NERC
NORTH AMERICAN ELECTRIC
RELIABILITY CORPORATION

August 14, 2015

VIA ELECTRONIC FILING

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

Re: Petition of the North American Electric Reliability Corporation for Approval of Amendments to Exhibit B to the Delegation Agreement with Midwest Reliability Organization, Inc. – Amendments to Midwest Reliability Organization, Inc.'s Bylaws and Request for Expedited Action
Docket No. RR15-___-000

Dear Ms. Bose:

The North American Electric Reliability Corporation ("NERC") hereby submits the "Petition of the North American Electric Reliability Corporation for Approval of Amendments to Exhibit B to the Delegation Agreement with Midwest Reliability Organization, Inc. – Amendments to Midwest Reliability Organization, Inc.'s Bylaws and Request for Expedited Action."

NERC is submitting amendments to Exhibit B to the Delegation Agreement with Midwest Reliability Organization, Inc. ("MRO").

The amendments to the Delegation Agreement reflect changes to MRO's Certificate of Incorporation changing MRO's status from a 501(c)(6) corporation to a tax-exempt 501(c)(3) not-for-profit corporation.[1] Amendments to Sections 2.3, 13.1, and 13.2 were made to reflect the

[1] FERC has previously approved SERC's and ReliabilityFirst's amendments to their Delegation Agreements to organize as Section 501(c)(3) tax-exempt corporations in its letter orders dated July 29, 2014 and March 8, 2013 respectively. (Docket Nos. RR14-3-000 and RR13-1-000). FERC also approved NERC's Delegation Agreement with Texas Reliability Entity, which was formed as a 501(c)(3) tax-exempt corporation, in 2010. (Docket No. RR10-6-000 Attachment 6).

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Internal Revenue Code Section 501(c)(3) requirements that MRO must meet to retain its tax-exempt status. The Amendments reflect restrictions on how assets are to be transferred and which approvals are required for transfers to maintain MRO's 501(c)(3) tax-exempt status. The amendments to the MRO Bylaws do not affect MRO's Regional Entity functions and there are no reliability-related issues raised by such amendments. As amended, the MRO Bylaws continue to satisfy the five governance criteria specified in Exhibit B of the MRO Delegation Agreement.

NERC is requesting that the Commission shorten the comment period on the instant filing to 14 days and expedite its consideration and approval of the proposed amendments. NERC is seeking an order approving the amendments by September 30, 2015. NERC is requesting expeditious approval of the revised Bylaws, on MRO's behalf, because such approval will permit MRO to submit its 501(c)(3) application to the Internal Revenue Service ("IRS") by no later than October 1, 2015. Meeting an October 1 target for the IRS filing will benefit MRO's stakeholders as there are cost savings that will flow to the stakeholders relating to the reduction in MRO's operating expenses due to favorable treatment as a 501(c)(3) not-for-profit corporation.

This filing consists of: (1) this transmittal letter, (2) the narrative text of the Petition that follows this transmittal letter, and (3) Attachments 1 and 2 to the Petition that contain a clean version and a redline version of the proposed amendments to Exhibit B to the Delegation Agreement respectively. All of these documents are transmitted in a single PDF file.

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

Respectfully submitted,

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UNITED STATES OF AMERICA
Before the
FEDERAL ENERGY REGULATORY COMMISSION

NORTH AMERICAN ELECTRIC	**)**	
RELIABILITY CORPORATION	**)**	**Docket No. RR15-___-000**

PETITION OF THE NORTH AMERICAN ELECTRIC RELIABILITY CORPORATION FOR APPROVAL OF AMENDMENTS TO EXHIBIT B TO THE DELEGATION AGREEMENT WITH MIDWEST RELIABILITY ORGANIZATION, INC. – AMENDMENTS TO MIDWEST RELIABILITY ORGANIZATION, INC.'S BYLAWS AND REQUEST FOR EXPEDITED ACTION

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August 14, 2015

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ATTACHMENTS

ATTACHMENT 1: Amended Bylaws – Exhibit B to the Delegation Agreement Between North American Electric Reliability Corporation and Midwest Reliability Organization, Inc. – Clean version

ATTACHMENT 2: Amended Bylaws – Exhibit B to the Delegation Agreement Between North American Electric Reliability Corporation and Midwest Reliability Organization, Inc. – Redlined version

I. INTRODUCTION

Pursuant to § 215(e)(4) of the Federal Power Act[2] ("FPA") and 18 C.F.R. §§ 39.8 and 39.10 (2012), the North American Electric Reliability Corporation ("NERC") requests expedited Federal Energy Regulatory Commission ("Commission") approval of the amendment to the Delegation Agreement between NERC and Midwest Reliability Organization, Inc. ("MRO"). The proposed amendments to the MRO Delegation Agreement consist of amendments to Exhibit B, the MRO Bylaws. The MRO Bylaws are "Regional Entity Rules" as defined in 18 C.F.R. § 39.10; thus, in accordance with 18 C.F.R. § 39.10, amendments to a Regional Entity Rule require Commission approval. By approving the proposed amendments to Exhibit B of the MRO Delegation Agreement, the Commission will also be approving the amendments to the MRO Bylaws as "Regional Entity Rules."

As described in greater detail in Section III of this Petition, the MRO Bylaw amendments include amendments to the following sections: Sections 2.3, 13.1, and 13.2. These amendments to the Delegation Agreement ensure compliance and alignment with Internal Revenue Code ("IRC") Section 501(c)(3) that sets forth the requirements for tax-exempt status for a not-for-profit corporation. The revised Bylaws continue to satisfy the five governance criteria in the Delegation Agreement, and there are no reliability-related issues raised by the amendments to the MRO Bylaws.

The instant amendments to the MRO Bylaw do not affect MRO's Regional Entity functions, and this filing is being made to include the revised Bylaws in the Delegation Agreement. The NERC Board of Trustees approved the amended Delegation Agreement containing amendments to Sections 2.3, 13.1, and 13.2 at its August 13, 2015 Board Meeting.

[2] 16 U.S.C. § 824o (2012).

Attachments 1 and **2** to this Petition are clean and redlined versions, respectively, of the proposed amended Exhibit B to the Delegation Agreement. **Attachment 2** shows the proposed amendments to Exhibit B to the Delegation Agreement.

II. NOTICES AND COMMUNICATIONS

Notices and communications with respect to this filing may be addressed to the following:[3]

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*Persons to be included on the Commission's official service list

III. PROPOSED AMENDMENTS TO THE MRO BYLAWS

The proposed amendments to the Delegation Agreement revise the Bylaws to conform with the IRC Section 501(c)(3) tax-exemption requirements, enabling MRO to be eligible for such tax-exempt status. The tax-exempt status, if granted by the Internal Revenue Service ("IRS"), will allow MRO to reduce its operating expenses due to favorable treatment as a 501(c)(3) not-for-profit corporation in the form of sales and federal unemployment tax

[3] Persons to be included on the Commission's service list are identified by an asterisk. NERC respectfully requests a waiver of Rule 203 of the Commission's regulations, 18 C.F.R. § 385.203 (2012), to allow the inclusion of more than two persons on the service list in this proceeding.

exemptions as well as pricing discounts. Changes to Sections 2.3, 13.1, and 13.2 of the MRO Bylaws reflect the changes necessary for MRO to comply with the IRC Section 501(c)(3) tax-exemption requirements.

The following paragraphs describe the proposed amendments to the Delegation Agreement, specifically Exhibit B.

1. *Section 2 Purpose*

    a. *Section 2.3 Not-for-Profit Corporation*

        i. **Added** requirements from the IRC Section 501(c)(3) not-for-profit corporation, specifically stating, "The Corporation shall be exempt from federal income taxation pursuant to Section 501(c) of the Internal Revenue Code of 1986, as amended (hereinafter the "Code"). The Corporation shall not engage directly or indirectly in any activity which would invalidate its status as an organization exempt from taxation under Section 501(a) of the Code as an organization described in Section 501(c)(3) of the Code. No part of the net income to the Corporation shall inure to the benefit of or be distributed to its directors, officers, members or other private persons, except that the Corporation shall be authorized and empowered to pay reasonable compensation for services actually rendered." This language was added at the end of this Section.

2. *Section 13 Transfer of Assets*

    a. *Section 13.1 Member Approval Not Required*

        i. **Added** corresponding language to comply with the IRC Section 501(c)(3) not for profit corporations, specifically stating, "Subject to the restrictions set forth in the Certificate of Incorporation,". This language was added to the beginning of the first sentence of this Section.

    b. *Section 13.2 Member Approval; When Required*

        i. **Added** corresponding language to comply with the IRC Section 501(c)(3) not-for-profit corporations, specifically stating, "Subject to the restrictions set forth in the Certificate of Incorporation,". This language was added to the beginning of the first sentence of this Section.

IV. MRO AND NERC APPROVALS OF THE PROPOSED AMENDMENTS

On April 2, 2015, the MRO Board of Directors unanimously approved the proposed amendments to the Bylaws. The proposed amendments were submitted to the MRO Members for approval in April, 2015. On May 4, 2015, the MRO Members unanimously approved the amendments.

The NERC Board of Trustees approved the amended Delegation Agreement at its August 13, 2015 Board meeting. NERC determined that the amended Delegation Agreement continues to satisfy the five Governance criteria stated in Exhibit B.

V. REQUEST FOR EXPEDITED ACTION

NERC requests expedited consideration of the proposed amendments to the MRO Bylaws to assist MRO in meeting its target of an October 1, 2015 filing with the IRS. NERC further requests that the Commission shorten the comment period to 14 days and issue an order approving MRO's Bylaw amendments by September 30, 2015. As discussed in greater detail above, MRO's stakeholders will enjoy cost benefits as a result of the change in MRO's tax status. Therefore, there is good cause to support the expedited approval of MRO's proposed Bylaw amendments.

VI. CONCLUSION

NERC respectfully requests that the Commission approve the proposed amendments to its Delegation Agreement with MRO as shown in **Attachment 2** to this Petition, including approving the amendments to the MRO Bylaws (included in Exhibit B to the MRO Delegation Agreement) as amendments to Regional Entity Rules on an expedited basis.

Respectfully submitted,

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Counsel for North American Electric Reliability Corporation

Dated: August 14, 2014

ATTACHMENT 1

Amended Bylaws – Exhibit B to the Delegation Agreement Between

North American Electric Reliability Corporation and

Midwest Reliability Organization, Inc. – Clean version

BYLAWS OF THE

MIDWEST RELIABILITY ORGANIZATION, INC.

As amended through May 4, 2015

Approved by the MRO Board of Directors on April 2, 2015 and by the MRO Members on May 4, 2015; pending NERC and FERC approval

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BYLAWS
OF THE
MIDWEST RELIABILITY ORGANIZATION, INC.
a Delaware nonprofit corporation
(the "Corporation")

ARTICLE 1
DEFINITIONS

Section 1.1 **Adjunct Member.** "Adjunct Member" means an entity that: (1) is not eligible to belong to an Industry Sector; (2) has a material interest in reliability issues in the Corporation's Region and (3) becomes an Adjunct Member of the Corporation.

Section 1.2 **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 1.3 **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 1.4 **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 1.5 **Canadian Utilities.** "Canadian Utilities" means any government-owned utility serving in Canada within the Corporate Region.

Section 1.6 **Corporation.** "Corporation" means Midwest Reliability Organization, Inc.

Section 1.7 **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 a state 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 1.8 **Corporate Region.** "Corporate Region" means the geographic area boundaries of the Bulk-Power Systems as designated by the then current delegation agreement.

Section 1.9 **FERC.** "FERC" means the Federal Energy Regulatory Commission.

Section 1.10 **Federal Power Marketing Agencies.** "Federal Power Marketing Agencies" means agencies of the federal government created to market power within the Corporate Region.

Section 1.11 **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 1.12 **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 Corporate Region.

Section 1.13 **Independent Director.** "Independent Director" means an individual who is not (1) an officer or employee of the Corporation; (2) a member, director, officer or employee of a Member or Adjunct Member of the Corporation; (3) a director, officer or employee of any Registered Entity on the NERC registry; or (4) reasonably perceived as having a direct financial interest in the outcome of a decision by the board of directors and who (a) does not have any other relationship that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director and (b) meets any additional requirements of independence established by the board of directors.

Section 1.14 **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; and (7) Canadian Utilities.

Section 1.15 **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 1.16 **Member.** "Member" means any entity eligible to belong to an Industry Sector(s) that becomes a Member of the Corporation.

Section 1.17 **Membership.** "Membership" includes Adjunct Members and Members of the Corporation. Membership in the Corporation is voluntary and does not affect NERC registration.

Section 1.18 **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 1.19 **NERC.** "NERC" means the North American Electric Reliability Corporation or a successor entity.

Section 1.20 **Person.** "Person" means any natural person, corporation, Cooperative, partnership, association, or other private or public entity.

Section 1.21 **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 1.22 **Regional Entity.** "Regional Entity" means an entity having authority pursuant to a delegation agreement with NERC and pursuant to any agreements or laws relating to the Corporation's functions in Canada.

Section 1.23 **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 1.24 **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 1.25 **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: (1) regional transmission organizations; (2) independent transmission providers; (3) independent system operators; (4) 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 in the Corporate Region.

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 Reliability Standards required to maintain and enhance electric service reliability, adequacy and security in the Corporate Region; (2) assessing compliance with and enforcing Reliability Standards, to the extent authorized by applicable agreements and/or law governing a Member's membership in the Corporation; (3) conducting investigations and data analysis on disturbances, system events, and related matters; (4) conducting long-term assessments of reliability within the Corporate region; and (5) 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. The Corporation shall be exempt from federal income taxation pursuant to Section 501(c) of the Internal Revenue Code of 1986, as amended (hereinafter the "Code"). The Corporation shall not engage directly or indirectly in any activity which would invalidate its status as an organization exempt from taxation under Section 501(a) of the Code as an organization described in Section 501(c)(3) of the Code. No part of the net income to the Corporation shall inure to the benefit of or be distributed to its directors, officers, members or other private persons, except that the Corporation shall be authorized and empowered to pay reasonable compensation for services actually rendered.

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 two classes of members; Adjunct Members and Members.

Section 5.2 **Affiliates.** Each Affiliate of a Member or Adjunct Member may separately be a Member or Adjunct Member, respectively.

Section 5.3 **Admission of Members and Adjunct Members.** New Members and Adjunct 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. An entity applying to be a Member shall designate the Industry Sector to which it belongs. A Member may change its Industry 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 Industry Sector or as an Adjunct Member. Any dispute with respect to a Member's or Adjunct Member's qualifications 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 Industry 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.** Membership or a right arising from such membership may not be transferred except to any Person succeeding to all or substantially all of the assets of the Member or Adjunct 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 and Adjunct Members.** By applying for Membership the applicant acknowledges that it is authorized and agrees to comply with, Reliability Standards to the extent such standards are applicable, and other obligations as 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 Reliability Standards assessed in accordance with NERC rules and subject to applicable regulatory approval.

Section 5.7 **Withdrawal.** Withdrawal from Membership in the Corporation is accomplished by providing written notice to the president of the Corporation of such intent to withdraw. 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 or Adjunct Member shall remain liable to the Corporation for any fees, dues, sanctions or obligations to the Corporation incurred during the entity's Membership, 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 entity will also be liable for any fees and dues included in the budget for the following fiscal year. Section 5.7 does not apply to any fees, dues, or obligations associated with the Corporation responsibilities under delegated authority from NERC or applicable regulatory authorities.

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, the regulations of applicable government authorities, and any resolutions 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 in December, 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. Adjunct Members may attend the annual meeting of Members. The Membership shall be entitled to at least thirty (30) days prior written notice of the annual meeting. At or before the annual meeting of Members: (1) each Industry Sector shall elect the successor(s), if any, for any director(s) from its Industry Sector whose term will expire before the next annual meeting of the Members, provided however, that any Industry Sector may elect a successor director representing such Industry 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 Members will elect Independent Directors, if any; (3) the president and treasurer shall report on the activities and financial condition of the Corporation; 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. Adjunct Members may attend special meetings of the Members.

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 to the Membership 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 the 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 the Membership 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 Membership entitled to notice of the meeting and the Members entitled to vote at the meeting. When a date is so fixed, only the Membership on that date is entitled to notice and only the Members are entitled to vote at a meeting of the Members 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 Membership entitled to notice of the original meeting.

Section 6.5 Right to Vote; Act of Members. Voting of the Members shall be by Industry Sector, with each Industry 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 Industry Sector votes present and entitled to vote, which must also be a majority of the required quorum, is the act of the Members, however, in no event will an action of the Members be valid where the action was passed solely by the vote of Members from two Industry Sectors or defeated solely by the vote of Members in a single Industry Sector. Within an Industry Sector, each Member within the Industry Sector shall have one vote. If a quorum is present with respect to the Industry Sector, the affirmative vote of the majority of the

Members within the Industry Sector present and entitled to vote, which must also be a majority of the required quorum, is the act of the Industry Sector. All of the Industry Sector's votes shall be cast consistent with the act of the Industry Sector unless the Industry Sector adopts a fractional voting alternative as described in Section 6.5.3.

6.5.1. <u>Special Voting Requirements.</u> In order to amend the Bylaws, except as provided in Article 19 with respect to the board of directors, two-thirds (2/3) of the Industry 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 Industry 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. <u>Change of Dues Structure.</u> The Members may change the dues structure by resolution with an affirmative vote of two-thirds (2/3) of the Industry Sector votes cast.

6.5.3. <u>Fractional Voting Alternative.</u> An Industry 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 <u>Quorum.</u> A quorum for a meeting of Members is a majority of the Industry Sector votes entitled to vote at the meeting. A quorum for a meeting of an Industry Sector is a majority of the Members of that Industry 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 Industry Sectors or Members then represented or present.

Section 6.7 <u>Action by Written Ballot.</u> 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 Industry 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 <u>Action by Electronic Communication.</u> Any vote of an Industry 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 Membership Meeting Expenses. The Corporation will be under no obligation to reimburse the Membership 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 Member data and information requirements and related confidentiality requirements; (5) establish and approve an annual budget; (6) represent the Corporation in legal and regulatory proceedings; (7) 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, seventeen (17) of the board members are elected by the Industry 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; and

(g) Two (2) directors from the Canadian Utilities Sector provided that both directors are not residents of the same Canadian province.

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

Members shall endeavor to select directors from Industry Sectors among individuals holding senior management or officer positions in Member organizations, and with a view toward ensuring geographic representation of the Corporate Region on the board. No two directors elected from Industry Sectors may be employees of a single Member or employees of Members that are affiliates. To the extent the Members of an Industry Sector do not select a director, that director position shall remain vacant until a director is selected by the Industry Sector.

Two (2) board members shall be Independent Directors nominated by the board of directors and elected by the Members. Independent Directors shall have relevant senior management expertise and experience to the reliable operation of the bulk power system in North America.

Section 7.4 **Terms of Directors.** All directors will serve three-year, staggered terms except the initial term for one of the independent directors shall be two (2) years. Any director elected by an Industry Sector may be removed at any time by the affirmative vote of two-thirds

(2/3) of the Members of the Industry Sector selecting such director. An Independent Director may be removed by the affirmative vote of two-thirds of the remaining directors. Any director may be removed by the board of directors for non-attendance of three consecutive board meetings.

Section 7.5 **Compensation and Reimbursement.** All 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. The board of directors may set reasonable compensation for the service provided by Independent Directors; directors elected by an Industry Sector shall not receive compensation.

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 as soon as practicable and in accordance with the same procedures that the directorship had previously been filled. The successor director 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 of the board of directors 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 the Membership. 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 the Membership. 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 the Membership and other interested persons.

Section 7.8 **Quorum.** A majority of the directors currently holding office is a quorum for the transaction of business.

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, however, in no event will an action of the Directors be valid where the action was passed solely by the vote of Directors from two Industry Sectors or defeated solely by the vote of Directors in a single Industry Sector.

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 a periodic 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 chief executive 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 and chief executive officer, 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 the Membership 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 the Membership; 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 of Incorporation 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 Adjunct Member, or the agent or attorney of a Member or Adjunct 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 or Adjunct 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. Subject to the restrictions set forth in the Certificate of Incorporation, 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. Subject to the restrictions set forth in the Certificate of Incorporation, 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 Membership. 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 or Adjunct 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 contendre, 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
PARTICIPATION BY REGULATORY PARTICIPANTS

Section 16.1 Regulatory Participants. All Regulatory Participants shall be entitled to be Adjunct Members.

ARTICLE 17
PARTICIPATION BY FEDERAL POWER MARKETING ADMINISTRATIONS

Section 17.1 Power Marketing Administrations Participation. 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 17 and any other Article of these Bylaws, this Article 17 shall have precedence with respect to the application of these Bylaws to the United States.

Section 17.2 Failure of Congress to Make Appropriations. 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 17.3 Inapplicability of Bylaws to Congressional Members and Delegates. 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 17.4 No Solicitation of Power Marketing Administration Participation. The Corporation and its Membership 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 Membership 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 17.5 **Provisions Applicable to the Corporation.** For the purpose of this Section 17.5 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.

17.5.1.No Discrimination. 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.

17.5.2.Contract Work Hours and Safety Standards Act. 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.

17.5.3.Imprisonment. 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 18
HEARINGS AND DISPUTE RESOLUTION

Section 18.1 **Hearings.** Except as otherwise provided in applicable agreements and/or law governing Membership in the Corporation, the Corporation shall be responsible for making final determinations regarding whether a Registered Entity has violated a Reliability Standard in accordance with the NERC Rules of Procedure.

Section 18.2 **Disputes.** Dispute resolution procedures will be established by the board of directors for disputes between Members, or between a Member and the Corporation, for issues arising under these Bylaws. Determinations related to violations of Reliability Standards will be resolved in accordance with the NERC Rules of Procedure. Except as otherwise provided in applicable agreements and/or law governing a Member's membership in the corporation.

ARTICLE 19
AMENDMENT OF BYLAWS

Section 19.1 **Changes to the Bylaws.** 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 or any regulatory agency with jurisdiction, the board or directors shall have authority upon a two-thirds (2/3) vote to amend these Bylaws as necessary and appropriate to comply with such law and related requirements.

ATTACHMENT 2

Amended Bylaws – Exhibit B to the Delegation Agreement Between

North American Electric Reliability Corporation and

Midwest Reliability Organization, Inc. – Redlined version

BYLAWS OF THE

MIDWEST RELIABILITY ORGANIZATION, INC.

As amended through ~~March~~ May 4~~29~~, 2015~~2~~

~~Approved by FERC Effective June 25, 2012~~ Approved by the MRO Board of Directors on April 2, 2015 and by the MRO Members on May 4, 2015; pending NERC and FERC approval

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Approved by the MRO Board of Directors on April 2, 2015 and by the MRO Members on May 4, 2015; pending NERC and FERC approval ~~Approved by FERC Effective June 25, 2012~~

BYLAWS
OF THE
MIDWEST RELIABILITY ORGANIZATION, INC.
a Delaware nonprofit corporation
(the "Corporation")

ARTICLE 1
DEFINITIONS

Section 1.1 **Adjunct Member.** "Adjunct Member" means an entity that: (1) is not eligible to belong to an Industry Sector; (2) has a material interest in reliability issues in the Corporation's Region and (3) becomes an Adjunct Member of the Corporation.

Section 1.2 **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 1.3 **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 1.4 **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 1.5 **Canadian Utilities.** "Canadian Utilities" means any government-owned utility serving in Canada within the Corporate Region.

Section 1.6 **Corporation.** "Corporation" means Midwest Reliability Organization, Inc.

Section 1.7 **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 a state 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 1.8 **Corporate Region.** "Corporate Region" means the geographic area boundaries of the Bulk-Power Systems as designated by the then current delegation agreement.

Section 1.9 **FERC.** "FERC" means the Federal Energy Regulatory Commission.

Section 1.10 **Federal Power Marketing Agencies.** "Federal Power Marketing Agencies" means agencies of the federal government created to market power within the Corporate Region.

Section 1.11 **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 1.12 **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 Corporate Region.

Section 1.13 **Independent Director.** "Independent Director" means an individual who is not (1) an officer or employee of the Corporation; (2) a member, director, officer or employee of a Member or Adjunct Member of the Corporation; (3) a director, officer or employee of any Registered Entity on the NERC registry; or (4) reasonably perceived as having a direct financial interest in the outcome of a decision by the board of directors and who (a) does not have any other relationship that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director and (b) meets any additional requirements of independence established by the board of directors.

Section 1.14 **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; and (7) Canadian Utilities.

Section 1.15 **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 1.16 **Member.** "Member" means any entity eligible to belong to an Industry Sector(s) that becomes a Member of the Corporation.

Section 1.17 **Membership.** "Membership" includes Adjunct Members and Members of the Corporation. Membership in the Corporation is voluntary and does not affect NERC registration.

Section 1.18 **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 1.19 **NERC.** "NERC" means the North American Electric Reliability Corporation or a successor entity.

Section 1.20 **Person.** "Person" means any natural person, corporation, Cooperative, partnership, association, or other private or public entity.

Section 1.21 **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 1.22 **Regional Entity.** "Regional Entity" means an entity having authority pursuant to a delegation agreement with NERC and pursuant to any agreements or laws relating to the Corporation's functions in Canada.

Section 1.23 **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 1.24 **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 1.25 **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: (1) regional transmission organizations; (2) independent transmission providers; (3) independent system operators; (4) 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.

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 Reliability Standards required to maintain and enhance electric service reliability, adequacy and security in the Corporate Region; (2) assessing compliance with and enforcing Reliability Standards, to the extent authorized by applicable agreements and/or law governing a Member's membership in the Corporation; (3) conducting investigations and data analysis on disturbances, system events, and related matters; (4) conducting long-term assessments of reliability within the Corporate region; and (5) 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. The Corporation shall be exempt from federal income taxation pursuant to Section 501(c) of the Internal Revenue Code of 1986, as amended (hereinafter the "Code"). The Corporation shall not engage directly or indirectly in any activity which would invalidate its status as an organization exempt from taxation under Section 501(a) of the Code as an organization described in Section 501(c)(3) of the Code. No part of the net income to the Corporation shall inure to the benefit of or be distributed to its directors, officers, members or other private persons, except that the Corporation shall be authorized and empowered to pay reasonable compensation for services actually rendered.

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 two classes of members; Adjunct Members and Members.

Section 5.2 **Affiliates.** Each Affiliate of a Member or Adjunct Member may separately be a Member or Adjunct Member, respectively.

Section 5.3 **Admission of Members and Adjunct Members.** New Members and Adjunct 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. An entity applying to be a Member shall designate the Industry Sector to which it belongs. A Member may change its Industry 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 Industry Sector or as an Adjunct Member. Any dispute with respect to a Member's or Adjunct 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 Industry 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.** Membership or a right arising from such membership may not be transferred except to any Person succeeding to all or substantially all of the assets of the Member or Adjunct 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 and Adjunct Members.** By applying for Membership the applicant acknowledges that it is authorized and agrees to comply with, Reliability Standards to the extent such standards are applicable, and other obligations as 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 Reliability Standards assessed in accordance with NERC rules and subject to applicable regulatory approval.

Section 5.7 **Withdrawal.** Withdrawal from Membership in the Corporation is accomplished by providing written notice to the president of the Corporation of such intent to withdraw. 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 or Adjunct Member shall remain liable to the Corporation for any fees, dues, sanctions or obligations to the Corporation incurred during the entity's Membership, 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 entity will also be liable for any fees and dues included in the budget for the following fiscal year. Section 5.7 does not apply to any fees, dues, or obligations associated with the Corporation responsibilities under delegated authority from NERC or applicable regulatory authorities.

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, the regulations of applicable government authorities, and any resolutions 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 in December, 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. Adjunct Members may attend the annual meeting of Members. The Membership shall be entitled to at least thirty (30) days prior written notice of the annual meeting. At or before the annual meeting of Members: (1) each Industry Sector shall elect the successor(s), if any, for any director(s) from its Industry Sector whose term will expire before the next annual meeting of the Members, provided however, that any Industry Sector may elect a successor director representing such Industry 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 Members will elect Independent Directors, if any; (3) the president and treasurer shall report on the activities and financial condition of the Corporation; 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. Adjunct Members may attend special meetings of the Members.

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 to the Membership 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 the 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 the Membership 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 Membership entitled to notice of the meeting and the Members entitled to vote at the meeting. When a date is so fixed, only the Membership on that date is entitled to notice and only the Members are entitled to vote at a meeting of the Members 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 Membership entitled to notice of the original meeting.

Section 6.5 Right to Vote; Act of Members. Voting of the Members shall be by Industry Sector, with each Industry 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 Industry Sector votes present and entitled to vote, which must also be a majority of the required quorum, is the act of the Members, however, in no event will an action of the Members be valid where the action was passed solely by the vote of Members from two Industry Sectors or defeated solely by the vote of Members in a single Industry Sector. Within an Industry Sector, each Member within the Industry Sector shall have one vote. If a quorum is present with respect to the Industry Sector, the affirmative vote of the majority of the

Members within the Industry Sector present and entitled to vote, which must also be a majority of the required quorum, is the act of the Industry Sector. All of the Industry Sector's votes shall be cast consistent with the act of the Industry Sector unless the Industry 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 19 with respect to the board of directors, two-thirds (2/3) of the Industry 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 Industry 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 Industry Sector votes cast.

6.5.3. Fractional Voting Alternative. An Industry 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 Industry Sector votes entitled to vote at the meeting. A quorum for a meeting of an Industry Sector is a majority of the Members of that Industry 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 Industry 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 Industry 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 an Industry 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 Membership Meeting Expenses. The Corporation will be under no obligation to reimburse the Membership 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 Member data and information requirements and related confidentiality requirements; (5) establish and approve an annual budget; (6) represent the Corporation in legal and regulatory proceedings; (7) 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, seventeen (17) of the board members are elected by the Industry 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; and

(g) Two (2) directors from the Canadian Utilities Sector provided that both directors are not residents of the same Canadian province.

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

Members shall endeavor to select directors from Industry Sectors among individuals holding senior management or officer positions in Member organizations, and with a view toward ensuring geographic representation of the Corporate Region on the board. No two directors elected from Industry Sectors may be employees of a single Member or employees of Members that are affiliates. To the extent the Members of an Industry Sector do not select a director, that director position shall remain vacant until a director is selected by the Industry Sector.

Two (2) board members shall be Independent Directors nominated by the board of directors and elected by the Members. Independent Directors shall have relevant senior management expertise and experience to the reliable operation of the bulk power system in North America.

Section 7.4 **Terms of Directors.** All directors will serve three-year, staggered terms except the initial term for one of the independent directors shall be two (2) years. Any director elected by an Industry Sector may be removed at any time by the affirmative vote of two-thirds

(2/3) of the Members of the Industry Sector selecting such director. An Independent Director may be removed by the affirmative vote of two-thirds of the remaining directors. Any director may be removed by the board of directors for non-attendance of three consecutive board meetings.

Section 7.5 **Compensation and Reimbursement.** All 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. The board of directors may set reasonable compensation for the service provided by Independent Directors; directors elected by an Industry Sector shall not receive compensation.

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 as soon as practicable and in accordance with the same procedures that the directorship had previously been filled. The successor director 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 of the board of directors 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 the Membership. 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 the Membership. 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 the Membership and other interested persons.

Section 7.8 **Quorum.** A majority of the directors currently holding office is a quorum for the transaction of business.

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, however, in no event will an action of the Directors be valid where the action was passed solely by the vote of Directors from two Industry Sectors or defeated solely by the vote of Directors in a~~n~~ single Industry Sector.

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 a periodic 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 chief executive 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 and chief executive officer, 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 the Membership 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 the Membership; 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 of Incorporation 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 Adjunct Member, or the agent or attorney of a Member or Adjunct 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 or Adjunct 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. Subject to the restrictions set forth in the Certificate of Incorporation, t~~T~~he 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. Subject to the restrictions set forth in the Certificate of Incorporation, t~~T~~he 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 Membership. 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 or Adjunct 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 contendre, 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
PARTICIPATION BY REGULATORY PARTICIPANTS

Section 16.1 Regulatory Participants. All Regulatory Participants shall be entitled to be Adjunct Members.

ARTICLE 17
PARTICIPATION BY FEDERAL POWER MARKETING ADMINISTRATIONS

Section 17.1 Power Marketing Administrations Participation. 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 17 and any other Article of these Bylaws, this Article 17 shall have precedence with respect to the application of these Bylaws to the United States.

Section 17.2 Failure of Congress to Make Appropriations. 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 17.3 Inapplicability of Bylaws to Congressional Members and Delegates. 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 17.4 No Solicitation of Power Marketing Administration Participation. The Corporation and its Membership 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 Membership 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 17.5 **Provisions Applicable to the Corporation.** For the purpose of this Section 17.5 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.

17.5.1. **No Discrimination.** 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.

17.5.2. **Contract Work Hours and Safety Standards Act.** 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.

17.5.3. **Imprisonment.** 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 18
HEARINGS AND DISPUTE RESOLUTION

Section 18.1 **Hearings.** Except as otherwise provided in applicable agreements and/or law governing Membership in the Corporation, the Corporation shall be responsible for making final determinations regarding whether a Registered Entity has violated a Reliability Standard in accordance with the NERC Rules of Procedure.

Section 18.2 **Disputes.** Dispute resolution procedures will be established by the board of directors for disputes between Members, or between a Member and the Corporation, for issues arising under these Bylaws. Determinations related to violations of Reliability Standards will be resolved in accordance with the NERC Rules of Procedure. Except as otherwise provided in applicable agreements and/or law governing a Member's membership in the corporation.

ARTICLE 19
AMENDMENT OF BYLAWS

Section 19.1 **Changes to the Bylaws.** 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 or any regulatory agency with jurisdiction, the board or directors shall have authority upon a two-thirds (2/3) vote to amend these Bylaws as necessary and appropriate to comply with such law and related requirements.