the Corporation shall be managed by or under the direction of a board of directors. The duties of the board will include, but will not be limited to the following: (1) govern the Corporation and oversee all of its activities; (2) establish and oversee all organizational groups; (3) oversee accomplishment of all functions set forth in any delegation or other agreement with NERC or any governmental entity related to development, monitoring and enforcement of Reliability Standards and related matters; (4) approve, revise and enforce Organizational Standards, Member data and information requirements and related confidentiality requirements; (5) establish compliance monitoring procedures and requirements, and penalties and sanctions for non-compliance for Organizational Standards; (6) impose penalties and sanctions for violation of Organizational Standards consistent with these Bylaws and the procedures approved by the board (7) establish and approve an annual budget; (8) represent the Corporation in legal and regulatory proceedings; (8) hire the president. The board of directors shall select a chair and a vice-chair from among the members of the board. The board may establish board committees as appropriate.

Section 7.2 Voting. Each director shall have one vote with respect to decisions of the board.

Section 7.3 Composition of the Board of Directors. The board of directors shall consist of nineteen (19) board members elected by the Sectors as follows:

(a). Three (3) directors from the Transmission System Operators Sector;

(b). Two (2) directors from the Generators and Power Marketers Sector;

(c). Five (5) directors from the Investor Owned Utilities Sector;

(1). Two (2) directors must be from utilities with less than 3,000 megawatts of end-use load.

(2). Three (3) directors must be from utilities with 3,000 megawatts or greater of end-use load.

(d). Two (2) directors from the Cooperative Sector;

(e). Two (2) directors from the Municipal Utilities Sector;

- (f). One (1) director from the Federal Power Marketing Agencies;
- (g). Two (2) directors from the Canadian Utilities Sector provided that both directors are not residents of the same Canadian province;
- (h). One (1) director from the Large End-Use Electricity Customers Sector, and
- (i). One (1) director from the Small End-Use Electricity Customers Sector.

Provided, however, that in choosing directors from a sector, there shall not be more directors from a particular Sector than there are actual Members of such Sector.

Members shall endeavor to select directors from among individuals holding senior management positions in Member organizations, and with a view toward ensuring geographic representation of the Corporate Region on the board. No two directors may be employees of a single Member or employees of Members that are affiliates. To the extent the Members of a Sector do not select a director, that director position shall remain vacant until a director is selected by the Sector. A Sector may elect an alternate representative to participate in meetings of the board if the elected director of the Sector is not able to attend, provided however, that such representative shall not have any voting rights on the board and any participation by such representative in executive sessions of the board is at the board's discretion.

Section 7.4 Terms of Directors. The directors will serve three-year, staggered terms. The terms of the initial directors will be selected by lot at the first meeting of the board of directors. Any director may be removed at any time by the affirmative vote of two-thirds (2/3) of the Members of the Sector selecting such director. A director may be removed by the board of directors for non-attendance of three consecutive board meetings.

Section 7.5 Reimbursement. Directors shall have the right to reimbursement by the Corporation of their actual reasonable travel expenses to board meetings or when specifically selected to represent the Corporation at a business meeting.

Section 7.6 Vacancies. If a director resigns, dies, changes corporate affiliation or is removed during the term of office for which elected, the directorship shall thereupon be vacant and shall be filled by the Members of the respective Sector, by written or electronic ballot in accordance with the procedures and requirements set forth above. The successor director elected by the Members of the Sector shall hold office for the unexpired term of the director replaced.

Section 7.7 Meetings; Notice. An annual meeting of the board of directors shall be held without notice immediately following the annual meeting of the Members to elect the chair and vice-chair for the next year. In addition, regular meetings may be held at such time or times as fixed by the board of directors. Schedules of regular meetings of the board of directors shall be published by the secretary and provided to all Members. Special meetings of the board of directors may be called by the president or by three directors and shall be held at the principal office of the Corporation, or such other place within the Corporate Region as determined by the

president after consultation with the board. Notice of the date, time, and place of a special meeting shall be given by the secretary not less than seven (7) days prior to the meeting by mail, telegram, or electronic communication to each director and Member. Except as necessary to discuss personnel issues, litigation or similar sensitive or confidential matters, all meetings of the board of directors shall be open to Members and other interested persons.

Section 7.8 Quorum. Two-thirds (2/3) of the directors currently holding office is a quorum for the transaction of business. In the absence of a quorum, a majority of the directors present may adjourn a meeting from time to time until a quorum is present.

Section 7.9 Board Action. The act of a majority of the directors present at a meeting at which a quorum is present shall be the act of the board of directors, unless the act of a greater number is required by law or these Bylaws.

Section 7.10 Action Without a Meeting. An action required or permitted to be taken at a board of directors meeting may be taken by written action, including electronic communication, signed by all of the directors of the Corporation. The written action is effective when signed by the required number of directors, unless a different effective time is provided in the written action.

Section 7.11 Action by Electronic Communication. A conference among directors by a means of communication through which the directors may simultaneously hear each other during the conference is a board meeting if the same notice is given of the conference as would be required for a meeting and if the number of directors participating in the conference is a quorum. Participation in a meeting by this means constitutes personal presence at the meeting. A director may participate in a board meeting by any means of communication through which the director, other directors participating, and all directors physically present at the meeting may simultaneously communicate with each other during the meeting.

ARTICLE 8 **ORGANIZATIONAL GROUPS**

Section 8.1 Establishment of Organizational Groups. The board of directors shall establish such organizational groups, consisting of committees, sub-committees, task forces and working groups of Members, as are necessary and appropriate to accomplish the purposes of the Corporation in an efficient and cost-effective manner. All organizational groups shall be subject to the direction and control of the board. The membership of organizational groups shall be determined based upon experience, expertise and geographic diversity and to the extent practicable shall include balanced representation of the Sectors.

The board of directors shall establish policies and procedures governing the creation of organizational groups, how they are populated, how voting and related matters are conducted and how they may be reorganized. The board shall conduct a review of all organizational groups of the Corporation on an annual basis to ensure that the business of the Corporation is conducted in an efficient, cost-effective manner and shall include a statement of its conclusions and resulting actions in the board's report to Members at the annual meeting.

Section 8.2 Reimbursement. Consistent with the annual budget of the Corporation, the Board may authorize reimbursement by the Corporation for members of organizational groups (other than committees of the whole) of reasonable travel, meals and lodging expenses for organizational group meetings or for representation of the Corporation at other business meetings as authorized by the board. The board of directors may authorize reimbursement for persons acting on behalf of the Corporation, as necessary in the interests of the Corporation.

ARTICLE 9 **OFFICERS**

Section 9.1 Officers. The officers of the Corporation shall include a president, a secretary, a treasurer and any other officers as may be elected or appointed in accordance with the provisions of this Article. The board of directors may elect or appoint any additional officers that it deems desirable, such other officers to have the authority and perform the duties prescribed by the board of directors. The same individual may hold any number of offices, except that of president.

Section 9.2 Election and Term of Office. The officers of the Corporation shall be elected by the board of directors. Each officer shall hold office at the pleasure of the board. New officers may be created and the positions filled at any meeting of the board of directors. Each elected officer shall hold office until his or her successor has been duly elected and qualified.

Section 9.3 Removal. Any officer elected by the board of directors may be removed by the affirmative vote of two-thirds (2/3) of the board of directors whenever in its judgment the best interests of the Corporation would be served thereby, but such removal shall be without prejudice to the contract rights, if any, of the officer so removed. Election or appointment of an officer or agent shall not of itself create contract rights.

Section 9.4 Vacancies. A vacancy in any office because of death, resignation, removal, disqualification, or otherwise, may be filled by the board of directors for the unexpired portion of the term.

Section 9.5 President. The president shall be, in the discretion of the board of directors, either an employee of or contractor to the Corporation and shall:

- (a). be the principal executive and operating officer of the Corporation;
- (b). sign certificates of membership, and may sign any deeds, mortgages, deeds of trust, notes, bonds, contracts or other instruments authorized by the board of directors to be executed, except in cases in which the signing and execution thereof shall be expressly delegated by the board of directors or by these Bylaws to some other officer or agent of the Corporation; and

(c). perform all duties incident to the office of president, including hiring and directing staff, and such other duties as may be prescribed by the board of directors from time to time.

Section 9.6 Secretary. The secretary shall ensure that the following duties are carried out:

(a). the minutes of the meetings of the Members and of the board of directors are recorded;

(b). all required notices are duly given in accordance with these Bylaws and as required by law;

(c). a register of the current names and addresses of all Members is maintained;

(d). a complete copy of the articles of incorporation and Bylaws of the Corporation containing all amendments thereto are kept on file at all times, which copies shall always be open to the inspection of any Member; and

(e). generally perform all duties incident to the office of secretary and such other duties as may be prescribed by the board of directors from time to time.

Section 9.7 Treasurer. The treasurer shall be responsible for the following activities:

(a). maintain custody of all funds and securities of the Corporation;

(b). receipt of and the issuance of receipts for all monies due and payable to the Corporation and for deposit of all such monies in the name of the Corporation in such bank or banks or financial institutions as shall be selected by the board of directors; and

(c). generally perform all duties incident to the office of treasurer and such other duties as may be prescribed by the board of directors from time to time.

ARTICLE 10 **CERTIFICATES OF MEMBERSHIP**

Section 10.1 Certificates of Membership. The board of directors may provide for the issuance of certificates evidencing membership in the Corporation, which certificates shall be in such form as may be determined by the board.

ARTICLE 11 **BOOKS AND RECORDS**

Section 11.1 Books and Records; Financial Statements. The Corporation shall keep at its registered office correct and complete copies of its articles and Bylaws, accounting records,

and minutes of meetings of Members, board of directors, and committees having any of the authority of the board of directors. A Member, or the agent or attorney of a Member, may inspect all books and records and voting agreements for any proper purpose at any reasonable time. Upon request, the Corporation shall give the Member a statement showing the financial result of all operations and transactions affecting income and surplus during its last annual accounting period and a balance sheet containing a summary of its assets and liabilities as of the closing date of the accounting period.

ARTICLE 12 **FISCAL YEAR**

Section 12.1 Fiscal Year. The fiscal year of the Corporation shall be the calendar year.

ARTICLE 13 **TRANSFER OF ASSETS**

Section 13.1 Member Approval Not Required. The Corporation, by affirmative vote of the board of directors, may sell, lease, transfer, or dispose of its property and assets in the usual and regular course of its activities and grant a security interest in all or substantially all of its property and assets in the usual and regular course of its activities, upon those terms and conditions and for those considerations, which may be money, securities, or other instruments for the payment of money or other property, as the board of directors considers expedient, in which case no Member approval is required.

Section 13.2 Member approval; when required. The Corporation may sell, lease, transfer, or dispose of all or substantially all of its property and assets, including its good will, not in the usual and regular course of its activities, upon those terms and conditions and for those considerations, which may be money, securities, or other instruments for the payment of money or other property, as the board of directors considers expedient only when approved at a regular or special meeting of the Members by the affirmative vote of two-thirds (2/3) of all the Members. Notice of the meeting must be given to the Members. The notice must state that a purpose of the meeting is to consider the sale, lease, transfer, or other disposition of all or substantially all of the property and assets of the Corporation.

ARTICLE 14 **CONTRACTS, CHECKS, DEPOSITS, AND GIFTS**

Section 14.1 Contracts. The board of directors may authorize any officer or officers or agent or agents of the Corporation, in addition to the officers so authorized by these Bylaws, to enter into any contract or execute and deliver any instrument in the name of and on behalf of the Corporation, and such authority may be general or may be confined to specific instances.

Section 14.2 Checks, Drafts, or Orders. All checks, drafts, or orders for the payment of money, notes, or other evidences of indebtedness issued in the name of the Corporation, shall

be signed by such officer or officers or agent or agents of the Corporation, and in such manner as shall from time to time be determined by resolution of the board of directors.

Section 14.3 Deposits. All funds of the Corporation shall be deposited to the credit of the Corporation in such banks, trust companies, or other depositories as the board of directors may select.

Section 14.4 Gifts. The board of directors may accept on behalf of the Corporation any contribution, gift, bequest, or devise for any purpose of the Corporation.

ARTICLE 15 **INSURANCE, LIABILITY, AND INDEMNIFICATION**

Section 15.1 Insurance. The president is authorized to procure insurance to protect the Corporation against damages arising out of or related to any directive, order, procedure, action or requirement of the Corporation.

Section 15.2 Limitations on Liability. No director, officer, agent, employee or other representative of the Corporation, and no corporation or other business organization that employs a director of the Corporation, or any director, officer, agent or employee of such corporation or other business organization, shall be personally liable to the Corporation or any Member of the Corporation for any act or omission on the part of any such director, officer, agent, employee, or other representative of the Corporation, which was performed or omitted in good faith in his official capacity as a director, officer, agent, employee or other representative of the Corporation. However, this release of liability shall not operate to release such a director, officer, agent, employee or other representative of the Corporation from any personal liability resulting from willful acts or omissions knowingly or intentionally committed or omitted by him in breach of these Bylaws for improper personal benefit or in bad faith.

Section 15.3 Indemnification. It is the intent of the Corporation to indemnify its directors, officers, agents, employees, or other representatives to the maximum extent allowed by law consistent with these Bylaws. Each director, officer, agent, employee, or other representative of the Corporation shall be indemnified by the Corporation against all judgments, penalties, fines, settlements, and reasonable expenses, including legal fees, incurred by him as a result of, or in connection with, any threatened, pending or completed civil, criminal, administrative, or investigative proceedings to which he may be made a party by reason of his acting or having acted in his official capacity as a director, officer, agent, employee, or representative of the Corporation, or in any other capacity which he may hold at the request of the Corporation, as its representative in any other organization, subject to the following conditions:

(a). Such director, officer, agent, employee, or other representative must have conducted himself in good faith and, in the case of criminal proceedings, he must have had no reasonable cause to believe that his conduct was unlawful. When acting in his official capacity, he must have reasonably believed that his conduct was in the best interests of

the Corporation, and, when acting in any other capacity, he must have reasonably believed that his conduct was at least not opposed to the best interests of the Corporation.

(b). If the proceeding was brought by or on behalf of the Corporation, however, indemnification shall be made only with respect to reasonable expenses referenced above. No indemnification of any kind shall be made in any such proceeding in which the director, officer, agent, employee, or other representative shall have been adjudged liable to the Corporation.

(c). In no event, however, will indemnification be made with respect to any described proceeding which charges or alleges improper personal benefit to a director, officer, agent, employee, or other representative and where liability is imposed upon him on the basis of the receipt of such improper personal benefit.

(d). In order for any director, officer, agent, employee, or other representative to receive indemnification under this provision, he shall vigorously assert and pursue any and all defenses to those claims, charges, or proceedings covered hereby which are reasonable and legally available and shall fully cooperate with the Corporation or any attorneys involved in the defense of any such claim, charges, or proceedings on behalf of the Corporation.

(e). No indemnification shall be made in any specific instance until it has been determined by the Corporation that indemnification is permissible in that specific case, under the standards set forth herein and that any expenses claimed or to be incurred are reasonable. These two (2) determinations shall be made by a majority vote of at least a quorum of the board consisting solely of directors who were not parties to the proceeding for which indemnification or reimbursement of expenses is claimed. If such a quorum cannot be obtained, a majority of at least a quorum of the full board, including directors who are parties to said proceeding, shall designate a special legal counsel who shall make said determinations on behalf of the Corporation. In making any such determinations, the termination of any proceeding by judgment, order, settlement, conviction, or upon plea of nolo contendere, or its equivalent, shall not, in and of itself, be conclusive that the person did not meet the standards set forth herein.

(f). Any reasonable expenses, as shall be determined above, that have been incurred by a director, officer, agent, employee, or other representative who has been made a party to a proceeding as defined herein, may be paid or reimbursed in advance upon a majority vote of a quorum of the full board, including those who may be a party to the same proceeding. However, such director, officer, agent, employee, or other representative shall have provided the Corporation with (i) a written affirmation under oath that he, in good faith, believes that he has met the conditions for indemnification herein, and (ii) a written undertaking that he shall repay any amounts advanced, with interest accumulated at a reasonable rate, if it is ultimately determined that he has not met such conditions. In addition to the indemnification and reimbursement of expenses provided herein, the president shall purchase insurance that would protect the Corporation, its directors, officers, agents, employees, or other representatives against reasonably expected liabilities and expenses arising out of the performance of their duties for the Corporation.

ARTICLE 16
TRANSITION

Section 16.1 Except for those existing standards, criteria, rules, or guides that apply to the Generation Reserve-Sharing Pool of the MAPP Restated Agreement, the Corporation will use the existing standards, criteria, rules or guides from each existing reliability council region for those Members that join the Corporation as in effect immediately prior to formation of the Corporation until such standards, criteria, rules or guides are adopted, superseded, or rejected by the Corporation. The Corporation will establish any necessary transition committees, subcommittees, working groups or task forces (including but not limited to a reliability committee) to administer the existing regional reliability standards, criteria, rules and guides until they are adopted, superseded, or rejected by the Corporation. The Corporation will employ its best efforts, within two years of its formation, to work toward a consistent set of Organizational and Reliability Standards (including operating reserves) for the entire Corporate Region, recognizing, however, that sub-regional differences may warrant variances for certain sub-regions.

ARTICLE 17
PARTICIPATION BY REGULATORY PARTICIPANTS

Section 17.1 All Regulatory Participants shall be entitled to and be provided with the same rights to notice of and participation in meetings or other activities of the Corporation as are provided to Members, but shall not have the right to vote.

ARTICLE 18
PARTICIPATION BY FEDERAL POWER MARKETING ADMINISTRATIONS

Section 18.1 The participation by the United States through Federal power marketing administrations (PMA) in the Corporation is subject in all respects to acts of Congress and to regulations of the Secretary of Energy established thereunder. This reservation includes, but is not limited to, the statutory limitations upon the authority of the Secretary of Energy to submit disputes arising hereunder to arbitration. In the event of a conflict between this Article 18 and any other Article of these Bylaws, this Article 18 shall have precedence with respect to the application of these Bylaws to the United States.

Section 18.2 Where activities provided for herein extend beyond the current fiscal year, continued expenditures by the United States are contingent upon Congress making the necessary appropriations required for the continued performance of the obligations of the PMA hereunder. In case such appropriations are not made, the Corporation and its Members hereby release the PMA from its contractual obligations under these Bylaws and from all liability due to the failure of Congress to make such appropriation.

Section 18.3 No member of or delegate to Congress shall be admitted to any share or part of, or to any benefit that may have arisen from, these Bylaws, but this restriction shall not be

construed to extend to these Bylaws if made with a corporation or company for its general benefit.

Section 18.4 The Corporation and its Members warrant that no Person or selling agency has been employed or retained to solicit or secure participation by a PMA in the Corporation upon an agreement or understanding for a commission, percentage, brokerage or contingent fee, excepting *bona fide* employees or *bona fide* established commercial or selling agencies maintained by the Members for the purpose of securing business. For breach or violation of this warranty, a PMA shall have the right to annul its participation in the Corporation without liability or, in its discretion, to deduct from its dues or fees the full amount of such commission, percentage, brokerage, or contingent fee.

Section 18.5 For the purpose of this Section 18.5 the term “Contract” shall mean these Bylaws and the term “Contractor” shall mean the Corporation. During the performance of this Contract, the Contractor agrees to the following provisions.

18.5.1. Section 202 of the Executive Order No. 11246, 30 Fed. Reg. 12319 (1965), as amended by Executive Order No. 12086, 43 Fed. Reg. 46501 (1978), which provides, among other things, that the Contractor will not discriminate against any employee or applicant for employment because of race, color, religion, sex, or national origin, is incorporated by reference in the Contract.

18.5.2. The Contract, to the extent that it is of a character specified in Section 103 of the Contract Work Hours and Safety Standards Act, 40 U.S.C. § 329 (1986) (the “Act”), is subject to the provisions of the Act, 40 U.S.C. §§ 327-333 (1986), and to regulations promulgated by the Secretary of Labor pursuant to the Act.

18.5.3. The Contractor agrees not to employ any person undergoing sentence of imprisonment in performing the Contract except as provided by 18 U.S.C. § 4082(c)(2) and Executive Order 11755, 39 Fed. Reg. 779 (1973).

ARTICLE 19

DETERMINATION OF VIOLATIONS AND DISPUTE RESOLUTION

Section 19.1 The board of directors shall be responsible for making final determinations regarding whether (1) a Member has violated an Organizational Standard or Reliability Standard; (2) an entity subject to a Reliability Standard has violated a Reliability Standard in connection with its operation in the Corporate Region; and (3) assessment of sanctions within the Corporate region resulting from such violations, following an initial determination by Corporation staff. Any Member or organization subject to a Reliability Standard or Organizational Standard, against whom a penalty or other sanction has been recommended, shall have an opportunity to be heard by the board prior to the board’s determination.

Section 19.2 Dispute resolution procedures will be established by the board of directors for disputes between Members, or between a Member and the Corporation, arising under these

Bylaws, provided that: (1) determinations by the Corporation related to violations of Reliability Standards shall only be appealed directly to NERC ; and (2) determinations of the Corporation related to violations of Organizational Standards shall be subject to dispute resolution only to the extent permitted by the rules of the Corporation regarding dispute resolution and provided that in any such dispute resolution proceeding the board of directors' determination of the meaning and scope of an Organizational Standard shall be final, subject to any right to appeal to any regulatory or other legal authority.

ARTICLE 20
AMENDMENT OF BYLAWS

Section 20.1 The power to adopt, amend or repeal these Bylaws is vested in the Members as set forth in Section 6.5 of these Bylaws; provided however, upon the passage of any federal reliability legislation, and/or the adoption of related requirements and procedures by NERC, its successor under such legislation or any regulatory agency with jurisdiction, the board or directors shall have authority upon a two-thirds (2/3) vote of its members to amend these Bylaws as necessary and appropriate to comply with such law and related requirements and to qualify the Corporation for delegations of authority from NERC or its successor as provided in such legislation.

Exhibit C – Midwest Reliability Organization Standards 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 and applicable authorities in Canada. No regional reliability standard shall be effective within the Midwest Reliability Organization area unless filed by NERC with FERC and approved by FERC and applicable authorities in Canada.

COMMON ATTRIBUTE 2

Midwest Reliability Organization 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 Midwest Reliability Organization 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

Midwest Reliability Organization regional reliability standards, when approved by FERC and 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 Midwest Reliability Organization area, regardless of membership in the region.

COMMON ATTRIBUTE 4

Requester - The requester is the sponsor of the regional reliability standard request may assist in the development of the standard. Any member of Midwest Reliability Organization or group within Midwest Reliability Organization 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 Midwest Reliability Organization area shall be allowed to request a regional reliability standard be developed, modified, or withdrawn.



COMMON ATTRIBUTE 5

Standards Committee - The Midwest Reliability Organization 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 Midwest Reliability Organization board on standards presented for adoption.

COMMON ATTRIBUTE 6(B)

Registered ballot body - The registered ballot body comprises all entities or individuals that a) qualify for one of the stakeholder segments; b) are registered with Midwest Reliability Organization as potential ballot participants in the voting on standards; and c) 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

Midwest Reliability Organization 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 Midwest Reliability Organization 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 Midwest Reliability Organization 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 Midwest Reliability Organization 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 Midwest Reliability Organization stakeholders and other potentially interested entities, both within and outside of the Midwest Reliability Organization 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 Midwest Reliability Organization 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 Midwest Reliability Organization 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(B)

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

COMMON ATTRIBUTE 18 (B)

All members of Midwest Reliability Organization are eligible to participate in voting on proposed new standards, standard revisions or standard deletions.

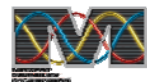
COMMON ATTRIBUTE 19 (B)

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 the applicable percentage of the members of the registered ballot body submitted a ballot¹.

COMMON ATTRIBUTE 20

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

¹ Please refer to Section IV of MRO Reliability Standards Process Manual



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 .

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 Midwest Reliability Organization bulk power system reliability. There shall be no undue financial barriers to participation. Participation shall not be conditioned upon membership in Midwest Reliability Organization 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 Midwest Reliability Organization members and others.

COMMON ATTRIBUTE 23

- **Balanced** - The Midwest Reliability Organization 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 Midwest Reliability Organization 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

Applicability	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 Midwest Reliability Organization 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

Measure(s)	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 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.
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COMMON ATTRIBUTE 34

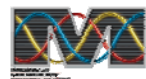
Compliance Monitoring Process	Defines for each measure: <ul style="list-style-type: none">• The specific data or information that is required to measure performance or outcomes.• The entity that is responsible for providing the data or information for measuring performance or outcomes.• The process that will be used to evaluate data or information for the purpose of assessing performance or outcomes.• The entity that is responsible for evaluating data or information to assess performance or outcomes.• The time period in which performance or outcomes is measured, evaluated, and then reset.• Measurement data retention requirements and assignment of responsibility for data archiving.
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Midwest Reliability Organization

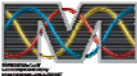
Regional Reliability Standards Process Manual



MRO Regional Reliability Standards Process Manual

Table of Contents

- I. Introduction.....2
- II. MRO Regional Reliability Standard Definition, Characteristics, and Elements 3
- III. Roles in the MRO Regional Reliability Standards Development Process 9
- IV. MRO Regional Reliability Standards Development Process 11
- V. Interpretations and Appeals..... 25
- VI. Maintenance of MRO Regional Reliability Standards and Process 27
- VII. Appendix A: MRO Standards Process Diagram 31
- VIII. Appendix B: Template for a Standard Authorization Request (SAR) 32
- IX. Appendix C: Registered Ballot Body (RBB) Registration Procedures 36
- X. Appendix D: Balloting Examples 39



I. Introduction

Purpose: This manual defines the characteristics of a Midwest Reliability Organization (“MRO”) Regional Reliability Standard and establishes the process for proposing Regional Reliability Standards to North American Electric Reliability Corporation (“NERC”) for enforcement under direct or delegated regulatory authority consistent with the Energy Policy Act of 2005 (“EPAAct 2005”) in the United States and applicable Canadian authorities. The MRO plans to become a Cross-Border Regional Entity (“CBRE”) as defined in EPAAct 2005 and the final FERC reliability rule consistent with the US-Canadian Bilateral principles. For more information on the MRO please refer to <http://www.midwestreliability.org>.

The MRO standards process is consensus-based, technically vetted, and open to the public and bordering entities that may be impacted by a proposed Regional Reliability Standard by the MRO. MRO Regional Reliability Standards apply to the reliability planning, and operation of bulk power systems located within the MRO region. NERC as the Electric Reliability Organization (“ERO”), and the applicable regulatory authorities in the United States and Canada will have the ability to enforce these standards. The MRO region is defined in agreements (e.g. delegation agreement) with NERC and applicable regulatory authorities in the United States and Canada.

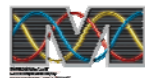
Applicable Regulatory Authorities in the United States and Canada: FERC is the Applicable Regulatory Authority in the United States. The Manitoba Public Utilities Board is the Applicable Regulatory Authority in Manitoba. The Provincial Government of Saskatchewan is the Applicable Regulatory Authority in Saskatchewan.

Authority: This manual is published by the authority of the MRO Board of Directors (“BOD”) who shall have the sole authority to modify the manual. A procedure for revising this manual is provided in the section titled “Maintenance of MRO Regional Reliability Standards and Process.”

Credits: This manual was developed from the NERC Reliability Standards Development Procedure (available at www.nerc.com). Thus, the MRO Regional Reliability Standards process is very similar to the NERC process and the format is the same as the NERC Reliability Standard format.

Background: NERC and the MRO work with all segments of the electric industry, including electricity end-users, to develop standards for the reliable planning and operation of bulk electric systems. The purpose of the NERC Reliability Standards is to promote reliability, while at the same time accommodating competitive electricity markets.

EPAAct 2005 and NERC, ERO provide for Regional Entities (“RE”) to propose Regional Reliability Standards to NERC for eventual enforcement within the region of the RE or CBRE. Regions (such as the MRO) may develop, through



their own processes, regional reliability standards that; go beyond, add detail to, or cover matters not addressed in NERC Reliability Standards. MRO Regional Reliability Standards are proposed to NERC for approval and become enforceable, once approved by NERC and the applicable regulatory authorities in the United States and Canada as Reliability Standards.

MRO Regional Reliability Standards that are proposed shall not be inconsistent with, or less stringent than established NERC Reliability Standards. All MRO Regional Reliability Standards obligate the MRO to monitor and enforce compliance, apply sanctions, if any, consistent with any regional agreements and the NERC rules.

Proposed MRO Regional Reliability Standards shall be subject to approval by NERC, as the ERO, and by applicable regulatory authorities in the United States and Canada, before becoming mandatory and enforceable. No Regional Reliability Standard shall be effective within the MRO area unless approved by NERC and the applicable regulatory authorities in the United States and Canada.

MRO proposed Regional Reliability Standards, when approved by NERC and the applicable regulatory authorities in the United States and 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 MRO region as defined in agreements (e.g. delegation agreements).

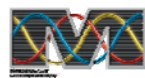
II. MRO Regional Reliability Standard Definition, Characteristics, and Elements

Definition of a MRO Regional Reliability Standard: A MRO Regional Reliability Standard defines certain obligations or requirements of entities that operate, plan, and use the bulk electric systems of the MRO region.

The Bylaws of the MRO define a Reliability Standard as: “a NERC requirement, duly in effect, to provide for reliable operation of the Bulk-Power System. 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. The term does not include any requirement to enlarge such facilities or to construct new transmission capacity or generation capacity.”

When proposing a Regional Reliability Standard in the MRO region, the obligations or requirements must be material to reliability and be measurable.

Each MRO Regional Reliability Standard shall enable or support one or more of the NERC reliability principles, thereby ensuring that each standard serves



a purpose in support of the reliability of the regional bulk power system. Each of those standards shall also be consistent with all of the NERC reliability principles, thereby ensuring that no standard undermines reliability through an unintended consequence.

While MRO Regional Reliability Standards are intended to promote reliability, they must at the same time accommodate 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 MRO 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 electricity markets.

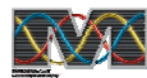
Characteristics of a MRO Regional Reliability Standard: A MRO Regional Reliability Standard may include standards for the operation and planning of interconnected systems as well as market interface practices. The format and process defined by this manual applies to all MRO Regional Reliability Standards.

A MRO Regional Reliability Standard shall have the following characteristics:

- **Material to Reliability** - A MRO Regional Reliability Standard shall be material to the reliability of bulk electric systems in the MRO region. If the reliability of the bulk electric systems could be compromised without a particular standard or by a failure to comply with that standard, then the standard is material to reliability.
- **Measurable** - A MRO Regional Reliability Standard shall establish technical or performance requirements that can be practically measured.
- **Relative to NERC Reliability Standards** - A MRO Regional Reliability Standard shall go beyond, add detail to, or cover matters not addressed in already approved NERC Reliability Standards.

Elements of a MRO Regional Reliability Standard: A MRO Regional Reliability Standard shall consist of the elements shown in the MRO Regional Reliability Standard Template.

These elements are intended to apply a systematic discipline in the development and revision of MRO Regional Reliability Standards. This discipline is necessary to achieving standards that are measurable, enforceable, and consistent.



The format allows a clear statement of the purpose, requirements, measures, and penalties for non-compliance associated with each standard.

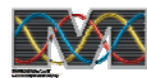
All mandatory requirements of a MRO Regional Reliability Standard shall be within an element of the standard.

Supporting documents to aid in the implementation of a standard may be referenced by the standard but are not part of the standard itself. Types of supporting documents are described in a later section of this manual.

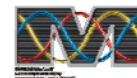
MRO Regional Reliability Standard Template

The following are the core elements of a MRO Regional Reliability Standard

Identification Number	A unique identification number assigned by the SPM.
Title	A brief, descriptive phrase identifying the topic of the MRO Regional Reliability Standard.
Applicability	Clear identification of the functional classes of entities responsible for complying with the standard, noting any specific additions or exceptions.
Effective Date and Status	The effective date of the MRO Regional Reliability Standard shall be upon NERC and regulatory approvals. The status of the standard will be indicated as active or by reference to one of the numbered steps in the standards process.
Purpose	The purpose of the MRO Regional Reliability Standard shall explicitly state what outcome will be achieved by the approved Reliability Standard. The purpose is agreed to early in the process as a step toward obtaining approval to proceed with the development of the Reliability Standard. The purpose should link the standard to the relevant principle(s).
Requirement(s)	Explicitly stated technical, performance, preparedness, or certification requirements. Each requirement identifies who is responsible and what action is to be performed or what outcome is to be achieved. Each statement in the requirements section shall be a statement for which compliance is mandatory. Any additional comments or statements for which compliance is not mandatory, such as background or explanatory information, should be placed in a separate document and referenced (see Supporting References).



<p>Risk Factors</p>	<p>The potential reliability significance of each requirement, designated as a High, Medium, or Lower Risk Factor in accordance with the criteria listed below:</p> <p>A High Risk Factor requirement (a) is one that, if violated, could directly cause or contribute to bulk power system instability, separation, or a cascading sequence of failures, or could place the bulk power system at an unacceptable risk of instability, separation, or cascading failures; or (b) is a requirement in a planning timeframe that, if violated, could, under emergency, abnormal, or restorative conditions anticipated by the preparations, directly cause or contribute to bulk power system instability, separation, or a cascading sequence of failures, or could place the bulk power system at an unacceptable risk of instability, separation, or cascading failures, or could hinder restoration to a normal condition.</p> <p>A Medium Risk Factor requirement (a) is a requirement that, if violated, could directly affect the electrical state or the capability of the bulk power system, or the ability to effectively monitor and control the bulk power system, but is unlikely to lead to bulk power system instability, separation, or cascading failures; or (b) is a requirement in a planning timeframe that, if violated, could, under emergency, abnormal, or restorative conditions anticipated by the preparations, directly affect the electrical state or capability of the bulk power system, or the ability to effectively monitor, control, or restore the bulk power system, but is unlikely, under emergency, abnormal, or restoration conditions anticipated by the preparations, to lead to bulk power system instability, separation, or cascading failures, nor to hinder restoration to a normal condition.</p> <p>A Lower Risk Factor requirement is administrative in nature and (a) is a requirement that, if violated, would not be expected to affect the electrical state or capability of the bulk power system, or the ability to effectively monitor and control the bulk power system; or (b) is a requirement in a planning time frame that, if violated, would not, under the emergency, abnormal, or restorative conditions anticipated by the preparations, be expected to affect the electrical state or capability of the bulk power system, or the ability to effectively monitor, control, or restore the bulk power system.</p>
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Measure(s)	<p>Each requirement shall be addressed by one or more measures. These measures will be used to assess performance and outcomes for the purpose of determining compliance with the requirements stated above.</p> <p>Each measure shall identify to whom the measurement applies and the expected level of performance or outcomes required demonstrating compliance.</p> <p>Each measure shall be tangible, practical, and as objective as is practical.</p> <p>It is important to realize that measures are proxies to assess required performance or outcomes.</p> <p>Achieving the full compliance level of each measurement should be a necessary and sufficient indicator that the requirement was met.</p> <p>Each measure shall clearly refer to the requirement(s) to which it applies.</p>
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Glossary of Terms Used in Standards

Definitions of Terms:	<p>All defined terms used in MRO Regional Reliability Standards, shall be defined in the glossary. Definitions may be approved as part of a standards action or as a separate action. All definitions must be approved in accordance with the standards process.</p>
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Compliance Administration Elements

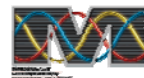
Compliance Monitoring Process	<p>The following compliance elements, which are part of the standard and are balloted with the standard are developed for each measure in a standard by the NERC compliance program in coordination with the standard drafting team</p> <ul style="list-style-type: none"> • The specific data or information that is required to measure performance or outcomes. • The entity that is responsible for providing the data or information for measuring performance or outcomes. • The process that will be used to evaluate data or information for the purpose of assessing performance or outcomes • The entity that is responsible for evaluating such data or information. • The time period in which performance or outcomes is measured, evaluated, and then reset.
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	<ul style="list-style-type: none"> • Measurement data retention requirements and assignment of responsibility for data archiving.
Violation Severity Levels	Defines the degree to which compliance with a requirement was not achieved. The violation severity levels, are part of the standard and are balloted with the standard, and developed by the MRO compliance program in coordination with the standard drafting team.

Supporting Information Elements

Interpretations	<p>Formal interpretations of Regional Reliability Standard(s) proposed by the MRO and approved by NERC, FERC, and the applicable Canadian regulatory authorities.</p> <p>Interpretations are temporary, as the standard should be revised to incorporate the interpretation.</p>
Implementation Plan	Each Regional Reliability Standard proposed by the MRO and approved by NERC, FERC and the applicable Canadian regulatory authorities shall have an associated implementation plan describing the effective date of the standard or effective dates if there is a phased implementation. The implementation plan may also describe the implementation of the standard in the compliance program and other considerations in the initial use of the standard, such as necessary tools, training, etc. The implementation plan must be posted for at least one public comment period and is approved as part of the ballot of the standard.
Supporting References	<p>This section will reference related documents that support implementation of the Reliability Standard proposed by the MRO and approved by NERC and the regulatory authorities, but are not themselves mandatory. Examples include, but are not limited to:</p> <ul style="list-style-type: none"> • Developmental history of the standard and prior versions • Notes pertaining to implementation or compliance • Standard references • Standard supplements • Procedures • Practices • Training references • Technical references • White papers • Internet links to related information



III. Roles in the MRO Regional Reliability Standards Development Process

Nomination, Revision or Withdrawal of a Standard: Any member of the MRO or group within the MRO region shall be allowed to request that a MRO Regional Reliability Standard be developed, modified, or withdrawn. Additionally, any person (organization, company, government agency, individual, etc.) who is directly and materially affected by the reliability of MRO bulk power system shall be allowed to request that a MRO Regional Reliability Standard be developed, modified, or withdrawn.

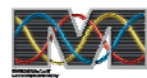
Process Roles

Board of Directors (BOD) - The BOD shall consider MRO Regional Reliability Standards that have been approved by the Registered Ballot Body ("RBB") to be proposed to NERC and the regulatory authorities for enforcement consistent with direct or delegated regulatory authorities of the MRO. Once the proposed MRO Regional Reliability Standard is approved by NERC and the regulatory authorities, it becomes effective in the MRO region consistent with the MRO's direct or delegated regulatory authority.

Compliance Committee (CC) - The mission of the MRO CC is to assure that the compliance program and policies are followed according to the rules and carried out in a non-discriminatory manner, subject to the BOD approval with MRO staff and BOD oversight. The compliance program is designed around compliance with Reliability Standards. The development of a MRO Regional Reliability Standard, in particular the measures and compliance administration portions of the standard, shall have direct input from the CC. Field-testing will be managed and coordinated with the CC. The Compliance Manager (CM), a MRO staff function, and the CC shall provide input and comments during the standards development process to ensure the measures will be effective and other aspects of the compliance program practically implemented.

Standards Committee (SC) -The responsibilities of the SC will include: management of the standards work flow so as not to overwhelm available resources, review of standards authorization requests and draft standards for such factors as completeness, sufficient detail, rational result, and compatibility with existing standards; clarifying standard development issues not specified in this procedure; and advising the BOD on standard development matters. Under no circumstance will the SC change the substance of a draft standard. The SC shall advise the BOD on MRO Regional Reliability Standards presented for their consideration in determining whether to propose such Reliability Standard to NERC.

Standards Process Manager (SPM) – This is a MRO staff function. The Standards Manager who will act as the SPM shall administer the MRO Regional Reliability Standards Process. The SPM is responsible for ensuring



that the development and revision of standards is in accordance with this manual. The SPM works to ensure the integrity of the process and consistency of quality and completeness of the MRO Regional Reliability Standards. The SPM facilitates all steps in the process.

Standards Process Staff - MRO staff will assist the SC, SPM, Requester, and Standard Drafting Team (SDT).

Registered Ballot Body (RBB) - The RBB comprises all entities that:

1. qualify for one of the Industry Segments approved by the BOD¹, and
2. are registered in the MRO RBB, and
3. are current with any MRO related designated fees associated with this program. Designated fees are defined as fees associated with the Standards Development process. At this time there are no fees for registration.

Each voter must be a member of the RBB. **Note: An individual's membership in the RBB will be in a "Pending" stage immediately following registration; in order to be able to vote, your registration must be activated, and activation may take up to 24 hours.**

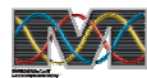
Each registered member of the RBB is eligible to participate in the voting process for each Standards Action (add, change or withdraw). However, each MRO RBB member (company) may have only one vote per eligible segment.

The RBB will ensure, through its vote, the need for and the technical merits of, a proposed Standards Action and the appropriate consideration of views and objections received during the development process. The RBB votes to approve each Standards Action.

The MRO Regional Reliability Standards Process relies on open and inclusive participation by the electric utility industry and the interested public. Participation and voting is open to non-members of the MRO; at this time there are no fees for participation or voting.

Requester - A Requester is any person or entity (organization, company, government agency, etc.) that submits a complete request for development, revision, or withdrawal of a standard. Any person or entity that is directly and materially affected by an existing standard or the need for a new standard may submit a completed Standard Authorization Request (SAR) for any of the three following actions; a new standard to be developed, a revision to an existing standard, or a withdrawal of an existing standard.

¹ Appendix C contains a description of the latest version of the Industry Segments approved by the Board of Directors.



SAR Drafting Team - A team of technical experts assigned by the SC, that:

- assists in refining the SAR,
- considers and responds to comments, and
- participates in industry forums to help build consensus on the SAR.

SDT - A small team (5-10 people) of technical experts, approved by the SC, that:

- develops the details of the standard
- considers and responds to comments
- participates in industry or regional forums to help build consensus on posted draft standards

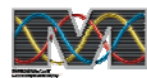
Sub-Regional Variance: An aspect of a Reliability Standard (one that is proposed for the MRO region for enforceability) that applies only within a particular regional entity sub-region. A Sub-Regional Variance may be used to exempt a group of entities within the MRO region from all or a portion of a Reliability Standard or may establish different measures or performance criteria as necessary to achieve reliability within the particular group of entities within the region. A Sub-Regional Variance may not be inconsistent with the Reliability Standard as it would otherwise exist without the variance. A Sub-regional variance cannot establish a level of reliability less than that set by a continent-wide Reliability Standard and such a variance would only exempt a group of entities from a MRO Reliability Standard. Such a variance may be proposed by a group of sub-regional entities and, if approved by NERC and regulatory authorities, shall be enforced within the MRO region pursuant to its delegated authority.

IV. MRO Regional Reliability Standards Consensus Development Process

Overview

The process for development of MRO Regional Reliability Standards to be proposed to NERC and regulatory authorities for approval and eventual enforcement under direct or delegated authority is illustrated in the Process Diagram in Appendix A and has the following characteristics:

- **Inclusive** – Any entity (person, organization, company, government agency, individual, etc.) with a direct material interest in the bulk power system in the MRO 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.
- **Openness** - Participation is open to all persons who are directly and materially affected by the reliability of the MRO region bulk power

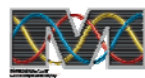


system. There shall be no undue financial barriers to participation. Participation shall not be conditional upon membership in the MRO or any organization, and shall not be unreasonably restricted on the basis of technical qualifications or other such requirements.

- **Balance** - The MRO Regional Reliability Standards Development Process shall have a 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.
- **Transparent** - All actions material to the development of MRO regional reliability standards shall be transparent. All standards development meetings shall be open and publicly noticed on the MRO Web site.
- **Timeliness** - The MRO Regional Reliability Standards Development Process does not unnecessarily delay development of the proposed reliability standard.
- **Fair Due Process** - The MRO Regional Reliability Standards Development Process provides for reasonable notice and opportunity for public comment. The procedure includes 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 all persons who are directly and materially affected.

The MRO Regional Reliability Standards development process is intended to develop consensus, first on the need for the standard, then on the standard itself. The process includes the following key elements:

- **Nomination of a proposed standard, revision to a standard, or withdrawal of a standard** using a Standard Authorization Request ("SAR").
- **Public posting of the SAR** to allow all parties to review and provide comments on the need for the proposed standard and the expected outcomes and impacts from implementing the proposed standard. Notice of standards shall provide an opportunity for participation by all directly and materially affected persons.
- **Review of the public comments** in response to the SAR and prioritization of proposed standards, leading to the authorization to develop standards for which there is a consensus-based need.
- **Assignment of teams** to draft the new or revised standard.
- **Drafting of the standard.**



- **Public posting of the draft standard** to allow all parties to review and provide comments on the draft standard. At this point the need for the standard has been established and comments should focus on aspects of the draft standard itself.
- **Field testing of the draft standard and measures:** The need and extent of recommendations for field testing shall be determined by the SDT and submitted through the SPM to the SC for approval. The SDT shall request input from the RAC and CC members.
 - Field-testing may be region-wide or may consist of one or more, lesser scale demonstrations, evaluations, or other SC approved methods.
 - Field-testing should be cost effective and practical, yet sufficient to validate the requirements, measures, measurement processes and other elements of the standard necessary to implement the Compliance Program.
 - For some standards and their associated measures, field-testing may not be appropriate, such as those measures that consist of administrative reports.
- **Formal balloting of the standard** for approval by the RBB.
- **Re-ballot to consider specific comments** by those submitting comments with negative votes.
- **Approval of a MRO Regional Reliability Standard.**
- **Appeals mechanism** as appropriate for the impartial handling of substantive and procedural complaints regarding action or inaction related to the standards process.

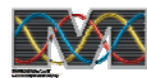
Process Steps

The first three steps in the MRO Regional Reliability Standards Development Process serve to establish consensus on the need for the standard.

Step 1 - Request to Develop a Standard or Revise an Existing Standard

Objective: A valid SAR that clearly justifies the purpose for, and describes the scope of, the proposed standards action. An example of a SAR form can be found in Appendix B.

Sequence Considerations: Submitting a valid SAR is the first step in proposing a standard action. A requester may prepare a draft of the



proposed standard (Step 5), which the SC may authorize for concurrent posting with the SAR. This could be useful for a standard action with a clearly defined and limited scope or one for which stakeholder consensus on the need and scope is likely. Complex standards where broad debate of issues is required should be, presented in two stages. The first stage is, the completion of a valid SAR to get agreement on the scope and purpose, the second stage is the development of the standard later in Step 6.

Requests to develop, revise, or withdraw² a MRO Regional Reliability Standard shall be submitted to the SPM by completing a SAR.

The SAR is a description of the subject matter of the new or revised standard along with a proposed implementation plan and includes:

- Descriptive detail to clearly define the scope of the standard.
- A statement of the purpose of the standard
- A needs statement that provides justification for the development or revision of the standard; including an assessment of the reliability and market interface impacts of implementing or not implementing the standard.

Appendix B provides a sample template of the SAR form.

The SPM shall maintain the SAR form and make it available electronically.

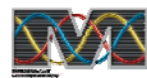
Any person or entity directly or materially affected by an existing standard or the need for a new or revised standard may initiate a SAR.

The Requester shall submit the SAR to the SPM electronically through the RSVP application and the SPM shall electronically acknowledge receipt of the SAR within 15 days. The SPM shall send the electronic acknowledgement simultaneously to the Requester and to NERC.

The SPM shall assist the Requester in developing the SAR, reviewing NERC Reliability Standards to see whether they already address the need, identify issues with interconnected regions, and verify that the SAR complies with this manual.

The SPM shall forward all properly completed SARs to the SC. The SC shall meet at established intervals to review all pending SARs. The frequency of the review process will depend on workload; in no case shall a properly completed SAR wait for SC action more than 60 days from the date of receipt.

² Actions in the remaining steps of the standards process apply to proposed new standards, revisions to existing standards, or withdrawal of existing standards, unless explicitly stated otherwise.



The SC may take one of the following actions:

- Remand the SAR back to the SPM for additional work and information from the Requester.
- Accept the SAR as a candidate for a new or revised standard. If the SC accepts a SAR as a candidate for a new or revised standard, it will provide technical support and analysis of comments for that SAR, and assist the Requester and the SPM in the remaining steps of the process.
- Reject the SAR. If the SC rejects a SAR, it will provide a written explanation for rejection to the Requester within 30 days of the rejection decision. If the SC rejects a SAR, the Requester may file an appeal following the Appeals Process.

The status of SAR shall be tracked electronically by the SPM. The SAR and its status shall be posted for public viewing including any actions or decisions.

Step 2 - Solicit Public Comments on the SAR

Objective: Establish that there is stakeholder consensus on the need, scope and applicability of the requester's proposed standards' action.

Sequence Considerations: A SAR may be posted only after completion of Step 1. A SAR may at the discretion of the SC, be posted for comment concurrently with a draft standard (Step 6).

Once a SAR has been accepted by the SC as a candidate for the development of a new or revised standard, the SPM shall post the SAR on the RSVP Application for the purpose of soliciting public comments.

The SPM shall notify the RBB, the MRO region, NERC, and other interested parties that the SAR has been accepted by the SC and posted for comment.

Within thirty (30) days of acceptance by the SC, the SAR shall be posted electronically and comments on the SAR(s) will be accepted for a 21-day period from the date of posting. Comments will be accepted on-line using the RSVP application. The SPM will provide a copy of the comments to the Requester. In addition, comments will be visible to the RBB during the commenting period. Based on the comments, the Requester may decide to: submit the SAR for authorization, withdraw the SAR, or revise and resubmit it to the SPM for another posting in the next available comment period.

The Requester shall give prompt consideration to the written views and objections of all participants. The Requester, with support from the SPM or SPM assigned staff, shall make an effort to resolve all expressed objections



and shall advise each objector of the disposition of the objection and the reasons therefore. In addition, the SPM shall inform each objector that an appeals process exists within the MRO standards process.

While there is no established limit on the number of times a SAR may be posted for comment, the SC retains the right to reverse its prior decision and reject a SAR if it believes continued revisions are not productive. Once again, the SC shall notify the Requester in writing of the rejection and the availability of the Appeals Process. During the SAR comment process, the Requester may become aware of potential sub-Regional differences (within the MRO) related to the proposed standard. To the extent possible, the Requester should make any sub-Regional differences or exceptions a part of the SAR so that, if the SAR is authorized, such variations will be made a part of the draft new or revised standard.

Step 3 - Authorization to Proceed With Drafting of a New or Revised Standard

Objective: Authorize development of a standard that is consistent with the SAR and for which there is stakeholder consensus on the need, scope and applicability.

Sequence Considerations: The SC may formally authorize the development of a standards' action only after due consideration of SAR comments to determine there is consensus on the need, scope and applicability of the proposed standard. This does not preclude, however, the requester from previously preparing a draft standard for consideration and the SC from authorizing a concurrent posting of the draft standard for comment along with the SAR.

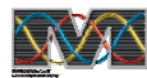
After the public provides comments on the SAR, the Requester may decide to submit the SAR to the SC for authorization to draft the standard. The SC reviews the comments received in response to the SAR and any revisions to the SAR. The SC, considering the public comments received and their resolution, may then take one of the following actions:

- Authorize the drafting of the proposed standard or revisions to a standard.
- Reject the SAR with a written explanation to the Requester and post that explanation.

If the SC rejects a SAR, the Requester may file an appeal.

Step 4 – Formation of the SDT

Objective: Appoint a SDT that has the expertise, competencies, and diversity of views that are necessary to develop the standard.



Sequence Considerations: The SC may appoint a SDT concurrently with or after authorization of the development of a standard (Step 3).

For each new SAR, the SPM shall post a request that interested parties complete a "SDT Self-Nomination" form utilizing the RSVP application. Those individuals who complete and submit these self-nomination forms through the RSVP will be considered for appointment to the associated SDT.

Once a SAR has been authorized by the SC to proceed to the drafting stage, the SC shall assign the development of the standard to a SDT. The SPM shall recommend a list of candidates for appointment to the team and shall submit the list to the SC. The SC may accept the recommendations of the SPM or may select other individuals to serve on the SDT within 60 days.

The SDT shall elect a Chairman for their team. This team shall consist of a small group of people who collectively have the necessary technical expertise and work process skills. A representative of the CC or their designee, plus a Reliability Assessment Committee (RAC) representative or their designee should be included as a member of each SDT.

The SPM shall assign MRO Standards Process staff personnel to assist in the drafting of the standard.

Step 5 - Draft New or Revised Standard

Objective: Develop a standard within the scope of the SAR.

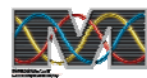
Sequence Considerations: Development of the draft standard follows the authorization by the SC (Step 3) and appointment of a SDT (Step 4). Steps 5 and 6 may be iterated as necessary to consider stakeholder comments and build consensus on the draft standard.

The drafting team shall develop a work plan for completing the regional reliability standard, including the establishment of a milestone schedule for completing critical elements of the work in sufficient detail to ensure that the drafting team will meet the objectives established by the SC. The drafting team shall submit its work plan to the SC for its concurrence.

The drafting team shall convene periodically, either in person or by electronic means as necessary, to establish work teams (made up of members of the drafting team) as necessary, and perform other activities to complete the proposed standard within the milestone date(s) agreed upon by the SC.

The work product of the drafting team will consist of the following:

- A draft standard consistent with the standard request on which it was based.

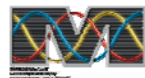


- An assessment of the reliability impact of the standard request within the region and in neighboring regions, including appropriate input from the neighboring regions if the standard request is determined to impact any neighboring region.
- An implementation plan, including the nature, extent and duration of field-testing needed, if any.
- Identification of any existing standard that will be deleted, in part or whole, or otherwise impacted by the implementation of the draft standard.
- Technical reports, white papers and/or work papers that provide technical support for the draft standard under consideration.

The team regularly (at frequency determined by the SC) shall inform the SC of its progress in meeting a timely completion of the draft standard.

The drafting of measures and compliance administration aspects of the standard will be coordinated with the CC.

If the SDT determines that the scope of the SAR is inappropriate based on its own work and stakeholder comments, the team shall notify the SC. The SDT may recommend the scope of the standard be reduced to allow the effort to continue forward, while still remaining within the scope of the SAR. Reducing the scope defined in the SAR is acceptable if the SDT finds, for instance, that additional technical research is needed prior to developing a portion of the standard or issues need to be resolved before consensus can be achieved on a portion of the standard. In this case, the SDT shall provide detailed justification of need for reducing the scope. The SC, based on the SDT recommendation and a review of stakeholder comments, will determine if the change in scope is acceptable.



If the SDT determines it is necessary to expand the scope of the standard or to modify the scope in a way that is no longer consistent with the scope defined in the SAR, then the SDT may initiate or recommend another requester initiate a new SAR (Step 1) to develop the expanded or modified scope. At no time will a SDT develop a standard that is not within the scope of the SAR that was authorized for development.

If the SDT elects to narrow the SAR, scope or identifies issues not in the SAR scope, then a report shall be prepared and sent to the SC.

Once the standard has been drafted, the SPM shall review the standard for consistency of quality and completeness. The SPM shall also ensure the draft standard is within the scope and purpose identified in the SAR. This review shall occur within a 15-day period.

The SPM shall post the new or revised standard for public comment once this review is completed. The SPM shall notify the RBB, the MRO region, NERC, and other interested parties that the new or revised standard has been posted for public comment.

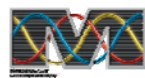
Step 6 - Solicit Public Comments on Draft Standard

Objective: Receive stakeholder inputs on the draft standard for the purpose of assessing consensus on the draft standard, and modifying the draft standard as needed to achieve consensus.

Sequence Considerations: The posting of a draft standard will occur after the appointment of a SDT and development of a draft by the team. Alternatively, a draft standard submitted by the requester may be posted for comment concurrently with the associated SAR, with the condition that the SAR and draft standard meet the requirements of this procedure and are consistent with each other. In all cases, public comments on the draft standard shall be solicited prior to the SC approving the standard going to ballot (Step 9).

Once a draft standard has been verified by the SPM to be within the scope and purpose of the SAR and in compliance with this manual, the SPM will post the draft standard. The posting of the draft standard will be linked to the SAR for reference. Comments on the draft standard will be accepted for a 30-day period from the notice of posting. Comments will be accepted on-line using the RSVP application and will be viewable during the posted commenting period.

Since the need for the standard was established by authorization of the SAR, comments at this stage should identify specific issues with the draft standard and propose alternative language. The comments may include recommendations to accept or reject the standards and reasons for that recommendation.



The SDT shall develop an implementation plan for the standard that will be posted in conjunction with the standard for at least one stakeholder comment period. Once the implementation plan has been developed and posted for stakeholder comment, it shall remain part of the standard action for subsequent postings and shall be included on the ballot for the standard. The implementation plan shall describe when the standard will become effective. If the implementation is to be phased, the plan will describe which elements of the standard are to be applied to each class of responsible entities, and when. The plan will describe any deployment considerations unique to the standard, such as computer applications, measurement devices, databases, or training, as well as any other special steps necessary to prepare for and initially implement the standard.

Step 7 - Field Testing

Objective: Determine what testing is required to validate the concepts, requirements, measures and compliance elements of the standard and implement that testing.

Sequence Considerations: Testing may be completed during or after Steps 1 through 6. Testing and associated analysis of results (Step 8) must be completed prior to determining whether to submit the standard to ballot (Step 9).

Taking into consideration stakeholder comments received through Step 6, the SDT may recommend to the SC that a test of one or more aspects of a standard is needed. The MRO Compliance Manager will also evaluate whether field-testing of the compliance elements of the proposed new or revised standard is needed and advise the SC. The SC will approve all field tests of proposed standards based on the recommendations of the SDT and the compliance manager. If needed, the SC will also request inputs on technical matters from applicable standing committees or other experts.

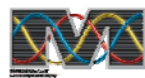
Once the field-testing plan is approved, the SPM will, under the direction of the SC, oversee the field-testing of the standard.

In some cases, measurement may be an administrative task and no field-testing is required at all.

In other cases, one or more limited scale demonstrations, evaluations, or other SC approved method may be sufficient.

Step 8 - Analysis of the Comments and Field Test Results

Objective: Evaluate stakeholder comments and field test results to determine if there is consensus that the proposed standard should go to ballot or requires additional work.



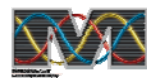
Sequence Considerations: This step follows Steps 6 and 7 and must precede Step 9.

The SPM will assemble the comments on the draft standard and distribute those comments to the SDT and the requester. The SDT, assisted by the requester, shall give prompt consideration to the written views and objections of all participants. An effort to resolve all expressed objections shall be made, and each objector shall be advised of the disposition of the objection and the reasons therefore. The STD shall prepare a summary of the comments received and the changes made to the proposed standard as a result of these comments. The STD shall summarize comments that were rejected by the STD 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 MRO website no later than the next posting of the proposed standard. In addition, each objector will be informed that an appeals process exists within the MRO standards process.

Based on comments received, the SDT may determine there is an opportunity to achieve consensus for the standard. In this case, the SDT may elect to return to Step 5 and revise the draft for another posting. Although there is no predetermined limit on the number of times a draft standard may be revised and posted, the SDT should ensure the potential benefits of another posting outweigh the burden on the SDT and stakeholders. Returning to Step 5 to continue working on the standard is the prerogative of the SDT, subject to SC oversight.

If the SDT determines the draft standard is ready for ballot, the SDT shall submit the draft standard to the SC with a request to proceed to balloting, along with the comments received and responses to the comments. Based on the comments received and field-testing, the SDT may include revisions that are not substantive. Substantive changes to a draft standard shall not be permitted between the last posting for stakeholder comment and submittal for ballot. A substantive change is one that directly and materially affects the intent or use of the standard. For example, adding, deleting, or revising requirements; or adding, deleting, or revising measurements for which compliance is mandatory. Any non-substantive changes such as: spelling, grammar, or formatting, made prior to going to ballot, will be identified to stakeholders at the time of the ballot notice. If the SDT determines, based on comments received, that substantive changes to the standard are required, the standard will be re-posted for comment and a notice sent to the MRO region, the RBB, NERC, and other interested parties that the revised standard has been re-posted for public comment.

When the SC receives a draft standard that has been recommended for ballot, the SC will review the standard to ensure that the proposed standard is consistent with the scope of the SAR; addresses all of the objectives cited in Steps 1-8, as applicable; and is compatible with other existing standards. If the proposed standard does not pass this review, the SC shall remand the



proposed standard to the SDT to address the deficiencies. If the proposed standard passes the review, the SC shall set the proposed standard for ballot as soon as the workflow will accommodate.

If the SDT determines there is insufficient consensus to ballot the standard and that further work is unlikely to achieve consensus, the SDT may recommend to the SC that the standard drafting be terminated and the SAR withdrawn. The SC will consider the recommendation of the SDT and stakeholder comments and may terminate the standard drafting and accept the withdrawal of the SAR. If the SC believes the recommendation is unsubstantiated, the SC may direct other actions consistent with this procedure, such as requesting the SDT to continue or appointing a new SDT.

Step 9 - Ballot the New or Revised Standard

Objective: Approve the proposed standard by vote of industry stakeholders.

Sequence Considerations: The SC shall determine that all requirements of Steps 1 through 8 have been satisfactorily met before authorizing an action to go to ballot.

If the SDT decides to submit the standard to a vote, the SPM shall provide notice of such to the RBB, NERC, as well as other interested parties, and electronically post the standard, and all comments received, the responses to those comments, and an implementation plan.

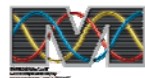
First Ballot

Each voter must be a member of the Registered Ballot Body (RBB). **Note: An individual's membership in the RBB will be in a "Pending" stage immediately following registration; in order to be able to vote, your registration must be activated, and activation may take up to 24 hours.**

The ballot will be conducted electronically through the RSVP application. All members of the RBB shall be eligible to vote on the associated standard except, that only one member from an entity may vote in any given segment. It is the responsibility of the entity to identify and notify the SPM of the eligible voter. The voting options are:

- Affirmative, with or without comment;
- Negative, with or without comment (the comments for a negative vote may be given and, if possible, should include specific wording or actions that would resolve the objection);
- Abstain.

The time window for voting shall be designated when the draft standard is posted. In no case shall the voting time window start sooner than fifteen



(15) and no later than thirty (30) days from the notice of the posting. The voting time window will be a period of ten (10) days.

This provides a minimum total of twenty-five (25)-days from the initial notice until the end of the voting period. Approval of a MRO Regional Reliability Standard or revision to a MRO Regional Reliability Standard requires:

- a quorum, which is established by at least 4 of the Segments submitting a response with an affirmative vote, a negative vote, or an abstention; and
- an affirmative vote from at least two-thirds of the segments participating in the vote. Each segment vote is determined by the majority of the votes cast in the segment, either affirmative or negative. Abstentions and non-responses will not be counted.

Voting results, comments, and responses, if necessary, will be posted for public viewing as soon as practical after the balloting period closes. Voting results and comments maybe posted prior to the responses.

Balloting examples are provided in Appendix D.

Members of the RBB should submit any comments on the proposed standard during the public comment period. If any Negative votes with comments are received during the ballot period, they shall be addressed in accordance with *Step 8* and included with the re-circulation ballot.

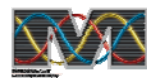
The SPM shall facilitate the SDT, assisted by the Requester, in preparing a response to negative votes submitted with comments.

In addition, the SPM will inform each objector that an appeals process exists within the MRO standards process. A negative vote that does not contain comments does not require a response. If there are no negative votes with comments from the first ballot, then the results of the first ballot shall stand. If however, one or more members submit negative votes with comments, regardless of whether those comments are resolved, a second ballot shall be conducted.

If a quorum of the Segments is not established, the standard shall be re-balloted, allowing ten (10) days for the ballot. If a quorum is not established with the re-ballot, the SPM shall survey the RBB to establish interest in participating in a ballot on the standard.

Second Ballot

In the second ballot (also called a “re-circulation ballot”), members of the RBB shall again be presented the proposed standard (unchanged from the first ballot) along with the reasons for negative votes, the responses, and any resolution of the differences.



All members of the RBB eligible to vote shall be permitted to reconsider and change their vote from the first ballot. Eligible voting members of the RBB that did not respond to the first ballot shall be permitted to vote in the second ballot. Only one vote will be accepted from each organization within a segment.

In the second ballot, votes will be counted by exception only - members on the second ballot may indicate a revision to their original vote, otherwise their vote shall remain the same as in the first ballot. If a second ballot is conducted, the results of the second ballot shall determine the status of the standard, regardless of the outcome of the first ballot.

The voting time window for the second ballot is ten (10) days (to allow members to review comments and responses). The 21-day posting is not required for the second ballot. Members of the RBB may submit comments in the second ballot but no response to those comments is required.

In the second ballot step no revisions to the standard are permitted, as such revisions would not have been subject to public comment. However, if the SC determines that revisions proposed during the ballot process would likely provide an opportunity to achieve consensus on the standard, then such revisions may be made and the draft standard posted for public comment again beginning with Step 6 and continuing with subsequent steps.

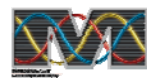
The SPM shall post the final outcome of the ballot process. If the standard is rejected, the process is ended and any further work in this area would require a new SAR. If the standard is approved, the SPM shall post the consensus standard and the SC Chair shall present it to the BOD for consideration.

Step 10 –Approval of a Proposed MRO Regional Reliability Standard

Objective: To have the BOD approve the proposed new or revised, MRO Regional Reliability Standard. Once properly approved by the BOD, accepted by NERC, and accepted for filing by the applicable regulatory authorities in the United States and Canada, the Reliability Standard becomes enforceable.

Sequence Considerations: The thirty (30)-day notice prior to action by the BOD may begin concurrently with or any time after the start of the first ballot. The thirty (30)-day period shall not end any sooner than the end of the final ballot.

A MRO Regional Reliability Standard submitted for consideration to the BOD must be publicly posted and noticed no less than fifteen (15) and no more than thirty (30) days prior to action by the BOD, included with the standard is the implementation plan that was part of the posting process.



At a regular or special meeting, the BOD shall consider the proposed MRO Regional Reliability Standard. The BOD shall consider the results of the balloting and dissenting opinions. The BOD shall consider any advice offered by the MRO SC. The BOD may accept or reject a standard, but may not modify a proposed MRO Regional Reliability Standard. If the BOD chooses not to propose a standard to NERC and the applicable regulatory authorities in the United States and Canada, it shall provide its reasons for not doing so. Upon acceptance of the standard, the SPM will submit the standard to NERC for approval and filing with the applicable regulatory authorities in the United States and Canada.

A MRO Regional Reliability Standard that is approved by NERC and filed with the applicable regulatory authorities shall become effective in accordance with applicable NERC and applicable regulatory proceedings. The implementation plan is included with the proposed Reliability Standard.

The SPM shall publicly post the standard, showing the final status.

Step 11 - Implementation of the MRO Regional Reliability Standard

Objective: That Organizations subject to the standard use the standard, and the compliance program incorporates the standard into its compliance monitoring and enforcement process.

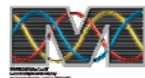
Sequence Considerations: The effective date of a standard is defined in the standard implementation plan.

After approval of a MRO Regional Reliability Standard by the applicable authorities in the United States and Canada, the SPM will forward the standard to the Compliance Manager for implementation, enforcement, and monitoring by the CC which will oversee the implementation and assess the effectiveness.

V. Interpretations and Appeals

Interpretations of MRO Regional Reliability Standards

All persons who are directly and materially affected by the reliability of MRO bulk power systems shall be permitted to request an interpretation of a MRO Regional Reliability Standard. The person requesting an interpretation shall send a request to the SPM explaining the specific circumstances surrounding the request and what clarifications are required as applied to those circumstances. The request should indicate the material impact to the requesting party or others caused by the lack of clarity or a possibly incorrect interpretation of the standard. The SPM shall provide notice to the MRO region within ten business days of such a request for interpretation.



The SPM shall recommend a list of candidates with the relevant expertise for appointment to an interpretation team and shall submit the list to the SC.

As soon as practical (not more than 45 days), the SDT will draft a written interpretation to the standard addressing the issues raised. The SPM shall take the draft interpretation to the SC for acceptance, which would be forwarded to the Board for approval, at the SC recommendation. If approved by the Board, the interpretation is appended to the standard and is effective immediately. The SPM will send notice to all entities that operate, plan, and use the bulk electric systems of the MRO region. The interpretation will stand until the standard is revised through the normal process, at which time the standard will be modified to incorporate the clarifications provided by the interpretation.

Appeals

Persons who have directly and materially affected interests and who have been or will be adversely affected by any substantive or procedural action or inaction related to the development, approval, revision, or withdrawal of a MRO Regional Reliability Standard shall have the right to appeal. This appeals process applies only to the MRO Regional Reliability Standards process as defined in this manual.

The burden of proof to show adverse effect shall be on the appellant. Appeals shall be made within 30 days of the date of the action purported to cause the adverse effect, except appeals for inaction, which may be made at any time. In all cases, the request for appeal must be made prior to the next step in the process.

The final decisions of any appeal shall be documented in writing and made public.

The appeals process provides two levels, with the goal of expeditiously resolving the issue to the satisfaction of the participants:

Level 1 Appeal

Level 1 is the required first step in the appeals process. The appellant shall submit to the SPM, a complaint in writing that describes the substantive or procedural action or inaction associated with a MRO Regional Reliability Standard or the MRO Regional Reliability Standards process. The appellant shall describe in the complaint the actual or potential adverse impact to the appellant. Assisted by any necessary staff and committee resources, the SPM shall prepare a written response addressed to the appellant as soon as practical but not more than 45 days after receipt of the complaint. If the appellant accepts the response as a satisfactory resolution of the issue, both the complaint and response shall be made a part of the public record associated with the standard.



Level 2 Appeal

If, after the Level 1 Appeal the appellant remains unsatisfied with the resolution, and indicates such in writing to the SPM, the SPM shall convene a Level 2 Appeals Panel. This panel shall consist of five (5), panel members total appointed by the BOD. In all cases, Level 2 Appeals Panel members shall have no direct affiliation with the participants in the appeal.

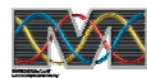
The SPM shall post the complaint and other relevant materials and provide at least 30 days notice of the meeting of the Level 2 Appeals Panel. In addition to the appellant, any person that is directly and materially affected by the substantive or procedural action or inaction referenced in the complaint shall be heard by the panel. The panel shall not consider any expansion to the scope of the appeal that was not presented in the Level 1 Appeal. The panel may in its decision find for the appellant and remand the issue to the SC with a statement of the issues and facts in regard to which fair and equitable action was not taken. The panel may find against the appellant with a specific statement of the facts that demonstrate fair and equitable treatment of the appellant and the appellant's objections. The panel may not, however, revise, approve, or disapprove a MRO Regional Reliability Standard, as these responsibilities remain with the standard's RBB and BOD respectively. The SPM shall publicly post the actions of the Level 2 Appeals Panel.

In addition to the foregoing, a procedural objection that has not been resolved may be submitted to the BOD for consideration at the time the BOD decides whether to approve proposing a particular MRO Regional Reliability Standard for NERC consideration and eventual enforceability. The objection must be in writing, signed by an officer of the objecting entity, and contain a concise statement of the relief requested and a clear demonstration of the facts that justify that relief. The objection must be filed no later than 30 days after the announcement of the vote by the RBB on the MRO Regional Reliability Standard in question.

VI. Maintenance of MRO Regional Reliability Standards and Process

Process Revisions

A request to substantively change the MRO Regional Reliability Standards Process Development process shall begin with the preparation of a SAR, and be handled using the same procedure as a request to revise a MRO Regional Reliability Standard. The exception is that a single ballot without regard to negative comments from the RBB shall be conducted and the results of that ballot will be binding. Non-substantive changes will be handled through the abbreviated process listed below. Once approved by the RBB, any proposed revisions to this manual would go to the BOD, NERC, and the applicable authorities in the United States and Canada for approval.



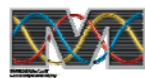
The BOD may make changes to the Industry Segments referenced in Appendix C. These changes shall be carried over to this process without the need to prepare a SAR. In addition, the SC may alter the document number on any existing or proposed standard without going through the MRO Regional Standards Process.

Abbreviated Process for Procedural/Administrative Changes

The SPM shall handle all procedural/administrative requests using an abbreviated process described here. The SPM shall post all proposed procedural/administrative revisions to the MRO Regional Reliability Standards Development Process for a 30-day public comment period. The SC shall consider all comments received and modify the proposed revisions as needed. Based on the degree of consensus for the revisions, the SC may:

- a. submit the revised procedure directly to the BOD for adoption;
- b. submit the revised procedure for ballot pool approval prior to submitting it for BOD adoption (the regular voting process in the procedure, including a re-circulation ballot if needed, would be used and the results of the ballot would be binding on the decision to move the revisions to the BOD or not);
- c. propose additional changes and repeat the posting for further comment;
- d. remand the proposal to the requester for further work; or
- e. reject the proposal.

The SPM shall post any proposed revisions submitted for BOD adoption for a period of 30 days prior to BOD action. The SC shall submit to the BOD a description of the basis for the procedure changes, a summary of the comments received, and any minority views expressed in the comment process. The proposed procedure revisions will be effective upon BOD adoption, or another date designated by the BOD.



Five-Year Review

Each MRO Regional Reliability Standard shall be reviewed at least once every five (5) years from the effective date of the standard or the latest revision to the standard, whichever is the later. The review process shall be conducted by soliciting comments from the stakeholders. If no changes are warranted, the SC shall recommend to the BOD that the Standard be reaffirmed. If the review indicates a need to revise or withdraw the standard, a SAR shall be prepared and submitted by the SC or any other stakeholder in accordance with the standards process. The SPM shall be responsible for administration of the five (5)-year review of MRO Regional Reliability Standards.

On-line Standards Information System

The SPM shall be responsible for maintaining an electronic database of information regarding currently proposed and currently in effect MRO Regional Reliability Standards. This information shall include current standards in effect, proposed revisions to standards, and proposed new standards. This information shall provide a record, for at a minimum the previous five years, of the review and approval process for each MRO Regional Reliability Standard, including public comments received during the development and approval process. This information shall be available through public Internet access.

Archived Standards Information

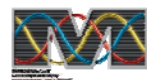
The SPM shall be responsible for maintaining an historical record of MRO Regional Reliability Standards information that is no longer maintained on-line. Archived information shall be retained indefinitely as practical, but in no case less than five years or one complete standard review cycle from the date on which the standard was no longer in effect. Archived records of standards information shall be available electronically within 30 days following the receipt by the SPM of a written request.

Numbering System

The SPM shall establish, maintain, and electronically post a system of identification numbers that allow MRO Regional Reliability Standards to be categorized and easily referenced. Re-numbering of approved standards does not warrant standard review but will be handled through the SC. The SPM will notify the MRO region and post the information on the RSVP system prior to making the change.

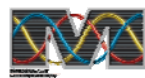
Supporting Documents

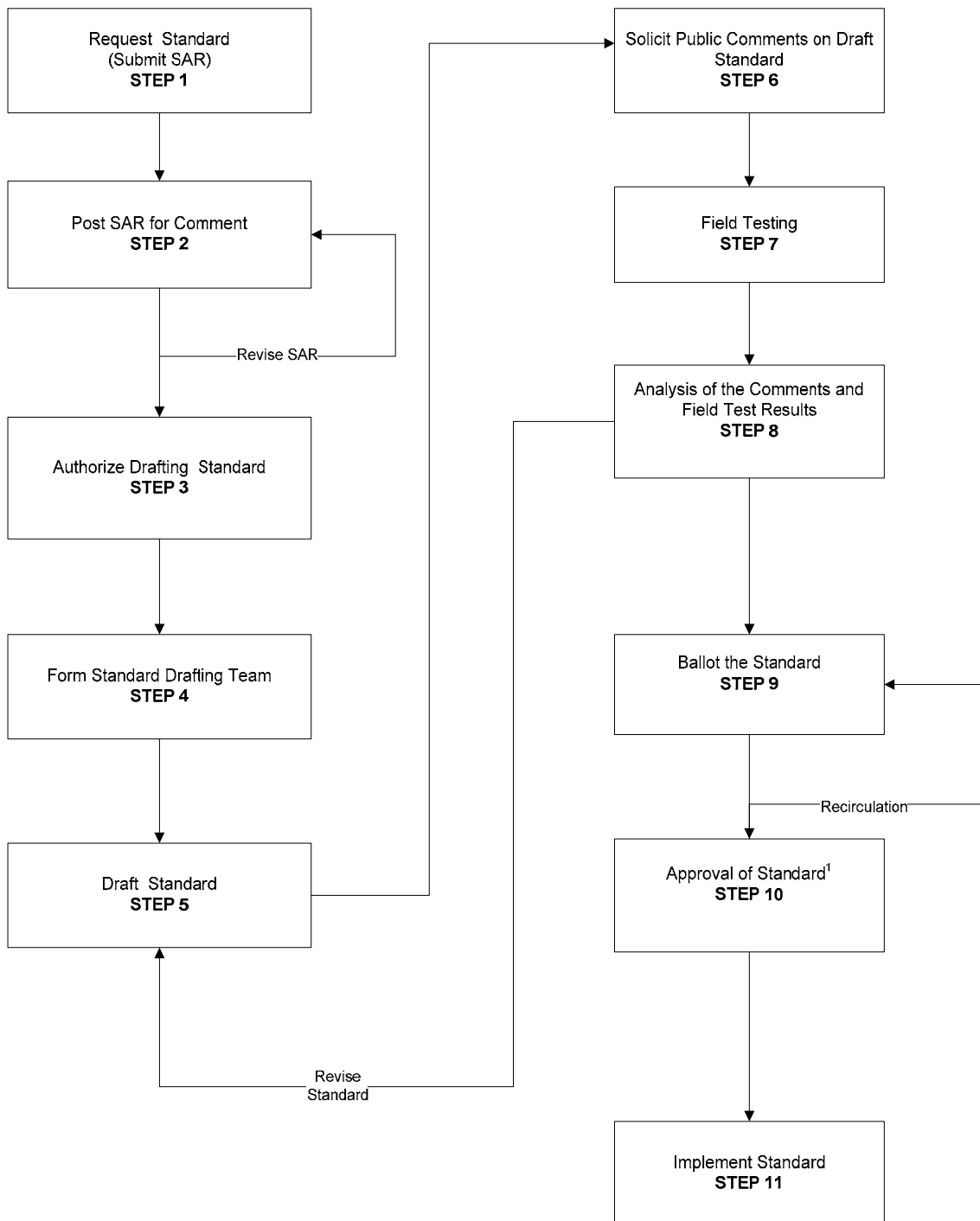
The following table identifies documents that may be developed to support a MRO Regional Reliability Standard. These documents may explain or facilitate implementation of standards but do not themselves contain



mandatory requirements subject to compliance review. Any requirements that are mandatory must be incorporated into the standard. For example, a procedure that must be followed as written must be incorporated into a MRO Regional Reliability Standard. If the procedure defines one way, but not necessarily the only way, to implement a standard it is more appropriately a reference.

<i>Type of Document</i>	<i>Description</i>	<i>Approval</i>
Standard Reference	Descriptive, explanatory information to support the understanding and interpretation of an MRO Regional Reliability Standard.	SC
Standard Supplement	Data forms, pro forma documents, and associated instructions that support the implementation of an MRO Regional Reliability Standard.	As assigned to the MRO Standing Committee
Procedure	Instructions defining a particular process or operation. Procedures may support the implementation of an MRO Regional Reliability Standard.	As assigned to the MRO Standing Committee
Technical Reference	Descriptive, technical information or analysis. A technical reference may support the implementation of an MRO Regional Reliability Standard.	As assigned to the MRO Standing Committee





¹After MRO Board approval, the standard is submitted to NERC for approval and filing to the applicable regulatory authorities. Upon regulatory acceptance or approval, the



standard becomes enforceable as a Reliability Standard. VIII. Appendix B – Information in a Standard Authorization Request

Below is a template of the required information to complete a Standard Authorization Request. The SPM shall be responsible for implementing and maintaining this form as needed to support the information requirements of the standards process.

Standard Authorization Request Form

Title of Proposed Standard
Request Date

SAR Requestor Information	SAR Type <i>(Check a box for each one that applies.)</i>
Name	<input type="checkbox"/> New Standard
Primary Contact	<input type="checkbox"/> Revision to existing Standard
Telephone Fax	<input type="checkbox"/> Withdrawal of existing Standard
E-mail	<input type="checkbox"/> Urgent Action

Purpose (Describe the purpose of the standard – what the standard will achieve in support of reliability.)

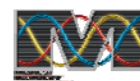
Industry Need (Provide a detailed statement justifying the need for the proposed standard, along with any supporting documentation.)

Brief Description (Describe the proposed standard in sufficient detail to clearly define the scope in a manner that can be easily understood by others.)



Reliability Functions

The Standard will apply to the Following Functions (Check box for each one that applies.)		
<input type="checkbox"/>	Reliability Authority	Ensures the reliability of the bulk transmission system within its Reliability Authority area. This is the highest Reliability Authority.
<input type="checkbox"/>	Balancing Authority	Integrates resource plans ahead of time, and maintains load-interchange-resource balance within its metered boundary and supports system frequency in real time.
<input type="checkbox"/>	Interchange Authority	Authorizes valid and balanced Interchange Schedules.
<input type="checkbox"/>	Planning Authority	Plans the Bulk Electric System.
<input type="checkbox"/>	Resource Planner	Develops a long-term (>one year) plan for the resource adequacy of specific loads within a Planning Authority area.
<input type="checkbox"/>	Transmission Planner	Develops a long-term (>one year) plan for the reliability of transmission systems within its portion of the Planning Authority area.
<input type="checkbox"/>	Transmission Service Provider	Provides transmission services to qualified market participants under applicable transmission service agreements
<input type="checkbox"/>	Transmission Owner	Owens transmission facilities.
<input type="checkbox"/>	Transmission Operator	Operates and maintains the transmission facilities, and executes switching orders.
<input type="checkbox"/>	Distribution Provider	Provides and operates the "wires" between the transmission system and the customer.
<input type="checkbox"/>	Generator Owner	Owens and maintains generation unit(s).
<input type="checkbox"/>	Generator Operator	Operates generation unit(s) and performs the functions of supplying energy and Interconnected Operations Services.
<input type="checkbox"/>	Purchasing-Selling Entity	The function of purchasing or selling energy, capacity, and all necessary Interconnected Operations Services as required.
<input type="checkbox"/>	Market Operator	Integrates energy, capacity, balancing, and transmission resources to achieve an economic, reliability-constrained dispatch.
<input type="checkbox"/>	Load-Serving Entity	Secures energy and transmission (and related generation services) to serve the end user.



NERC Reliability and Market Interface Principles

Applicable Reliability Principles (Check box for all that apply.)	
<input type="checkbox"/>	1. Interconnected bulk electric systems shall be planned and operated in a coordinated manner to perform reliably under normal and abnormal conditions as defined in the NERC Standards.
<input type="checkbox"/>	2. The frequency and voltage of interconnected bulk electric systems shall be controlled within defined limits through the balancing of real and reactive power supply and demand.
<input type="checkbox"/>	3. Information necessary for the planning and operation of interconnected bulk electric systems shall be made available to those entities responsible for planning and operating the systems reliably.
<input type="checkbox"/>	4. Plans for emergency operation and system restoration of interconnected bulk electric systems shall be developed, coordinated, maintained and implemented.
<input type="checkbox"/>	5. Facilities for communication, monitoring and control shall be provided, used and maintained for the reliability of interconnected bulk electric systems.
<input type="checkbox"/>	6. Personnel responsible for planning and operating interconnected bulk electric systems shall be trained, qualified, and have the responsibility and authority to implement actions.
<input type="checkbox"/>	7. The security of the interconnected bulk electric systems shall be assessed, monitored and maintained on a wide area basis.
<input type="checkbox"/>	8. Bulk power systems shall be protected from malicious physical or cyber attacks.
Does the proposed Standard comply with all of the following Market Interface Principles? (Select 'yes' or 'no' from the drop-down box.)	
1. The planning and operation of bulk electric systems shall recognize that reliability is an essential requirement of a robust North American economy. Yes	
2. A MRO Regional Reliability Standard shall not give any market participant an unfair competitive advantage. Yes	
3. A MRO Regional Reliability Standard shall neither mandate nor prohibit any specific market structure. Yes	
4. A MRO Regional Reliability Standard shall not preclude market solutions to achieving compliance with that Standard. Yes	
5. A MRO Regional Reliability Standard shall not require the public disclosure of commercially sensitive information. All market participants shall have equal opportunity to access commercially non-sensitive information that is required for compliance with reliability standards. Yes	



Related Standards

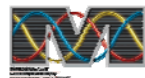
Standard No.	Explanation

Related SARs

SAR ID	Explanation

Regional Differences

Region	Explanation
ERCOT	
FRCC	
MRO	
NPCC	
SERC	
RFC	
SPP	
WECC	



IX. Appendix C –Registered Ballot Body (RBB) Registration Procedures

The RBB comprises all organizations and entities that:

1. qualify for one of the segments, and
2. are registered with MRO as ballot participants in the voting on standards, and
3. are current with any MRO designated fees associated with this program. Designated fees are defined as fees associated with the Standards Development process. At this time there are no fees for registration.

Each entity, when initially registering to join the RBB, and annually thereafter, will self-select to belong to one or more of the segments described below.

The SPM shall review all applications for joining the RBB, and make a determination of whether the self-selection satisfies at least one of the guidelines to belong to that segment. The entity will then be “credentialed” to participate as a voting member of that segment. The SC will decide disputes, with an appeal to the BOD.

In order to comment or vote you must have an active membership in the RBB. When you submit your registration request, you are placed in a “pending stage” until your account is activated. Activation of your account may take up to 24 hours. You will be unable to submit comments or vote until your account is activated.

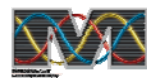
All registrations must be done electronically via the RSVP application (<http://rsvp.midwestreliability.org/rsvp/action/PubMainAction.jsessionid=47DOEF7CB59688BED492EB007FD9A0DF?type=Init>). There is no fee for registration at this time.

Segment Qualification Guidelines

The segment qualification guidelines are inclusive; i.e., any entity with a legitimate interest in the electric industry that can meet any one of the guidelines for a segment is entitled to belong to and vote in that segment. Only one vote per entity per segment is permitted.

The general guidelines for all segments are:

- Corporations or organizations with integrated operations or with affiliates that qualify to belong to more than one segment (e.g., Transmission Owners and Load Serving Entities) may belong to each of the segments in which they qualify, provided that each segment constitutes a separate membership in the RBB and is represented by a



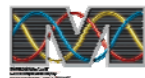
different representative. Only one vote per entity per segment registered is allowed.

- Corporations, organizations, and entities may participate freely in all subgroups.
- After their initial selection, registered participants may apply to change segments with thirty (30) days notice to the SPM. In addition, a registered participant cannot change segments during a balloting period once the participant has cast a vote or designated a proxy.
- Additionally, the SPM may change a participant segment under certain circumstances. These circumstances will be approved by the SC and posted on the RSVP.
- The qualification guidelines and rules for joining segments will be reviewed periodically by the SC to ensure that the process continues to be fair, open, balanced, and inclusive. Public input shall be solicited in the review of these guidelines.
- Since all balloting of standards will be done electronically, any registered participant may designate an agent or proxy to vote on its behalf. There are no limits on how many proxies an agent may hold. However, the MRO must have in its possession, either in writing or by e-mail, documentation that the voting right by proxy has been transferred from the registered participant to the agent prior to casting any vote.

Segments

Segment 1: Transmission Owners

- a. Any entity within the MRO region that owns or controls at least 200 circuit miles of integrated transmission facilities, or has an Open Access Transmission Tariff or equivalent on file with a regulatory authority.
- b. Transmission owners within the MRO region that have placed their transmission under the operational control of an RTO.
- c. Independent transmission companies or organizations, merchant transmission developers, and TRANSCOs that are in the MRO region and are not RTOs.
- d. Excludes RTOs, RCs and ISOs (that are eligible to belong to Segment 2).



Segment 2: Regional Transmission Organizations (RTOs), Regional Transmission Group (RTG), Independent System Operators (ISOs), Reliability Organizations, and Reliability Coordinators

- a. Authorized by appropriate regulator to operate as an RTO, RTG, or ISO within or adjacent to the MRO.
- b. Reliability Organizations certified by NERC or its successor.
- c. Check FERC definition.
- d. Reliability Coordinators within or adjacent to the MRO.
- e. In cases where the RTO or ISO and the RC have exactly the same geographic boundary, both may belong to this segment as long as they are separate entities.

Segment 3: Load-Serving Entities (LSEs)

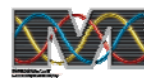
- a. Entities within the MRO region serving end-use customers under a regulated tariff, a contract governed by a regulatory tariff, or other legal obligation to serve.
- b. A member within the MRO region of a G&T cooperative or a joint-action agency is permitted to designate the G&T or joint-action agency to represent it in this segment; such designation does not preclude the G&T or joint-action agency from participation and voting in another segment representing its direct interests.

Segment 4: Electric Generators

- a. Affiliated and independent generators within the MRO region.
- b. A corporation that sets up separate corporate entities for each one or two generating plants within the MRO region in which it is involved may only have one vote in this segment regardless of how many single-plant or two-plant corporations the parent corporation has established or is involved in.

Segment 5: Electricity Brokers, Aggregators, and Marketers

- a. Entities serving end-use customers under a power marketing agreement or other authorization not classified as a regulated tariff.
- b. An entity that buys, sells, or brokers energy and related services for resale in wholesale or retail markets, whether a non-jurisdictional entity operating within its charter or an entity licensed by a jurisdictional regulator.



- c. G&T cooperatives and joint-action agencies that perform as an electricity broker, aggregator, or marketer function are permitted to belong to this segment.

Segment 6: Electricity End Users

- a. Service delivery taken within the MRO region that is not purchased for resale.
- b. Agents, associations, consumer advocates can represent groups of end users or a transmission dependent utility. A Transmission Dependent Utility (TDU) is defined as; an entity that relies on another entity for transmission service to service the majority of their contractual loads.

Segment 7: Federal, State, and Provincial Regulatory or other Government Entities

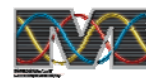
- a. Does not include Federal PMAs or TVA.
- b. May include PUCs.

X. Appendix D – Balloting Examples

The MRO voting mechanism differs from NERC in that a quorum is established if at least four Segments have submitted an affirmative, negative or abstention vote. A majority vote within a Segment is determined based on the affirmative and negative votes. A Standard is approved if at least two-thirds of the voting Segments have an affirmative vote. The following are examples of potential voting scenarios. The yellow areas indicate where a Segment did not cast a vote. The green areas with **bold** numbers represent majority votes within a Segment.

Example RBB

Segment	Number Registered in the RBB
1. Transmission Owners	15
2. RTO's, ISO's, RRO's & Reliability Coordinators	4
3. Load Serving Entities	16
4. Electric Generators	21
5. Electricity Brokers, Aggregators, & Marketers	7
6. Electricity End Users	6
7. Federal, State, & Provincial Regulatory or other Government Entities	8
Totals	77



Example 1 – A quorum has been established with 5 of the 7 Segments having registered an affirmative, negative, or an abstention vote. Two-thirds of the Segments (4 of 5 voting Segments) have voted to approve the Standard. The Standard is approved.

Segment	Ballot Pool	Votes			
		Affirmative Votes	Negative Votes	Abstain Votes	No Ballot
1. Transmission Owners	15	10	2	1	2
2. RTO's, ISO's, RRO's & Reliability Coordinators	4	3	0	0	1
3. Load Serving Entities	16	3	6	2	5
4. Electric Generators	21	13	0	1	7
5. Electricity Brokers, Aggregators, & Marketers	7	0	0	0	7
6. Electricity End Users	6	0	0	0	6
7. Federal, State, & Provincial Regulatory or other Government Entities	8	3	0	1	4
Totals	77				

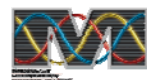


Example 2 – A quorum has been established with 4 of the 7 Segments having registered an affirmative, negative, or an abstention vote. Less than two-thirds of the Segments (1 of 4 voting Segments) have voted to approve the Standard. The Standard is NOT approved.

Segment	Ballot Pool	Votes			
		Affirmative Votes	Negative Votes	Abstain Votes	No Ballot
1. Transmission Owners	15	10	2	1	2
2. RTO's, ISO's, RRO's & Reliability Coordinators	4	1	2	0	1
3. Load Serving Entities	16	3	6	2	5
4. Electric Generators	21	0	0	0	21
5. Electricity Brokers, Aggregators, & Marketers	7	0	0	0	7
6. Electricity End Users	6	0	0	0	6
7. Federal, State, & Provincial Regulatory or other Government Entities	8	0	3	1	4
Totals	77				

Example 3 – A quorum has not been established because only 3 of the 7 Segments have registered an affirmative, negative, or an abstention vote. The Standard is NOT approved because of a lack of a quorum.

Segment	Ballot Pool	Votes			
		Affirmative Votes	Negative Votes	Abstain Votes	No Ballot
1. Transmission Owners	15	10	2	1	2
2. RTO's, ISO's, RRO's & Reliability Coordinators	4	4	0	0	0
3. Load Serving Entities	16	3	6	2	5
4. Electric Generators	21	0	0	0	21
5. Electricity Brokers, Aggregators, & Marketers	7	0	0	0	7
6. Electricity End Users	6	0	0	0	6
7. Federal, State, & Provincial Regulatory or other Government Entities	8	0	0	0	8
Totals	77				



Example 4 – A quorum has been established with 6 of the 7 Segments having registered an affirmative, negative, or an abstention vote. The Standard is NOT approved because two-thirds of the Segments did not cast an affirmative vote. Segment 2's vote is considered negative because a majority did not cast an affirmative vote.

Segment	Ballot Pool	Votes			
		Affirmative Votes	Negative Votes	Abstain Votes	No Ballot
1. Transmission Owners	15	10	2	1	2
2. RTO's, ISO's, RRO's & Reliability Coordinators	4	2	2	0	0
3. Load Serving Entities	16	3	6	2	5
4. Electric Generators	21	10	9	1	1
5. Electricity Brokers, Aggregators, & Marketers	7	4	3	0	0
6. Electricity End Users	6	0	0	0	6
7. Federal, State, & Provincial Regulatory or other Government Entities	8	2	3	0	3
Totals	77				

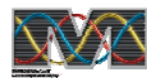


Exhibit D – Compliance Monitoring and Enforcement Program

1.0 Regional Compliance Monitoring and Enforcement Program

Midwest Reliability Organization (“MRO”) will implement the NERC Compliance Monitoring and Enforcement Program (Appendix 4C to the NERC Rules of Procedure) to monitor and enforce compliance with Reliability Standards by the owners, operators, and users within MRO’s geographic boundaries set forth on **Exhibit A** of this Agreement. The MRO shall implement the compliance monitoring and enforcement processes and procedures as described in the NERC Compliance Monitoring and Enforcement Program document without deviation.

2.0 Regional Hearing of Compliance Matters

MRO shall establish and maintain a hearing body with authority to conduct and render decisions in compliance hearings in which a Registered Entity may contest a finding of alleged violation, proposed penalty or sanction, or a proposed mitigation plan. MRO’s hearing body is the Board of Directors.

3.0 Other Decision-Making Bodies

A presiding officer who presides over the reception of evidence may prepare recommendations to be used by the Board of Directors in preparing its decision in a compliance hearing. Also, as described in other areas of the Agreement and in the business plan, the MRO Compliance Committee may provide technical review of alleged violations in support of staff as needed.



Exhibit E - Funding

1. Scope of activities funded through the ERO funding mechanism

Midwest Reliability Organization (“MRO”) shall include in its annual budget submission to NERC amounts for costs it will incur in support of delegated activities and activities that are in furtherance of NERC’s responsibilities as the ERO under the Act, as specified in the NERC Rules. These activities shall include:

- Reliability Standard Development (Section 300)
- Compliance Enforcement (Section 400)
- Organization Registration and Certification (Section 500)
- Reliability Readiness Evaluation and Improvement (Section 700)
- Reliability Assessment and Performance Analysis (Section 800), (including necessary data gathering activities)
- Training and Education (Section 900)
- Situational Awareness and Infrastructure Security (Section 1000)

2. Allocation of Costs

MRO shall allocate its dues, fees, and other charges for its activities pursuant to the delegation agreement among all load serving entities on the basis of net-energy-to-load, 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. MRO shall submit to NERC annually at the same time it submits its budget request a list of the load-serving entities within its geographic boundaries and their proportionate net energy for load, and such other data and information as necessary to allocate and calculate MRO’s dues, fees and charges under any such different method(s) of allocation and calculation that will be used.

3. Collection of Funding

(a) NERC shall submit invoices to the load-serving entities identified by MRO covering the NERC and MRO budgets approved for collection. NERC shall pursue any non-payments and shall request assistance from applicable governmental authorities as necessary to secure collection.

(b) Upon approval of the annual funding requirements by applicable governmental



authorities, NERC shall fund MRO's costs identified in Section 1 of this Exhibit E in four equal quarterly payments.

4. Application of Penalties

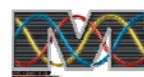
All penalty monies received by MRO, other than penalty monies received from an operational function or division or affiliated entity of MRO shall be applied as a general offset to the entity's budget requirements for the U.S.-related activities under this Agreement for the subsequent fiscal year. Funds from financial penalties shall not be directly applied to any program maintained by the investigating entity. Any penalty monies received from an operational function or division or affiliated entity of MRO 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. Budget and Funding for MRO's Non-Statutory Activities

In addition to its delegated activities and activities that are in furtherance of NERC's responsibilities as the ERO under the Act, as specified in Section 1 of this **Exhibit E** (such functions and activities referred to in this Section 5 as "statutory activities"), MRO performs the following other functions and activities (such other functions and activities being referred to in this Section 5 as "non-statutory activities"):

2007/2008 Description of Non-Statutory Activities:

MRO has a services agreement with MAPPCOR, a separate, non-profit corporation. MRO provides limited IT and administrative services through the end of 2008 to MAPPCOR, at cost, through the services agreement. The services agreement was a result of an Asset Purchase Agreement dated December 31, 2006 whereby MRO purchased assets and assumed employees from MAPPCOR related to reliability functions following the passage of the Energy Policy Act of 2005 and creation of the international ERO. MRO executed the Asset Purchase Agreement to assure complete organizational separation from a third party. Prior to the



Asset Purchase Agreement, MRO obtained services from the third party, MAPPCOR. In order to assure continuity of operation, MRO agreed to provide these services to MAPPCOR.

2009 and Beyond: None

MRO shall employ the following methods and procedures to (i) keep its funding mechanisms for its statutory activities separate from its funding mechanisms for its non-statutory activities, and (ii) record the costs it incurs in the performance of its non-statutory functions separately from the costs it incurs in the performance of its statutory functions:

- MRO maintains separate accounts and billing procedures for its non-statutory services
- Scope of services are limited to the service agreement and are “fee for services.”
- MRO uses a labor reporting system to assure staff costs are properly recorded
- Services agreement is with a third party which is subject to a rigorous cost “true-up” at the end of each year.
- MRO has no other membership or initiation fees. The MRO Board of Directors approves the budget and may establish “initiation fees” for new members. MRO had established a \$1,000 initiation fee to cover administrative costs, but waived the fee for small end use load members. In accordance with the Commission’s findings, the MRO Board has approved that no membership-related fees are assessed to new or existing members of MRO.

MRO shall provide its budget for such non-statutory activities to NERC at the same time that MRO submits its annual budget request to NERC pursuant to Section 1. MRO’s budget for non-statutory activities that is provided to NERC shall contain a detailed list of MRO’s non-statutory activities and a



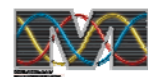
description of the funding sources for the non-statutory activities. MRO agrees that no costs of non-statutory activities are to be included in the calculation of MRO's dues, fees, and other charges for its statutory activities.



7.1E – MRO List of Load Serving Entities

<u>Load Serving Entity - United States</u>	<u>2005 Peak Load (MW)</u>	<u>2005 Member Reported NEL(MWh)</u>	<u>2005 Pct to Total Mwh</u>
1 Basin Electric Power Cooperative	1461	7,413,000.00	3.38%
2 Central Iowa Power Cooperative (CIPCO)	622	3,053,421.00	1.39%
3 Corn Belt Power Cooperative	313	1,703,808.00	0.78%
4 Dairyland Power Cooperative / GEN-SYS Energy	859	4,811,634.00	2.20%
5 Great River Energy	2495	12,708,000.00	5.80%
6 Minnkota Power Cooperative, Inc.	525	3,759,195.00	1.72%
7 Nebraska Public Power District	2539	11,651,103.00	5.32%
8 Omaha Public Power District	2236	10,040,432.00	4.58%
9 Southern Montana Generation and Transmission	5	16,482.00	0.01%
10 Western Area Power Administration (UM)	1116	6,523,000.00	2.98%
11 Western Area Power Administration (LM)	11	333,383.32	0.15%
12 Alliant Energy (Alliant East - WPL & Alliant West IPL)	5800	29,699,240.00	13.56%
13 Madison, Gas and Electric	699	3,375,415.00	1.54%
14 MidAmerican Energy Company	4040	20,471,869.00	9.35%
15 Minnesota Power	1717	12,806,000.00	5.85%
16 Montana-Dakota Utilities Co.	459	2,327,095.00	1.06%
17 Northwestern Public Service Company	296	1,350,321.00	0.62%
18 Otter Tail Power Company	665	3,895,253.00	1.78%
19 WPS Resources (WPS and UPPCO)	2477	14,799,496.00	6.76%
20 Xcel Energy Company (NSP)	8501	46,066,176.00	21.03%
21 Ames Municipal Electric System	149	783,339.00	0.36%
22 Auburn Board of Public Works	15	71,697.00	0.03%
23 Badger Power Marketing Authority of Wisconsin, Inc.	68	374,493.00	0.17%
24 Cedar Falls Municipal Utilities	96	459,218.00	0.21%
25 Central Minnesota Municipal Power Agency (CMMPA)	128	595,735.35	0.27%
26 City of Escanaba Electric Department	30	148,525.00	0.07%
27 Falls City Water & Light Department	14	53,171.58	0.02%
28 Fremont Department of Utilities	101	429,146.79	0.20%
29 Geneseo Municipal Utilities	18	80,964.00	0.04%
30 Grand Island Utilities Department	158	697,007.00	0.32%
31 Hastings Utilities	101	496,369.00	0.23%
32 Heartland Consumers Power District	94	620,000.00	0.28%
33 Hutchinson Utilities Commission	63	319,471.00	0.15%
34 Iowa Association of Municipal Utilities	104	499,554.00	0.23%
35 Lincoln Electric System	766	3,505,800.00	1.60%
36 Manitowoc Public Utilities	105	557,131.00	0.25%
37 McGregor and St. Charles Municipal (GEN-SYS Energy)	6	63.80	0.00%
38 Missouri River Energy Services	353	1,886,000.00	0.86%
39 MN Municipal Power Agency (MMPA)	186	922,291.00	0.42%
40 Municipal Energy Agency of Nebraska	122	524,163.00	0.24%
41 Muscatine Power and Water	141	905,017.00	0.41%
42 Nebraska City Utilities	36	27,903.30	0.01%
43 Rochester Public Utilities	48	17,731.00	0.01%
44 Southern Minnesota Municipal Power Agency	529	2,909,681.00	1.33%
45 Willmar Municipal Utilities	58	298,572.00	0.14%
46 Wisconsin Public Power, Inc. (East and West regions)	904	5,014,498.00	2.29%
Totals		219,001,865.14	100.00%

<u>Load Serving Entity - Canada</u>	<u>2005 Peak Load (MW)</u>	<u>2005 Member Reported NEL(MWh)</u>	<u>2005 Pct to Total Mwh</u>
1 Manitoba Hydro	4209	23,977,747.00	55.80%
2 SaskPower	2890	18,994,298.00	44.20%
Totals		42,972,045.00	100.00%



ATTACHMENT 5B
REDLINED VERSION

**AMENDED AND RESTATED DELEGATION AGREEMENT BETWEEN
NORTH AMERICAN ELECTRIC RELIABILITY CORPORATION
AND MIDWEST RELIABILITY ORGANIZATION**

AMENDED AND RESTATED 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 Midwest Reliability Organization, 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 Midwest Reliability Organization may be individually referred to herein as “Party” or collectively as “Parties.”

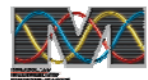
WITNESSETH

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 Midwest Reliability Organization 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, Midwest Reliability Organization is not organized on an Interconnection-wide basis and therefore is not entitled to the rebuttable presumptions accorded such an entity;



WHEREAS, NERC will work through Midwest Reliability Organization 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 Midwest Reliability Organization 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 Midwest Reliability Organization, 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 Midwest Reliability Organization to propose and enforce Reliability Standards pursuant to the Act.

(d) Midwest Reliability Organization Rules means the bylaws, a rule of procedure or other organizational rule or protocol of Midwest Reliability Organization.

(e) 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, Midwest Reliability Organization hereby represents and warrants to NERC that:

(i) Midwest Reliability Organization is and shall remain during the term of this Agreement validly existing and in good standing pursuant to 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. Midwest Reliability Organization is governed in accordance with its bylaws by a balanced stakeholder board. Pursuant to these bylaws, no two industry sectors can control any Midwest Reliability Organization decision and no single industry sector can veto any Midwest Reliability Organization decision. The relevant portions of such bylaws are attached hereto in **Exhibit B**¹, and as so attached are in full force and effect. No other such corporate governance documents are binding upon Midwest Reliability Organization.

(ii) As set forth in **Exhibit C** hereto², Midwest Reliability Organization has developed a standards development procedure, which provides the process that Midwest Reliability Organization may use to develop Regional Reliability Standards ~~[and Regional Variances, if the regional entity is organized on an Interconnection wide basis]~~ that are proposed to NERC for adoption.

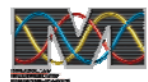
(iii) As set forth in **Exhibit D** hereto³, Midwest Reliability Organization has developed a regional compliance enforcement program, which provides for the enforcement of Reliability Standards within its geographic boundaries.

(b) NERC hereby represents and warrants to Midwest Reliability Organization that:

¹ The **Exhibit B** from each Regional Entity shall meet the requirements contained in **Exhibit B** to this pro forma Agreement.

² The **Exhibit C** from each Regional Entity shall meet the requirements contained in **Exhibit C** to this pro forma Agreement.

³ The **Exhibit D** from each Regional Entity shall meet the requirements contained in **Exhibit D** to this pro forma Agreement.



(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.

3. Covenants.

(a) During the term of this Agreement, Midwest Reliability Organization shall maintain and preserve its qualifications for delegation pursuant to the Act and shall not amend the Midwest Reliability Organization 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 Midwest Reliability Organization under this Agreement without first obtaining the consent of Midwest Reliability Organization, which consent shall not be unreasonably withheld or delayed.

(c) During the term of this agreement, NERC and Midwest Reliability Organization 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 Midwest Reliability Organization 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 Midwest Reliability Organization for the purpose of proposing Reliability Standards to NERC, as set forth in Section 5 of this Agreement, and



enforcing Reliability Standards, as set forth in Section 6 of this Agreement, 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) For Cross-Border Regional Entities, the authority delegated by this Agreement shall extend 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 Midwest Reliability Organization and NERC shall endeavor to ensure that this Agreement and such separate agreements are compatible.

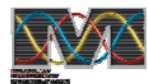
(c) As a condition to this delegation of authority and subject to the provisions of section 16 of this Agreement, Midwest Reliability Organization shall comply with the applicable provisions of NERC's Certificate of Incorporation, Bylaws, Rules of Procedure, and Reliability Standards, as from time to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

5. Reliability Standards.

(a) In connection with its Delegated Authority, Midwest Reliability Organization shall be entitled to:

(i) propose Reliability Standards, Regional Variances, 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 Midwest Reliability Organization reasonable notice and opportunity to be heard; and

(ii) develop Regional Reliability Standards through Midwest Reliability Organization's process as set forth in **Exhibit C**. Proposals approved through Midwest Reliability Organization's process shall be reviewed by the NERC Board of Trustees after NERC provides notice and an opportunity for interested persons to comment. In the case of a proposal from a Regional Entity organized on an Interconnection-wide basis, comments shall be limited to the factors identified in NERC Rule 313, section 3.1 as it may be amended from time to time. The NERC board of trustees shall promptly thereafter consider such proposed Regional Reliability Standard or Regional Variance, applying the rebuttable presumption described in



subsection 5(b) if the proposed Regional Reliability Standard or Regional Variance is from a Regional Entity organized on an Interconnection-wide basis, and either approve the proposed standard and submit it to the Commission for approval, or disapprove it in writing setting forth its reasons. Midwest Reliability Organization may appeal any disapproval of a proposed Regional Reliability Standard or Regional Variance to the Commission.

(b) Pursuant to Section 215(d)(3) of the Act, NERC shall rebuttably presume that a proposal from a Regional Entity organized on an Interconnection-wide basis for a Regional Reliability Standard or Regional Variance 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.

6. Enforcement.

(a) In connection with its delegated authority pursuant to this Agreement, Midwest Reliability Organization shall enforce Reliability Standards (including Regional Reliability Standards and Regional Variances) within the geographic boundaries set forth in **Exhibit A** through the compliance enforcement program set forth in **Exhibit D**. NERC and Midwest Reliability Organization 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. Midwest Reliability Organization 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, Midwest Reliability Organization agrees to comply with the NERC Rules in implementing this program.

(b) Midwest Reliability Organization shall report promptly to NERC any self-reported violation or investigation of a violation or an alleged violation of a Reliability Standard and its eventual disposition. Such report shall include the owner's, operator's, or user's name, which Reliability Standard or Reliability Standards were violated or allegedly violated, when the violation or alleged violation occurred, other pertinent facts about the violation including



circumstances surrounding the violation with any known risk to the bulk power system, when the violation was or will be mitigated, the name of a person knowledgeable about the violation or alleged violation to serve as a point of contact with the Commission, and any other information required by NERC compliance program procedures. NERC shall promptly forward such report to the Commission. NERC and Midwest Reliability Organization shall cooperate in filing such periodic summary reports as the Commission shall from time to time direct on violations of Reliability Standards and summary analyses of such violations.

(c) Each violation or alleged violation shall be treated as nonpublic until the matter is filed with the Commission as a notice of penalty or resolved by an admission that the owner, operator, or user of the bulk power system violated a Reliability Standard or by a settlement or other negotiated disposition. The disposition of each violation or alleged violation that relates to a Cybersecurity Incident or that would jeopardize the security of the bulk power system if publicly disclosed shall be nonpublic unless the Commission directs otherwise.

(d) All appeals of penalties imposed by Midwest Reliability Organization shall be filed with NERC, in accordance with the NERC Rules.

(e) Midwest Reliability Organization shall maintain the capability to conduct investigations of potential violations of Reliability Standards and to conduct such investigations in a confidential manner.

(f) Midwest Reliability Organization shall maintain a program of proactive enforcement audits including procedures for spot-checks of self-reported compliance and periodic audits of all responsible entities as defined in **Exhibit D**.

(g) As part of its compliance enforcement program, Midwest Reliability Organization shall maintain a conflict of interest policy that assures the integrity of such program and the independence of the compliance program staff from those subject to enforcement actions.

(h) As often as NERC deems necessary, but no less than every three years, NERC shall review Midwest Reliability Organization'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 the bulk power system.

(i) Midwest Reliability Organization 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 Sections 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(h) 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.

(j) 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 Midwest Reliability Organization 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. Midwest Reliability Organization 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 Midwest Reliability Organization activities necessary for Midwest Reliability Organization 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 Midwest Reliability Organization without providing appropriate funding to carry out such mandates;

(b) Midwest Reliability Organization and NERC agree that costs of carrying out Midwest Reliability Organization's responsibilities under the Delegation Agreement will be equitably allocated among end users within the geographic boundaries described in **Exhibit A**

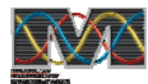


and recovered through a formula based on net energy for load, or through such other formula as is proposed by Midwest Reliability Organization and approved by NERC and the Commission. If Midwest Reliability Organization proposes to use a formula other than net energy for load beginning in the following year, Midwest Reliability Organization 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, with such other formula to be effective expressly provided for in the annual business plan and budget submitted by NERC and Midwest Reliability Organization to the Commission pursuant to 18 C.F.R. §39.4 following such approval, for such year as set forth in **Exhibit 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 Midwest Reliability Organization with the form for budget submittal no later than April 30 of the prior year.

(e) Midwest Reliability Organization shall submit its annual budget for carrying out its Delegated Authority functions and related activities listed on **Exhibit E**, as well as all other Midwest Reliability Organization 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 Midwest Reliability Organization budget submission shall include supporting materials, including Midwest Reliability Organization'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. NERC shall develop, in consultation with the Regional Entities, 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. Midwest Reliability Organization shall follow NERC's prescribed system of accounts except to the extent that 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.](#)

(f) Midwest Reliability Organization's funding system shall include reasonable reserve funding for unforeseen and extraordinary expenses and other contingencies, consistent with generally accepted accounting principles.

(g) NERC shall review and approve Midwest Reliability Organization's budget for meeting its responsibilities under the Delegation Agreement.

(h) Midwest Reliability Organization 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).

(i) Midwest Reliability Organization 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.

(j) 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 Midwest Reliability Organization in order to ensure that the documentation fairly represents in all material respects appropriate funding under this Agreement.

(k) **Exhibit E** to this Agreement sets forth the mechanism through which Midwest Reliability Organization 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 Midwest Reliability Organization shall transmit to NERC any penalty monies received from an operational function or division or affiliated entity of Midwest Reliability Organization.

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, 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. Midwest Reliability Organization may not delegate in whole or in part its Delegated Authority to any other entity; provided, however, that nothing in this provision shall prohibit Midwest Reliability Organization from contracting with other entities to assist it in carrying out its Delegated Authority, provided Midwest Reliability Organization 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 non-breaching 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 Commission (122 FERC 61,245) 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 pursuant to subsections 6(e) and 7(i) to ensure that Midwest Reliability Organization continues to meet all applicable statutory and regulatory requirements necessary to maintain its eligibility for delegation. If Midwest Reliability Organization 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 Midwest Reliability Organization'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 Midwest Reliability Organization 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 Midwest Reliability Organization 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. Midwest Reliability Organization 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 Midwest Reliability Organization 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 Midwest Reliability Organization'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 Midwest Reliability Organization or NERC is found liable for gross negligence or intentional misconduct, in which case Midwest Reliability Organization 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 Section 1500 of 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 the 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 Midwest Reliability Organization under this Agreement without first obtaining the consent of Midwest Reliability Organization, which consent shall not be unreasonably withheld or delayed. To the extent Midwest Reliability Organization 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 Midwest Reliability Organization under this Agreement, Midwest Reliability Organization 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 Midwest Reliability Organization to NERC and the Commission, or at such other time as may be mutually agreed by Midwest Reliability Organization and NERC.

17. Dispute Resolution. In the event a dispute arises under this Agreement between NERC and Midwest Reliability Organization, 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: Dave Nevius
Facsimile: (609) 452-9550

If to Midwest Reliability Organization:

Midwest Reliability Organization
2774 Cleveland Avenue N.
Roseville, MN 55113
Attn: Wayne VanOsdol
Facsimile: (651) 855-1712

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 Midwest Reliability Organization 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

MIDWEST RELIABILITY
ORGANIZATION

By: _____

By: _____

Name: David A. Whiteley

Name: Daniel P. Skaar

Title: Executive Vice President

Title: President

Date:

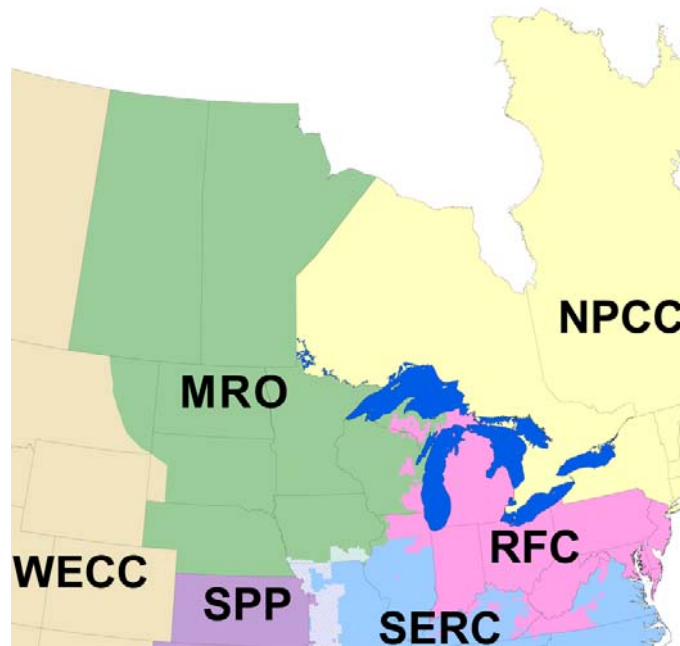
Date:



Exhibit A - Regional Boundaries

The Midwest Reliability Organization (MRO) is one of eight Regional Reliability Organizations that comprise the North American Electric Reliability Council (NERC). The MRO is a non-profit organization committed to safeguarding the reliability of the electric power system in the upper Midwest part of North America.

The region supplies approximately 280,000,000 terawatt-hours to more than twenty million people and spans nine states (Illinois, Iowa, Michigan, Minnesota, Montana, Nebraska, North Dakota, South Dakota, and Wisconsin) and two Canadian provinces (Manitoba and Saskatchewan) covering roughly one million square miles.



The service territory or corporate footprint of the region as identified in the map above is based upon Load Serving Entities, or by load. See Exhibit E for a list of the Load Serving Entities.

For a more detailed map please refer to <http://www.midwestreliability.org>.

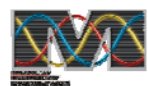


Exhibit B - Governance

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
MIDWEST RELIABILITY ORGANIZATION, INC.**

As amended through March 29, 2007

TABLE OF CONTENTS

ARTICLE 1	DEFINITIONS	1
Section 1.1	Affiliate	1
Section 1.2	Bulk-Power System	1
Section 1.3	Bulk-Power System Users	1
Section 1.4	Canadian Utilities	1
Section 1.5	Cooperative	1
Section 1.6	Corporate Region	1
Section 1.7	FERC	1
Section 1.8	Federal Power Marketing Agencies	2
Section 1.9	Generators and Power Marketers	2
Section 1.10	Good Utility Practice	2
Section 1.11	Industry Sector(s)	2
Section 1.12	Investor Owned Utility	2
Section 1.13	Large End-Use Electricity Customers	2
Section 1.14	MAPP	2
Section 1.15	Member	2
Section 1.16	Municipal Utilities	3
Section 1.17	NERC	3
Section 1.18	Organizational Standards	3
Section 1.19	Person	3
Section 1.20	Public Utility District	3
Section 1.21	Regional Entity	3
Section 1.22	Regulatory Participant	3
Section 1.23	Reliability Standard	3
Section 1.24	Small End-Use Electricity Customers	3
Section 1.25	Transmission System Operator	3
ARTICLE 2	PURPOSE	4
Section 2.1	Purpose	4
Section 2.2	Activities	4
Section 2.3	Not-for-Profit Corporation	4
ARTICLE 3	POWERS	4
Section 3.1	Powers	4
ARTICLE 4	OFFICES	4
Section 4.1	Offices	4
ARTICLE 5	MEMBERS	5
Section 5.1	Classes of Members	5
Section 5.2	Qualifications of Members	5
Section 5.3	Admission of Members	5

Section 5.4	Voting Rights.....	5
Section 5.5	Transfer of Membership	5
Section 5.6	Obligations of Members	5
Section 5.7	Withdrawal.....	5
Section 5.8	Budget and Fees	6
ARTICLE 6 MEETING OF MEMBERS		6
Section 6.1	Annual Meeting of Members	6
Section 6.2	Special Meetings of Members	6
6.2.1	Who May Call.	6
6.2.2	Notice of Meeting.	7
6.2.3	Time and Place of Special Meetings.....	7
6.2.4	Notice Requirements; Business Limited.....	7
Section 6.3	Notice Requirements.....	7
6.3.1	To Whom Given.	7
6.3.2	When Given; Contents.	7
6.3.3	Waiver of Notice; Objections.....	7
Section 6.4	Record Date; Determining Members Entitled to Notice and Vote.....	8
Section 6.5	Right to Vote; Act of Members.....	8
6.5.1	Special Voting Requirements.....	8
6.5.2	Change of Dues Structure.	8
6.5.3	Fractional Voting Alternative.....	8
Section 6.6	Quorum.....	8
Section 6.7	Action by Written Ballot	9
Section 6.8	Action by Electronic Communication.....	9
Section 6.9	Member Representatives; Proxies.....	9
6.9.1.	Designation of Representative.	9
6.9.2	Authorization.....	9
6.9.3	Effective Period.	9
6.9.4	Revocation.	9
Section 6.10	Reimbursement of Member Expenses	10
ARTICLE 7 BOARD OF DIRECTORS		10
Section 7.1	Management of Corporation	10
Section 7.2	Voting.....	10
Section 7.3	Composition of the Board of Directors	10
Section 7.4	Terms of Directors	11
Section 7.5	Reimbursement	11
Section 7.6	Vacancies	11
Section 7.7	Meetings; Notice.....	11
Section 7.8	Quorum.....	12
Section 7.9	Board Action.....	12
Section 7.10	Action Without a Meeting.....	12
Section 7.11	Action by Electronic Communication.....	12
ARTICLE 8 ORGANIZATIONAL GROUPS		12

Section 8.1	Establishment of Organizational Groups	12
Section 8.2	Reimbursement	13
ARTICLE 9	OFFICERS	13
Section 9.1	Officers.....	13
Section 9.2	Election and Term of Office.....	13
Section 9.3	Removal	13
Section 9.4	Vacancies	13
Section 9.5	President	13
Section 9.6	Secretary	14
Section 9.7	Treasurer	14
ARTICLE 10	CERTIFICATES OF MEMBERSHIP	14
Section 10.1	Certificates of Membership.....	14
ARTICLE 11	BOOKS AND RECORDS	15
Section 11.1	Books and Records; Financial Statements	15
ARTICLE 12	FISCAL YEAR.....	15
Section 12.1	Fiscal Year	15
ARTICLE 13	TRANSFER OF ASSETS.....	15
Section 13.1	Member Approval Not Required	15
Section 13.2	Member approval; when required	15
ARTICLE 14	CONTRACTS, CHECKS, DEPOSITS, AND GIFTS	15
Section 14.1	Contracts.....	15
Section 14.2	Checks, Drafts, or Orders	16
Section 14.3	Deposits	16
Section 14.4	Gifts	16
ARTICLE 15	INSURANCE, LIABILITY, AND INDEMNIFICATION.....	16
Section 15.1	Insurance	16
Section 15.2	Limitations on Liability.....	16
Section 15.3	Indemnification	16
ARTICLE 16	TRANSITION	18
Section 16.1	.....	18
ARTICLE 17	PARTICIPATION BY REGULATORY PARTICIPANTS.....	18
Section 17.1	.....	18
ARTICLE 18	PARTICIPATION BY FEDERAL POWER MARKETING ADMINISTRATIONS.....	18
Section 18.1	.....	18
Section 18.2	.....	18

Section 18.3	19
Section 18.4	19
Section 18.5	19
18.5.1.	19
18.5.2.	19
18.5.3.	19
ARTICLE 19 DETERMINATION OF VIOLATIONS AND DISPUTE	
RESOLUTION.....	19
Section 19.1	19
Section 19.2	20
ARTICLE 20 AMENDMENT OF BYLAWS.....	20
Section 20.1	20

**BYLAWS
OF THE
MIDWEST RELIABILITY ORGANIZATION, INC**
a Delaware nonprofit corporation
(the “Corporation”)

ARTICLE 1
DEFINITIONS

Section 1.1 Affiliate. “Affiliate” means with respect to any entity, any other entity that, directly or indirectly, through one or more intermediaries, controls, or is controlled by, or is under common control with, such entity, as determined in the sole discretion of the board of directors of the Corporation. For this purpose, “control” may be presumed by the direct or indirect ownership of 50 percent or more of the outstanding voting capital stock or other equity interests having ordinary voting power. A member of, or owner of an interest in, a transmission company that FERC has found meets the independence requirements for a regional transmission organization shall not be deemed to be an affiliate of such transmission company.

Section 1.2 Bulk-Power System. “Bulk-Power System” means (1) facilities and control systems necessary for operating an interconnected electric energy transmission network (or any portion thereof); and (2) electric energy from generation facilities needed to maintain transmission system reliability. The term does not include facilities used in local distribution of electric energy. The term Bulk-Power System shall be interpreted consistently with any definition given by NERC.

Section 1.3 Bulk-Power System Users. “Bulk-Power System Users” means any entity that sells, purchases, or transmits electric power over the Bulk-Power System, or that owns, operates or maintains facilities or control systems that are part of the Bulk-Power System.

Section 1.4 Canadian Utilities. “Canadian Utilities” means any government-owned utility serving in Canada within the Corporate Region.

Section 1.5 Cooperative. “Cooperative” means an entity serving within the Corporate Region which generally has the following characteristics: (1) private independent electric utility; (2) incorporated under the laws of the states in which they operate; (3) established to provide electric service to its members; (4) owned by the consumers they serve; and (5) governed by a board of directors elected from the membership. This sector includes Generation and Transmission Cooperatives and Public Utility Districts.

Section 1.6 Corporate Region. “Corporate Region” means the geographic area boundaries of the Bulk-Power Systems as designated by each of the Members.

Section 1.7 FERC. “FERC” means the Federal Energy Regulatory Commission.

Section 1.8 Federal Power Marketing Agencies. “Federal Power Marketing Agencies” means agencies of the federal government created to market power within the Corporate Region.

Section 1.9 Generators and Power Marketers. “Generators and Power Marketers” means any entity that owns or operates more than 50 MW of generation in the Corporate Region, or is a power marketer doing business in the Corporate Region, and that does not qualify also to participate in the Investor-Owned Utility, Cooperative, Municipal Utility, Federal Power Marketing Agency or Canadian Utilities Sector.

Section 1.10 Good Utility Practice. “Good Utility Practice” means 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.

Section 1.11 Industry Sector(s). “Industry Sector or Sector(s)” means a group of Bulk-Power System Users in the Corporate Region with substantially similar reliability interests, as determined by these Bylaws. The Industry Sectors shall include the following: (1) Transmission System Operators; (2) Generators and Power Marketers; (3) Investor Owned Utilities (4) Cooperatives; (5) Municipal Utilities (6) Federal Power Marketing Agencies; (7) Canadian Utilities; (8) Large End-Use Electricity Customers; and (9) Small End-Use Load Electricity Customers.

Section 1.12 Investor Owned Utility. “Investor Owned Utility” means any for-profit entity that owns and operates a distribution system and serves end-use load within the Corporate Region pursuant to an obligation to serve under state, federal or provincial law, including a default service obligation, or pursuant to a tariff by which the entity offers service to the general public.

Section 1.13 Large End-Use Electricity Customers. “Large End-Use Electricity Customers means any entity in North America with: (1) at least one service delivery taken at 50 kV or higher (radial supply or facilities dedicated to serve customers) that is not purchased for resale; or (2) any single end-use customer with an average aggregated service load (not purchased for resale) of at least 50,000 MWh annually, excluding cogeneration or other back feed to the serving utility. This sector also includes organizations are represent the interest of such entities.

Section 1.14 MAPP. “MAPP” means the MAPP Reliability Council, pursuant to the MAPP Restated Agreement, as of November 11, 2001.

Section 1.15 Member. “Member” means a member of the Corporation.

Section 1.16 Municipal Utilities. “Municipal Utilities” means any electric utility that is owned by a state or municipality, or group of municipalities, including a joint action agency, which serves within the Corporate Region.

Section 1.17 NERC. “NERC” means the North American Electric Reliability Council or a successor entity.

Section 1.18 Organizational Standards. “Organizational Standards” means a standard, including adequacy requirements, outside the authority of NERC that has been duly approved by the board of directors of the Corporation. Organizational Standards do not include Reliability Standards approved by NERC. Such Organizational Standards may be filed with the appropriate regulatory authorities.

Section 1.19 Person. “Person” means any natural person, corporation, Cooperative, partnership, association, or other private or public entity.

Section 1.20 Public Utility District. “Public Utility District” means an entity that is a state political or governmental subdivision which owns electric generation, transmission and distribution facilities and that was created and organized under state statutes that are different than those that Municipal Utilities in the same state are created and organized under.

Section 1.21 Regional Entity. “Regional Entity means an entity having enforcement authority pursuant to a delegation agreement with NERC and pursuant to any agreements or laws relating to the Corporation’s functions in Canada.

Section 1.22 Regulatory Participant. “Regulatory Participant” means any state or provincial regulatory agencies in the Corporate Region exercising authority over the rates, terms or conditions of electric service of an entity other than itself within the Corporate Region, or the planning, siting, construction or operation of electric facilities of an entity other than itself within the Corporate Region, as well as any representatives of FERC, regional advisory bodies that may be established by FERC, or representatives of any federal regulator or agency.

Section 1.23 Reliability Standard. “Reliability Standard means a NERC reliability standard, duly in effect, under the rules, regulations and laws governing such standards, to provide for reliable operation of the Bulk-Power System.

Section 1.24 Small End-Use Electricity Customers. “Small End-Use Electricity Customers” means: (1) any person or entity within North America that takes service below 50 kV; or (2) any single end-use customer with an average aggregated service load (not purchased for resale) of less than 50,000 MWh annually, excluding cogeneration or other back feed to the serving utility. This sector also includes organizations (including state consumer advocates) that represent the interests of such entities.

Section 1.25 Transmission System Operator. “Transmission System Operator” means an entity that operates or controls operation of high voltage transmission facilities within the Corporate Region (more than 300 miles of transmission at 100 kV or greater) that does not also own, operate or control generation within the Corporate Region, except to the limited extent

permitted by FERC for independent transmission organizations with respect to ancillary service obligations. Transmission System Operators include regional transmission organizations, independent transmission providers, independent system operators approved by FERC, and transmission-only companies.

ARTICLE 2 **PURPOSE**

Section 2.1 Purpose. The Corporation will be a Regional Entity within the NERC structure for the purpose of preserving and enhancing electric service reliability, adequacy and security in the Corporate Region and other interconnected regions for the benefit of all end-users of electricity and all entities engaged in providing electric services in the Corporate Region, with due regard for safety, environmental protection and economy of service.

Section 2.2 Activities. In support and furtherance of its purpose, the Corporation's responsibilities shall include, but not be limited to: (1) proposing Reliability Standards, including regional variances or regional differences required to maintain and enhance electric service reliability, adequacy and security in the Corporate Region; (2) approving Organizational Standards; (3) assessing compliance with and enforcing Reliability Standards and Organizational Standards; (4) conducting investigations and data analysis on disturbances, system events, and related matters; (5) conducting long-term assessments of reliability within the Corporate region; and (6) other related activities.

Section 2.3 Not-for-Profit Corporation. The Corporation is operated as a Delaware non-stock, nonprofit corporation and is organized pursuant to the general corporation law of the State of Delaware.

ARTICLE 3 **POWERS**

Section 3.1 Powers. The Corporation shall have the power to engage in any lawful act or activity for which corporations may be organized under the general corporation law of the State of Delaware, subject to any limitations provided in applicable federal, provincial or state law or in the Corporation's certificate of incorporation or these Bylaws.

ARTICLE 4 **OFFICES**

Section 4.1 Offices. The principal office of the Corporation shall be located initially within the Corporate Region, at such location as the board of directors may from time to time determine, giving consideration to the total cost to the Corporation and convenience of travel for staff, Members and Regulatory Participants. Once established, the principal office may remain in its location, even if outside the Corporate Region.

ARTICLE 5 MEMBERS

Section 5.1 Classes of Members. The Corporation shall have one class of Members. Each Affiliate of a Member may separately be a Member.

Section 5.2 Qualifications of Members. A Member may be any entity eligible to be a member of an Industry Sector.

Section 5.3 Admission of Members. New Members may join the Corporation upon submittal of an application, in a form approved by the president, and payment of the fees as established by the Corporation. The Member shall designate the Sector to which it belongs. A Member may change its Sector designation once each calendar year, by providing notice to the president at least sixty (60) days prior to the beginning of such year. The president shall review a membership application and may request demonstration by the applicant that it qualifies for membership in a particular Sector. Any dispute with respect to a Member's qualifications for a particular Sector shall be resolved by the board of directors. The president shall have authority to approve an application for membership, subject to review by the board of directors.

Section 5.4 Voting Rights. Each Member in good standing shall be entitled to one vote in the Sector in which it is a Member, on matters submitted to a vote of Members. A Member delinquent in payment of its dues, fees or other obligations to the Corporation shall not be entitled to a vote.

Section 5.5 Transfer of Membership. A Member of the Corporation may not transfer its membership or a right arising from such membership except to any Person succeeding to all or substantially all of the assets of the Member. The president shall have authority to approve any such transfer, subject to review by the board of directors.

Section 5.6 Obligations of Members. By applying for and becoming a Member of the Corporation, each Member acknowledges that it is authorized and agrees to comply with Organizational Standards, Reliability Standards, and other obligations of Members of the Corporation set forth in these Bylaws or duly adopted by the board of directors in order to achieve the purposes of the Corporation. Such obligations include but are not limited to requirements to provide data and information needed to perform the functions of the Corporation and the payment of dues and any authorized penalties, including penalties and other obligations resulting from violations of: (1) Reliability Standards assessed in accordance with NERC rules; and (2) Organizational Standards assessed in accordance with rules duly approved by the board of directors. All monies, plus any accumulated interest that the Corporation collects from the issuance of penalties resulting from violations of Organizational Standards shall be used by the Corporation to defer expenses or distributed in a fair and equitable manner to Members, as determined by the board of directors.

Section 5.7 Withdrawal. A Member may withdraw from participation in the Corporation by providing written notice to the president of the Corporation of such withdrawal. Such notice shall specify a date, not earlier than thirty (30) days from the date of notice, on which the withdrawal shall become effective; provided however, that any such withdrawing

Member shall remain liable to the Corporation for any fees, dues, sanctions or obligations to the Corporation incurred while it was a Member, or which apply to violations of Organizational Standards that occurred prior to the effective date of withdrawal, as well as its share of any obligations of the Corporation for the current fiscal year. If notice is given after October 1 of the current calendar year, the Member will also be liable for any fees and dues included in the budget for the following fiscal year. The Member will not be responsible for compliance with Organizational Standards after the withdrawal date.

Section 5.8 Budget and Fees. The board of directors shall propose to NERC a budget for delegated functions exercised by the Corporation pursuant to a delegation agreement with NERC and pursuant to any agreements or laws relating to the Corporation's functions in Canada. For those functions outside the scope of the Corporation's delegated functions, the board of directors may from time to time fix the amount of dues, assessments, or fees, if any, and determine the methods of collection, consistent with this Section or with any resolution duly adopted by the Members under Section 6.5.2 of these Bylaws.

ARTICLE 6 **MEETING OF MEMBERS**

Section 6.1 Annual Meeting of Members. The Members shall hold an annual meeting each calendar year. The annual meeting of the Members shall be held in December of each year, or at such other time specified by the board of directors, in order for Members to review the proposed budget and operations of the Corporation. All Members shall be entitled to at least thirty (30) days prior written notice of the annual meeting. At the annual meeting of Members: (1) each Sector shall elect the successor(s), if any, for any director(s) from their Sector whose term will expire before the next annual meeting of the Members, provided however, that any Sector may elect a successor director representing such Sector prior to such annual meeting, in accordance with the provisions of this Article 6, in which case the election of such succeeding director(s) shall be reported to the Corporation at such annual meeting; (2) the president and treasurer shall report on the activities and financial condition of the Corporation; (3) the Members shall review, and may modify, the budget of the Corporation for the ensuing year (if not modified, the budget as approved by the board of directors shall be deemed accepted); and (4) the Members shall consider and act upon such other matters as may be raised, consistent with the notice of the annual meeting. The failure to hold an annual meeting in accordance with these Bylaws shall not affect the validity of a corporate action.

Section 6.2 Special Meetings of Members.

6.2.1 Who May Call. Special meetings of the Members may be called by six (6) members of the board of directors, by the president or if at least 10 percent of the Members sign, date, and deliver to the president one or more written demands for a special meeting describing the purpose for which it is to be held.

6.2.2 Notice of Meeting. Within fifteen (15) days after receipt of a demand for a special meeting from Members, the president shall cause a special meeting to be called and held on notice no later than forty-five (45) days after receipt of the demand. If the president

fails to cause a special meeting to be called and held as required by this section, a Member making the demand may call the meeting by giving notice under Section 6.3. In either event, notice of the meeting and the costs of the meeting shall be at the expense of the Corporation.

6.2.3 Time and Place of Special Meetings. Special meetings of Members shall be held at a location designated by the president or the board of directors. If a special meeting is demanded by the Members, the meeting must be held in a facility of appropriate size to accommodate the Membership and at a location within the Corporate Region.

6.2.4 Notice Requirements; Business Limited. The notice of a special meeting must contain a statement of the purposes of the meeting. The business transacted at a special meeting is limited to the purposes stated within the notice of the meeting. Business transacted at a special meeting that is not included in those stated purposes is voidable by or on behalf of the Corporation, unless 90 percent of the Members entitled to vote were present at such meeting or have waived notice of the meeting under Section 6.3.

Section 6.3 Notice Requirements.

6.3.1 To Whom Given. Notice of meetings of Members must be given to every Member as of the record date determined under Section 6.4. If the meeting is an adjourned meeting and the date, time and place of the meeting were announced at the time of the adjournment, notice is not required unless a new record date for the adjourned meeting is or must be fixed.

6.3.2 When Given; Contents. In all cases where a specific minimum notice period has not been fixed by law or these Bylaws, the notice must be given at least five (5) days before the date of a meeting and not more than sixty (60) days before the date of a meeting. The notice must contain the date, time and place of the meeting, and an agenda of the matters upon which action may be taken at the meeting. A matter may be added to the agenda of a meeting at the meeting upon the affirmative vote of three-quarters (3/4) of the Sector votes cast on a motion to amend the agenda.

6.3.3 Waiver of Notice; Objections. A Member may waive notice of a meeting of Members. A waiver of notice by a Member entitled to notice is effective whether given before, at, or after the meeting, and whether given in writing, or by attendance. Attendance by a Member at a meeting is a waiver of notice of that meeting, unless the Member objects at the beginning of the meeting to the transaction of business because the meeting is not lawfully called or convened, or objects before a vote on an item of business because the item may not lawfully be considered at that meeting and does not participate in the consideration of the item at that meeting.

Section 6.4 Record Date; Determining Members Entitled to Notice and Vote. The board of directors may fix a date not more than forty (40) days before the date of a meeting of Members as the date for the determination of the Members entitled to notice of and entitled to vote at the meeting. When a date is so fixed, only Members on that date are entitled to notice and to vote at a membership meeting unless the board of directors fixes a new date for

determining the right to notice and to vote, which it must do if the meeting is adjourned to a date more than sixty (60) days after the record date for determining Members entitled to notice of the original meeting.

Section 6.5 Right to Vote; Act of Members. Voting of the Members shall be by Sector, with each Sector entitled to the same number of votes as it has directors on the board. If a quorum is present, except with respect to amendments of these Bylaws, modification of a budget approved by the board of directors or termination of the Corporation, the affirmative vote of the majority of the Sector votes present and entitled to vote, which must also be a majority of the required quorum, is the act of the Members. Within a Sector, each Member within the Sector shall have one vote. If a quorum is present with respect to the Sector, the affirmative vote of the majority of the Members within the Sector present and entitled to vote, which must also be a majority of the required quorum, is the act of the Sector. All of the Sector's votes shall be cast consistent with the act of the Sector unless the Sector adopts a fractional voting alternative as described in Section 6.5.3.

6.5.1 Special Voting Requirements. In order to amend the Bylaws, except as provided in Article 20 with respect to the board of directors, two-thirds (2/3) of the Sector votes cast shall be required to approve the proposed amendment. The substance of the proposed amendment must be contained in the notice of the meeting at which the vote will be taken; provided that, the Members may modify a proposed bylaw amendment at the meeting. Two-thirds (2/3) of the Sector votes cast shall be required to approve a proposed modification of a budget approved by the board. Two-thirds (2/3) of the Sector votes cast shall be required to approve any proposal to terminate the Corporation. To the extent practicable, all Member votes may be held electronically under such terms and conditions as are approved by the Board.

6.5.2 Change of Dues Structure. The Members may change the dues structure by resolution with an affirmative vote of two-thirds (2/3) of the Sector votes cast.

6.5.3 Fractional Voting Alternative. A Sector may adopt fractional voting. Member votes for and against are converted to percentages and multiplied by the applicable sector weight. Abstentions are not counted and do not impact the voting tabulation.

Section 6.6 Quorum. A quorum for a meeting of Members is a majority of the Sector votes entitled to vote at the meeting. A quorum for a meeting of a Sector is a majority of the Members of that Sector present or voting electronically on matters before the meeting. A quorum is necessary for the transaction of business at a meeting of Members. If a quorum is not present, a meeting may be adjourned from time to time for that reason by the Sectors or Members then represented or present.

Section 6.7 Action by Written Ballot. An action that may be taken at a regular or special meeting of Members may be taken without a meeting if the Corporation mails or delivers a written ballot to every Member entitled to vote on the matter. Whenever possible, voting by Sectors for directors shall be by written ballot preceding the regular meeting of the Members.

Approval by written ballot is valid only when the number of votes cast by ballot equals or exceeds the quorum required to be present at a meeting authorizing the action, and the number of approvals equals or exceeds the number of votes that would be required to approve the matter at a meeting at which the total number of votes cast was the same as the number of votes cast by ballot.

Solicitations for votes by written ballot must: (1) indicate the number of responses needed to meet the quorum requirements; (2) state the percentage of approvals necessary to approve the matter; and (3) specify the time by which a ballot must be received by the Corporation in order to be counted. A written ballot may not be revoked.

Section 6.8 Action by Electronic Communication. Any vote of a Sector to elect a board member or for any other purpose may be taken by electronic means without a meeting or during a meeting. In addition, a conference among Members by a means of communication through which the participants may simultaneously hear each other during the conference is a meeting of the Members, if the same notice is given of the conference as would be required for a meeting and if the number of persons participating in the conference is a quorum. Participation in a meeting by this means is personal presence at the meeting. A Member may participate in a meeting of the Members by a means of communication through which the Member, other persons participating, and all persons physically present at the meeting may simultaneously communicate with each other during the meeting. Participation in a meeting by this means constitutes personal presence at the meeting.

Section 6.9 Member Representatives; Proxies.

6.9.1. Designation of Representative. Each year prior to the annual meeting of Members, each Member shall designate the individual authorized to vote on Corporation matters on behalf of the Member, in accordance with procedures approved by the board. A Member may change such designation at any time.

6.9.2 Authorization. The individual designated to vote by a Member may appoint a proxy to vote or otherwise act for the Member at any meeting or electronically by signing an appointment form either personally or by an attorney so designated by the Member.

6.9.3 Effective Period. An appointment of a proxy is effective when received by the secretary or other officer or agent authorized to tabulate votes. An appointment is valid for the next regular or specially scheduled meeting or electronic ballot. However, a proxy is not valid for more than sixty (60) days from its date of execution.

6.9.4 Revocation. An appointment of a proxy is revocable by the Member. Appointment of a proxy is revoked by the person appointing the proxy by signing and delivering to the secretary or other officer or agent authorized to tabulate proxy votes. This may be done either in a written statement that the appointment of the proxy is revoked or a subsequent appointment form.

Section 6.10 Reimbursement of Member Expenses. The Corporation will be under no obligation to reimburse Members for expenses associated with their attendance at regular or special Member meetings.

ARTICLE 7
BOARD OF DIRECTORS

Section 7.1 Management of Corporation. Consistent with these Bylaws, the business and affairs of the Corporation shall be managed by or under the direction of a board of directors. The duties of the board will include, but will not be limited to the following: (1) govern the Corporation and oversee all of its activities; (2) establish and oversee all organizational groups; (3) oversee accomplishment of all functions set forth in any delegation or other agreement with NERC or any governmental entity related to development, monitoring and enforcement of Reliability Standards and related matters; (4) approve, revise and enforce Organizational Standards, Member data and information requirements and related confidentiality requirements; (5) establish compliance monitoring procedures and requirements, and penalties and sanctions for non-compliance for Organizational Standards; (6) impose penalties and sanctions for violation of Organizational Standards consistent with these Bylaws and the procedures approved by the board (7) establish and approve an annual budget; (8) represent the Corporation in legal and regulatory proceedings; (8) hire the president. The board of directors shall select a chair and a vice-chair from among the members of the board. The board may establish board committees as appropriate.

Section 7.2 Voting. Each director shall have one vote with respect to decisions of the board.

Section 7.3 Composition of the Board of Directors. The board of directors shall consist of nineteen (19) board members elected by the Sectors as follows:

(a). Three (3) directors from the Transmission System Operators Sector;

(b). Two (2) directors from the Generators and Power Marketers Sector;

(c). Five (5) directors from the Investor Owned Utilities Sector;

(1). Two (2) directors must be from utilities with less than 3,000 megawatts of end-use load.

(2). Three (3) directors must be from utilities with 3,000 megawatts or greater of end-use load.

(d). Two (2) directors from the Cooperative Sector;

(e). Two (2) directors from the Municipal Utilities Sector;

- (f). One (1) director from the Federal Power Marketing Agencies;
- (g). Two (2) directors from the Canadian Utilities Sector provided that both directors are not residents of the same Canadian province;
- (h). One (1) director from the Large End-Use Electricity Customers Sector, and
- (i). One (1) director from the Small End-Use Electricity Customers Sector.

Provided, however, that in choosing directors from a sector, there shall not be more directors from a particular Sector than there are actual Members of such Sector.

Members shall endeavor to select directors from among individuals holding senior management positions in Member organizations, and with a view toward ensuring geographic representation of the Corporate Region on the board. No two directors may be employees of a single Member or employees of Members that are affiliates. To the extent the Members of a Sector do not select a director, that director position shall remain vacant until a director is selected by the Sector. A Sector may elect an alternate representative to participate in meetings of the board if the elected director of the Sector is not able to attend, provided however, that such representative shall not have any voting rights on the board and any participation by such representative in executive sessions of the board is at the board's discretion.

Section 7.4 Terms of Directors. The directors will serve three-year, staggered terms. The terms of the initial directors will be selected by lot at the first meeting of the board of directors. Any director may be removed at any time by the affirmative vote of two-thirds (2/3) of the Members of the Sector selecting such director. A director may be removed by the board of directors for non-attendance of three consecutive board meetings.

Section 7.5 Reimbursement. Directors shall have the right to reimbursement by the Corporation of their actual reasonable travel expenses to board meetings or when specifically selected to represent the Corporation at a business meeting.

Section 7.6 Vacancies. If a director resigns, dies, changes corporate affiliation or is removed during the term of office for which elected, the directorship shall thereupon be vacant and shall be filled by the Members of the respective Sector, by written or electronic ballot in accordance with the procedures and requirements set forth above. The successor director elected by the Members of the Sector shall hold office for the unexpired term of the director replaced.

Section 7.7 Meetings; Notice. An annual meeting of the board of directors shall be held without notice immediately following the annual meeting of the Members to elect the chair and vice-chair for the next year. In addition, regular meetings may be held at such time or times as fixed by the board of directors. Schedules of regular meetings of the board of directors shall be published by the secretary and provided to all Members. Special meetings of the board of directors may be called by the president or by three directors and shall be held at the principal office of the Corporation, or such other place within the Corporate Region as determined by the

president after consultation with the board. Notice of the date, time, and place of a special meeting shall be given by the secretary not less than seven (7) days prior to the meeting by mail, telegram, or electronic communication to each director and Member. Except as necessary to discuss personnel issues, litigation or similar sensitive or confidential matters, all meetings of the board of directors shall be open to Members and other interested persons.

Section 7.8 Quorum. Two-thirds (2/3) of the directors currently holding office is a quorum for the transaction of business. In the absence of a quorum, a majority of the directors present may adjourn a meeting from time to time until a quorum is present.

Section 7.9 Board Action. The act of a majority of the directors present at a meeting at which a quorum is present shall be the act of the board of directors, unless the act of a greater number is required by law or these Bylaws.

Section 7.10 Action Without a Meeting. An action required or permitted to be taken at a board of directors meeting may be taken by written action, including electronic communication, signed by all of the directors of the Corporation. The written action is effective when signed by the required number of directors, unless a different effective time is provided in the written action.

Section 7.11 Action by Electronic Communication. A conference among directors by a means of communication through which the directors may simultaneously hear each other during the conference is a board meeting if the same notice is given of the conference as would be required for a meeting and if the number of directors participating in the conference is a quorum. Participation in a meeting by this means constitutes personal presence at the meeting. A director may participate in a board meeting by any means of communication through which the director, other directors participating, and all directors physically present at the meeting may simultaneously communicate with each other during the meeting.

ARTICLE 8 **ORGANIZATIONAL GROUPS**

Section 8.1 Establishment of Organizational Groups. The board of directors shall establish such organizational groups, consisting of committees, sub-committees, task forces and working groups of Members, as are necessary and appropriate to accomplish the purposes of the Corporation in an efficient and cost-effective manner. All organizational groups shall be subject to the direction and control of the board. The membership of organizational groups shall be determined based upon experience, expertise and geographic diversity and to the extent practicable shall include balanced representation of the Sectors.

The board of directors shall establish policies and procedures governing the creation of organizational groups, how they are populated, how voting and related matters are conducted and how they may be reorganized. The board shall conduct a review of all organizational groups of the Corporation on an annual basis to ensure that the business of the Corporation is conducted in an efficient, cost-effective manner and shall include a statement of its conclusions and resulting actions in the board's report to Members at the annual meeting.

Section 8.2 Reimbursement. Consistent with the annual budget of the Corporation, the Board may authorize reimbursement by the Corporation for members of organizational groups (other than committees of the whole) of reasonable travel, meals and lodging expenses for organizational group meetings or for representation of the Corporation at other business meetings as authorized by the board. The board of directors may authorize reimbursement for persons acting on behalf of the Corporation, as necessary in the interests of the Corporation.

ARTICLE 9 **OFFICERS**

Section 9.1 Officers. The officers of the Corporation shall include a president, a secretary, a treasurer and any other officers as may be elected or appointed in accordance with the provisions of this Article. The board of directors may elect or appoint any additional officers that it deems desirable, such other officers to have the authority and perform the duties prescribed by the board of directors. The same individual may hold any number of offices, except that of president.

Section 9.2 Election and Term of Office. The officers of the Corporation shall be elected by the board of directors. Each officer shall hold office at the pleasure of the board. New officers may be created and the positions filled at any meeting of the board of directors. Each elected officer shall hold office until his or her successor has been duly elected and qualified.

Section 9.3 Removal. Any officer elected by the board of directors may be removed by the affirmative vote of two-thirds (2/3) of the board of directors whenever in its judgment the best interests of the Corporation would be served thereby, but such removal shall be without prejudice to the contract rights, if any, of the officer so removed. Election or appointment of an officer or agent shall not of itself create contract rights.

Section 9.4 Vacancies. A vacancy in any office because of death, resignation, removal, disqualification, or otherwise, may be filled by the board of directors for the unexpired portion of the term.

Section 9.5 President. The president shall be, in the discretion of the board of directors, either an employee of or contractor to the Corporation and shall:

- (a). be the principal executive and operating officer of the Corporation;
- (b). sign certificates of membership, and may sign any deeds, mortgages, deeds of trust, notes, bonds, contracts or other instruments authorized by the board of directors to be executed, except in cases in which the signing and execution thereof shall be expressly delegated by the board of directors or by these Bylaws to some other officer or agent of the Corporation; and

(c). perform all duties incident to the office of president, including hiring and directing staff, and such other duties as may be prescribed by the board of directors from time to time.

Section 9.6 Secretary. The secretary shall ensure that the following duties are carried out:

(a). the minutes of the meetings of the Members and of the board of directors are recorded;

(b). all required notices are duly given in accordance with these Bylaws and as required by law;

(c). a register of the current names and addresses of all Members is maintained;

(d). a complete copy of the articles of incorporation and Bylaws of the Corporation containing all amendments thereto are kept on file at all times, which copies shall always be open to the inspection of any Member; and

(e). generally perform all duties incident to the office of secretary and such other duties as may be prescribed by the board of directors from time to time.

Section 9.7 Treasurer. The treasurer shall be responsible for the following activities:

(a). maintain custody of all funds and securities of the Corporation;

(b). receipt of and the issuance of receipts for all monies due and payable to the Corporation and for deposit of all such monies in the name of the Corporation in such bank or banks or financial institutions as shall be selected by the board of directors; and

(c). generally perform all duties incident to the office of treasurer and such other duties as may be prescribed by the board of directors from time to time.

ARTICLE 10 **CERTIFICATES OF MEMBERSHIP**

Section 10.1 Certificates of Membership. The board of directors may provide for the issuance of certificates evidencing membership in the Corporation, which certificates shall be in such form as may be determined by the board.

ARTICLE 11 **BOOKS AND RECORDS**

Section 11.1 Books and Records; Financial Statements. The Corporation shall keep at its registered office correct and complete copies of its articles and Bylaws, accounting records,

and minutes of meetings of Members, board of directors, and committees having any of the authority of the board of directors. A Member, or the agent or attorney of a Member, may inspect all books and records and voting agreements for any proper purpose at any reasonable time. Upon request, the Corporation shall give the Member a statement showing the financial result of all operations and transactions affecting income and surplus during its last annual accounting period and a balance sheet containing a summary of its assets and liabilities as of the closing date of the accounting period.

ARTICLE 12 **FISCAL YEAR**

Section 12.1 Fiscal Year. The fiscal year of the Corporation shall be the calendar year.

ARTICLE 13 **TRANSFER OF ASSETS**

Section 13.1 Member Approval Not Required. The Corporation, by affirmative vote of the board of directors, may sell, lease, transfer, or dispose of its property and assets in the usual and regular course of its activities and grant a security interest in all or substantially all of its property and assets in the usual and regular course of its activities, upon those terms and conditions and for those considerations, which may be money, securities, or other instruments for the payment of money or other property, as the board of directors considers expedient, in which case no Member approval is required.

Section 13.2 Member approval; when required. The Corporation may sell, lease, transfer, or dispose of all or substantially all of its property and assets, including its good will, not in the usual and regular course of its activities, upon those terms and conditions and for those considerations, which may be money, securities, or other instruments for the payment of money or other property, as the board of directors considers expedient only when approved at a regular or special meeting of the Members by the affirmative vote of two-thirds (2/3) of all the Members. Notice of the meeting must be given to the Members. The notice must state that a purpose of the meeting is to consider the sale, lease, transfer, or other disposition of all or substantially all of the property and assets of the Corporation.

ARTICLE 14 **CONTRACTS, CHECKS, DEPOSITS, AND GIFTS**

Section 14.1 Contracts. The board of directors may authorize any officer or officers or agent or agents of the Corporation, in addition to the officers so authorized by these Bylaws, to enter into any contract or execute and deliver any instrument in the name of and on behalf of the Corporation, and such authority may be general or may be confined to specific instances.

Section 14.2 Checks, Drafts, or Orders. All checks, drafts, or orders for the payment of money, notes, or other evidences of indebtedness issued in the name of the Corporation, shall

be signed by such officer or officers or agent or agents of the Corporation, and in such manner as shall from time to time be determined by resolution of the board of directors.

Section 14.3 Deposits. All funds of the Corporation shall be deposited to the credit of the Corporation in such banks, trust companies, or other depositories as the board of directors may select.

Section 14.4 Gifts. The board of directors may accept on behalf of the Corporation any contribution, gift, bequest, or devise for any purpose of the Corporation.

ARTICLE 15 **INSURANCE, LIABILITY, AND INDEMNIFICATION**

Section 15.1 Insurance. The president is authorized to procure insurance to protect the Corporation against damages arising out of or related to any directive, order, procedure, action or requirement of the Corporation.

Section 15.2 Limitations on Liability. No director, officer, agent, employee or other representative of the Corporation, and no corporation or other business organization that employs a director of the Corporation, or any director, officer, agent or employee of such corporation or other business organization, shall be personally liable to the Corporation or any Member of the Corporation for any act or omission on the part of any such director, officer, agent, employee, or other representative of the Corporation, which was performed or omitted in good faith in his official capacity as a director, officer, agent, employee or other representative of the Corporation. However, this release of liability shall not operate to release such a director, officer, agent, employee or other representative of the Corporation from any personal liability resulting from willful acts or omissions knowingly or intentionally committed or omitted by him in breach of these Bylaws for improper personal benefit or in bad faith.

Section 15.3 Indemnification. It is the intent of the Corporation to indemnify its directors, officers, agents, employees, or other representatives to the maximum extent allowed by law consistent with these Bylaws. Each director, officer, agent, employee, or other representative of the Corporation shall be indemnified by the Corporation against all judgments, penalties, fines, settlements, and reasonable expenses, including legal fees, incurred by him as a result of, or in connection with, any threatened, pending or completed civil, criminal, administrative, or investigative proceedings to which he may be made a party by reason of his acting or having acted in his official capacity as a director, officer, agent, employee, or representative of the Corporation, or in any other capacity which he may hold at the request of the Corporation, as its representative in any other organization, subject to the following conditions:

(a). Such director, officer, agent, employee, or other representative must have conducted himself in good faith and, in the case of criminal proceedings, he must have had no reasonable cause to believe that his conduct was unlawful. When acting in his official capacity, he must have reasonably believed that his conduct was in the best interests of

the Corporation, and, when acting in any other capacity, he must have reasonably believed that his conduct was at least not opposed to the best interests of the Corporation.

(b). If the proceeding was brought by or on behalf of the Corporation, however, indemnification shall be made only with respect to reasonable expenses referenced above. No indemnification of any kind shall be made in any such proceeding in which the director, officer, agent, employee, or other representative shall have been adjudged liable to the Corporation.

(c). In no event, however, will indemnification be made with respect to any described proceeding which charges or alleges improper personal benefit to a director, officer, agent, employee, or other representative and where liability is imposed upon him on the basis of the receipt of such improper personal benefit.

(d). In order for any director, officer, agent, employee, or other representative to receive indemnification under this provision, he shall vigorously assert and pursue any and all defenses to those claims, charges, or proceedings covered hereby which are reasonable and legally available and shall fully cooperate with the Corporation or any attorneys involved in the defense of any such claim, charges, or proceedings on behalf of the Corporation.

(e). No indemnification shall be made in any specific instance until it has been determined by the Corporation that indemnification is permissible in that specific case, under the standards set forth herein and that any expenses claimed or to be incurred are reasonable. These two (2) determinations shall be made by a majority vote of at least a quorum of the board consisting solely of directors who were not parties to the proceeding for which indemnification or reimbursement of expenses is claimed. If such a quorum cannot be obtained, a majority of at least a quorum of the full board, including directors who are parties to said proceeding, shall designate a special legal counsel who shall make said determinations on behalf of the Corporation. In making any such determinations, the termination of any proceeding by judgment, order, settlement, conviction, or upon plea of nolo contendere, or its equivalent, shall not, in and of itself, be conclusive that the person did not meet the standards set forth herein.

(f). Any reasonable expenses, as shall be determined above, that have been incurred by a director, officer, agent, employee, or other representative who has been made a party to a proceeding as defined herein, may be paid or reimbursed in advance upon a majority vote of a quorum of the full board, including those who may be a party to the same proceeding. However, such director, officer, agent, employee, or other representative shall have provided the Corporation with (i) a written affirmation under oath that he, in good faith, believes that he has met the conditions for indemnification herein, and (ii) a written undertaking that he shall repay any amounts advanced, with interest accumulated at a reasonable rate, if it is ultimately determined that he has not met such conditions. In addition to the indemnification and reimbursement of expenses provided herein, the president shall purchase insurance that would protect the Corporation, its directors, officers, agents, employees, or other representatives against reasonably expected liabilities and expenses arising out of the performance of their duties for the Corporation.

ARTICLE 16
TRANSITION

Section 16.1 Except for those existing standards, criteria, rules, or guides that apply to the Generation Reserve-Sharing Pool of the MAPP Restated Agreement, the Corporation will use the existing standards, criteria, rules or guides from each existing reliability council region for those Members that join the Corporation as in effect immediately prior to formation of the Corporation until such standards, criteria, rules or guides are adopted, superseded, or rejected by the Corporation. The Corporation will establish any necessary transition committees, subcommittees, working groups or task forces (including but not limited to a reliability committee) to administer the existing regional reliability standards, criteria, rules and guides until they are adopted, superseded, or rejected by the Corporation. The Corporation will employ its best efforts, within two years of its formation, to work toward a consistent set of Organizational and Reliability Standards (including operating reserves) for the entire Corporate Region, recognizing, however, that sub-regional differences may warrant variances for certain sub-regions.

ARTICLE 17
PARTICIPATION BY REGULATORY PARTICIPANTS

Section 17.1 All Regulatory Participants shall be entitled to and be provided with the same rights to notice of and participation in meetings or other activities of the Corporation as are provided to Members, but shall not have the right to vote.

ARTICLE 18
PARTICIPATION BY FEDERAL POWER MARKETING ADMINISTRATIONS

Section 18.1 The participation by the United States through Federal power marketing administrations (PMA) in the Corporation is subject in all respects to acts of Congress and to regulations of the Secretary of Energy established thereunder. This reservation includes, but is not limited to, the statutory limitations upon the authority of the Secretary of Energy to submit disputes arising hereunder to arbitration. In the event of a conflict between this Article 18 and any other Article of these Bylaws, this Article 18 shall have precedence with respect to the application of these Bylaws to the United States.

Section 18.2 Where activities provided for herein extend beyond the current fiscal year, continued expenditures by the United States are contingent upon Congress making the necessary appropriations required for the continued performance of the obligations of the PMA hereunder. In case such appropriations are not made, the Corporation and its Members hereby release the PMA from its contractual obligations under these Bylaws and from all liability due to the failure of Congress to make such appropriation.

Section 18.3 No member of or delegate to Congress shall be admitted to any share or part of, or to any benefit that may have arisen from, these Bylaws, but this restriction shall not be

construed to extend to these Bylaws if made with a corporation or company for its general benefit.

Section 18.4 The Corporation and its Members warrant that no Person or selling agency has been employed or retained to solicit or secure participation by a PMA in the Corporation upon an agreement or understanding for a commission, percentage, brokerage or contingent fee, excepting *bona fide* employees or *bona fide* established commercial or selling agencies maintained by the Members for the purpose of securing business. For breach or violation of this warranty, a PMA shall have the right to annul its participation in the Corporation without liability or, in its discretion, to deduct from its dues or fees the full amount of such commission, percentage, brokerage, or contingent fee.

Section 18.5 For the purpose of this Section 18.5 the term “Contract” shall mean these Bylaws and the term “Contractor” shall mean the Corporation. During the performance of this Contract, the Contractor agrees to the following provisions.

18.5.1. Section 202 of the Executive Order No. 11246, 30 Fed. Reg. 12319 (1965), as amended by Executive Order No. 12086, 43 Fed. Reg. 46501 (1978), which provides, among other things, that the Contractor will not discriminate against any employee or applicant for employment because of race, color, religion, sex, or national origin, is incorporated by reference in the Contract.

18.5.2. The Contract, to the extent that it is of a character specified in Section 103 of the Contract Work Hours and Safety Standards Act, 40 U.S.C. § 329 (1986) (the “Act”), is subject to the provisions of the Act, 40 U.S.C. §§ 327-333 (1986), and to regulations promulgated by the Secretary of Labor pursuant to the Act.

18.5.3. The Contractor agrees not to employ any person undergoing sentence of imprisonment in performing the Contract except as provided by 18 U.S.C. § 4082(c)(2) and Executive Order 11755, 39 Fed. Reg. 779 (1973).

ARTICLE 19

DETERMINATION OF VIOLATIONS AND DISPUTE RESOLUTION

Section 19.1 The board of directors shall be responsible for making final determinations regarding whether (1) a Member has violated an Organizational Standard or Reliability Standard; (2) an entity subject to a Reliability Standard has violated a Reliability Standard in connection with its operation in the Corporate Region; and (3) assessment of sanctions within the Corporate region resulting from such violations, following an initial determination by Corporation staff. Any Member or organization subject to a Reliability Standard or Organizational Standard, against whom a penalty or other sanction has been recommended, shall have an opportunity to be heard by the board prior to the board’s determination.

Section 19.2 Dispute resolution procedures will be established by the board of directors for disputes between Members, or between a Member and the Corporation, arising under these

Bylaws, provided that: (1) determinations by the Corporation related to violations of Reliability Standards shall only be appealed directly to NERC ; and (2) determinations of the Corporation related to violations of Organizational Standards shall be subject to dispute resolution only to the extent permitted by the rules of the Corporation regarding dispute resolution and provided that in any such dispute resolution proceeding the board of directors' determination of the meaning and scope of an Organizational Standard shall be final, subject to any right to appeal to any regulatory or other legal authority.

ARTICLE 20
AMENDMENT OF BYLAWS

Section 20.1 The power to adopt, amend or repeal these Bylaws is vested in the Members as set forth in Section 6.5 of these Bylaws; provided however, upon the passage of any federal reliability legislation, and/or the adoption of related requirements and procedures by NERC, its successor under such legislation or any regulatory agency with jurisdiction, the board or directors shall have authority upon a two-thirds (2/3) vote of its members to amend these Bylaws as necessary and appropriate to comply with such law and related requirements and to qualify the Corporation for delegations of authority from NERC or its successor as provided in such legislation.

Exhibit C – Midwest Reliability Organization Standards 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 and applicable authorities in Canada. ~~add reference to any applicable authorities in Canada and Mexico~~. No regional reliability standard shall be effective within the ~~Regional Entity Name~~ Midwest Reliability Organization area unless filed by NERC with FERC ~~and applicable authorities in Canada and Mexico~~ and approved by FERC and applicable authorities in Canada. ~~and applicable authorities in Canada and Mexico~~.

COMMON ATTRIBUTE 2

~~Regional Entity Name~~ Midwest Reliability Organization 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 ~~Regional Entity Name~~ Midwest Reliability Organization 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

~~Regional Entity Name~~ Midwest Reliability Organization regional reliability standards, when approved by FERC- and applicable authorities in Canada ~~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 ~~Regional Entity Name~~ Midwest Reliability Organization area, regardless of membership in the region.

COMMON ATTRIBUTE 4

Requester - The requester is the sponsor of the regional reliability standard request may assist in the development of the standard. Any member of ~~Regional Entity Name~~ Midwest Reliability Organization or group within ~~Regional Entity Name~~ Midwest Reliability Organization 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 ~~Regional Entity Name~~ Midwest Reliability Organization area shall be allowed to request a regional reliability standard be developed, modified, or withdrawn.



COMMON ATTRIBUTE 5

~~{Standards or other named} committee~~ Committee - The ~~{Regional Entity Name}~~ Midwest Reliability Organization ~~{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 ~~{Regional Entity Name}~~ Midwest Reliability Organization board on standards presented for adoption.

COMMON ATTRIBUTE 6(B)

Registered ballot body - The registered ballot body comprises all entities or individuals that a) qualify for one of the stakeholder segments; b) are registered with ~~{Regional Entity Name}~~ Midwest Reliability Organization as potential ballot participants in the voting on standards; and c) 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

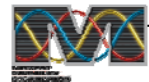
~~{Regional Entity Name}~~ Midwest Reliability Organization will coordinate with NERC such that the acknowledgement of receipt of a standard request identified in step 1, notice of comment posting period identified in step 4, and notice for vote identified in step 5 below are concurrently posted on both the ~~{Regional Entity Name}~~ Midwest Reliability Organization 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}~~ Standards committee shall determine the disposition of the standard request.



COMMON ATTRIBUTE 10

The ~~{Sstandards}~~Ceommittee 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 ~~{Sstandards}~~ Ceommittee 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 ~~{Sstandards}~~ Ceommittee 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 ~~{Sstandards}~~ Ceommittee. 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 ~~{Sstandards}~~ Ceommittee.

COMMON ATTRIBUTE 11

Any standard request that is accepted by the ~~{Sstandards}~~ Ceommittee for development of a standard (or modification or deletion of an existing standard) shall be posted for public viewing on the ~~{Regional Entity Name}~~Midwest Reliability Organization 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 ~~{Sstandards}~~ Ceommittee. The ~~{Sstandards}~~ Ceommittee 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 ~~{Sstandards}~~ Ceommittee, the standards process manager shall facilitate the posting of the draft standard on the ~~{Regional Entity Name}~~Midwest Reliability Organization 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 ~~{Regional Entity Name}~~ Midwest Reliability Organization stakeholders and other potentially interested entities, both within and outside of the ~~{Regional Entity Name}~~Midwest Reliability Organization 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 ~~{Regional Entity Name}~~ [Midwest Reliability Organization](#) website no later than the next posting of the proposed standard.

COMMON ATTRIBUTE 15

Upon recommendation of the drafting team, and if the ~~{standards}~~ [Standards](#) ~~committee~~ [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 ~~{Regional Entity Name}~~ [Midwest Reliability Organization](#) ~~{registered ballot body/}~~ [Standards](#) ~~C~~ [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(B)

The ~~{Regional Entity Name}~~ [Midwest Reliability Organization](#) registered ballot body shall be able to vote on the proposed standard during a period of [not less than 10] days.

COMMON ATTRIBUTE 18 (B)

All members of ~~{Regional Entity Name}~~ [Midwest Reliability Organization](#) 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.}~~

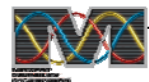
COMMON ATTRIBUTE 19 (B)

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%}~~ [the applicable percentage](#) of the members of the ~~{registered ballot body/}~~ [ballot pool](#) submitted a ballot¹.

COMMON ATTRIBUTE 20

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

¹ [Please refer to Section IV of MRO Reliability Standards Process Manual](#)



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 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 ~~[Regional Entity Name]~~ Midwest Reliability Organization bulk power system reliability. There shall be no undue financial barriers to participation. Participation shall not be conditioned upon membership in ~~[Regional Entity Name]~~ Midwest Reliability Organization 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 ~~[Regional Entity Name]~~ Midwest Reliability Organization members and others.

COMMON ATTRIBUTE 23

- **Balanced** - The ~~[Regional Entity Name]~~ Midwest Reliability Organization 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 ~~[Regional Entity Name]~~ Midwest Reliability Organization 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

Applicability	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 [Regional Entity Name] Midwest Reliability Organization 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

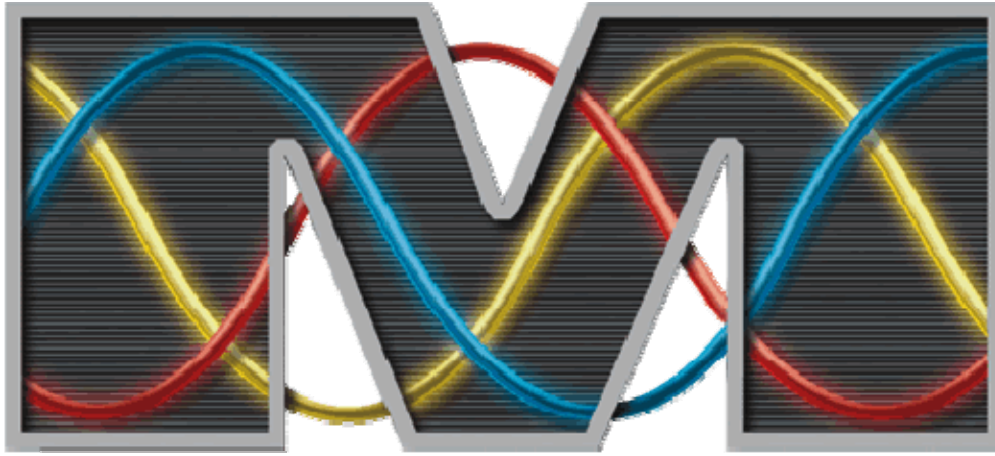
Measure(s)	Each requirement shall be addressed by one or more measures. Measures are used to assess performance and outcomes for the purpose of determining compliance with the requirements stated above. Each measure will identify to whom the measure applies and the expected level of performance or outcomes required demonstrating compliance. Each measure 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.
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COMMON ATTRIBUTE 34

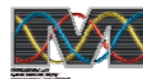
Compliance Monitoring Process	Defines for each measure: <ul style="list-style-type: none">• The specific data or information that is required to measure performance or outcomes.• The entity that is responsible for providing the data or information for measuring performance or outcomes.• The process that will be used to evaluate data or information for the purpose of assessing performance or outcomes.• The entity that is responsible for evaluating data or information to assess performance or outcomes.• The time period in which performance or outcomes is measured, evaluated, and then reset.• Measurement data retention requirements and assignment of responsibility for data archiving.
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Midwest Reliability Organization

Regional Reliability Standards Process Manual



MRO Regional Reliability Standards Process Manual

Table of Contents

- I. Introduction.....2
- II. MRO Regional Reliability Standard Definition, Characteristics, and Elements 3
- III. Roles in the MRO Regional Reliability Standards Development Process [89](#)
- IV. MRO Regional Reliability Standards Development Process..... 11
- V. Interpretations and Appeals..... [2325](#)
- VI. Maintenance of MRO Regional Reliability Standards and Process [2527](#)
- VII. Appendix A: MRO Standards Process Diagram [2831](#)
- VIII. Appendix B: Template for a Standard Authorization Request (SAR) [2932](#)
- IX. Appendix C: Registered Ballot Body (RBB) Registration Procedures [3336](#)
- X. Appendix D: Balloting Examples [3639](#)



I. Introduction

Purpose: This manual defines the characteristics of a Midwest Reliability Organization (“MRO”) Regional Reliability Standard and establishes the process for proposing Regional Reliability Standards to North American Electric Reliability Corporation (“NERC”) for enforcement under direct or delegated regulatory authority consistent with the Energy Policy Act of 2005 (“EPAAct 2005”) in the United States and applicable Canadian authorities. The MRO plans to become a Cross-Border Regional Entity (“CBRE”) as defined in EPAAct 2005 and the final FERC reliability rule consistent with the US-Canadian Bilateral principles. For more information on the MRO please refer to <http://www.midwestreliability.org>.

The MRO standards process is consensus-based, technically vetted, and open to the public and bordering entities that may be impacted by a proposed Regional Reliability Standard by the MRO. MRO Regional Reliability Standards apply to the reliability planning, and operation of bulk power systems located within the MRO region. NERC as the Electric Reliability Organization (“ERO”), and the applicable regulatory authorities in the United States and Canada will have the ability to enforce these standards. The MRO region is defined in agreements (e.g. delegation agreement) with NERC and applicable regulatory authorities in the United States and Canada.

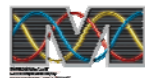
Applicable Regulatory Authorities in the United States and Canada: FERC is the Applicable Regulatory Authority in the United States. The Manitoba Public Utilities Board is the Applicable Regulatory Authority in Manitoba. The Provincial Government of Saskatchewan is the Applicable Regulatory Authority in Saskatchewan.

Authority: This manual is published by the authority of the MRO Board of Directors (“BOD”) who shall have the sole authority to modify the manual. A procedure for revising this manual is provided in the section titled “Maintenance of MRO Regional Reliability Standards and Process.”

Credits: This manual was developed from the NERC Reliability Standards Development Procedure (available at www.nerc.com). Thus, the MRO Regional Reliability Standards process is very similar to the NERC process and the format is the same as the NERC Reliability Standard format.

Background: NERC and the MRO work with all segments of the electric industry, including electricity end-users, to develop standards for the reliable planning and operation of bulk electric systems. The purpose of the NERC Reliability Standards is to promote reliability, while at the same time accommodating competitive electricity markets.

EPAAct 2005 and NERC, ERO provide for Regional Entities (“RE”) to propose Regional Reliability Standards to NERC for eventual enforcement within the region of the RE or CBRE. Regions (such as the MRO) may develop, through



their own processes, regional reliability standards that; go beyond, add detail to, or cover matters not addressed in NERC Reliability Standards. MRO Regional Reliability Standards are proposed to NERC for approval and become enforceable, once approved by NERC and the applicable regulatory authorities in the United States and Canada as Reliability Standards.

MRO Regional Reliability Standards that are proposed shall not be inconsistent with, or less stringent than established NERC Reliability Standards. All MRO Regional Reliability Standards obligate the MRO to monitor and enforce compliance, apply sanctions, if any, consistent with any regional agreements and the NERC rules.

Proposed MRO Regional Reliability Standards shall be subject to approval by NERC, as the ERO, and by applicable regulatory authorities in the United States and Canada, before becoming mandatory and enforceable. No Regional Reliability Standard shall be effective within the MRO area unless approved by NERC and the applicable regulatory authorities in the United States and Canada.

MRO proposed Regional Reliability Standards, when approved by NERC and the applicable regulatory authorities in the United States and 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 MRO region as defined in agreements (e.g. delegation agreements).

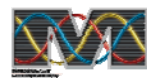
II. MRO Regional Reliability Standard Definition, Characteristics, and Elements

Definition of a MRO Regional Reliability Standard: A MRO Regional Reliability Standard defines certain obligations or requirements of entities that operate, plan, and use the bulk electric systems of the MRO region.

The Bylaws of the MRO define a Reliability Standard as: “a NERC requirement, duly in effect, to provide for reliable operation of the Bulk-Power System. 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. The term does not include any requirement to enlarge such facilities or to construct new transmission capacity or generation capacity.”

When proposing a Regional Reliability Standard in the MRO region, the obligations or requirements must be material to reliability and be measurable.

Each MRO Regional Reliability Standard shall enable or support one or more of the NERC reliability principles, thereby ensuring that each standard serves



a purpose in support of the reliability of the regional bulk power system. Each of those standards shall also be consistent with all of the NERC reliability principles, thereby ensuring that no standard undermines reliability through an unintended consequence.

While MRO Regional Reliability Standards are intended to promote reliability, they must at the same time accommodate 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 MRO 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 electricity markets.

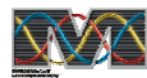
Characteristics of a MRO Regional Reliability Standard: A MRO Regional Reliability Standard may include standards for the operation and planning of interconnected systems as well as market interface practices. The format and process defined by this manual applies to all MRO Regional Reliability Standards.

A MRO Regional Reliability Standard shall have the following characteristics:

- **Material to Reliability** - A MRO Regional Reliability Standard shall be material to the reliability of bulk electric systems in the MRO region. If the reliability of the bulk electric systems could be compromised without a particular standard or by a failure to comply with that standard, then the standard is material to reliability.
- **Measurable** - A MRO Regional Reliability Standard shall establish technical or performance requirements that can be practically measured.
- **Relative to NERC Reliability Standards** - A MRO Regional Reliability Standard shall go beyond, add detail to, or cover matters not addressed in already approved NERC Reliability Standards.

Elements of a MRO Regional Reliability Standard: A MRO Regional Reliability Standard shall consist of the elements shown in the MRO Regional Reliability Standard Template.

These elements are intended to apply a systematic discipline in the development and revision of MRO Regional Reliability Standards. This discipline is necessary to achieving standards that are measurable, enforceable, and consistent.



The format allows a clear statement of the purpose, requirements, measures, and penalties for non-compliance associated with each standard.

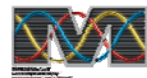
All mandatory requirements of a MRO Regional Reliability Standard shall be within an element of the standard.

Supporting documents to aid in the implementation of a standard may be referenced by the standard but are not part of the standard itself. Types of supporting documents are described in a later section of this manual.

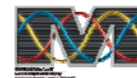
MRO Regional Reliability Standard Template

The following are the core elements of a MRO Regional Reliability Standard

Identification Number	A unique identification number assigned by the SPM.
Title	A brief, descriptive phrase identifying the topic of the MRO Regional Reliability Standard.
Applicability	Clear identification of the functional classes of entities responsible for complying with the standard, noting any specific additions or exceptions.
Effective Date and Status	The effective date of the MRO Regional Reliability Standard shall be upon NERC and regulatory approvals. The status of the standard will be indicated as active or by reference to one of the numbered steps in the standards process.
Purpose	The purpose of the MRO Regional Reliability Standard shall explicitly state what outcome will be achieved by the approved Reliability Standard. The purpose is agreed to early in the process as a step toward obtaining approval to proceed with the development of the Reliability Standard. The purpose should link the standard to the relevant principle(s).
Requirement(s)	Explicitly stated technical, performance, preparedness, or certification requirements. Each requirement identifies who is responsible and what action is to be performed or what outcome is to be achieved. Each statement in the requirements section shall be a statement for which compliance is mandatory. Any additional comments or statements for which compliance is not mandatory, such as background or explanatory information, should be placed in a separate document and referenced (see Supporting References).



<p>Risk Factors</p>	<p>The potential reliability significance of each requirement, designated as a High, Medium, or Lower Risk Factor in accordance with the criteria listed below:</p> <p>A High Risk Factor requirement (a) is one that, if violated, could directly cause or contribute to bulk power system instability, separation, or a cascading sequence of failures, or could place the bulk power system at an unacceptable risk of instability, separation, or cascading failures; or (b) is a requirement in a planning timeframe that, if violated, could, under emergency, abnormal, or restorative conditions anticipated by the preparations, directly cause or contribute to bulk power system instability, separation, or a cascading sequence of failures, or could place the bulk power system at an unacceptable risk of instability, separation, or cascading failures, or could hinder restoration to a normal condition.</p> <p>A Medium Risk Factor requirement (a) is a requirement that, if violated, could directly affect the electrical state or the capability of the bulk power system, or the ability to effectively monitor and control the bulk power system, but is unlikely to lead to bulk power system instability, separation, or cascading failures; or (b) is a requirement in a planning timeframe that, if violated, could, under emergency, abnormal, or restorative conditions anticipated by the preparations, directly affect the electrical state or capability of the bulk power system, or the ability to effectively monitor, control, or restore the bulk power system, but is unlikely, under emergency, abnormal, or restoration conditions anticipated by the preparations, to lead to bulk power system instability, separation, or cascading failures, nor to hinder restoration to a normal condition.</p> <p>A Lower Risk Factor requirement is administrative in nature and (a) is a requirement that, if violated, would not be expected to affect the electrical state or capability of the bulk power system, or the ability to effectively monitor and control the bulk power system; or (b) is a requirement in a planning time frame that, if violated, would not, under the emergency, abnormal, or restorative conditions anticipated by the preparations, be expected to affect the electrical state or capability of the bulk power system, or the ability to effectively monitor, control, or restore the bulk power system.</p>
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Measure(s)	<p>Each requirement shall be addressed by one or more measures. These measures will be used to assess performance and outcomes for the purpose of determining compliance with the requirements stated above.</p> <p>Each measure shall identify to whom the measurement applies and the expected level of performance or outcomes required demonstrating compliance.</p> <p>Each measure shall be tangible, practical, and as objective as is practical.</p> <p>It is important to realize that measures are proxies to assess required performance or outcomes.</p> <p>Achieving the full compliance level of each measurement should be a necessary and sufficient indicator that the requirement was met.</p> <p>Each measure shall clearly refer to the requirement(s) to which it applies.</p>
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Glossary of Terms Used in Standards

Definitions of Terms:	<p>All defined terms used in MRO Regional Reliability Standards, shall be defined in the glossary. Definitions may be approved as part of a standards action or as a separate action. All definitions must be approved in accordance with the standards process.</p>
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Compliance Administration Elements

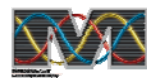
Compliance Monitoring Process	<p>The following compliance elements, which are part of the standard and are balloted with the standard are developed for each measure in a standard by the NERC compliance program in coordination with the standard drafting team</p> <ul style="list-style-type: none"> • The specific data or information that is required to measure performance or outcomes. • The entity that is responsible for providing the data or information for measuring performance or outcomes. • The process that will be used to evaluate data or information for the purpose of assessing performance or outcomes • The entity that is responsible for evaluating such data or information. • The time period in which performance or outcomes is measured, evaluated, and then reset.
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	<ul style="list-style-type: none"> • Measurement data retention requirements and assignment of responsibility for data archiving.
Violation Severity Levels	Defines the degree to which compliance with a requirement was not achieved. The violation severity levels, are part of the standard and are balloted with the standard, and developed by the MRO compliance program in coordination with the standard drafting team.

Supporting Information Elements

Interpretations	<p>Formal interpretations of Regional Reliability Standard(s) proposed by the MRO and approved by NERC, FERC, and the applicable Canadian regulatory authorities.</p> <p>Interpretations are temporary, as the standard should be revised to incorporate the interpretation.</p>
Implementation Plan	Each Regional Reliability Standard proposed by the MRO and approved by NERC, FERC and the applicable Canadian regulatory authorities shall have an associated implementation plan describing the effective date of the standard or effective dates if there is a phased implementation. The implementation plan may also describe the implementation of the standard in the compliance program and other considerations in the initial use of the standard, such as necessary tools, training, etc. The implementation plan must be posted for at least one public comment period and is approved as part of the ballot of the standard.
Supporting References	<p>This section will reference related documents that support implementation of the Reliability Standard proposed by the MRO and approved by NERC and the regulatory authorities, but are not themselves mandatory. Examples include, but are not limited to:</p> <ul style="list-style-type: none"> • Developmental history of the standard and prior versions • Notes pertaining to implementation or compliance • Standard references • Standard supplements • Procedures • Practices • Training references • Technical references • White papers • Internet links to related information



III. Roles in the MRO Regional Reliability Standards Development Process

Nomination, Revision or Withdrawal of a Standard: Any member of the MRO or group within the MRO region shall be allowed to request that a MRO Regional Reliability Standard be developed, modified, or withdrawn. Additionally, any person (organization, company, government agency, individual, etc.) who is directly and materially affected by the reliability of MRO bulk power system shall be allowed to request that a MRO Regional Reliability Standard be developed, modified, or withdrawn.

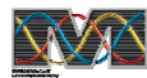
Process Roles

Board of Directors (BOD) - The BOD shall consider MRO Regional Reliability Standards that have been approved by the Registered Ballot Body ("RBB") to be proposed to NERC and the regulatory authorities for enforcement consistent with direct or delegated regulatory authorities of the MRO. Once the proposed MRO Regional Reliability Standard is approved by NERC and the regulatory authorities, it becomes effective in the MRO region consistent with the MRO's direct or delegated regulatory authority.

Compliance Committee (CC) - The mission of the MRO CC is to assure that the compliance program and policies are followed according to the rules and carried out in a non-discriminatory manner, subject to the BOD approval with MRO staff and BOD oversight. The compliance program is designed around compliance with Reliability Standards. The development of a MRO Regional Reliability Standard, in particular the measures and compliance administration portions of the standard, shall have direct input from the CC. Field-testing will be managed and coordinated with the CC. The Compliance Manager (CM), a MRO staff function, and the CC shall provide input and comments during the standards development process to ensure the measures will be effective and other aspects of the compliance program practically implemented.

Standards Committee (SC) -The responsibilities of the SC will include: management of the standards work flow so as not to overwhelm available resources, review of standards authorization requests and draft standards for such factors as completeness, sufficient detail, rational result, and compatibility with existing standards; clarifying standard development issues not specified in this procedure; and advising the BOD on standard development matters. Under no circumstance will the SC change the substance of a draft standard. The SC shall advise the BOD on MRO Regional Reliability Standards presented for their consideration in determining whether to propose such Reliability Standard to NERC.

Standards Process Manager (SPM) – This is a MRO staff function. The Standards Manager who will act as the SPM shall administer the MRO



Regional Reliability Standards Process. The SPM is responsible for ensuring that the development and revision of standards is in accordance with this manual. The SPM works to ensure the integrity of the process and consistency of quality and completeness of the MRO Regional Reliability Standards. The SPM facilitates all steps in the process.

Standards Process Staff - MRO staff will assist the SC, SPM, Requester, and Standard Drafting Team (SDT).

Registered Ballot Body (RBB) - The RBB comprises all entities that:

1. qualify for one of the Industry Segments approved by the BOD¹, and
2. are registered in the MRO RBB, and
3. are current with any MRO related designated fees associated with this program. Designated fees are defined as fees associated with the Standards Development process. At this time there are no fees for registration.

Each voter must be a member of the RBB. **Note: An individual's membership in the RBB will be in a "Pending" stage immediately following registration; in order to be able to vote, your registration must be activated, and activation may take up to 24 hours.**

Each registered member of the RBB is eligible to participate in the voting process for each Standards Action (add, change or withdraw). However, each MRO RBB member (company) may have only one vote per eligible segment.

The RBB will ensure, through its vote, the need for and the technical merits of, a proposed Standards Action and the appropriate consideration of views and objections received during the development process. The RBB votes to approve each Standards Action.

The MRO Regional Reliability Standards Process relies on open and inclusive participation by the electric utility industry and the interested public. Participation and voting is open to non-members of the MRO; at this time there are no fees for participation or voting.

Requester - A Requester is any person or entity (organization, company, government agency, etc.) that submits a complete request for development, revision, or withdrawal of a standard. Any person or entity that is directly and materially affected by an existing standard or the need for a new standard may submit a completed Standard Authorization Request (SAR) for any of the three following actions; a new standard to be developed, a revision to an existing standard, or a withdrawal of an existing standard.

¹ Appendix C contains a description of the latest version of the Industry Segments approved by the Board of Directors.



SAR Drafting Team - A team of technical experts assigned by the SC, that:

- assists in refining the SAR,
- considers and responds to comments, and
- participates in industry forums to help build consensus on the SAR.

SDT - A small team (5-10 people) of technical experts, approved by the SC, that:

- develops the details of the standard
- considers and responds to comments
- participates in industry or regional forums to help build consensus on posted draft standards

Sub-Regional Variance: An aspect of a Reliability Standard (one that is proposed for the MRO region for enforceability) that applies only within a particular regional entity sub-region. A Sub-Regional Variance may be used to exempt a group of entities within the MRO region from all or a portion of a Reliability Standard or may establish different measures or performance criteria as necessary to achieve reliability within the particular group of entities within the region. A Sub-Regional Variance may not be inconsistent with the Reliability Standard as it would otherwise exist without the variance.

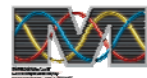
A Sub-regional variance cannot establish a level of reliability less than that set by a continent-wide Reliability Standard and such a variance would only exempt a group of entities from a MRO Reliability Standard. Such a variance may be proposed by a group of sub-regional entities and, if approved by NERC and regulatory authorities, shall be enforced within the MRO region pursuant to its delegated authority.

IV. MRO Regional Reliability Standards Consensus Development Process

Overview

The process for development of MRO Regional Reliability Standards to be proposed to NERC and regulatory authorities for approval and eventual enforcement under direct or delegated authority is illustrated in the Process Diagram in Appendix A and has the following characteristics:

- **Inclusive** – Any entity (person, organization, company, government agency, individual, etc.) with a direct material interest in the bulk power system in the MRO 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.



- **Openness** - Participation is open to all persons who are directly and materially affected by the reliability of the MRO region bulk power system. There shall be no undue financial barriers to participation. Participation shall not be conditional upon membership in the MRO or any organization, and shall not be unreasonably restricted on the basis of technical qualifications or other such requirements.
- **Balance** - The MRO Regional Reliability Standards Development Process shall have a 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.
- **Transparent** - All actions material to the development of MRO regional reliability standards shall be transparent. All standards development meetings shall be open and publicly noticed on the MRO Web site.
- **Timeliness** - The MRO Regional Reliability Standards Development Process does not unnecessarily delay development of the proposed reliability standard.
- **Fair Due Process** - The MRO Regional Reliability Standards Development Process provides for reasonable notice and opportunity for public comment. The procedure includes 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 all persons who are directly and materially affected.

The MRO Regional Reliability Standards development process is intended to develop consensus, first on the need for the standard, then on the standard itself. The process includes the following key elements:

- **Nomination of a proposed standard, revision to a standard, or withdrawal of a standard** using a Standard Authorization Request ("SAR").
- **Public posting of the SAR** to allow all parties to review and provide comments on the need for the proposed standard and the expected outcomes and impacts from implementing the proposed standard. Notice of standards shall provide an opportunity for participation by all directly and materially affected persons.
- **Review of the public comments** in response to the SAR and prioritization of proposed standards, leading to the authorization to develop standards for which there is a consensus-based need.
- **Assignment of teams** to draft the new or revised standard.
- **Drafting of the standard.**



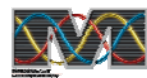
- **Public posting of the draft standard** to allow all parties to review and provide comments on the draft standard. At this point the need for the standard has been established and comments should focus on aspects of the draft standard itself.
- **Field testing of the draft standard and measures:** The need and extent of recommendations for field testing shall be determined by the SDT and submitted through the SPM to the SC for approval. The SDT shall request input from the RAC and CC members.
 - Field-testing may be region-wide or may consist of one or more, lesser scale demonstrations, evaluations, or other SC approved methods.
 - Field-testing should be cost effective and practical, yet sufficient to validate the requirements, measures, measurement processes and other elements of the standard necessary to implement the Compliance Program.
 - For some standards and their associated measures, field-testing may not be appropriate, such as those measures that consist of administrative reports.
- **Formal balloting of the standard** for approval by the RBB.
- **Re-ballot to consider specific comments** by those submitting comments with negative votes.
- **Approval of a MRO Regional Reliability Standard.**
- **Appeals mechanism** as appropriate for the impartial handling of substantive and procedural complaints regarding action or inaction related to the standards process.

Process Steps

The first three steps in the MRO Regional Reliability Standards Development Process serve to establish consensus on the need for the standard.

Step 1 - Request to Develop a Standard or Revise an Existing Standard

Objective: A valid SAR that clearly justifies the purpose for, and describes the scope of, the proposed standards action. An example of a SAR form can be found in Appendix B.



Sequence Considerations: Submitting a valid SAR is the first step in proposing a standard action. A requester may prepare a draft of the proposed standard (Step 5), which the SC may authorize for concurrent posting with the SAR. This could be useful for a standard action with a clearly defined and limited scope or one for which stakeholder consensus on the need and scope is likely. Complex standards where broad debate of issues is required should be, presented in two stages. The first stage is, the completion of a valid SAR to get agreement on the scope and purpose, the second stage is the development of the standard later in Step 6.

Requests to develop, revise, or withdraw² a MRO Regional Reliability Standard shall be submitted to the SPM by completing a SAR.

The SAR is a description of the subject matter of the new or revised standard along with a proposed implementation plan and includes:

- Descriptive detail to clearly define the scope of the standard.
- A statement of the purpose of the standard
- A needs statement that provides justification for the development or revision of the standard; including an assessment of the reliability and market interface impacts of implementing or not implementing the standard.

Appendix B provides a sample template of the SAR form.

The SPM shall maintain the SAR form and make it available electronically.

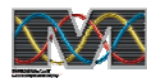
Any person or entity directly or materially affected by an existing standard or the need for a new or revised standard may initiate a SAR.

The Requester shall submit the SAR to the SPM electronically through the RSVP application and the SPM shall electronically acknowledge receipt of the SAR within 15 days. The SPM shall send the electronic acknowledgement simultaneously to the Requester and to NERC.

The SPM shall assist the Requester in developing the SAR, reviewing NERC Reliability Standards to see whether they already address the need, identify issues with interconnected regions, and verify that the SAR complies with this manual.

The SPM shall forward all properly completed SARs to the SC. The SC shall meet at established intervals to review all pending SARs. The frequency of the review process will depend on workload; in no case shall a properly

² Actions in the remaining steps of the standards process apply to proposed new standards, revisions to existing standards, or withdrawal of existing standards, unless explicitly stated otherwise.



completed SAR wait for SC action more than 60 days from the date of receipt.

The SC may take one of the following actions:

- Remand the SAR back to the SPM for additional work and information from the Requester.
- Accept the SAR as a candidate for a new or revised standard. If the SC accepts a SAR as a candidate for a new or revised standard, it will provide technical support and analysis of comments for that SAR, and assist the Requester and the SPM in the remaining steps of the process.
- Reject the SAR. If the SC rejects a SAR, it will provide a written explanation for rejection to the Requester within 30 days of the rejection decision. If the SC rejects a SAR, the Requester may file an appeal following the Appeals Process.

The status of SAR shall be tracked electronically by the SPM. The SAR and its status shall be posted for public viewing including any actions or decisions.

Step 2 - Solicit Public Comments on the SAR

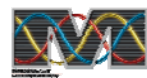
Objective: Establish that there is stakeholder consensus on the need, scope and applicability of the requester's proposed standards' action.

Sequence Considerations: A SAR may be posted only after completion of Step 1. A SAR may at the discretion of the SC, be posted for comment concurrently with a draft standard (Step 6).

Once a SAR has been accepted by the SC as a candidate for the development of a new or revised standard, the SPM shall post the SAR on the RSVP Application for the purpose of soliciting public comments.

The SPM shall notify the RBB, the MRO region, NERC, and other interested parties that the SAR has been accepted by the SC and posted for comment.

Within thirty (30) days of acceptance by the SC, the SAR shall be posted electronically and comments on the SAR(s) will be accepted for a 21-day period from the date of posting. Comments will be accepted on-line using the RSVP application. The SPM will provide a copy of the comments to the Requester. In addition, comments will be visible to the RBB during the commenting period. Based on the comments, the Requester may decide to: submit the SAR for authorization, withdraw the SAR, or revise and resubmit it to the SPM for another posting in the next available comment period.



The Requester shall give prompt consideration to the written views and objections of all participants. The Requester, with support from the SPM or SPM assigned staff, shall make an effort to resolve all expressed objections and shall advise each objector of the disposition of the objection and the reasons therefore. In addition, the SPM shall inform each objector that an appeals process exists within the MRO standards process.

While there is no established limit on the number of times a SAR may be posted for comment, the SC retains the right to reverse its prior decision and reject a SAR if it believes continued revisions are not productive. Once again, the SC shall notify the Requester in writing of the rejection and the availability of the Appeals Process. During the SAR comment process, the Requester may become aware of potential sub-Regional differences (within the MRO) related to the proposed standard. To the extent possible, the Requester should make any sub-Regional differences or exceptions a part of the SAR so that, if the SAR is authorized, such variations will be made a part of the draft new or revised standard.

Step 3 - Authorization to Proceed With Drafting of a New or Revised Standard

Objective: Authorize development of a standard that is consistent with the SAR and for which there is stakeholder consensus on the need, scope and applicability.

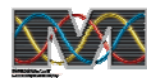
Sequence Considerations: The SC may formally authorize the development of a standards' action only after due consideration of SAR comments to determine there is consensus on the need, scope and applicability of the proposed standard. This does not preclude, however, the requester from previously preparing a draft standard for consideration and the SC from authorizing a concurrent posting of the draft standard for comment along with the SAR.

After the public provides comments on the SAR, the Requester may decide to submit the SAR to the SC for authorization to draft the standard. The SC reviews the comments received in response to the SAR and any revisions to the SAR. The SC, considering the public comments received and their resolution, may then take one of the following actions:

- Authorize the drafting of the proposed standard or revisions to a standard.
- Reject the SAR with a written explanation to the Requester and post that explanation.

If the SC rejects a SAR, the Requester may file an appeal.

Step 4 – Formation of the SDT



Objective: Appoint a SDT that has the expertise, competencies, and diversity of views that are necessary to develop the standard.

Sequence Considerations: The SC may appoint a SDT concurrently with or after authorization of the development of a standard (Step 3).

For each new SAR, the SPM shall post a request that interested parties complete a "SDT Self-Nomination" form utilizing the RSVP application. Those individuals who complete and submit these self-nomination forms through the RSVP will be considered for appointment to the associated SDT.

Once a SAR has been authorized by the SC to proceed to the drafting stage, the SC shall assign the development of the standard to a SDT. The SPM shall recommend a list of candidates for appointment to the team and shall submit the list to the SC. The SC may accept the recommendations of the SPM or may select other individuals to serve on the SDT within 60 days.

The SDT shall elect a Chairman for their team. This team shall consist of a small group of people who collectively have the necessary technical expertise and work process skills. A representative of the CC or their designee, plus a Reliability Assessment Committee (RAC) representative or their designee should be included as a member of each SDT.

The SPM shall assign MRO Standards Process staff personnel to assist in the drafting of the standard.

Step 5 - Draft New or Revised Standard

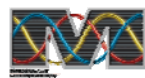
Objective: Develop a standard within the scope of the SAR.

Sequence Considerations: Development of the draft standard follows the authorization by the SC (Step 3) and appointment of a SDT (Step 4). Steps 5 and 6 may be iterated as necessary to consider stakeholder comments and build consensus on the draft standard.

The drafting team shall develop a work plan for completing the regional reliability standard, including the establishment of a milestone schedule for completing critical elements of the work in sufficient detail to ensure that the drafting team will meet the objectives established by the SC. The drafting team shall submit its work plan to the SC for its concurrence.

The drafting team shall convene periodically, either in person or by electronic means as necessary, to establish work teams (made up of members of the drafting team) as necessary, and perform other activities to complete the proposed standard within the milestone date(s) agreed upon by the SC.

The work product of the drafting team will consist of the following:

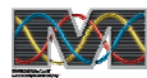


- A draft standard consistent with the standard request on which it was based.
- An assessment of the reliability impact of the standard request within the region and in neighboring regions, including appropriate input from the neighboring regions if the standard request is determined to impact any neighboring region.
- An implementation plan, including the nature, extent and duration of field-testing needed, if any.
- Identification of any existing standard that will be deleted, in part or whole, or otherwise impacted by the implementation of the draft standard.
- Technical reports, white papers and/or work papers that provide technical support for the draft standard under consideration.

The team regularly (at frequency determined by the SC) shall inform the SC of its progress in meeting a timely completion of the draft standard.

The drafting of measures and compliance administration aspects of the standard will be coordinated with the CC.

If the SDT determines that the scope of the SAR is inappropriate based on its own work and stakeholder comments, the team shall notify the SC. The SDT may recommend the scope of the standard be reduced to allow the effort to continue forward, while still remaining within the scope of the SAR. Reducing the scope defined in the SAR is acceptable if the SDT finds, for instance, that additional technical research is needed prior to developing a portion of the standard or issues need to be resolved before consensus can be achieved on a portion of the standard. In this case, the SDT shall provide detailed justification of need for reducing the scope. The SC, based on the SDT recommendation and a review of stakeholder comments, will determine if the change in scope is acceptable.



If the SDT determines it is necessary to expand the scope of the standard or to modify the scope in a way that is no longer consistent with the scope defined in the SAR, then the SDT may initiate or recommend another requester initiate a new SAR (Step 1) to develop the expanded or modified scope. At no time will a SDT develop a standard that is not within the scope of the SAR that was authorized for development.

If the SDT elects to narrow the SAR, scope or identifies issues not in the SAR scope, then a report shall be prepared and sent to the SC.

Once the standard has been drafted, the SPM shall review the standard for consistency of quality and completeness. The SPM shall also ensure the draft standard is within the scope and purpose identified in the SAR. This review shall occur within a 15-day period.

The SPM shall post the new or revised standard for public comment once this review is completed. The SPM shall notify the RBB, the MRO region, NERC, and other interested parties that the new or revised standard has been posted for public comment.

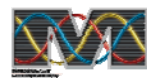
Step 6 - Solicit Public Comments on Draft Standard

Objective: Receive stakeholder inputs on the draft standard for the purpose of assessing consensus on the draft standard, and modifying the draft standard as needed to achieve consensus.

Sequence Considerations: The posting of a draft standard will occur after the appointment of a SDT and development of a draft by the team. Alternatively, a draft standard submitted by the requester may be posted for comment concurrently with the associated SAR, with the condition that the SAR and draft standard meet the requirements of this procedure and are consistent with each other. In all cases, public comments on the draft standard shall be solicited prior to the SC approving the standard going to ballot (Step 9).

Once a draft standard has been verified by the SPM to be within the scope and purpose of the SAR and in compliance with this manual, the SPM will post the draft standard. The posting of the draft standard will be linked to the SAR for reference. Comments on the draft standard will be accepted for a 30-day period from the notice of posting. Comments will be accepted on-line using the RSVP application and will be viewable during the posted commenting period.

Since the need for the standard was established by authorization of the SAR, comments at this stage should identify specific issues with the draft standard and propose alternative language. The comments may include recommendations to accept or reject the standards and reasons for that recommendation.



The SDT shall develop an implementation plan for the standard that will be posted in conjunction with the standard for at least one stakeholder comment period. Once the implementation plan has been developed and posted for stakeholder comment, it shall remain part of the standard action for subsequent postings and shall be included on the ballot for the standard. The implementation plan shall describe when the standard will become effective. If the implementation is to be phased, the plan will describe which elements of the standard are to be applied to each class of responsible entities, and when. The plan will describe any deployment considerations unique to the standard, such as computer applications, measurement devices, databases, or training, as well as any other special steps necessary to prepare for and initially implement the standard.

Step 7 - Field Testing

Objective: Determine what testing is required to validate the concepts, requirements, measures and compliance elements of the standard and implement that testing.

Sequence Considerations: Testing may be completed during or after Steps 1 through 6. Testing and associated analysis of results (Step 8) must be completed prior to determining whether to submit the standard to ballot (Step 9).

Taking into consideration stakeholder comments received through Step 6, the SDT may recommend to the SC that a test of one or more aspects of a standard is needed. The MRO Compliance Manager will also evaluate whether field-testing of the compliance elements of the proposed new or revised standard is needed and advise the SC. The SC will approve all field tests of proposed standards based on the recommendations of the SDT and the compliance manager. If needed, the SC will also request inputs on technical matters from applicable standing committees or other experts.

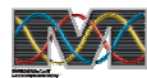
Once the field-testing plan is approved, the SPM will, under the direction of the SC, oversee the field-testing of the standard.

In some cases, measurement may be an administrative task and no field-testing is required at all.

In other cases, one or more limited scale demonstrations, evaluations, or other SC approved method may be sufficient.

Step 8 - Analysis of the Comments and Field Test Results

Objective: Evaluate stakeholder comments and field test results to determine if there is consensus that the proposed standard should go to ballot or requires additional work.



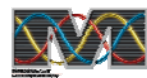
Sequence Considerations: This step follows Steps 6 and 7 and must precede Step 9.

The SPM will assemble the comments on the draft standard and distribute those comments to the SDT and the requester. The SDT, assisted by the requester, shall give prompt consideration to the written views and objections of all participants. An effort to resolve all expressed objections shall be made, and each objector shall be advised of the disposition of the objection and the reasons therefore. The STD shall prepare a summary of the comments received and the changes made to the proposed standard as a result of these comments. The STD shall summarize comments that were rejected by the STD 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 MRO website no later than the next posting of the proposed standard. In addition, each objector will be informed that an appeals process exists within the MRO standards process.

Based on comments received, the SDT may determine there is an opportunity to achieve consensus for the standard. In this case, the SDT may elect to return to Step 5 and revise the draft for another posting. Although there is no predetermined limit on the number of times a draft standard may be revised and posted, the SDT should ensure the potential benefits of another posting outweigh the burden on the SDT and stakeholders. Returning to Step 5 to continue working on the standard is the prerogative of the SDT, subject to SC oversight.

If the SDT determines the draft standard is ready for ballot, the SDT shall submit the draft standard to the SC with a request to proceed to balloting, along with the comments received and responses to the comments. Based on the comments received and field-testing, the SDT may include revisions that are not substantive. Substantive changes to a draft standard shall not be permitted between the last posting for stakeholder comment and submittal for ballot. A substantive change is one that directly and materially affects the intent or use of the standard. For example, adding, deleting, or revising requirements; or adding, deleting, or revising measurements for which compliance is mandatory. Any non-substantive changes such as: spelling, grammar, or formatting, made prior to going to ballot, will be identified to stakeholders at the time of the ballot notice. If the SDT determines, based on comments received, that substantive changes to the standard are required, the standard will be re-posted for comment and a notice sent to the MRO region, the RBB, NERC, and other interested parties that the revised standard has been re-posted for public comment.

When the SC receives a draft standard that has been recommended for ballot, the SC will review the standard to ensure that the proposed standard is consistent with the scope of the SAR; addresses all of the objectives cited in Steps 1-8, as applicable; and is compatible with other existing standards. If the proposed standard does not pass this review, the SC shall remand the



proposed standard to the SDT to address the deficiencies. If the proposed standard passes the review, the SC shall set the proposed standard for ballot as soon as the workflow will accommodate.

If the SDT determines there is insufficient consensus to ballot the standard and that further work is unlikely to achieve consensus, the SDT may recommend to the SC that the standard drafting be terminated and the SAR withdrawn. The SC will consider the recommendation of the SDT and stakeholder comments and may terminate the standard drafting and accept the withdrawal of the SAR. If the SC believes the recommendation is unsubstantiated, the SC may direct other actions consistent with this procedure, such as requesting the SDT to continue or appointing a new SDT.

Step 9 - Ballot the New or Revised Standard

Objective: Approve the proposed standard by vote of industry stakeholders.

Sequence Considerations: The SC shall determine that all requirements of Steps 1 through 8 have been satisfactorily met before authorizing an action to go to ballot.

If the SDT decides to submit the standard to a vote, the SPM shall provide notice of such to the RBB, NERC, as well as other interested parties, and electronically post the standard, and all comments received, the responses to those comments, and an implementation plan.

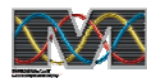
First Ballot

Each voter must be a member of the Registered Ballot Body (RBB). **Note: An individual's membership in the RBB will be in a "Pending" stage immediately following registration; in order to be able to vote, your registration must be activated, and activation may take up to 24 hours.**

The ballot will be conducted electronically through the RSVP application. All members of the RBB shall be eligible to vote on the associated standard except, that only one member from an entity may vote in any given segment. It is the responsibility of the entity to identify and notify the SPM of the eligible voter. The voting options are:

- Affirmative, with or without comment;
- Negative, with or without comment (the comments for a negative vote may be given and, if possible, should include specific wording or actions that would resolve the objection);
- Abstain.

The time window for voting shall be designated when the draft standard is posted. In no case shall the voting time window start sooner than fifteen



(15) and no later than thirty (30) days from the notice of the posting. The voting time window will be a period of ten (10) days.

This provides a minimum total of twenty-five (25)-days from the initial notice until the end of the voting period. Approval of a MRO Regional Reliability Standard or revision to a MRO Regional Reliability Standard requires:

- a quorum, which is established by at least 4 of the Segments submitting a response with an affirmative vote, a negative vote, or an abstention; and
- an affirmative vote from at least two-thirds of the segments participating in the vote. Each segment vote is determined by the majority of the votes cast in the segment, either affirmative or negative. Abstentions and non-responses will not be counted.

Voting results, comments, and responses, if necessary, will be posted for public viewing as soon as practical after the balloting period closes. Voting results and comments maybe posted prior to the responses.

Balloting examples are provided in Appendix D.

Members of the RBB should submit any comments on the proposed standard during the public comment period. If any Negative votes with comments are received during the ballot period, they shall be addressed in accordance with *Step 8* and included with the re-circulation ballot.

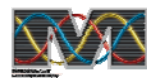
The SPM shall facilitate the SDT, assisted by the Requester, in preparing a response to negative votes submitted with comments.

In addition, the SPM will inform each objector that an appeals process exists within the MRO standards process. A negative vote that does not contain comments does not require a response. If there are no negative votes with comments from the first ballot, then the results of the first ballot shall stand. If however, one or more members submit negative votes with comments, regardless of whether those comments are resolved, a second ballot shall be conducted.

If a quorum of the Segments is not established, the standard shall be re-balloted, allowing ten (10) days for the ballot. If a quorum is not established with the re-ballot, the SPM shall survey the RBB to establish interest in participating in a ballot on the standard.

Second Ballot

In the second ballot (also called a “re-circulation ballot”), members of the RBB shall again be presented the proposed standard (unchanged from the first ballot) along with the reasons for negative votes, the responses, and any resolution of the differences.



All members of the RBB eligible to vote shall be permitted to reconsider and change their vote from the first ballot. Eligible voting members of the RBB that did not respond to the first ballot shall be permitted to vote in the second ballot. Only one vote will be accepted from each organization within a segment.

In the second ballot, votes will be counted by exception only - members on the second ballot may indicate a revision to their original vote, otherwise their vote shall remain the same as in the first ballot. If a second ballot is conducted, the results of the second ballot shall determine the status of the standard, regardless of the outcome of the first ballot.

The voting time window for the second ballot is ten (10) days (to allow members to review comments and responses). The 21-day posting is not required for the second ballot. Members of the RBB may submit comments in the second ballot but no response to those comments is required.

In the second ballot step no revisions to the standard are permitted, as such revisions would not have been subject to public comment. However, if the SC determines that revisions proposed during the ballot process would likely provide an opportunity to achieve consensus on the standard, then such revisions may be made and the draft standard posted for public comment again beginning with Step 6 and continuing with subsequent steps.

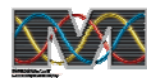
The SPM shall post the final outcome of the ballot process. If the standard is rejected, the process is ended and any further work in this area would require a new SAR. If the standard is approved, the SPM shall post the consensus standard and the SC Chair shall present it to the BOD for consideration.

Step 10 –Approval of a Proposed MRO Regional Reliability Standard

Objective: To have the BOD approve the proposed new or revised, MRO Regional Reliability Standard. Once properly approved by the BOD, accepted by NERC, and accepted for filing by the applicable regulatory authorities in the United States and Canada, the Reliability Standard becomes enforceable.

Sequence Considerations: The thirty (30)-day notice prior to action by the BOD may begin concurrently with or any time after the start of the first ballot. The thirty (30)-day period shall not end any sooner than the end of the final ballot.

A MRO Regional Reliability Standard submitted for consideration to the BOD must be publicly posted and noticed no less than fifteen (15) and no more than thirty (30) days prior to action by the BOD, included with the standard is the implementation plan that was part of the posting process.



At a regular or special meeting, the BOD shall consider the proposed MRO Regional Reliability Standard. The BOD shall consider the results of the balloting and dissenting opinions. The BOD shall consider any advice offered by the MRO SC. The BOD may accept or reject a standard, but may not modify a proposed MRO Regional Reliability Standard. If the BOD chooses not to propose a standard to NERC and the applicable regulatory authorities in the United States and Canada, it shall provide its reasons for not doing so. Upon acceptance of the standard, the SPM will submit the standard to NERC for approval and filing with the applicable regulatory authorities in the United States and Canada.

A MRO Regional Reliability Standard that is approved by NERC and filed with the applicable regulatory authorities shall become effective in accordance with applicable NERC and applicable regulatory proceedings. The implementation plan is included with the proposed Reliability Standard.

The SPM shall publicly post the standard, showing the final status.

Step 11 - Implementation of the MRO Regional Reliability Standard

Objective: That Organizations subject to the standard use the standard, and the compliance program incorporates the standard into its compliance monitoring and enforcement process.

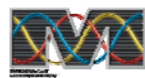
Sequence Considerations: The effective date of a standard is defined in the standard implementation plan.

After approval of a MRO Regional Reliability Standard by the applicable authorities in the United States and Canada, the SPM will forward the standard to the Compliance Manager for implementation, enforcement, and monitoring by the CC which will oversee the implementation and assess the effectiveness.

V. Interpretations and Appeals

Interpretations of MRO Regional Reliability Standards

All persons who are directly and materially affected by the reliability of MRO bulk power systems shall be permitted to request an interpretation of a MRO Regional Reliability Standard. The person requesting an interpretation shall send a request to the SPM explaining the specific circumstances surrounding the request and what clarifications are required as applied to those circumstances. The request should indicate the material impact to the requesting party or others caused by the lack of clarity or a possibly incorrect interpretation of the standard. The SPM shall provide notice to the MRO region within ten business days of such a request for interpretation.



The SPM shall recommend a list of candidates with the relevant expertise for appointment to an interpretation team and shall submit the list to the SC.

As soon as practical (not more than 45 days), the SDT will draft a written interpretation to the standard addressing the issues raised. The SPM shall take the draft interpretation to the SC for acceptance, which would be forwarded to the Board for approval, at the SC recommendation. If approved by the Board, the interpretation is appended to the standard and is effective immediately. The SPM will send notice to all entities that operate, plan, and use the bulk electric systems of the MRO region. The interpretation will stand until the standard is revised through the normal process, at which time the standard will be modified to incorporate the clarifications provided by the interpretation.

Appeals

Persons who have directly and materially affected interests and who have been or will be adversely affected by any substantive or procedural action or inaction related to the development, approval, revision, or withdrawal of a MRO Regional Reliability Standard shall have the right to appeal. This appeals process applies only to the MRO Regional Reliability Standards process as defined in this manual.

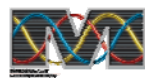
The burden of proof to show adverse effect shall be on the appellant. Appeals shall be made within 30 days of the date of the action purported to cause the adverse effect, except appeals for inaction, which may be made at any time. In all cases, the request for appeal must be made prior to the next step in the process.

The final decisions of any appeal shall be documented in writing and made public.

The appeals process provides two levels, with the goal of expeditiously resolving the issue to the satisfaction of the participants:

Level 1 Appeal

Level 1 is the required first step in the appeals process. The appellant shall submit to the SPM, a complaint in writing that describes the substantive or procedural action or inaction associated with a MRO Regional Reliability Standard or the MRO Regional Reliability Standards process. The appellant shall describe in the complaint the actual or potential adverse impact to the appellant. Assisted by any necessary staff and committee resources, the SPM shall prepare a written response addressed to the appellant as soon as practical but not more than 45 days after receipt of the complaint. If the appellant accepts the response as a satisfactory resolution of the issue, both the complaint and response shall be made a part of the public record associated with the standard.



Level 2 Appeal

If, after the Level 1 Appeal the appellant remains unsatisfied with the resolution, and indicates such in writing to the SPM, the SPM shall convene a Level 2 Appeals Panel. This panel shall consist of five (5), panel members total appointed by the BOD. In all cases, Level 2 Appeals Panel members shall have no direct affiliation with the participants in the appeal.

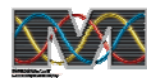
The SPM shall post the complaint and other relevant materials and provide at least 30 days notice of the meeting of the Level 2 Appeals Panel. In addition to the appellant, any person that is directly and materially affected by the substantive or procedural action or inaction referenced in the complaint shall be heard by the panel. The panel shall not consider any expansion to the scope of the appeal that was not presented in the Level 1 Appeal. The panel may in its decision find for the appellant and remand the issue to the SC with a statement of the issues and facts in regard to which fair and equitable action was not taken. The panel may find against the appellant with a specific statement of the facts that demonstrate fair and equitable treatment of the appellant and the appellant's objections. The panel may not, however, revise, approve, or disapprove a MRO Regional Reliability Standard, as these responsibilities remain with the standard's RBB and BOD respectively. The SPM shall publicly post the actions of the Level 2 Appeals Panel.

In addition to the foregoing, a procedural objection that has not been resolved may be submitted to the BOD for consideration at the time the BOD decides whether to approve proposing a particular MRO Regional Reliability Standard for NERC consideration and eventual enforceability. The objection must be in writing, signed by an officer of the objecting entity, and contain a concise statement of the relief requested and a clear demonstration of the facts that justify that relief. The objection must be filed no later than 30 days after the announcement of the vote by the RBB on the MRO Regional Reliability Standard in question.

VI. Maintenance of MRO Regional Reliability Standards and Process

Process Revisions

A request to substantively change the MRO Regional Reliability Standards Process Development process shall begin with the preparation of a SAR, and be handled using the same procedure as a request to revise a MRO Regional Reliability Standard. The exception is that a single ballot without regard to negative comments from the RBB shall be conducted and the results of that ballot will be binding. Non-substantive changes will be handled through the abbreviated process listed below. Once approved by the RBB, any proposed revisions to this manual would go to the BOD, NERC, and the applicable authorities in the United States and Canada for approval.



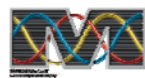
The BOD may make changes to the Industry Segments referenced in Appendix C. These changes shall be carried over to this process without the need to prepare a SAR. In addition, the SC may alter the document number on any existing or proposed standard without going through the MRO Regional Standards Process.

Abbreviated Process for Procedural/Administrative Changes

The SPM shall handle all procedural/administrative requests using an abbreviated process described here. The SPM shall post all proposed procedural/administrative revisions to the MRO Regional Reliability Standards Development Process for a 30-day public comment period. The SC shall consider all comments received and modify the proposed revisions as needed. Based on the degree of consensus for the revisions, the SC may:

- a. submit the revised procedure directly to the BOD for adoption;
- b. submit the revised procedure for ballot pool approval prior to submitting it for BOD adoption (the regular voting process in the procedure, including a re-circulation ballot if needed, would be used and the results of the ballot would be binding on the decision to move the revisions to the BOD or not);
- c. propose additional changes and repeat the posting for further comment;
- d. remand the proposal to the requester for further work; or
- e. reject the proposal.

The SPM shall post any proposed revisions submitted for BOD adoption for a period of 30 days prior to BOD action. The SC shall submit to the BOD a description of the basis for the procedure changes, a summary of the comments received, and any minority views expressed in the comment process. The proposed procedure revisions will be effective upon BOD adoption, or another date designated by the BOD.



Five-Year Review

Each MRO Regional Reliability Standard shall be reviewed at least once every five (5) years from the effective date of the standard or the latest revision to the standard, whichever is the later. The review process shall be conducted by soliciting comments from the stakeholders. If no changes are warranted, the SC shall recommend to the BOD that the Standard be reaffirmed. If the review indicates a need to revise or withdraw the standard, a SAR shall be prepared and submitted by the SC or any other stakeholder in accordance with the standards process. The SPM shall be responsible for administration of the five (5)-year review of MRO Regional Reliability Standards.

On-line Standards Information System

The SPM shall be responsible for maintaining an electronic database of information regarding currently proposed and currently in effect MRO Regional Reliability Standards. This information shall include current standards in effect, proposed revisions to standards, and proposed new standards. This information shall provide a record, for at a minimum the previous five years, of the review and approval process for each MRO Regional Reliability Standard, including public comments received during the development and approval process. This information shall be available through public Internet access.

Archived Standards Information

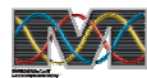
The SPM shall be responsible for maintaining an historical record of MRO Regional Reliability Standards information that is no longer maintained on-line. Archived information shall be retained indefinitely as practical, but in no case less than five years or one complete standard review cycle from the date on which the standard was no longer in effect. Archived records of standards information shall be available electronically within 30 days following the receipt by the SPM of a written request.

Numbering System

The SPM shall establish, maintain, and electronically post a system of identification numbers that allow MRO Regional Reliability Standards to be categorized and easily referenced. Re-numbering of approved standards does not warrant standard review but will be handled through the SC. The SPM will notify the MRO region and post the information on the RSVP system prior to making the change.

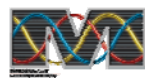
Supporting Documents

The following table identifies documents that may be developed to support a MRO Regional Reliability Standard. These documents may explain or facilitate implementation of standards but do not themselves contain

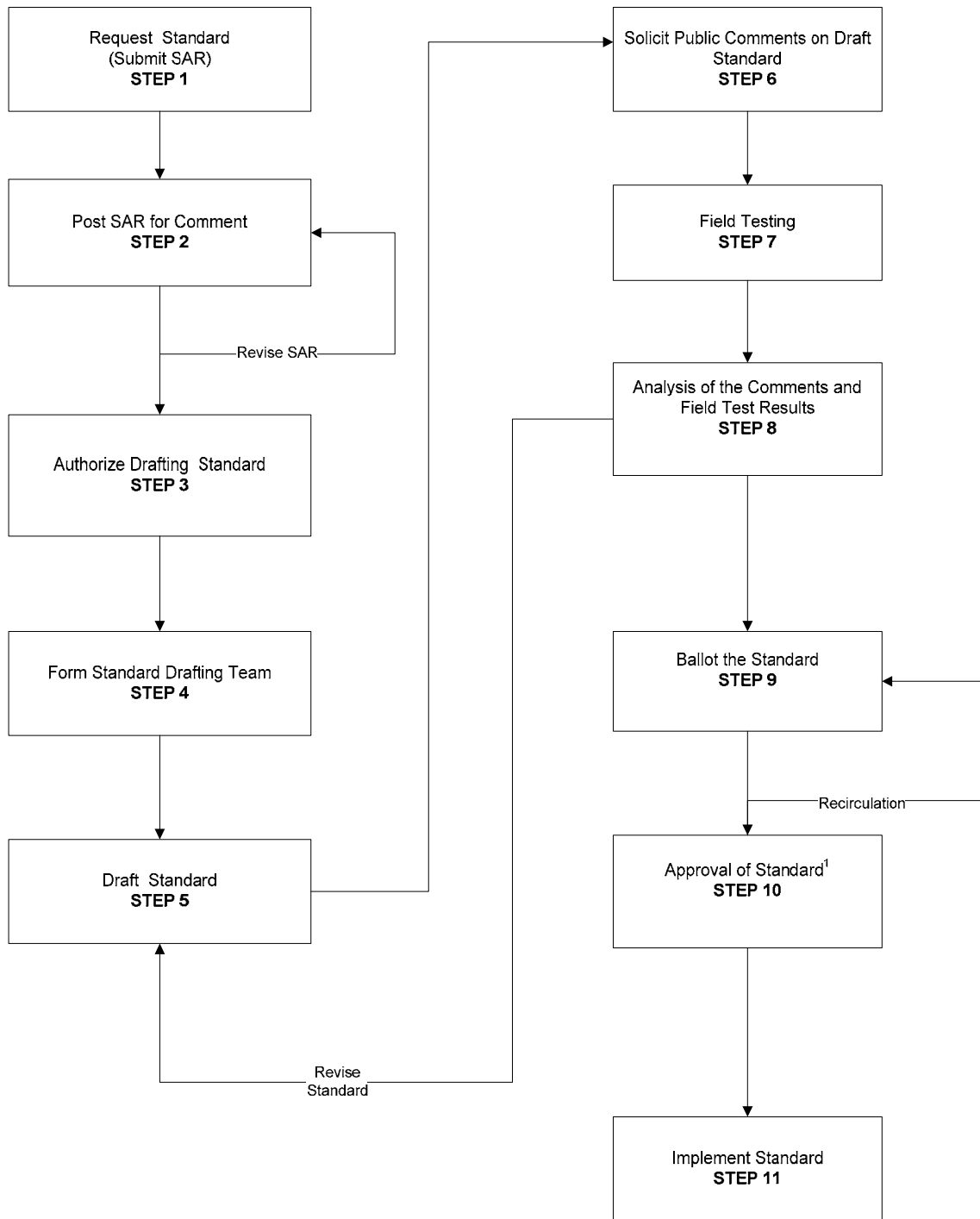


mandatory requirements subject to compliance review. Any requirements that are mandatory must be incorporated into the standard. For example, a procedure that must be followed as written must be incorporated into a MRO Regional Reliability Standard. If the procedure defines one way, but not necessarily the only way, to implement a standard it is more appropriately a reference.

<i>Type of Document</i>	<i>Description</i>	<i>Approval</i>
Standard Reference	Descriptive, explanatory information to support the understanding and interpretation of an MRO Regional Reliability Standard.	SC
Standard Supplement	Data forms, pro forma documents, and associated instructions that support the implementation of an MRO Regional Reliability Standard.	As assigned to the MRO Standing Committee
Procedure	Instructions defining a particular process or operation. Procedures may support the implementation of an MRO Regional Reliability Standard.	As assigned to the MRO Standing Committee
Technical Reference	Descriptive, technical information or analysis. A technical reference may support the implementation of an MRO Regional Reliability Standard.	As assigned to the MRO Standing Committee



VII. Appendix A MRO Regional Reliability Standards Process Diagram



¹After MRO Board approval, the standard is submitted to NERC for approval and filing to the applicable regulatory authorities. Upon regulatory acceptance or approval, the standard becomes enforceable as a Reliability Standard.



VIII. Appendix B – Information in a Standard Authorization Request

Below is a template of the required information to complete a Standard Authorization Request. The SPM shall be responsible for implementing and maintaining this form as needed to support the information requirements of the standards process.

Standard Authorization Request Form

Title of Proposed Standard
Request Date

SAR Requestor Information	SAR Type <i>(Check a box for each one that applies.)</i>
Name	<input type="checkbox"/> New Standard
Primary Contact	<input type="checkbox"/> Revision to existing Standard
Telephone Fax	<input type="checkbox"/> Withdrawal of existing Standard
E-mail	<input type="checkbox"/> Urgent Action

Purpose **(Describe the purpose of the standard – what the standard will achieve in support of reliability.)**

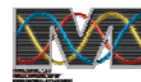
Industry Need **(Provide a detailed statement justifying the need for the proposed standard, along with any supporting documentation.)**

Brief Description **(Describe the proposed standard in sufficient detail to clearly define the scope in a manner that can be easily understood by others.)**



Reliability Functions

The Standard will apply to the Following Functions <i>(Check box for each one that applies.)</i>		
<input type="checkbox"/>	Reliability Authority	Ensures the reliability of the bulk transmission system within its Reliability Authority area. This is the highest Reliability Authority.
<input type="checkbox"/>	Balancing Authority	Integrates resource plans ahead of time, and maintains load-interchange-resource balance within its metered boundary and supports system frequency in real time.
<input type="checkbox"/>	Interchange Authority	Authorizes valid and balanced Interchange Schedules.
<input type="checkbox"/>	Planning Authority	Plans the Bulk Electric System.
<input type="checkbox"/>	Resource Planner	Develops a long-term (>one year) plan for the resource adequacy of specific loads within a Planning Authority area.
<input type="checkbox"/>	Transmission Planner	Develops a long-term (>one year) plan for the reliability of transmission systems within its portion of the Planning Authority area.
<input type="checkbox"/>	Transmission Service Provider	Provides transmission services to qualified market participants under applicable transmission service agreements
<input type="checkbox"/>	Transmission Owner	Owens transmission facilities.
<input type="checkbox"/>	Transmission Operator	Operates and maintains the transmission facilities, and executes switching orders.
<input type="checkbox"/>	Distribution Provider	Provides and operates the "wires" between the transmission system and the customer.
<input type="checkbox"/>	Generator Owner	Owens and maintains generation unit(s).
<input type="checkbox"/>	Generator Operator	Operates generation unit(s) and performs the functions of supplying energy and Interconnected Operations Services.
<input type="checkbox"/>	Purchasing-Selling Entity	The function of purchasing or selling energy, capacity, and all necessary Interconnected Operations Services as required.
<input type="checkbox"/>	Market Operator	Integrates energy, capacity, balancing, and transmission resources to achieve an economic, reliability-constrained dispatch.
<input type="checkbox"/>	Load-Serving Entity	Secures energy and transmission (and related generation services) to serve the end user.



NERC Reliability and Market Interface Principles

Applicable Reliability Principles (<i>Check box for all that apply.</i>)	
<input type="checkbox"/>	1. Interconnected bulk electric systems shall be planned and operated in a coordinated manner to perform reliably under normal and abnormal conditions as defined in the NERC Standards.
<input type="checkbox"/>	2. The frequency and voltage of interconnected bulk electric systems shall be controlled within defined limits through the balancing of real and reactive power supply and demand.
<input type="checkbox"/>	3. Information necessary for the planning and operation of interconnected bulk electric systems shall be made available to those entities responsible for planning and operating the systems reliably.
<input type="checkbox"/>	4. Plans for emergency operation and system restoration of interconnected bulk electric systems shall be developed, coordinated, maintained and implemented.
<input type="checkbox"/>	5. Facilities for communication, monitoring and control shall be provided, used and maintained for the reliability of interconnected bulk electric systems.
<input type="checkbox"/>	6. Personnel responsible for planning and operating interconnected bulk electric systems shall be trained, qualified, and have the responsibility and authority to implement actions.
<input type="checkbox"/>	7. The security of the interconnected bulk electric systems shall be assessed, monitored and maintained on a wide area basis.
<input type="checkbox"/>	8. Bulk power systems shall be protected from malicious physical or cyber attacks.
Does the proposed Standard comply with all of the following Market Interface Principles? (<i>Select 'yes' or 'no' from the drop-down box.</i>)	
1. The planning and operation of bulk electric systems shall recognize that reliability is an essential requirement of a robust North American economy. Yes	
2. A MRO Regional Reliability Standard shall not give any market participant an unfair competitive advantage. Yes	
3. A MRO Regional Reliability Standard shall neither mandate nor prohibit any specific market structure. Yes	
4. A MRO Regional Reliability Standard shall not preclude market solutions to achieving compliance with that Standard. Yes	
5. A MRO Regional Reliability Standard shall not require the public disclosure of commercially sensitive information. All market participants shall have equal opportunity to access commercially non-sensitive information that is required for compliance with reliability standards. Yes	



Related Standards

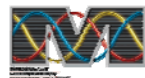
Standard No.	Explanation

Related SARs

SAR ID	Explanation

Regional Differences

Region	Explanation
ERCOT	
FRCC	
MRO	
NPCC	
SERC	
RFC	
SPP	
WECC	



IX. Appendix C –Registered Ballot Body (RBB) Registration Procedures

The RBB comprises all organizations and entities that:

1. qualify for one of the segments, and
2. are registered with MRO as ballot participants in the voting on standards, and
3. are current with any MRO designated fees associated with this program. Designated fees are defined as fees associated with the Standards Development process. At this time there are no fees for registration.

Each entity, when initially registering to join the RBB, and annually thereafter, will self-select to belong to one or more of the segments described below.

The SPM shall review all applications for joining the RBB, and make a determination of whether the self-selection satisfies at least one of the guidelines to belong to that segment. The entity will then be “credentialed” to participate as a voting member of that segment. The SC will decide disputes, with an appeal to the BOD.

In order to comment or vote you must have an active membership in the RBB. When you submit your registration request, you are placed in a “pending stage” until your account is activated. Activation of your account may take up to 24 hours. You will be unable to submit comments or vote until your account is activated.

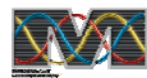
All registrations must be done electronically via the RSVP application (<http://rsvp.midwestreliability.org/rsvp/action/PubMainAction.jsessionid=47DOEF7CB59688BED492EB007FD9A0DF?type=Init>). There is no fee for registration at this time.

Segment Qualification Guidelines

The segment qualification guidelines are inclusive; i.e., any entity with a legitimate interest in the electric industry that can meet any one of the guidelines for a segment is entitled to belong to and vote in that segment. Only one vote per entity per segment is permitted.

The general guidelines for all segments are:

- Corporations or organizations with integrated operations or with affiliates that qualify to belong to more than one segment (e.g., Transmission Owners and Load Serving Entities) may belong to each of the segments in which they qualify, provided that each segment constitutes a separate membership in the RBB and is represented by a



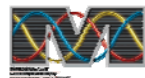
different representative. Only one vote per entity per segment registered is allowed.

- Corporations, organizations, and entities may participate freely in all subgroups.
- After their initial selection, registered participants may apply to change segments with thirty (30) days notice to the SPM. In addition, a registered participant cannot change segments during a balloting period once the participant has cast a vote or designated a proxy.
- Additionally, the SPM may change a participant segment under certain circumstances. These circumstances will be approved by the SC and posted on the RSVP.
- The qualification guidelines and rules for joining segments will be reviewed periodically by the SC to ensure that the process continues to be fair, open, balanced, and inclusive. Public input shall be solicited in the review of these guidelines.
- Since all balloting of standards will be done electronically, any registered participant may designate an agent or proxy to vote on its behalf. There are no limits on how many proxies an agent may hold. However, the MRO must have in its possession, either in writing or by e-mail, documentation that the voting right by proxy has been transferred from the registered participant to the agent prior to casting any vote.

Segments

Segment 1: Transmission Owners

- a. Any entity within the MRO region that owns or controls at least 200 circuit miles of integrated transmission facilities, or has an Open Access Transmission Tariff or equivalent on file with a regulatory authority.
- b. Transmission owners within the MRO region that have placed their transmission under the operational control of an RTO.
- c. Independent transmission companies or organizations, merchant transmission developers, and TRANSCOs that are in the MRO region and are not RTOs.
- d. Excludes RTOs, RCs and ISOs (that are eligible to belong to Segment 2).



Segment 2: Regional Transmission Organizations (RTOs), Regional Transmission Group (RTG), Independent System Operators (ISOs), Reliability Organizations, and Reliability Coordinators

- a. Authorized by appropriate regulator to operate as an RTO, RTG, or ISO within or adjacent to the MRO.
- b. Reliability Organizations certified by NERC or its successor.
- c. Check FERC definition.
- d. Reliability Coordinators within or adjacent to the MRO.
- e. In cases where the RTO or ISO and the RC have exactly the same geographic boundary, both may belong to this segment as long as they are separate entities.

Segment 3: Load-Serving Entities (LSEs)

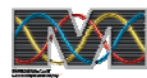
- a. Entities within the MRO region serving end-use customers under a regulated tariff, a contract governed by a regulatory tariff, or other legal obligation to serve.
- b. A member within the MRO region of a G&T cooperative or a joint-action agency is permitted to designate the G&T or joint-action agency to represent it in this segment; such designation does not preclude the G&T or joint-action agency from participation and voting in another segment representing its direct interests.

Segment 4: Electric Generators

- a. Affiliated and independent generators within the MRO region.
- b. A corporation that sets up separate corporate entities for each one or two generating plants within the MRO region in which it is involved may only have one vote in this segment regardless of how many single-plant or two-plant corporations the parent corporation has established or is involved in.

Segment 5: Electricity Brokers, Aggregators, and Marketers

- a. Entities serving end-use customers under a power marketing agreement or other authorization not classified as a regulated tariff.
- b. An entity that buys, sells, or brokers energy and related services for resale in wholesale or retail markets, whether a non-jurisdictional entity operating within its charter or an entity licensed by a jurisdictional regulator.



- c. G&T cooperatives and joint-action agencies that perform as an electricity broker, aggregator, or marketer function are permitted to belong to this segment.

Segment 6: Electricity End Users

- a. Service delivery taken within the MRO region that is not purchased for resale.
- b. Agents, associations, consumer advocates can represent groups of end users or a transmission dependent utility. A Transmission Dependent Utility (TDU) is defined as; an entity that relies on another entity for transmission service to service the majority of their contractual loads.

Segment 7: Federal, State, and Provincial Regulatory or other Government Entities

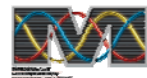
- a. Does not include Federal PMAs or TVA.
- b. May include PUCs.

X. Appendix D – Balloting Examples

The MRO voting mechanism differs from NERC in that a quorum is established if at least four Segments have submitted an affirmative, negative or abstention vote. A majority vote within a Segment is determined based on the affirmative and negative votes. A Standard is approved if at least two-thirds of the voting Segments have an affirmative vote. The following are examples of potential voting scenarios. The yellow areas indicate where a Segment did not cast a vote. The green areas with **bold** numbers represent majority votes within a Segment.

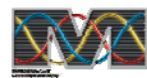
Example RBB

Segment	Number Registered in the RBB
1. Transmission Owners	15
2. RTO's, ISO's, RRO's & Reliability Coordinators	4
3. Load Serving Entities	16
4. Electric Generators	21
5. Electricity Brokers, Aggregators, & Marketers	7
6. Electricity End Users	6
7. Federal, State, & Provincial Regulatory or other Government Entities	8
Totals	77



Example 1 – A quorum has been established with 5 of the 7 Segments having registered an affirmative, negative, or an abstention vote. Two-thirds of the Segments (4 of 5 voting Segments) have voted to approve the Standard. The Standard is approved.

Segment	Ballot Pool	Votes			
		Affirmative Votes	Negative Votes	Abstain Votes	No Ballot
1. Transmission Owners	15	10	2	1	2
2. RTO's, ISO's, RRO's & Reliability Coordinators	4	3	0	0	1
3. Load Serving Entities	16	3	6	2	5
4. Electric Generators	21	13	0	1	7
5. Electricity Brokers, Aggregators, & Marketers	7	0	0	0	7
6. Electricity End Users	6	0	0	0	6
7. Federal, State, & Provincial Regulatory or other Government Entities	8	3	0	1	4
Totals	77				

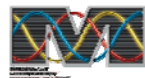


Example 2 – A quorum has been established with 4 of the 7 Segments having registered an affirmative, negative, or an abstention vote. Less than two-thirds of the Segments (1 of 4 voting Segments) have voted to approve the Standard. The Standard is NOT approved.

Segment	Ballot Pool	Votes			
		Affirmative Votes	Negative Votes	Abstain Votes	No Ballot
1. Transmission Owners	15	10	2	1	2
2. RTO's, ISO's, RRO's & Reliability Coordinators	4	1	2	0	1
3. Load Serving Entities	16	3	6	2	5
4. Electric Generators	21	0	0	0	21
5. Electricity Brokers, Aggregators, & Marketers	7	0	0	0	7
6. Electricity End Users	6	0	0	0	6
7. Federal, State, & Provincial Regulatory or other Government Entities	8	0	3	1	4
Totals	77				

Example 3 – A quorum has not been established because only 3 of the 7 Segments have registered an affirmative, negative, or an abstention vote. The Standard is NOT approved because of a lack of a quorum.

Segment	Ballot Pool	Votes			
		Affirmative Votes	Negative Votes	Abstain Votes	No Ballot
1. Transmission Owners	15	10	2	1	2
2. RTO's, ISO's, RRO's & Reliability Coordinators	4	4	0	0	0
3. Load Serving Entities	16	3	6	2	5
4. Electric Generators	21	0	0	0	21
5. Electricity Brokers, Aggregators, & Marketers	7	0	0	0	7
6. Electricity End Users	6	0	0	0	6
7. Federal, State, & Provincial Regulatory or other Government Entities	8	0	0	0	8
Totals	77				



Example 4 – A quorum has been established with 6 of the 7 Segments having registered an affirmative, negative, or an abstention vote. The Standard is NOT approved because two-thirds of the Segments did not cast an affirmative vote. Segment 2's vote is considered negative because a majority did not cast an affirmative vote.

Segment	Ballot Pool	Votes			
		Affirmative Votes	Negative Votes	Abstain Votes	No Ballot
1. Transmission Owners	15	10	2	1	2
2. RTO's, ISO's, RRO's & Reliability Coordinators	4	2	2	0	0
3. Load Serving Entities	16	3	6	2	5
4. Electric Generators	21	10	9	1	1
5. Electricity Brokers, Aggregators, & Marketers	7	4	3	0	0
6. Electricity End Users	6	0	0	0	6
7. Federal, State, & Provincial Regulatory or other Government Entities	8	2	3	0	3
Totals	77				

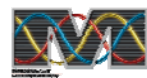


Exhibit D – Compliance Monitoring and Enforcement Program

1.0 Regional Compliance Monitoring and Enforcement Program

Midwest Reliability Organization (“MRO”) will implement the NERC Compliance Monitoring and Enforcement Program (Appendix 4C to the NERC Rules of Procedure) to monitor and enforce compliance with Reliability Standards by the owners, operators, and users within MRO’s geographic boundaries set forth on **Exhibit A** of this Agreement. The MRO shall implement the compliance monitoring and enforcement processes and procedures as described in the NERC Compliance Monitoring and Enforcement Program document without deviation. [\(refer to attached 6.D1\).](#)

2.0 Regional Hearing of Compliance Matters

MRO shall establish and maintain a hearing body with authority to conduct and render decisions in compliance hearings in which a Registered Entity may contest a finding of alleged violation, proposed penalty or sanction, or a proposed mitigation plan. MRO’s hearing body is the Board of Directors.

3.0 Other Decision-Making Bodies

A presiding officer who presides over the reception of evidence may prepare recommendations to be used by the Board of Directors in preparing its decision in a compliance hearing. Also, as described in other areas of the Agreement and in the business plan, the MRO Compliance Committee may provide technical review of alleged violations in support of staff as needed.



Exhibit E - Funding

1. Scope of activities funded through the ERO funding mechanism

Midwest Reliability Organization (“MRO”) shall include in its annual budget submission to NERC amounts for costs it will incur in support of delegated activities and activities that are in furtherance of NERC’s responsibilities as the ERO under the Act, as specified in the NERC Rules. These activities shall include:

- Reliability Standard Development (Section 300)
- Compliance Enforcement (Section 400)
- Organization Registration and Certification (Section 500)
- Reliability Readiness ~~Audit-Evaluation~~ and Improvement (Section 700)
- Reliability Assessment and Performance Analysis (Section 800), (including necessary data gathering activities)
- Training and Education (Section 900)
- Situational Awareness and Infrastructure Security (Section 1000)

2. Allocation of Costs

MRO shall allocate its dues, fees, and other charges for its activities pursuant to the delegation agreement among all load serving entities on the basis of net-energy-to-load, 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. ~~is expressly provided for in first annual business plan and budget submitted by NERC and MRO to the Commission pursuant to 18 C.F.R. § 39.4.~~ MRO shall submit to NERC annually at the same time it submits its budget request a list of the load-serving entities within its geographic boundaries and their proportionate net energy for load, and such other data and information as necessary to allocate and calculate MRO’s dues, fees and charges under any such different method(s) of allocation and calculation that will be used.

3. Collection of Funding

(a) NERC shall submit invoices to the load-serving entities identified by MRO covering the NERC and MRO budgets approved for collection. NERC shall pursue any non-payments and shall request assistance from applicable governmental authorities as necessary to secure collection.



(b) Upon approval of the annual funding requirements by applicable governmental authorities, NERC shall fund MRO's costs identified in [Section 1 of](#) this Exhibit E in four equal quarterly payments.

4. Application of Penalties

All penalty monies received by MRO, other than penalty monies received from an operational function or division or affiliated entity of MRO shall be applied as a general offset to the entity's budget requirements for the U.S.-related activities under this Agreement for the subsequent fiscal year. Funds from financial penalties shall not be directly applied to any program maintained by the investigating entity. Any penalty monies received from an operational function or division or affiliated entity of MRO 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. Budget and Funding for MRO's Non-Statutory Activities

~~If MRO performs any functions or activities other than~~In addition to its delegated activities and activities that are in furtherance of NERC's responsibilities as the ERO under the Act, as specified in Section 1 of this **Exhibit E** (such functions and activities referred to in this Section 5 as "statutory activities"), MRO performs the following other functions and activities (such other functions and activities being referred to ~~herein in this Section 5~~ as "non-statutory activities"): ~~MRO shall provide its budget for such non-statutory activities to NERC at the same time that MRO submits its annual budget request to NERC pursuant to Section 1. MRO's budget for non-statutory activities that is provided to NERC shall contain a detailed list of MRO's non-statutory activities, a description of the funding sources for the non-statutory activities, and a description of the procedures MRO will use to ensure that funding of the functions and activities listed in Section 1 of this Exhibit E will be kept separate from funding of the non-statutory activities. MRO agrees that no costs of non-statutory activities are to be included in the calculation of MRO's dues, fees, and other charges for its~~



~~activities pursuant to this Agreement.~~

2007/2008 Description of Non-Statutory Activities:

MRO has a services agreement with MAPPCOR, a separate, non-profit corporation. MRO provides limited IT and administrative services through the end of 2008 to MAPPCOR, at cost, through the services agreement. The services agreement was a result of an Asset Purchase Agreement dated December 31, 2006 whereby MRO purchased assets and assumed employees from MAPPCOR related to reliability functions following the passage of the Energy Policy Act of 2005 and creation of the international ERO. MRO executed the Asset Purchase Agreement to assure complete organizational separation from a third party. Prior to the Asset Purchase Agreement, MRO obtained services from the third party, MAPPCOR. In order to assure continuity of operation, MRO agreed to provide these services to MAPPCOR.

2009 and Beyond: None

MRO shall employ the following methods and procedures to (i) keep its funding mechanisms for its statutory activities separate from its funding mechanisms for its non-statutory activities, and (ii) record the costs it incurs in the performance of its non-statutory functions separately from the costs it incurs in the performance of its statutory functions:

- MRO maintains separate accounts and billing procedures for its non-statutory services
- Scope of services are limited to the service agreement and are “fee for services.”
- MRO uses a labor reporting system to assure staff costs are properly recorded
- Services agreement is with a third party which is subject to a rigorous cost “true-up” at the end of each year.



- MRO has no other membership or initiation fees. The MRO Board of Directors approves the budget and may establish “initiation fees” for new members. MRO had established a \$1,000 initiation fee to cover administrative costs, but waived the fee for small end use load members. In accordance with the Commission’s findings, the MRO Board has approved that no membership-related fees are assessed to new or existing members of MRO.

MRO shall provide its budget for such non-statutory activities to NERC at the same time that MRO submits its annual budget request to NERC pursuant to Section 1. MRO’s budget for non-statutory activities that is provided to NERC shall contain a detailed list of MRO’s non-statutory activities and a description of the funding sources for the non-statutory activities, ~~and a description of the procedures MRO will use to ensure that funding of the functions and activities listed in Section 1 of this Exhibit E will be kept separate from funding of the non-statutory~~ MRO agrees that no costs of non-statutory activities are to be included in the calculation of MRO’s dues, fees, and other charges for its statutory activities, ~~pursuant to this Agreement.~~



7.1E – MRO List of Load Serving Entities

<u>Load Serving Entity - United States</u>	<u>2005 Peak Load (MW)</u>	<u>2005 Member Reported NEL(MWh)</u>	<u>2005 Pct to Total Mwh</u>
1 Basin Electric Power Cooperative	1461	7,413,000.00	3.38%
2 Central Iowa Power Cooperative (CIPCO)	622	3,053,421.00	1.39%
3 Corn Belt Power Cooperative	313	1,703,808.00	0.78%
4 Dairyland Power Cooperative / GEN-SYS Energy	859	4,811,634.00	2.20%
5 Great River Energy	2495	12,708,000.00	5.80%
6 Minnkota Power Cooperative, Inc.	525	3,759,195.00	1.72%
7 Nebraska Public Power District	2539	11,651,103.00	5.32%
8 Omaha Public Power District	2236	10,040,432.00	4.58%
9 Southern Montana Generation and Transmission	5	16,482.00	0.01%
10 Western Area Power Administration (UM)	1116	6,523,000.00	2.98%
11 Western Area Power Administration (LM)	11	333,383.32	0.15%
12 Alliant Energy (Alliant East - WPL & Alliant West IPL)	5800	29,699,240.00	13.56%
13 Madison, Gas and Electric	699	3,375,415.00	1.54%
14 MidAmerican Energy Company	4040	20,471,869.00	9.35%
15 Minnesota Power	1717	12,806,000.00	5.85%
16 Montana-Dakota Utilities Co.	459	2,327,095.00	1.06%
17 Northwestern Public Service Company	296	1,350,321.00	0.62%
18 Otter Tail Power Company	665	3,895,253.00	1.78%
19 WPS Resources (WPS and UPPCO)	2477	14,799,496.00	6.76%
20 Xcel Energy Company (NSP)	8501	46,066,176.00	21.03%
21 Ames Municipal Electric System	149	783,339.00	0.36%
22 Auburn Board of Public Works	15	71,697.00	0.03%
23 Badger Power Marketing Authority of Wisconsin, Inc.	68	374,493.00	0.17%
24 Cedar Falls Municipal Utilities	96	459,218.00	0.21%
25 Central Minnesota Municipal Power Agency (CMMPA)	128	595,735.35	0.27%
26 City of Escanaba Electric Department	30	148,525.00	0.07%
27 Falls City Water & Light Department	14	53,171.58	0.02%
28 Fremont Department of Utilities	101	429,146.79	0.20%
29 Geneseo Municipal Utilities	18	80,964.00	0.04%
30 Grand Island Utilities Department	158	697,007.00	0.32%
31 Hastings Utilities	101	496,369.00	0.23%
32 Heartland Consumers Power District	94	620,000.00	0.28%
33 Hutchinson Utilities Commission	63	319,471.00	0.15%
34 Iowa Association of Municipal Utilities	104	499,554.00	0.23%
35 Lincoln Electric System	766	3,505,800.00	1.60%
36 Manitowoc Public Utilities	105	557,131.00	0.25%
37 McGregor and St. Charles Municipal (GEN-SYS Energy)	6	63.80	0.00%
38 Missouri River Energy Services	353	1,886,000.00	0.86%
39 MN Municipal Power Agency (MMPA)	186	922,291.00	0.42%
40 Municipal Energy Agency of Nebraska	122	524,163.00	0.24%
41 Muscatine Power and Water	141	905,017.00	0.41%
42 Nebraska City Utilities	36	27,903.30	0.01%
43 Rochester Public Utilities	48	17,731.00	0.01%
44 Southern Minnesota Municipal Power Agency	529	2,909,681.00	1.33%
45 Willmar Municipal Utilities	58	298,572.00	0.14%
46 Wisconsin Public Power, Inc. (East and West regions)	904	5,014,498.00	2.29%
Totals		219,001,865.14	100.00%

<u>Load Serving Entity - Canada</u>	<u>2005 Peak Load (MW)</u>	<u>2005 Member Reported NEL(MWh)</u>	<u>2005 Pct to Total Mwh</u>
1 Manitoba Hydro	4209	23,977,747.00	55.80%
2 SaskPower	2890	18,994,298.00	44.20%
Totals		42,972,045.00	100.00%

