

Agenda Board of Trustees

May 7, 2008 | 8 a.m.–12 noon
JW Marriott Orlando Grande Lakes
4040 Central Florida Parkway
Orlando, Florida
407-206-2300

Introductions and Chairman's Remarks

Antitrust Compliance Guidelines

Consent Agenda — Approve

***1. Minutes**

- [January 21, 2008 Conference Call](#)
- [February 12, 2008 Meeting](#)
- [February 28, 2008 Conference Call](#)
- [March 21, 2008 Action Without a Meeting](#)
- [March 26, 2008 Conference Call](#)

***2. Standing Committees**

- a. Committee Membership Appointments and Changes
- b. Operating and Planning Committee Charter Revisions

***3. Future Meetings**

Regular Agenda

4. President's Report

***5. Revisions to Section 1600 of Rules of Procedure — Approve**

***6. ES-ISAC Task Force Report — Approve Recommendations**

***7. Reliability Standards — Approve**

- *8. **2008 Summer Assessment — Approve**
- *9. **Compliance Monitoring and Enforcement — Information**
- *10. **Communications Plan for First Round of Compliance Actions — Presentation**
- *11. **Organization Registration — NERC Statement of Compliance Registry
Criteria — Update**

Committee, Group, and Forum Reports (Item 12)

[Compliance and Certification Committee](#)

[Critical Infrastructure Protection Committee](#)

[Member Representatives Committee](#)

[Operating Committee](#)

[Personnel Certification Governance Committee](#) (Report included as part of MRC Agenda Item 18)

[Planning Committee](#)

[Regional Entity Management Group](#)

[Standards Committee](#)

[Transmission Owners and Operators Forum](#)

Board Committee Reports

- *13. **Finance and Audit**
 - a. 1st Quarter Treasurer's Report — **Approve**
- 14. **Compliance**
- 15. **Corporate Governance and Human Resources**
- 16. **Technology**
- 17. **Other Business**

* Background materials included

Antitrust Compliance Guidelines

I. General

It is NERC's policy and practice to obey the antitrust laws and to avoid all conduct that unreasonably restrains competition. This policy requires the avoidance of any conduct that violates, or that might appear to violate, the antitrust laws. Among other things, the antitrust laws forbid any agreement between or among competitors regarding prices, availability of service, product design, terms of sale, division of markets, allocation of customers or any other activity that unreasonably restrains competition.

It is the responsibility of every NERC participant and employee who may in any way affect NERC's compliance with the antitrust laws to carry out this commitment.

Antitrust laws are complex and subject to court interpretation that can vary over time and from one court to another. The purpose of these guidelines is to alert NERC participants and employees to potential antitrust problems and to set forth policies to be followed with respect to activities that may involve antitrust considerations. In some instances, the NERC policy contained in these guidelines is stricter than the applicable antitrust laws. Any NERC participant or employee who is uncertain about the legal ramifications of a particular course of conduct or who has doubts or concerns about whether NERC's antitrust compliance policy is implicated in any situation should consult NERC's General Counsel immediately.

II. Prohibited Activities

Participants in NERC activities (including those of its committees and subgroups) should refrain from the following when acting in their capacity as participants in NERC activities (e.g., at NERC meetings, conference calls and in informal discussions):

- Discussions involving pricing information, especially margin (profit) and internal cost information and participants' expectations as to their future prices or internal costs.
- Discussions of a participant's marketing strategies.
- Discussions regarding how customers and geographical areas are to be divided among competitors.

- Discussions concerning the exclusion of competitors from markets.
- Discussions concerning boycotting or group refusals to deal with competitors, vendors or suppliers.
- Any other matters that do not clearly fall within these guidelines should be reviewed with NERC's General Counsel before being discussed.

III. Activities That Are Permitted

From time to time decisions or actions of NERC (including those of its committees and subgroups) may have a negative impact on particular entities and thus in that sense adversely impact competition. Decisions and actions by NERC (including its committees and subgroups) should only be undertaken for the purpose of promoting and maintaining the reliability and adequacy of the bulk power system. If you do not have a legitimate purpose consistent with this objective for discussing a matter, please refrain from discussing the matter during NERC meetings and in other NERC-related communications.

You should also ensure that NERC procedures, including those set forth in NERC's Certificate of Incorporation, Bylaws, and Rules of Procedure are followed in conducting NERC business.

In addition, all discussions in NERC meetings and other NERC-related communications should be within the scope of the mandate for or assignment to the particular NERC committee or subgroup, as well as within the scope of the published agenda for the meeting.

No decisions should be made nor any actions taken in NERC activities for the purpose of giving an industry participant or group of participants a competitive advantage over other participants. In particular, decisions with respect to setting, revising, or assessing compliance with NERC reliability standards should not be influenced by anti-competitive motivations.

Subject to the foregoing restrictions, participants in NERC activities may discuss:

- Reliability matters relating to the bulk power system, including operation and planning matters such as establishing or revising reliability standards, special operating procedures, operating transfer capabilities, and plans for new facilities.
- Matters relating to the impact of reliability standards for the bulk power system on electricity markets, and the impact of electricity market operations on the reliability of the bulk power system.
- Proposed filings or other communications with state or federal regulatory authorities or other governmental entities.
- Matters relating to the internal governance, management and operation of NERC, such as nominations for vacant committee positions, budgeting and assessments, and employment matters; and procedural matters such as planning and scheduling meetings.



NORTH AMERICAN ELECTRIC
RELIABILITY CORPORATION

Agenda Item 1
Board of Trustees Meeting
May 7, 2008

Draft Minutes Board of Trustees

January 21, 2008
Conference Call

Chairman Richard Drouin convened a duly noticed open meeting by conference call of the Board of Trustees of the North American Electric Reliability Corporation on January 21, 2008 at 2:05 p.m., EST. As required by the bylaws of the Corporation, dial-in listen-only access was provided to members of the Corporation and the public for the meeting. The notice and agenda for the meeting is attached as **Exhibit A**.

Trustees present on the call in addition to Chairman Drouin were John Q. Anderson, Paul Barber, Tom Berry, James Goodrich, Sharon Nelson, Ken Peterson, Bruce Scherr, and Rick Sergel. Additional attendees are listed in **Exhibit B**.

General Counsel David Cook called attention to the Antitrust Compliance Guidelines includes with the agenda package.

David Cook summarized the December 20 FERC order and the recommended course of action. President Rick Sergel provided additional background in support of the recommended course of action. Board members then discussed the draft request for clarification that had been previously distributed to the board. On motion by John Anderson, the board approved the proposed request for clarification substantially in the form presented.

There being no further business, the call was terminated at 2:20 p.m.

Submitted by,

Draft Minutes Board of Trustees

February 12, 2008 | 8 a.m.
Arizona Grand Resort
Phoenix, AZ

Chairman Richard Drouin called to order the duly noticed meeting of the North American Electric Reliability Corporation Board of Trustees on February 12, 2008 at 8 a.m., local time and a quorum was declared present. The meeting announcement, agenda, and list of attendees are attached as **Exhibits A, B, and C**, respectively. Chairman Drouin welcomed newly-elected board member Janice Case. He also recognized Joe McClelland, Director of FERC's Office of Electric Reliability.

NERC Antitrust Compliance Guidelines

David Cook, vice president and general counsel, directed participants' attention to the NERC Antitrust Compliance Guidelines included in the agenda.

Minutes

The board approved the following draft minutes (**Exhibit D**):

- October 9, 2007 Conference Call
- October 23, 2007 Meeting
- November 12, 2007 Conference Call
- December 14, 2007 Action Without a Meeting

Future Meetings

The board approved February 9–10, 2009 in Phoenix, Arizona as a future meeting date and location.

Changes Related to New Chief Financial Officer

Rick Sergel, president and CEO, noted that Joe Conner, as CFO, is authorized in a number of NERC documents and agreements to serve in various capacities. With Bruce Walencyk taking over for Joe Conner, it is necessary for the Corporation to formally authorize Bruce to serve in those roles. On motion by Rick Sergel, the board approved the following:

RESOLVED, that the NERC Board of Trustees authorizes the following:

- (1) That Rick Sergel, Bruce Walencyk, and Julie Morgan have signature authority for NERC's accounts at PNC Bank;
- (2) That Rick Sergel and Bruce Walencyk jointly are designated to authorize borrowing under the PNC Bank line of credit;
- (3) That Rick Sergel, Bruce Scherr, and Bruce Walencyk are designated as trustees and administrators of NERC's Savings and Investment Plan;
- (4) That Bruce Walencyk is designated as the Corporation's registered agent, as required by N.J.S.A. 15A:4-3; and
- (5) That management is authorized to make any other necessary conforming changes to implement this resolution.

President's Report

Rick Sergel, NERC President and CEO began his report by saying farewell to Don Hodel, NERC's long-standing board member. Don will be missed by us all. Rick welcomed Janice Case to the Board of Trustees. He stated that her experiences as an executive at Florida Power and as a board member for both WECC and Central Vermont Public Service will make her an invaluable addition to the board.

Rick reviewed 2007 accomplishments which included:

- Eighty-three standards have been mandatory in the U.S. since June, a set of eight cyber security standards have just been approved in Washington, and today the board has the opportunity to consider the Transmission Relay Loadability standard for approval, which helps realize the goal of a key recommendation of the U.S. – Canada Joint Taskforce on the August 14th blackout. These reliability standards – existing and under development – are paving the way to improved reliability every day.
- The regional delegation agreements under development since 1999 have been approved and are working. The regions have undertaken this task successfully and with a passion.
- NERC's compliance registry, containing more than 1800 registered entities, is ensuring that NERC standards are fairly and adequately applied to all entities whose assets have a material impact on bulk power system reliability.
- NERC's compliance program has been underway for about six months now, and we're starting to see the first audit reports completed and posted on the Regional websites. But what we can see is really just the tip of the iceberg – over 500 alleged violations are under review as we meet today, a number of which are nearing the point where we'll be able to announce the improvements that have been made as a result of our compliance efforts.
- NERC also formally created the Transmission Availability Data System last year and is beginning to collect the first year of data in 2008. This has been a long-standing goal at NERC and it is exciting to see this coming to fruition.

- NERC has continued to improve our reliability assessments, resulting in one of the best reports we've ever published last year. And this has been only the beginning of even more comprehensive improvements to the way we measure resource adequacy, being implemented in 2008.
- NERC has made a considerable effort to improve our overall communications, coordinating more often and sooner with stakeholders, and launching new vehicles for telling the world about what we do here. We held a webinar last week with nearly 600 registrants and we plan to continue these sessions on various reliability topics monthly.

Rick also discussed opportunities and goals for 2008:

1. Using stakeholder processes for development and approval of ten standards work plan projects slated for completion in 2008. In particular **By March 1** — we will use this process to gain approval of Violation Severity Levels and **By May 9** — the ATC standards.
2. **By year-end** — Have memorandums of understanding in place in Alberta, British Columbia, Manitoba, Nova Scotia, Quebec, and Saskatchewan by the end of 2008 that lead to having mandatory and enforceable reliability standards in each province.
3. **By July 1** — Conclude ES-ISAC working group and initiate action to implement their recommendations. Formalize cyber security relationship with the Departments of Energy and Homeland Security to provide expertise for advisories, recommendations, and essential actions. Re-establish the relationship with Public Safety Canada to ensure an effective and timely exchange of information pertaining to security threats and incidents.
4. Manage the Compliance Monitoring and Enforcement Program so registered entities, Regional Entities, FERC, Canadian authorities, and NERC management view the implementation of the program to have successfully recognized and balanced the importance of self-reports, mitigation plans, and 100% compliance with the standards all the time. Facilitate a formal process with the Regional Entities that ensures effective and efficient implementation of the Regional Delegation Agreements. NERC compliance, in conjunction with standards and information technology, will develop and provide a knowledge management platform to share knowledge about compliance with NERC's reliability standards. Implement a Compliance reporting and tracking tool.
5. Issue at least one advisory, recommendation, or essential action to the industry per month as a result of a completed event analysis. Present results of individual event analyses, as well as trends, on a quarterly basis to NERC committees and the Transmission Forum.
6. **By year-end** — Expand the pilot of the Situation Awareness Tool to at least two additional participants.
7. **By June 1** — Define reliability measures, including formulae or methodologies for their calculation; identify data collection and reporting guidelines, and recommend a metrics implementation plan resulting in at least ten bulk power system leading indicators.

8. **By year-end** — Actively encourage and promote the adoption of synchro-phasor technology in the U.S. and Canada specifically by staffing a full-time position to coordinate NERC’s involvement by **March 15**, preparing a three-year budget and transition plan by **June 1**, and continuing to work with NASPI leadership to identify communications requirements.
9. **By April 1** — Finalize and begin to implement the Reliability Assessment Improvement Plan, including:
 - Enhanced capacity definitions (replaces reference to committed/uncommitted capacity).
 - RFC reporting two sub-regions.
 - Consistent method to determine deliverability.
 - Consistent treatment of variable generation (i.e., solar, wind, etc.).
 - LTRA guidebook to clarify LTRA expectations and objectives.
 - Consistent integration of DSM and treatment in the LTRA.
 - Metrics development for seasonal assessments and 1–5 and 6–10 years for the LTRA.
10. **By year end** — Assess proposed climate change legislation to assure consistency with reliability of the bulk power system. Identify and evaluate interdependencies, in particular water, pipelines, rail transportation, and storage capacity

Election and Appointment of Officers

The board elected the following officers to serve through the 2009 Annual Board of Trustees meeting: Richard Drouin, chairman; Sharon Nelson, vice chairman; and Rick Sergel, president and CEO.

On the recommendation of president Rick Sergel, the board appointed the following additional officers to serve through the 2009 Annual Board of Trustees meeting:

Executive Vice President	David A. Whiteley
Senior Vice President	David R. Nevius
Vice President and Secretary	David N. Cook
Vice President	Gerry Adamski
Vice President	David W. Hilt
Chief Information Officer	Lyn P. Costantini
Treasurer	Bruce E. Walencyk
Assistant Secretary-Treasurer	Julie A. Morgan
Vice President, TOOF	Donald M. Benjamin

Amended Bylaws of ReliabilityFirst Corporation

David Cook presented the Amended and Restated Bylaws of ReliabilityFirst Corporation that will be filed with FERC. On motion by Ken Peterson, the board approved the following resolution:

WHEREAS, on October 23, 2007, the Board of Trustees of the North American Electric Reliability Corporation (hereinafter “NERC”) approved NERC’s compliance

filing to the April 19, 2007 order of the Federal Energy Regulatory Commission (hereinafter the “Commission”), including a revised delegation agreement between NERC and ReliabilityFirst Corporation and the bylaws of ReliabilityFirst Corporation, and directed management of NERC to make the compliance filing; and

WHEREAS, on October 30, 2007, NERC made the compliance filing with the Commission and requested approval, among other things, of the revised delegation agreement between NERC and ReliabilityFirst Corporation and the bylaws of ReliabilityFirst Corporation; and

WHEREAS, on January 11, 2008, ReliabilityFirst submitted to NERC proposed amendments to its bylaws, with supporting materials and explanation (hereinafter, the “ReliabilityFirst Amendments”), and requested that NERC approve the ReliabilityFirst Amendments and thereafter file them with the Commission for approval; and

WHEREAS, the ReliabilityFirst Amendments would provide for, among other things, (i) a change to the definition of “Adjunct Member” to make the description of the approval process for Adjunct Members consistent with the approval process for other categories of Membership, and (ii) a change to the definition of “Related Party” to reflect the concern of the Members of ReliabilityFirst that the earlier definition was too broad and unnecessarily prevented entities from becoming Regular Members and thereby exercising the rights pertaining to Regular Membership; and

WHEREAS, ReliabilityFirst followed its prescribed process for amending its bylaws, and the ReliabilityFirst board of directors approved the amendments on December 6, 2007; and

WHEREAS, the Board has reviewed the ReliabilityFirst Amendments, and has received reports and recommendations on the ReliabilityFirst Amendments from the management of NERC recommending the Board approve the ReliabilityFirst Amendments; and

WHEREAS, based on the aforementioned review, reports and recommendations, the Board has concluded that the ReliabilityFirst Amendments do not adversely affect the revised delegation agreement and are reasonable, appropriate and justified because (i) the amendments resolve a conflict within the ReliabilityFirst bylaws presently on file with the Commission and (ii) revise a definition in the ReliabilityFirst bylaws presently on file with the Commission that unnecessarily prevents entities from becoming Regular Members of ReliabilityFirst and thereby exercising the rights pertaining to Regular Membership,

- RESOLVED, that the NERC Board of Trustees
- (1) approves the ReliabilityFirst Amendments, and
 - (2) directs management to make the appropriate filing with the Commission for approval of the ReliabilityFirst Amendments.

Termination of Joint Interface Committee

David Cook requested the board to approve termination of the amended and restated memorandum of understanding among NERC, NAESB, and the ISO/RTO Council and termination of the Joint Interface Committee. NERC understands both NAESB and the ISO/RTO Council have voted to withdraw from the MOU in accordance with Section 7.1 of the MOU.

On motion of Sharon Nelson, the board approved the following resolution:

WHEREAS, on November 27, 2002, the North American Electric Reliability Council (NERC's predecessor) and the North American Energy Standards Board executed a memorandum of understanding and established a Joint Interface Committee to coordinate standards development activities; and

WHEREAS, on May 15, 2003, the ISO/RTO Council became a signatory to the memorandum of understanding ("Amended and Restated Memorandum of Understanding for the North American Energy Standards Board, the North American Electric Reliability Council, and the ISO/RTO Council, dated May 15, 2003") and ISO/RTO Council representatives were added to the Joint Interface Committee; and

WHEREAS the parties to the memorandum of understanding no longer desire to coordinate standards development activities through the Joint Interface Committee and instead have developed other mechanisms for such coordination;

RESOLVED, the Parties support the dissolution of the Joint Interface Committee through the withdrawal of the Parties from the Amended and Restated Memorandum of Understanding for the North American Energy Standards Board, the North American Electric Reliability Council, and the ISO/RTO Council, dated May 15, 2003, with the following conditions:

- (1) that the Joint Development Process continues to be supported by both NERC and NAESB; and
- (2) that the coordination of the annual plans continues to be addressed through the leadership of the Parties.

Definition of Adequate Level of Reliability

Dave Whiteley, executive vice president, discussed the definition of adequate level of reliability and requested board approval. On motion by Ken Peterson, the board approved the following resolution:

RESOLVED, that the NERC Board of Trustees approves the "Characteristics Of A System With An Adequate Level Of Reliability" set out below as the definition of "adequate level of reliability" and directs management to file the definition as an informational filing with the Federal Energy Regulatory Commission and other applicable governmental authorities.

Characteristics Of A System With An Adequate Level Of Reliability

1. The System is controlled to stay within acceptable limits during normal conditions.
2. The System performs acceptably after credible Contingencies.
3. The System limits the impact and scope of instability and cascading outages when they occur.
4. The System's Facilities are protected from unacceptable damage by operating them within Facility Ratings.
5. The System's integrity can be restored promptly if it is lost.

6. The System has the ability to supply the aggregate electric power and energy requirements of the electricity consumers at all times, taking into account scheduled and reasonably expected unscheduled outages of system components.

Update on Regulatory Matters

David Cook presented a discussion of recently issued orders and pending regulatory matters. **(Exhibit E)** He also requested board approval to withdrawal the motion for clarification that NERC had recently filed in the proceeding in which FERC had reversed NERC's decision to include three Load Serving Entities on the compliance registry. After discussion, on motion by Tom Berry, the board approved withdrawing the motion for clarification.

ES-ISAC Task Force Report

Dave Whiteley and Jim Fama, Executive Director, Energy Delivery, EEI, gave an update on the activities of the ES-ISAC Task Force **(Exhibit F)**. They informed the board that the task force held an organizational conference call and is presently developing a set of principles, core purposes, and functions necessary for the ES-ISAC to be successful. The task force is holding open the list of options to consider as NERC's role, which currently includes NERC relinquishing management of the ES-ISAC and participation in the ESCC; revising the ESCC membership structure to include executive level representation; and, continuing the status quo of NERC serving as the ES-ISAC with the present structure of the ESCC. The task force expects to finish its work prior to the next board meeting and will report its findings, conclusions and recommendations at that time.

Reliability Standards

Dave Taylor, manager of standards development, presented a number of standards actions for board approval **(Exhibit G)**. He first described four interpretations that had approved through the standards development process for board consideration:

- (1) Interpretation of Requirements R2, R2.2, R5, and R5.1 of Reliability Standard BAL-003-0;
- (2) Interpretation (b) of Requirement R17 of Reliability Standard BAL-005-0 (which also retires Interpretation (a) of Requirement R17 of that standard);
- (3) Interpretation of Requirement R1.1 of Reliability Standard CIP-006-1;
- (4) Interpretation of Requirement R4 of Reliability Standard VAR-001-1.

Following considerable discussion, on motion of Sharon Nelson, the board approved the following resolution:

RESOLVED, that the NERC Board of Trustees approves the following interpretations of reliability standards and directs that they be filed with the applicable governmental authorities:

- (1) Interpretation of Requirements R2, R2.2, R5, R5.1 of BAL-003-0
- (2) Interpretation (b) of Requirement R17 of BAL-005-0, with the concurrent retirement of Interpretation (a)
- (3) Interpretation of Requirement R1.1 of CIP-006-1.

The board also deferred action on Interpretation of Requirement R4 of VAR-001-1.

Mr. Taylor next presented three action items regarding Reliability Standards FAC-010-1, FAC-011-1, and FAC-014-1. After discussion, on motion of Paul Barber, the board approved the following resolution:

WHEREAS, on November 1, 2006, the NERC Board of Trustees approved proposed reliability standards FAC-010-1 (to become effective July 1, 2007), FAC-011-1 (to become effective October 1, 2007), and FAC-014-1 (to become effective on January 1, 2008), including a definition of “Cascading Outage,” and directed that they be filed with applicable governmental authorities; and
WHEREAS, in the provinces of Ontario and New Brunswick, NERC reliability standards become mandatory and enforceable by operation of law upon approval by the NERC Board of Trustees; and
WHEREAS, on December 27, 2007, the Federal Energy Regulatory Commission issued its Order No. 705 that, among other things, approved the proposed reliability standards, remanded the definition of “Cascading Outage,” established new effective dates of July 1, 2008, for FAC-010-1; and October 1, 2008, for FAC-011-1; and January 1, 2009 for FAC-014-1; and
WHEREAS, NERC’s goal is to administer a consistent standards program across the jurisdictions in North America, while recognizing differences that may exist within the jurisdictions;
WHEREAS, the FAC standards drafting team is working to revise the standards to take account of the issues raised in Order No. 705; and
WHEREAS, Order No. 705 also directed revisions to certain violation risk factors in these three standards;
RESOLVED, that the NERC Board of Trustees:

- (1) withdraws its November 1, 2006, approval of the definition of “Cascading Outage,” without prejudice to the ongoing work of the FAC standards drafting team and the revised standards that are developed through the standards development process;
- (2) establishes new effective dates of July 1, 2008, for FAC-010-1; October 1, 2008, for FAC-011-1; and January 1, 2009, for FAC-014-1; and
- (3) approves revised violation risk factors as directed in Order No. 705.

Mr. Taylor next presented for consideration the Transmission Relay Loadability Reliability Standard (PRC-023-1) that had been approved through the standards development process. After discussion, on motion of Tom Berry, the board approved the following resolution:

RESOLVED, that the NERC Board of Trustees approves the Transmission Relay Loadability Standard (PRC-023-1) and directs that it be filed with the applicable governmental authorities.

Mr. Taylor next presented for consideration the Time Error Correction Reliability Standard (BAL-004-1) that had been approved through the standards development process. Following considerable discussion, the board deferred action on the matter. Mr. Sergel stated the sense of the board that it would favorably consider the standard if the Operating Committee approves the procedures under consideration and if there is an identification of who would serve as the time monitor for the Eastern Interconnection.

Mr. Taylor informed the board that the violation severity levels were still in the balloting process and that they would be presented for board consideration during a conference call to be scheduled later in February.

Compliance Monitoring and Enforcement

David Hilt, vice president and director of compliance, reported on the Compliance Monitoring and Enforcement Program (**Exhibit H**).

Committee, Group, and Forum Reports

Compliance and Certification Committee

Chairman Ted Hobson reported the last meeting took place in December in Orlando. The committee finalized four scope documents for the four subcommittees, reworked the guidelines, and posted due draft process. The committee will look at it again at the March meeting. There are multiple face to face and conference call meetings set up, with the next meeting being held March 19 in Salt Lake City.

Critical Infrastructure Protection Committee

Chairman Barry Lawson, reported that Stuart Brindley will continue as past chairman role in CIPC. Bob Canada and Tom Block are the vice chairs. The committee is looking forward to working for the board, NERC staff and other agencies on CIPC issues. At the last meeting CIPC put a panel together that focused on issues around Aurora situation. They had a very good dialog and Q&A session with the vendors and what they are doing to address those issues.

NAESB

Chairman Michael Desselle reported they are working on the Order 890 business practice standards for an August timeframe and keeping an eye on the balancing project.

Operating Committee

Chair Gayle Mayo reported the OC approved the “adequate level of reliability” definition, set up reliability fundamentals working group, approved the document related to operating limits, and approved guidelines for access to NERC guideline tools.

Planning Committee

Chairman Scott Helyer reported the PC is focusing on reliability assessment and acted on other recommendations.

Regional Entity Management Group

Chairman Dan Skaar reported that the key priorities are to educate our customers. Each region is sponsoring workshops in 2008 to share lessons learned. Regions are collaborating on striving to be careful with due diligence and learning from others by comparing notes.

Standards Committee

Chairman Scott Henry wanted to comment on the update of critical items. There were several successful workshops that were very well attended by the industry. The ATC standards are being developed and work is being done from a directive from FERC.

Transmission Owners and Operators Forum

Terry Boston reported that the Transmission Forum now has 43 members with 250 active volunteers. He stated that the two key factors that have contributed to the Forum's success are executive involvement and confidentiality. That is required for us to exist. The Institute for Nuclear Power Operations would not exist if it did not have that confidentiality.

Rick Sergel the issues raised surrounding the Transmission Forum should be an agenda item for the May meeting.

Board Committee Reports

Finance and Audit

Chairman Bruce Scherr reported that the FAC approved the Treasurer's Report. The committee also recommended approval of the WECC Amendment to *2008 Business Plan and Budget*. On motion of Bruce Scherr, the board approved the following resolution:

WHEREAS, on August 1, 2007, the Board of Trustees of the North American Electric Reliability Corporation (hereinafter "NERC") approved the proposed 2008 Business Plan and Budget (hereinafter the "2008 BP&B") of the Western Electricity Coordinating Council (hereinafter "WECC") and directed management of NERC to file the 2008 BP&B of WECC with the Federal Energy Regulatory Commission (hereinafter the "Commission"); and

WHEREAS, on August 24, 2007, NERC filed the 2008 BP&B of WECC with the Commission for acceptance and requested approval by the Commission of the proposed 2008 assessments to load-serving entities (hereinafter, "LSEs") in the WECC region that would result from acceptance of the 2008 BP&B of WECC; and

WHEREAS, on October 18, 2007, the Commission issued an Order in Docket No. RM06-16-000 accepting the 2008 BP&B of WECC and approving the proposed 2008 WECC assessments, but directing that NERC make a compliance filing to address certain corrections and clarifications in the 2008 BP&B of WECC; and

WHEREAS, on December 14, 2007, NERC made a compliance filing with the Commission in response to the directives in the Commission's October 18, 2007 Order, which included a corrected 2008 BP&B of WECC; and

WHEREAS, on January 10, 2008, WECC submitted to NERC a proposed amendment (hereinafter the "2008 WECC Amendment") to the 2008 BP&B of WECC, with supporting materials and explanation (hereinafter, the "WECC Request"), and requested that NERC approve the 2008 Amendment and certain related proposals and thereafter file the 2008 Amendment and the related proposals with the Commission for approval; and

WHEREAS, the 2008 WECC Amendment and related proposals would provide for, among other things (i) acceleration of the schedule for consolidation and operation of the WECC Reliability Centers and the WECC Westwide System Model (hereinafter "WSM") at two locations in Vancouver, Washington, and Loveland, Colorado, to be hosted by WECC rather than by balancing authorities or other third parties, such that both Reliability Centers and the WSM are operational by January 1, 2009, (ii) an increase in WECC budgeted directed expenditures for 2008 of \$5,852,414 (of which the U.S. portion would be \$4,954,654) in the Situational Awareness/Reliability Coordination function over the amounts specified in the 2008 BP&B, and an associated reallocation of WECC budgeted indirect expenditures for 2008 among the WECC programs (with no overall increase in budgeted indirect expenditures), (iii) hiring of an additional 31 full-time equivalent (hereinafter "FTE") WECC employees in the Situational Awareness/Reliability Coordination function over the number of WECC FTE employees provided for in the 2008 BP&B, (iv) no increase in the WECC assessments to LSEs in the WECC region for 2008 over the assessments approved in the Commission's October 18, 2007 Order, (v) funding of the proposed increase in WECC budgeted 2008 expenditures through a line of credit with a commercial lender on terms and conditions described in the WECC Request, and (vi) inclusion of amounts expended in 2009 and 2010 for repayment of, and interest payments on, loan amounts drawn under the line of credit agreement, in the WECC assessments to LSEs in the WECC region during 2009 and 2010, in amounts currently estimated to be \$3,256,064 (U.S. portion \$2,756,584) in 2009 and \$3,058,545 (U.S. portion \$2,589,364) in 2010; and

WHEREAS, the Board has reviewed the WECC Request, and has received reports and recommendations on the WECC Request from the Western Interconnection Regional Advisory Board ("WIRAB"), from the management of NERC and from the Finance and Audit Committee of the Board, with WIRAB, management and the Finance and Audit Committee recommending the Board approve the 2008 WECC Amendment and the related proposals; and

WHEREAS, based on the aforementioned review, reports and recommendations, the Board has concluded that the 2008 WECC Amendment and the related proposals are reasonable, appropriate and justified on grounds of improvements to reliability in the Western Interconnection, increased independence of the reliability coordination function in the Western Interconnection, and long-term cost effectiveness,

RESOLVED,

- (1) that the NERC Board of Trustees:
 - (a) approves the 2008 WECC Amendment, which includes an increase in budgeted 2008 WECC expenditures of \$5,852,414 (U.S. portion \$4,954,654) in the WECC Situational Awareness/Reliability Coordination function and the hiring of an additional 31 FTE WECC employees in the WECC Situational Awareness/Reliability Coordination function in 2008, with the increased direct expenditures to be funded in 2008 through a line of credit agreement to be entered into between WECC and a commercial lender, and
 - (b) approves the inclusion in WECC's assessments to LSEs in the WECC Region, for 2009 and 2010, the amounts for repayment of, and interest payments on, loan amounts drawn under the line of credit agreement during 2009 and 2010, in amounts currently estimated to be \$3,256,064 (U.S. portion \$2,756,584) in 2009 and \$3,058,545 (U.S. portion \$2,589,364) in 2010.
- (2) that management is directed to make an appropriate filing with the Commission requesting acceptance of the 2008 Amendment and approval for WECC to include in its assessments to LSEs in the WECC Region, for 2009 and 2010, the U.S. portions of the amounts for repayment of, and interest payments on, loan amounts drawn under the line of credit agreement during 2009 and 2010, in amounts currently estimated to be \$2,756,584 in 2009 and \$2,589,364 in 2010.

Compliance

Chairman Paul Barber reported the committee is reviewing the compliance enforcement numbers regularly. The committee has not yet processed any violations with proposed penalties. The committee is hoping to see the first notices by May, and is striving for consistency and reliability.

Corporate Governance and Human Resources

Chairman John Anderson reported the committee reviewed its calendar of responsibilities, which includes NERC's employee benefit plans. Julie Morgan reported on NERC's Human Resources, which included a significant hiring activity and dealing with issues with the cafeteria plan.

On motion by John Anderson, the board approved the following resolution regarding NERC's existing cafeteria plan:

WHEREAS, NERC desires to establish a new Cafeteria Plan for its employees, consistent with the provisions of the Internal Revenue Code; and
WHEREAS, to facilitate the adoption of the new Cafeteria Plan, it is necessary to terminate the existing Cafeteria Plan,

RESOLVED, that the NERC Board of Trustees terminates the existing Cafeteria Plan, effective February 12, 2008.

On motion by John Anderson, the board approved the following resolution regarding NERC's defined contribution plan:

RESOLVED, that the NERC Board of Trustees approves an amount of 10% of 2007 staff salaries for eligible employees as deferred compensation.

The committee also recommends changes in the compensation plan for independent trustees. On motion of John Anderson, the board approved the following resolution:

RESOLVED, that the NERC Board of Trustees formalizes NERC's policy regarding making laptops available to trustees by adding the following paragraph to the Compensation Plan for Independent Trustees, effective as of January 1, 2008:

Equipment	If the Trustee so chooses, NERC will provide the Trustee with one laptop computer, consistent with the laptops provided to NERC employees. NERC will install basic software, also consistent with what it provides employees.
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The committee then adjourned to closed session to review senior management performance and recommend salary and bonuses for senior management.

Technology

Chairman Jim Goodrich reported that the guidelines for tools were approved. The committee had a detailed discussion on NERC's role in wide-area monitoring phasor system. The committee also considered the prospect of NERC making an additional effort on the phasor project.

Executive Session

Chairman Drouin stated that the board met in executive session from 7–8 a.m., part of the time without the chief executive officer present, to review management activities.

Adjournment

There being no further business, Chairman Drouin adjourned the meeting at 11:30 a.m.

Submitted by,



Draft Minutes Board of Trustees

February 28, 2008
Conference Call

Pursuant to notice duly given, Chairman Richard Drouin called to order an open meeting by conference call of the Board of Trustees of the North American Electric Reliability Corporation on February 28, 2008, at 11:00 a.m., EST. As required by the bylaws of the Corporation, dial-in listen-only access was provided to members of the Corporation and the public for the meeting. The notice and agenda for the meeting is attached as **Exhibit A**.

Trustees present on the call in addition to Chairman Drouin were John Anderson, Paul Barber, Tom Berry, Janice Case, Jim Goodrich, Fred Gorbet, Sharon Nelson, Ken Peterson, Bruce Scherr, and Rick Sergel. Also present on the call were David Whiteley, Gerry Adamski, Julie Morgan, and David Cook of the NERC staff. Additional attendees are listed in **Exhibit B**.

David Cook called attention to the Antitrust Compliance Guidelines includes with the agenda package.

South Florida Disturbance

David Whiteley provided a brief description of the major disturbance in South Florida on Tuesday afternoon, February 26, 2008. NERC will work with FRCC to analyze the disturbance.

Violation Severity Level Compliance Filing

Gerry Adamski described the proposed compliance filing to satisfy the direction from the Federal Energy Regulatory Commission to file violation severity levels (“VSLs”) by March 1, 2008. He noted that eight of the nine groups of VSLs received an affirmative vote from the ballot body greater than the two-thirds required by the standards development procedure. The ninth group, Emergency Preparedness and Operations, received only a 60 percent affirmative vote. FERC had previously ruled that violation risk factors were not part of the reliability standards and did not need to be approved through the standards development process; FERC would very likely apply the same

analysis to VSLs. After discussion, on motion of Ken Peterson, the board approved the following resolution:

RESOLVED, that the NERC Board of Trustees:

- (1) Approves for filing with FERC the eight groups of VSLs associated with 76 reliability standards as approved by the industry ballot pools;
- (2) Approves for filing with FERC the group of proposed Emergency Preparedness and Operations VSLs associated with eight reliability standards that were balloted but not approved by the industry ballot pool, with
 - a. Recognition in the filing the group of EOP VSLs were approved by a 60 percent weighted segment affirmative vote and not the required two-thirds affirmative vote required in the standards development process;
 - b. A statement in the filing that the group of EOP VSLs would be used in the compliance program until such time as NERC files and obtains FERC approval of revised EOP VSLs;
- (3) Directs the Standards Committee to take the steps needed to expedite the development of a revised group of EOP VSLs for filing with FERC;
- (4) Directs staff to file the nine groups of VSLs associated with 84 reliability standards for informational purposes with the applicable government authorities in Canada.

Compliance Filing Regarding the LSE Order

David Cook presented the proposed plan for complying with FERC's directive in its December 20, 2007 order that NERC file a plan to address the potential reliability gap created when certain Load Serving Entities are excluded from the NERC compliance registry. After discussion, on motion of Paul Barber the board approved the following plan for filing with FERC on March 4:

- (1) **Short-term:** Using a posting and open comment process, NERC will revise the registration criteria to define "Non-Asset Owning LSEs" as a subset of Load Serving Entities and specify the reliability standards applicable to that subset, with NERC Board of Trustees consideration of the revisions at its May 7, 2008 meeting.
- (2) **Longer-term:** Identify the definitions and reliability standards that would need to be amended to address the issues surrounding accountability for loads served by retail marketers/suppliers.
 - a. Begin the implementation with a standards workshop on or about April 15, 2008 to address the issues;
 - b. Include the results of the workshop and other feedback into NERC's ongoing standards work plan.

Board Committee Mandates

David Cook explained that action on revised board committee mandates had been deferred at the board's February 12, 2008 meeting. He described one change that had been made to the FAC mandate, dealing with the appointment of the external auditor. On motion of John Anderson, the board approved the revised mandates for the Compliance, Corporate Governance and Human Resources, Finance and Audit, Nominating, and Technology Committees.

New Cafeteria Plan

David Cook described the features of the proposed new cafeteria plan for NERC employees that would allow certain qualifying items to be paid with pre-tax dollars. The formal plan documents are not yet complete, and management will request that the board approve the formal documents in writing without a meeting in the near future. The board discussed various aspects of the plan, including the appropriate dollar limit for the flexible health spending account option. It was the sense of the board that the limit should be set at \$ 5,000.00.

There being no other business, Chairman Drouin terminated the conference call at 11:55 a.m.

Submitted by,



NERC

NORTH AMERICAN ELECTRIC
RELIABILITY CORPORATION

Draft Minutes Board of Trustees

March 21, 2008

Action Without a Meeting

On March 21, 2008, a majority of the members of the Board of Trustees of the North American Electric Reliability Corporation consented in writing to waive notice and take action without a meeting, and approved a resolution regarding an amended and restated cafeteria plan for NERC employees and a summary plan document.

Attached to these minutes are the memorandum from the General Counsel requesting the vote and the written votes of a majority of the trustees.

Submitted by,



Secretary

Draft Minutes Board of Trustees

March 26, 2008
Conference Call

Pursuant to notice duly given, Vice Chairman Sharon Nelson called to order an open meeting by conference call of the Board of Trustees of the North American Electric Reliability Corporation on March 26, 2008, at 2:30 p.m., Eastern Daylight Time. As required by the bylaws of the Corporation, dial-in listen-only access was provided to members of the Corporation and the public for the meeting. The notice and agenda for the meeting is attached as **Exhibit A**.

Trustees present on the call in addition to Vice Chairman Nelson were John Q. Anderson, Paul Barber, Tom Berry, Janice Case, James Goodrich, Fred Gorbet, Ken Peterson, Bruce Scherr, and Rick Sergel. Also present on the call were David Whiteley, Gerry Adamski, and David Cook of the NERC staff. Additional participants are listed in **Exhibit B**.

David Cook called attention to the Antitrust Compliance Guidelines included with the agenda package.

Reliability Standard BAL-004-1

Gerry Adamski presented for consideration proposed reliability standard BAL-004-1 that had been deferred from the board's February 12, 2008 meeting (**Exhibit C**). He informed the board that the Operating Committee had approved the *Time Monitoring Reference Document* to guide reliability coordinator selection and functioning at its March meeting (**Exhibit D**). The Midwest ISO had also submitted a letter stating its commitment to continue to serve as time error monitor for the Eastern Interconnection, subject to certain conditions (**Exhibit E**). After discussion, on motion of Fred Gorbet, the board approved reliability standard BAL-004-1 as presented and directed that it be filed with the applicable governmental authorities.

WECC Regional Reliability Standard on Automatic Time Error Correction

Gerry Adamski presented for consideration a proposed regional reliability standard dealing with automatic time error correction, to be applicable solely within the Western Interconnection, BAL-004-WECC-01 (**Exhibit F**). He informed the board that the proposed standard had been approved through the WECC standards development process and had also been posted for comment by NERC. Based on the NERC staff analysis and comments received, staff recommended that the board approve BAL-004-WECC-01, subject to the following conditions:

- (1) Assuming the regional reliability standard is approved by the Commission, the standard shall remain mandatory and enforceable until it is revised, replaced or withdrawn in a

subsequent standards action, including approval of the revision, replacement, or withdrawal by the Commission;

- (2) WECC shall meet its commitment to address the shortcomings identified in NERC's review and assessment of the proposed regional standard by submitting a revised version of the standard for approval by the BOT within 18 months after approval of the standard by the Commission.

Mr. Adamski informed the board that WECC had agreed to make the changes within 18 months of Commission approval as recommended. Following discussion, on motion of Tom Berry, the board approved the following resolution (Janice Case abstained from voting on this matter):

WHEREAS, WECC is a regional entity organized on an Interconnection-wide basis, and proposed regional reliability standard BAL-004-WECC-01 is to be applicable on an Interconnection-wide basis; and

WHEREAS, proposed standard BAL-004-WECC-01 covers a subject (automatic time error correction) that is not covered by NERC's continent-wide standards, or in the alternative, is more stringent than NERC's continent-wide standards; and

WHEREAS, WECC has agreed to make certain clarifications in the proposed standard to address comments raised by NERC within 18 months of approval of the standard by the Federal Energy Regulatory Commission; and

WHEREAS, the Commission has ruled that an approved reliability standard shall remain mandatory and enforceable until it is revised, replaced or withdrawn in a subsequent standards action, including approval of the revision, replacement, or withdrawal by the Commission; and

WHEREAS, the NERC Board of Trustees finds, considering the proposed standard on its merits, that the proposed standard, as conditioned, is just, reasonable, not unduly discriminatory or preferential, and in the public interest;

RESOLVED, that the NERC Board of Trustees approves proposed reliability standard BAL-004-WECC-01, subject to the following conditions:

- (1) Assuming the regional reliability standard is approved by the Commission, the standard shall remain mandatory and enforceable until it is revised, replaced or withdrawn in a subsequent standards action, including approval of the revision, replacement, or withdrawal by the Commission;
- (2) WECC shall meet its commitment to make the clarifications identified in NERC's review and assessment of the proposed regional standard by submitting a revised version of the standard for approval within 18 months after approval of the standard by the Commission.
- (3) NERC shall file the proposed regional reliability standard with the applicable governmental authorities.

Interpretation of Requirement 4 of Reliability Standard VAR-001-1

Gerry Adamski presented for consideration the proposed interpretation to reliability standard VAR-001-1 that had been deferred from the board's February 12, 2008 meeting (**Exhibit G**). He provided the board with additional information concerning the interaction between reliability standards VAR-001-1 and VAR-002-1. After discussion, on motion of Paul Barber, the board approved the interpretation of Requirement 4 of VAR-001-1, as proposed, and directed that it be filed with the applicable governmental authorities.

There being no other business, Vice Chairman Nelson terminated the conference call at 2:50 p.m., EDT.

Submitted by,

A handwritten signature in black ink that reads "David Cook". The signature is written in a cursive style with a large, stylized "D" and "C".

David Cook
Secretary

Committee Membership Appointments and Changes

Board Action Required

Approve the following changes

Compliance and Certification Committee

RRO — Rick Riley, VP, Transmission Regulatory Compliance, Entergy Services, Inc.

Chairman — Tom Abrams starting July 1, 2008

Co-Chair — Clay Smith starting July 1, 2008

Operating Committee

State/Municipal — Ralph Anderson, Compliance Officer, Florida Municipal Power Agency

Operating and Planning Committee Charter Revisions

Board Action Required

Approve charter revisions

Information

At its October 23, 2007, meeting, the Board of Trustees directed NERC staff to develop the common elements of an appropriate guidelines development and approval process and work to have the committees develop and approve guidelines in accordance with those common elements.

The officers of the standing committees¹ have agreed on a common process to be followed by the three NERC technical committees — Critical Infrastructure Protection Committee (CIPC), Operating Committee (OC), and Planning Committee (PC). The attached draft OC and PC charters include a description of this process in a new Appendix 3 (OC charter) and Appendix 4 (PC charter). The same revisions will be made to the CIPC charter and presented to the board for approval at a subsequent meeting.

In addition to adding an appendix describing the reliability guidelines development and approval process, several other administrative changes were made to the charters, which are shown in redline form:

- Added: “Issue reliability guidelines in accordance with the process described in Appendix 4.” (“Appendix 3” for OC charter.)
- Modified the membership selection requirements as follows: “A particular organization, including its affiliates, may not have more than one member on the committee.”
- Modified the section on Proxies as follows: “A member of the committee may give a proxy only to a person who is a member registered in not affiliated with the same sector organization as another committee member. Each voting member of the committee shall have one vote on any matter coming before the committee that requires a vote.”
- Modified the section on Selection as follows: “At its first June meeting and every two years thereafter, the committee shall select a chair and vice chair from among its voting members by majority vote of the members of the committee to serve as chair and vice chair of the committee from the end of that June meeting until the end of the June meeting two years later.
- Modified Appendix 1 to document the fractional voting process for the regional reliability organization sector by adopting language from the approved CCC charter.

¹ Compliance and Certification Committee (CCC), Critical Infrastructure Protection Committee (CIPC), Operating Committee (OC), Planning Committee (PC), and Standards Committee (SC).

NERC

NORTH AMERICAN ELECTRIC
RELIABILITY CORPORATION

Operating Committee Charter

Approved by the Board of Trustees:

to ensure
the reliability of the
bulk power system

~~February 13~~ May 2008

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Purpose

The Operating Committee's mission is to provide the ERO (stakeholders, Board of Trustees, and staff) with the collective and diverse opinions from the experts in interconnected systems operation to help the industry arrive at informed decisions.

Section 1. Functions

1. **General forum.** Provides a general forum for aggregating ideas and interests regarding the operations of the interconnected bulk power systems in North America.
2. **Advice and recommendations.** Provides NERC (stakeholders, Board of Trustees, and staff) with advice, recommendations, and the collective and diverse opinions on matters related to interconnected operations to help the industry arrive at informed decisions. [Issue reliability guidelines in accordance with the process described in Appendix 3.](#)
3. **Support to the Reliability Readiness Program.** Provide technical support, guidance, and advice to NERC's Reliability Readiness Program (see also NERC Rules of Procedure, Section 700, "Reliability Readiness Evaluation and Improvement program, and Appendix 7, "Reliability Readiness Evaluation and Improvement Program Procedure").
 - a. **General**
 - Develop criteria for measuring program success, and review the program against those criteria.
 - Recommend actions to other NERC programs (standards, compliance, assessments, training, etc.) based on lessons learned and trends from readiness evaluations and examples of excellence.
 - b. **Readiness Evaluations**
 - Review readiness evaluations for trends and recommend new or different types of evaluations or changes in processes or metrics, including:
 - Readiness criteria
 - Guidelines for reporting and disclosure, and
 - Guidelines for consistency and relevancy of evaluations:
 - Between comparable entities, and
 - Through time
 - Provide guidance to the readiness evaluations process.
 - c. **Examples of Excellence**
 - Review and discuss the examples of excellence for lessons learned
 - Support information exchange within the industry on examples of excellence

4. **Support for other programs.** Provide technical advice and subject matter expert support to each of the NERC program areas, and serve as a forum to integrate the outputs of each NERC program area.
 - a. **Standards.**
 - **Provide opinions.** Provide the committee’s majority and minority opinions to the industry on NERC’s standards as those standards are drafted, posted for ballot, and presented to the board of trustees for implementation.
 - **Help prioritize standards.** Help the Standards Committee prioritize those standards that are in the drafting queue.
 - b. **Compliance.** Review quarterly and annual compliance reports for trends and suggest new or different types of compliance monitoring based on a technical review of system performance trends or as a result of compliance investigations.
 - c. **Reliability assessments and performance analysis.** Review reliability assessments and recommend topics that need additional investigation. These include:
 - Future adequacy
 - Event analysis
 - Benchmarking
 - d. **Personnel training and certification.** Recommend to the Personnel Certification Governance Committee the types of operating personnel that should be certified.
 - e. **Situation awareness.** Review and recommend control, monitoring, and visualization tools for system operators.
5. **Approve the following documents and procedures:**
 - a. Reliability Coordinator plans.
 - b. Market operations plans that are a part of the Reliability Coordinator plans.
 - c. Field test procedures, and the commencement and end of field tests to make sure those tests are “safe and effective.”
 - d. NERC Reliability Functional Model.
6. **Opinions and interpretations.** Provide technical opinions at the industry stakeholders’ request on operating reliability concepts, philosophies, and standards.

Section 2. Membership

1. **Goals** The Operating Committee provides for balanced decision making by bringing together a wide diversity of opinions from industry experts with outstanding technical knowledge and experience in the area of interconnected systems operation reliability.
2. **Expectations.** Operating Committee voting members are expected to:
 - a. Bring subject matter expertise to the Operating Committee
 - b. Be responsible for operating reliability within their organization

- c. Attend and participate in all Operating Committee meetings
- d. Express their own opinions, as well as the opinions of the sector they represent, at committee meetings
- e. Discuss and debate interests rather than positions
- f. Complete committee assignments

3. **Representation.** See Appendix 1, “Committee Members”

- a. Committee members may, but need not be, NERC members.
- b. To ensure adequate Canadian representation, the membership to the committee may be increased so that the number of Canadian voting members is equal to the percentage of the net energy for load (NEL) of Canada to the total NEL of the United States and Canada, times the total number of voting members on the committee, rounded to the next whole number.

4. **Selection.** NERC sector members will annually elect voting committee members in committee sectors corresponding to their NERC sector under an election process that is open, inclusive, and fair. The selection process will be completed in time for the secretary to send the committee membership list to the board for its approval at the board’s August meeting so that new committee members may be seated at the September meeting.

~~a. The Regional Reliability Organizations may, at their option, appoint their voting committee members.~~

~~b.a.~~ Un-nominated voting member positions will remain vacant until the next annual election, or until the committee secretary receives a nomination for that position, whichever occurs first.

~~e.b.~~ Members may not represent more than one committee sector.

~~d.c.~~ A particular organization, ~~including its affiliates~~~~including its affiliates~~, may not have more than one member on the committee.

~~e.d.~~ If additional Canadian members are added, no more than one additional Canadian voting member shall be selected from a sector unless this limitation precludes the addition of the number of additional Canadian voting representatives required by Section 3.3.b. In this case, no more than two additional Canadian voting members may be selected from the same sector.

~~f.e.~~ The secretary will monitor the committee selection process to insure that membership specifications are met.

5. **Terms.** Members' terms are staggered, with one-half of the members' terms expiring each year. Except for the initial selection, a member's term is two years and will commence on the first September meeting following the member's selection pursuant to Section 2.4 and continue until the September meeting two years later. Members may be re-elected for subsequent terms.

6. **Resignations, Vacancies, and Nonparticipation**

- a. Members who resign will be replaced for the time remaining in the member's term. Members will be replaced pursuant to Section 2.4, officers will be replaced pursuant to Section 4, and executive committee members will be replaced pursuant to Section 6.
- b. The secretary will submit the new member's name to the board for approval at the board's next regular meeting.
- c. The committee may approve the new member on an interim basis at the committee's next meeting.
- d. The committee chair~~man~~ will contact any member who has missed two consecutive meetings (even if the member has sent a proxy) to 1) seek a commitment to actively participate or 2) ask the member to resign from the committee.

7. **Proxies.** A member of the committee may give a proxy only to a person who is ~~not affiliated with~~not affiliated with the same ~~organization as another committee member~~organization as another committee member. ~~This provision is consistent with Section 3.4.d.~~This provision is consistent with Section 2.4.d. Each voting member of the committee shall have one vote on any matter coming before the committee that requires a vote.

Section 3. Meetings

See Appendix 2, "Meeting Procedures." Unless stated otherwise, the Operating Committee will follow Roberts Rules of Order, Newly Revised.

1. **Quorum.** The quorum necessary for the transaction of business (i.e., formal actions) at meetings of the Committee is two-thirds of the voting members currently on the committee roster (i.e., does not count vacancies). The committee may engage in discussions without a quorum present.

2. **Voting.** Actions by members of the Committee shall be approved upon receipt of the affirmative vote of 2/3 of the voting members of the Committee present and voting, in person or by proxy, at any meeting at which a quorum is present. The chairman and vice chairman may vote. Additional voting guidelines are in Appendix 2.

3. **Antitrust Guidelines.** All persons attending or otherwise participating in the Committee meeting shall act in accordance with NERC's Antitrust Compliance Guidelines at all times during the meeting. A copy of the NERC antitrust statement shall be included with each meeting agenda.

4. **Open Meetings.** NERC committee meetings shall be open to the public, except as noted below under Confidential Sessions. Although meetings are open, only voting members may offer and act on motions.

5. **Confidential Sessions.** The chairman of a committee may limit attendance at a meeting or portion of a meeting, based on confidentiality of the information to be disclosed at the meeting. Such limitations should be applied sparingly and on a non-discriminatory basis as needed to protect information that is sensitive to one or more parties. A preference, where possible, is to avoid the disclosure of sensitive or confidential information so that meetings may remain open at all times. Confidentiality agreements may also be applied as necessary to protect sensitive information.

Section 4. Officers

1. **Terms and conditions.** At its June meeting the Committee shall select a chairman and vice chairman from among its voting members by majority vote of the members of the Committee to serve during the period July 1 through June 30 of the following two years, provided that:

- a. The newly selected chairman and vice chairman shall not be representatives of the same sector.
- b. The chairman and vice chairman, upon assuming such positions, shall cease to act as representatives of the sectors that elected them as representatives to the Committee and shall thereafter be responsible for acting in the best interests of the members as a whole.
- c. The secretary will submit the elected officers to the chairman of the board for approval.

2. **Selection.** The Committee selects officers using the following process. The chairman is selected first, followed by the vice chairman.

1. The nominating subcommittee will present its recommended candidate.
2. The chairman opens the floor for nominations.
3. After hearing no further nominations, the chairman closes the nominating process.
4. The Committee will then vote on the candidate recommended by the nominating subcommittee, followed by the candidates nominated from the floor in the order in which they were nominated. The first candidate to garner the majority of the Committee's votes will be selected.
5. If the Committee nominates one person, that person is automatically selected as the next chairman.
6. If the Committee nominates two or more persons, and none receive a majority of the Committee's votes, then the secretary will distribute paper ballots for the members to mark their preference.

7. The secretary will collect the ballots. If the Committee nominates three or more candidates, then the winner will be selected using the Instant Runoff Process. (Explained in Roberts Rules of Order)

Section 5. Subcommittees

1. **Appointing subgroups.** The Operating Committee may appoint technical subcommittees, task forces, and working groups as needed.
2. **Nominating subcommittee.** At the first regular meeting following the selection of a new committee chairman, the chairman will nominate, for the committee's approval, a slate of five committee members from different sectors to serve as a nominating subcommittee. The subcommittee will:
 - a. Recommend candidates for the committee's chairman and vice chairman, and
 - b. Recommend candidates for the executive committee's four "at large" members.

Section 6. Executive Committee

1. **Authorization.** The executive committee is authorized to act between regular meetings of its parent committee. However, the executive committees may not reverse its parent committee's decisions.
2. **Membership.** The Committee will elect an executive committee of six members, all from different sectors, as follows:
 - Chairman
 - Vice-chairman
 - Four at-large members from different sectors nominated by the nominating subcommittee.
3. **Election Process.** The Nominating Subcommittee will present its slate of candidates for the four "at large" members.
 - The chairman opens the floor for additional nominations.
 - If the Committee members nominate additional candidates, then the secretary will distribute paper ballots for the members to list their top four candidates.
 - The four candidates who receive the most votes will be elected, provided that no two candidates may be from the same sector.
4. **Terms.** The executive committee will be replaced every two years, with the chairman and vice chairman replaced at a June meeting and the at-large members replaced at a September meeting.

Appendix 1 – Committee Members

Name	Definition	Members
Voting Members		
1. Investor-owned utility	This sector includes any investor-owned entity with substantial business interest in ownership and/or operation in any of the asset categories of generation, transmission, or distribution. This sector also includes organizations that represent the interests of such entities.	2
2. State/municipal utility	This sector includes any entity owned by or subject to the governmental authority of a state or municipality, that is engaged in the generation, delivery, and/or sale of electric power to end-use customers primarily within the political boundaries of the state or municipality; and any entity, whose members are municipalities, formed under state law for the purpose of generating, transmitting, or purchasing electricity for sale at wholesale to their members. This sector also includes organizations that represent the interests of such entities.	2
3. Cooperative utility	This sector includes any non-governmental entity that is incorporated under the laws of the state in which it operates, is owned by and provides electric service to end-use customers at cost, and is governed by a board of directors that is elected by the membership of the entity; and any non-governmental entity owned by and which provides generation and/or transmission service to such entities. This sector also includes organizations that represent the interests of such entities.	2
4. Federal or provincial utility/Federal Power Marketing Administration	This sector includes any U.S. federal, Canadian provincial, or Mexican entity that owns and/or operates electric facilities in any of the asset categories of generation, transmission, or distribution; or that functions as a power marketer or power marketing administrator. This sector also includes organizations that represent the interests of such entities. One member will be a U.S. federal entity and one will be a Canadian provincial entity.	2
5. Transmission dependent utility	This sector includes any entity with a regulatory, contractual, or other legal obligation to serve wholesale aggregators or customers or end-use customers and that depends primarily on the transmission systems of third parties to provide this service. This sector also includes organizations that represent the interests of such entities.	2
6. Merchant electricity generator	This sector includes any entity that owns or operates an electricity generating facility that is not included in an investor-owned utility's rate base and that does not otherwise fall within any of sectors (i) through (v). This sector includes but is not limited to cogenerators, small power producers, and all other non-utility electricity producers such as exempt wholesale generators who sell electricity at wholesale. This sector also includes organizations that represent the interests of such entities.	2
7. Electricity marketer	This sector includes any entity that is engaged in the activity of buying and selling of wholesale electric power in North America on a physical or financial basis. This sector also includes organizations that represent the interests of such entities.	2

Operating Committee Charter

Name	Definition	Members																									
Voting Members																											
8. Large end-use electricity customer	This sector includes any entity in North America with at least one service delivery taken at 50 kV or higher (radial supply or facilities dedicated to serve customers) that is not purchased for resale; and any single end-use customer with an average aggregated service load (not purchased for resale) of at least 50,000 MWh annually, excluding cogeneration or other back feed to the serving utility. This sector also includes organizations that represent the interests of such entities.	2																									
9. Small end-use electricity customer	This sector includes any person or entity within North America that takes service below 50 kV; and any single end-use customer with an average aggregated service load (not purchased for resale) of less than 50,000 MWh annually, excluding cogeneration or other back feed to the serving utility. This sector also includes organizations (including state consumer advocates) that represent the interests of such entities.	2																									
10. Independent system operator/regional transmission organization	This sector includes any entity authorized by the Commission to function as an independent transmission system operator, a regional transmission organization, or a similar organization; comparable entities in Canada and Mexico; and the Electric Reliability Council of Texas or its successor. This sector also includes organizations that represent the interests of such entities.	2																									
11. Regional reliability organization	This sector includes any regional reliability organization as defined in Article I, Section 1, of the Bylaws of the corporation. In aggregate, this sector will have voting strength equivalent to two members. The voting weight of each regional member's vote will be set such that the sum of the weight of all available regional reliability organizations members' votes is two votes.	2																									
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Officers	Chairman and Vice Chairman	2																									
Total Voting Members		26																									

Operating Committee Charter

Name	Definition	Members
Non-Voting Members¹		
Government representatives	This sector includes any federal, state, or provincial government department or agency in North America having a regulatory and/or policy interest in wholesale electricity. Entities with regulatory oversight over the Corporation or any regional entity, including U.S., Canadian, and Mexican federal agencies and any provincial entity in Canada having statutory oversight over the Corporation or a regional entity with respect to the approval and/or enforcement of reliability standards, may be nonvoting members of this sector.	
	United States federal government	2
	Canadian federal government	1
	Provincial government	1
Regional reliability organizations	The remaining RROs that are not RRO sector voting members.	6
Secretary	The committee secretary will be seated at the committee table	1
Subcommittee Chairmen	The chairmen of the subcommittees will be seated at the committee table.	

¹ Industry associations and organizations and other government agencies in the U.S. and Canada may attend meetings as non-voting observers.

Appendix 2 – Meeting Procedures

Section 1. Voting Procedures for Motions

1. The default procedure is a voice vote.
2. If the chairman believes the voice vote is not conclusive, he may call for a show of hands.
3. The chairman will not specifically ask those who are abstaining to identify themselves when voting by voice or a show of hands.
4. The committee may conduct a roll-call vote in those situations that need a record of each member's vote.
 - The committee must approve conducting a roll call vote for the motion.
 - The secretary will call each member's name.
 - Members answer “yes,” “no,” or “present” if they wish to abstain from voting.

Section 2. Minutes

1. Meeting minutes are a record of what the committee did, not what its members said.
2. Minutes should list discussion points where appropriate, but should usually not attribute comments to individuals. It is acceptable to cite the chairman's directions, summaries, and assignments.
3. Do not list the person who seconds a motion.
4. Do not record (or even ask for) abstentions.

Section 3. Minority Opinions

All Committees members are afforded the opportunity to provide alternative views on an issue. The meeting minutes will provide an exhibit to record minority opinions. The chairman shall report both the majority and any minority views in presenting results to the Board of Trustees.

Section 4. Personal Statements

The minutes will also provide an exhibit to record personal statements.

Appendix 3 – Reliability Guidelines Approval Process

1. Reliability Guidelines

Reliability guidelines are documents that suggest approaches or behavior in a given technical area for the purpose of improving reliability. Reliability guidelines are not binding norms or mandatory requirements. Reliability guidelines may be adopted by a responsible entity in accordance with its own facts and circumstances.²

2. Approval of Reliability Guidelines

Because reliability guidelines contain suggestions that may result in actions by responsible entities, those suggestions must be thoroughly vetted before a new or updated guideline receives approval by a technical committee. The process described below will be followed by the Operating Committee:

- a. New/updated draft guideline approved. The Operating Committee approves release of a new or updated draft guideline developed by one of its subgroups or the committee as a whole.
- b. Post draft guideline for industry comment. The draft guideline is posted for industry-wide comment for forty-five (45) days. If the draft guideline is an update, a redline version against the previous version must also be posted.
- c. Post industry comments and responses. After the public comment period, the Operating Committee posts the comments received as well as its responses to the comments. The committee may delegate the preparation of responses to a committee subgroup.
- d. New/updated guideline approval and posting. A new or updated guideline which considers the comments received, is approved by the sponsoring technical committee and posted on the NERC Web site. Updates must include a revision history and a redline version against the previous version.
- e. Guideline updates. After posting a new or updated guideline, the Operating Committee will continue to accept comments from the industry via a Web-based forum where commenters may post their comments.
 - i. Each quarter, the Operating Committee will review the comments received. At any time, the Operating Committee may decide to update the guideline based on the comments received or on changes in the industry that necessitate an update.
 - ii. Updating an existing guideline will require that a draft updated guideline be approved by the Operating Committee in step “a” and proceed to steps “b” and “c” until it is approved by the Operating Committee in step “d.”

² Standards Committee authorization is required for a reliability guideline to become a supporting document that is posted with or referenced from a NERC Reliability Standard. See Appendix 3A in the NERC’s *Rules of Procedure* under “Supporting Documents.”

NERC

NORTH AMERICAN ELECTRIC
RELIABILITY CORPORATION

Planning Committee Charter

Approved by the Board of Trustees:

to ensure
the reliability of the
bulk power system

May 2007

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Section 1. Purpose

The Planning Committee proactively supports the NERC mission and the several NERC program areas by carrying out a broad array of functions and responsibilities focused on the reliable planning and assessment of interconnected bulk power systems.

Section 2. Functions

1. **General forum.** Provides a general forum for aggregating ideas and interests regarding the reliable planning and assessment of the interconnected bulk power systems in North America.
2. **Advice and recommendations.** Provides NERC (stakeholders, Board of Trustees, and staff) with advice, recommendations, and the collective and diverse opinions on matters related to bulk power system planning, reliability, and adequacy to help the industry arrive at informed decisions. [Issue reliability guidelines in accordance with the process described in Appendix 4.](#)
3. **Support to the Reliability Assessment and Performance Analysis Program.** Provides technical support, guidance, and advice to NERC's Reliability Assessment and Performance Analysis Program, which includes:
 - a. **Reliability Assessments**
 - Provide input on seasonal, long-term, and special reliability assessment reports, including reliability issues and trends to be addressed in these reports.
 - Review and comment on draft reliability assessment reports.
 - Endorse the approval by the NERC board of reliability assessment reports.
 - b. **Events Analysis and Information Exchange**
 - Review and discuss the results of individual event investigations and lessons learned as well as long-term trends.
 - Recommend actions to other NERC programs (standards, compliance, readiness, training, etc.) based on lessons learned and trends from event investigations.
 - Support information exchange within the industry on lessons learned from event investigations, including the issuance of event notifications, significant event reports, and trends in events analysis.
 - c. **Reliability Metrics and Benchmarking**
 - Provide input to the Reliability Metrics and Benchmarking Program.
 - Support the development and improvement of NERC's key reliability metrics.
4. **Support to other NERC programs.** Provides technical advice and subject matter expert support to each of the other NERC programs, and serve as a forum to integrate the outputs of these programs, specifically:

- a. **Standards.**
 - Provide the committee's majority and minority opinions to the industry on NERC's standards as those standards are drafted, posted for ballot, and presented to the board for implementation.
 - Help the Standards Committee prioritize those standards that are in the drafting queue.
 - Provide technical opinions and interpretations of standards at the request of industry stakeholders or the NERC board.
 - b. **Compliance.** Review quarterly and annual compliance reports for trends and suggest new or different types of compliance monitoring based on a technical review of system performance trends or as a result of investigations.
 - c. **Readiness evaluations.** Provide technical advice on readiness evaluation objectives, guidelines, examples of excellence, and review evaluation findings for trends.
5. **Documents and procedures.** Develop and maintain documents and procedures related to the reliable planning and assessment of interconnected bulk power systems, including but not limited to:
- a. **Functional model.** NERC Reliability Functional Model (in conjunction with the NERC Operating Committee).
 - b. **Reference documents.** Technical reference documents and guidelines on matters including: system modeling and model validation, system static and dynamic analysis, system protection and control, load forecasting, resource adequacy assessment, and reliability data requirements.
 - c. **Field test procedures.** Field test procedures for prospective reliability standards.
6. **Opinions and guidance.** Provide technical opinions and guidance on planning reliability concepts and philosophies.

Section 3. Membership

1. **Goals.** The Planning Committees provides for balanced decision making by bringing together a wide diversity of opinions from industry experts with outstanding technical knowledge and experience in the area of interconnected systems planning reliability and reliability assessment.
2. **Expectations.** Planning Committee voting members are expected to:
 - a. Bring subject matter expertise to the Planning Committee
 - b. Be knowledgeable about planning reliability and reliability assessment
 - c. Attend and participate in all Planning Committee meetings
 - d. Express their opinions as well as the opinions of the sector they represent at committee meetings.

- e. Discuss and debate interests rather than positions
- f. Complete committee assignments

3. **Representation.** See Appendix 1, “Committee Members.”

- a. Committee members may, but need not be, NERC members.
- b. To ensure adequate Canadian representation, the membership to the committee may be increased so that the number of Canadian voting members is equal to the percentage of the net energy for load (NEL) of Canada to the total NEL of the United States and Canada, times the total number of voting members on the committee, rounded to the next whole number.

4. **Selection.** NERC sector members will annually elect voting committee members in committee sectors corresponding to their NERC sector under an election process that is open, inclusive, and fair. The selection process will be completed in time for the secretary to send the committee membership list to the board for its approval at the board’s August meeting so that new committee members may be seated at the September meeting.

~~a. The Regional Reliability Organizations may, at their option, appoint their eight committee members and designate two of them as voting committee members.~~

~~b.a.~~ Un-nominated voting member positions will remain vacant until the next annual election, or until the committee secretary receives a nomination for that position, whichever occurs first.

~~e.b.~~ Members may not represent more than one committee sector.

~~d.c.~~ A particular organization, including its affiliates, may not have more than one member on the committee.

~~e.d.~~ If additional Canadian members are added, no more than one additional Canadian voting member shall be selected from a sector unless this limitation precludes the addition of the number of additional Canadian voting representatives required by Section 3.3.b. In this case, no more than two additional Canadian voting members may be selected from the same sector.

~~f.e.~~ The secretary will monitor the committee selection process to insure that membership specifications are met.

5. **Terms.** Members’ terms are staggered, with one-half of the members' terms expiring each year. Except for the initial selection, a member’s term is two years and will commence on the first September meeting following the member’s selection pursuant to Section 3.4 and continue until the September meeting two years later. Members may be re-elected for subsequent terms.

6. **Resignations, Vacancies, and Nonparticipation.**

- a. Members who resign will be replaced for the time remaining in the member’s term. Members will be replaced pursuant to Section 3.4, officers will be replaced pursuant to Appendix 3, and executive committee members will be replaced pursuant to Section 7.

- b. The secretary will submit the new member's name to the board for approval at the board's next regular meeting.
- c. The committee may approve the new member on an interim basis at the committee's next meeting.
- d. The committee chair will contact any member who has missed two consecutive meetings (even if the member has sent a proxy) to 1) seek a commitment to actively participate or 2) ask the member to resign from the committee.

7. **Proxies.** A member of the committee may give a proxy only to a person who is ~~a member registered in~~ not affiliated with the same ~~sector~~ organization as another committee member. This provision is consistent with Section 3.4.d. Each voting member of the committee shall have one vote on any matter coming before the committee that requires a vote.

Section 4. Meetings. See Appendix 2, "Meeting Procedures." Unless stated otherwise, the Planning Committee will follow Robert's Rules of Order, Newly Revised.

1. **Quorum.** The quorum necessary for the transaction of business (i.e., formal actions) at meetings of the committee is two-thirds of the voting members currently on the committee roster (i.e., does not count vacancies). The committee may engage in discussions without a quorum present.
2. **Voting.** Actions by members of the committee shall be approved upon receipt of the affirmative vote of two-thirds of the voting members of the committee present and voting, in person or by proxy, at any meeting at which a quorum is present. The chair and vice chair may vote. Additional voting guidelines are in Appendix ~~3~~2.
3. **Antitrust Guidelines.** All persons attending or otherwise participating in the committee meeting shall act in accordance with NERC's Antitrust Compliance Guidelines at all times during the meeting. A copy of the NERC antitrust statement shall be included with each meeting agenda.
4. **Open Meetings.** NERC committee meetings shall be open to the public, except as noted below under Confidential Sessions. Although meetings are open, only voting members may offer and act on motions.
5. **Confidential Sessions.** The chair of a committee may limit attendance at a meeting or portion of a meeting, based on confidentiality of the information to be disclosed at the meeting. Such limitations should be applied sparingly and on a nondiscriminatory basis as needed to protect information that is sensitive to one or more parties. A preference, where possible, is to avoid the disclosure of sensitive or confidential information so that meetings may remain open at all times. Confidentiality agreements may also be applied as necessary to protect sensitive information.

Section 5. Officers.

See Appendix 3, “Officer Selection Process”

1. **Selection.** At its first June meeting and every two years thereafter, the committee shall select a chair and vice chair from among its voting members by majority vote of the members of the committee to serve as chair and vice chair of the committee from the end of that June meeting until the end of the June meeting two years later.
2. **Terms.** The chair and vice chair serve two-year terms.
3. **Representation.**
 - a. The newly selected chair and vice chair shall not be from of the same sector.
 - b. The chair and vice chair, upon assuming such positions, shall cease to act as members of the sectors that elected them as members to the committee and shall thereafter be responsible for acting in the best interests of the members as a whole.
4. **Board approval.** The secretary will submit the elected officers to the chair of the board for approval.

Section 6. Subcommittees

The Planning Committee may appoint technical subcommittees, task forces, and working groups as needed. The Planning Committee is responsible for directing the work of these subgroups and for their work products.

Section 7. Executive Committee

1. **Authorization.** The executive committee is authorized to act between regular meetings of the Planning Committee. However, the executive committee may not reverse the Planning Committee’s decisions.
2. **Membership.** The executive committee is comprised of the chair, the vice chair, and four at-large members. The committee will nominate and elect the four at-large members of the executive committee at its September meeting. No two members may be from the same sector.
3. **Election Process.**
 - a. The chair opens the floor for nominations.
 - b. If the committee members nominated four or fewer candidates, then those candidates are automatically elected.
 - c. If the committee members nominate more than four candidates, then the secretary will distribute paper ballots for the members to list their top four candidates.

- d. The four candidates who receive the most votes will be elected, provided that no two candidates may be from the same sector.
4. **Terms.** The executive committee will be replaced every two years, with the chair and vice chair replaced at a June meeting and the at-large members replaced at a September meeting.

Appendix 1 – Committee Members

Name	Definition	Members
Voting Members		
1. Investor-owned utility	This sector includes any investor-owned entity with substantial business interest in ownership and/or operation in any of the asset categories of generation, transmission, or distribution. This sector also includes organizations that represent the interests of such entities.	2
2. State/municipal utility	This sector includes any entity owned by or subject to the governmental authority of a state or municipality, that is engaged in the generation, delivery, and/or sale of electric power to end-use customers primarily within the political boundaries of the state or municipality; and any entity, whose members are municipalities, formed under state law for the purpose of generating, transmitting, or purchasing electricity for sale at wholesale to their members. This sector also includes organizations that represent the interests of such entities.	2
3. Cooperative utility	This sector includes any non-governmental entity that is incorporated under the laws of the state in which it operates, is owned by and provides electric service to end-use customers at cost, and is governed by a board of directors that is elected by the membership of the entity; and any non-governmental entity owned by and which provides generation and/or transmission service to such entities. This sector also includes organizations that represent the interests of such entities.	2
4. Federal or provincial utility/Federal Power Marketing Administration	This sector includes any U.S. federal, Canadian provincial, or Mexican entity that owns and/or operates electric facilities in any of the asset categories of generation, transmission, or distribution; or that functions as a power marketer or power marketing administrator. This sector also includes organizations that represent the interests of such entities. One member will be a U.S. federal entity and one will be a Canadian provincial entity.	2
5. Transmission dependent utility	This sector includes any entity with a regulatory, contractual, or other legal obligation to serve wholesale aggregators or customers or end-use customers and that depends primarily on the transmission systems of third parties to provide this service. This sector also includes organizations that represent the interests of such entities.	2
6. Merchant electricity generator	This sector includes any entity that owns or operates an electricity generating facility that is not included in an investor-owned utility's rate base and that does not otherwise fall within any of sectors (i) through (v). This sector includes but is not limited to cogenerators, small power producers, and all other non-utility electricity producers such as exempt wholesale generators who sell electricity at wholesale. This sector also includes organizations that represent the interests of such entities.	2
7. Electricity marketer	This sector includes any entity that is engaged in the activity of buying and selling of wholesale electric power in North America on a physical or financial basis. This sector also includes organizations that represent the interests of such entities.	2

Planning Committee Charter

Name	Definition	Members																											
Voting Members																													
8. Large end-use electricity customer	This sector includes any entity in North America with at least one service delivery taken at 50 kV or higher (radial supply or facilities dedicated to serve customers) that is not purchased for resale; and any single end-use customer with an average aggregated service load (not purchased for resale) of at least 50,000 MWh annually, excluding cogeneration or other back feed to the serving utility. This sector also includes organizations that represent the interests of such entities.	2																											
9. Small end-use electricity customer	This sector includes any person or entity within North America that takes service below 50 kV; and any single end-use customer with an average aggregated service load (not purchased for resale) of less than 50,000 MWh annually, excluding cogeneration or other back feed to the serving utility. This sector also includes organizations (including state consumer advocates) that represent the interests of such entities.	2																											
10. Independent system operator/regional transmission organization	This sector includes any entity authorized by the Commission to function as an independent transmission system operator, a regional transmission organization, or a similar organization; comparable entities in Canada and Mexico; and the Electric Reliability Council of Texas or its successor. This sector also includes organizations that represent the interests of such entities.	2																											
11. Regional reliability organization	<p>This sector includes any regional reliability organization as defined in Article I, Section 1, of the Bylaws of the corporation. <u>In aggregate, this sector will have voting strength equivalent to two members. The voting weight of each regional member's vote will be set such that the sum of the weight of all available regional reliability organizations members' votes is two votes.</u></p> <table border="1" data-bbox="596 1045 1344 1421"> <thead> <tr> <th data-bbox="596 1052 846 1087"><u>RRO</u></th> <th data-bbox="846 1052 1094 1087"><u>Number of Members</u></th> <th data-bbox="1094 1052 1344 1087"><u>Proportional Voting</u></th> </tr> </thead> <tbody> <tr> <td data-bbox="596 1094 846 1129"><u>ERCC</u></td> <td data-bbox="846 1094 1094 1129">1</td> <td data-bbox="1094 1094 1344 1129">X</td> </tr> <tr> <td data-bbox="596 1136 846 1171"><u>RFC</u></td> <td data-bbox="846 1136 1094 1171">1</td> <td data-bbox="1094 1136 1344 1171">X</td> </tr> <tr> <td data-bbox="596 1178 846 1213"><u>ERCOT</u></td> <td data-bbox="846 1178 1094 1213">1</td> <td data-bbox="1094 1178 1344 1213">X</td> </tr> <tr> <td data-bbox="596 1220 846 1255"><u>MRO</u></td> <td data-bbox="846 1220 1094 1255">1</td> <td data-bbox="1094 1220 1344 1255">X</td> </tr> <tr> <td data-bbox="596 1262 846 1297"><u>NPCC</u></td> <td data-bbox="846 1262 1094 1297">1</td> <td data-bbox="1094 1262 1344 1297">X</td> </tr> <tr> <td data-bbox="596 1304 846 1339"><u>SERC</u></td> <td data-bbox="846 1304 1094 1339">1</td> <td data-bbox="1094 1304 1344 1339">X</td> </tr> <tr> <td data-bbox="596 1346 846 1381"><u>SPP</u></td> <td data-bbox="846 1346 1094 1381">1</td> <td data-bbox="1094 1346 1344 1381">X</td> </tr> <tr> <td data-bbox="596 1388 846 1421"><u>WECC</u></td> <td data-bbox="846 1388 1094 1421">1</td> <td data-bbox="1094 1388 1344 1421">X</td> </tr> </tbody> </table>	<u>RRO</u>	<u>Number of Members</u>	<u>Proportional Voting</u>	<u>ERCC</u>	1	X	<u>RFC</u>	1	X	<u>ERCOT</u>	1	X	<u>MRO</u>	1	X	<u>NPCC</u>	1	X	<u>SERC</u>	1	X	<u>SPP</u>	1	X	<u>WECC</u>	1	X	2
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	United States federal government	2
	Canadian federal government	1
	Provincial government	1
Regional reliability organizations	The remaining RROs that are not RRO sector voting members.	6
Secretary	The committee secretary will be seated at the committee table	1
Subcommittee Chairs	The chairs of the subcommittees will be seated at the committee table.	

Appendix 2 – Meeting Procedures

Section 1. Voting Procedures for Motions

- a. The default procedure is a voice vote.
- b. If the chair believes the voice vote is not conclusive, he may call for a show of hands.
- c. The chair will not specifically ask those who are abstaining to identify themselves when voting by voice or a show of hands.
- d. The committee may conduct a roll-call vote in those situations that need a record of each member's vote.
 - The committee must approve conducting a roll-call vote for the motion.
 - The secretary will call each member's name.
 - Members answer “yes,” “no,” or present” may if they wish to abstain from voting.

Section 2. Minutes

1. General guidelines.

- a. Meeting minutes are a record of what the committee did, not what its members said.
- b. Minutes should list discussion points where appropriate, but should usually not attribute comments to individuals. It is acceptable to cite the chair's directions, summaries, and assignments.
- c. Do not list the person who seconds a motion.
- d. Do not record (or even ask for) abstentions.

2. **Minority Opinions.** All committee members are afforded the opportunity to provide alternative views on an issue. The meeting minutes will provide an exhibit to record minority opinions. The chair shall report both the majority and any minority views in presenting results to the Board of Trustees.

3. **Personal Statements.** The minutes will also provide an exhibit to record personal statements.

Appendix 3 – Officer Selection Process

The committee selects officers using the following process. The chair is selected first, followed by the vice chair.

- e. The chair opens the floor for nominations.
- f. After hearing no further nominations, the chair closes the nominating process.
- g. If the committee nominates one person, that person is automatically selected as the next chair.
- h. If the committee nominates two or more persons, then the secretary will distribute paper ballots for the members to mark their preference.
- i. The secretary will collect the ballots. If the committee nominates three or more candidates, then the winner will be selected using the Instant Runoff Process. (Explained in Robert's Rules of Order.)

Appendix 4 – Reliability Guidelines Approval Process

1. Reliability Guidelines

Reliability guidelines are documents that suggest approaches or behavior in a given technical area for the purpose of improving reliability. Reliability guidelines are not binding norms or mandatory requirements. Reliability guidelines may be adopted by a responsible entity in accordance with its own facts and circumstances.²

2. Approval of Reliability Guidelines

Because reliability guidelines contain suggestions that may result in actions by responsible entities, those suggestions must be thoroughly vetted before a new or updated guideline receives approval by a technical committee. The process described below will be followed by the Planning Committee:

- a. New/updated draft guideline approved. The Planning Committee approves release of a new or updated draft guideline developed by one of its subgroups or the committee as a whole.
- b. Post draft guideline for industry comment. The draft guideline is posted for industry-wide comment for forty-five (45) days. If the draft guideline is an update, a redline version against the previous version must also be posted.
- c. Post industry comments and responses. After the public comment period, the Planning Committee posts the comments received as well as its responses to the comments. The committee may delegate the preparation of responses to a committee subgroup.
- d. New/updated guideline approval and posting. A new or updated guideline which considers the comments received, is approved by the sponsoring technical committee and posted on the NERC Web site. Updates must include a revision history and a redline version against the previous version.
- e. Guideline updates. After posting a new or updated guideline, the Planning Committee will continue to accept comments from the industry via a Web-based forum where commenters may post their comments.
 - i. Each quarter, the Planning Committee will review the comments received. At any time, the Planning Committee may decide to update the guideline based on the comments received or on changes in the industry that necessitate an update.
 - ii. Updating an existing guideline will require that a draft updated guideline be approved by the Planning Committee in step “a” and proceed to steps “b” and “c” until it is approved by the Planning Committee in step “d.”

² Standards Committee authorization is required for a reliability guideline to become a supporting document that is posted with or referenced from a NERC Reliability Standard. See Appendix 3A in the NERC’s *Rules of Procedure* under “Supporting Documents.”

Future Meetings

Board Action Required

Approve May 5–6, 2009 (T–W) in Washington, D.C. as a future meeting date and location

Information

The board has approved the following future meeting dates and locations:

- July 29–30, 2008 — Montreal, Quebec, Canada (T–W)
- October 28–29, 2008 — Washington, D.C. (T–W)
- February 9–10, 2009 — Phoenix, Arizona (M–T)

Revisions to Section 1600 of Rules of Procedure

Board Action Required

Approve proposed revisions to Section 1600 of the Rules of Procedure for inclusion in a compliance filing with the Federal Energy Regulatory Commission

Information

On February 21, 2008, the Federal Energy Regulatory Commission (“FERC”) conditionally approved NERC’s proposed Section 1600 — Requests for Data or Information, to be added to NERC’s Rules of Procedure (122 FERC ¶ 61,142 (2008) (“February 21 Order”). Section 1600 establishes a process by which NERC posts proposed requests for data or information, receives industry comments on the proposal, and submits the proposed request, modified as necessary in light of the comments, to the NERC Board of Trustees for approval. Once approved by the NERC board, the designated responders are obligated to comply with the request.

In the February 21 Order, FERC approved the proposed addition of Section 1600 to NERC’s Rules of Procedure, directed NERC to make certain changes to Section 1600, and clarified certain points. NERC intends to use the proposed compliance filing, as finally approved by the NERC board, as its response to those directions and clarifications. NERC’s compliance filing is due May 21, 2008. FERC directed NERC to address these matters:

- (1) NERC is to add a provision to Section 1600 to deal with situations when NERC needs data or information more quickly than the normal processes would allow. NERC proposes a new Rule 1606 to address this directive.
- (2) NERC is to add a provision requiring regional entities to submit their proposed rules for requesting data or information to NERC and to FERC for approval. NERC proposes an amendment to Rule 1604.2 to address this directive.
- (3) NERC is to work with the Bonneville Power Administration and other federal agencies to develop procedures that would allow review of requested information without risking waiver of FOIA protection. Informal discussion of this issue is underway within NERC’s Legal Advisory Committee. NERC expects to file a proposed resolution of this directive by August 19, 2008. NERC will file a status report on the effort as part of the compliance filing due May 21, 2008.

In addition to the specific directives to revise Section 1600, FERC also stated two other requirements that apply to Section 1600 requests. NERC proposes two additions to Section 1600 regarding those FERC requirements, so that the requirements are clear to all and are memorialized in NERC’s Rules of Procedure.

- (A) FERC required that NERC provide, for informational purposes, notice and a copy of any proposed request for data or information at least 21 days prior to posting the proposed request for public comment. NERC proposes a new Rule 1602.1 to include this requirement in its Rules of Procedure.
- (B) FERC stated that a failure to comply with a NERC request for data or information approved under Section 1600 could constitute a violation of section 39.2(d) of FERC’s regulations. NERC proposes an amendment to Rule 1603 to address this requirement. The provision would apply only to owners, operators, and users of the bulk power system within the United States.

PROPOSED REVISIONS FOR MAY 21 COMPLIANCE FILING

SECTION 1600 — REQUESTS FOR DATA OR INFORMATION

1601. Scope of a NERC or Regional Entity Request for Data or Information

Within the United States, NERC and regional entities may request data or information that is necessary to meet their obligations under Section 215 of the Federal Power Act, as authorized by Section 39.2(d) of the Commission's regulations, 18 C.F.R. § 39.2(d). In other jurisdictions NERC and regional entities may request comparable data or information, using such authority as may exist pursuant to these rules and as may be granted by ~~applicable~~ERO governmental authorities in those other jurisdictions. The provisions of Section 1600 shall not apply to requirements contained in any Reliability Standard to provide data or information; the requirements in the Reliability Standards govern. The provisions of Section 1600 shall also not apply to data or information requested in connection with a compliance or enforcement action under Section 215 of the Federal Power Act, Section 400 of these Rules of Procedure, or any procedures adopted pursuant to those authorities, in which case the Rules of Procedure applicable to the production of data or information for compliance and enforcement actions shall apply.

1602. Procedure for Authorizing a NERC Request for Data or Information

1. NERC shall provide a proposed request for data or information or a proposed modification to a previously-authorized request, including the information specified in paragraph 1602.2.1 or 1602.2.2 as applicable, to the Commission's Office of Electric Reliability at least twenty-one (21) days prior to initially posting the request or modification for public comment. Submission of the proposed request or modification to the Office of Electric Reliability is for the information of the Commission. NERC is not required to receive any approval from the Commission prior to posting the proposed request or modification for public comment in accordance with paragraph 1602.2 or issuing the request or modification to reporting entities following approval by the Board of Trustees.

~~12.~~ NERC shall post a proposed request for data or information or a proposed modification to a previously authorized request for data or information for a forty-five (45) day public comment period.

2.1. A proposed request for data or information shall contain, at a minimum, the following information: (i) a description of the data or information to be requested, how the data or information will be used, and how the availability of the data or information is necessary for NERC to meet its obligations under applicable laws and agreements; (ii) a description of how the data or information will be collected and validated; (iii) a description of the entities (by functional class and jurisdiction) that will be required to provide the data or information ("reporting entities"); (iv) the schedule or due date for the data or information; (v) a description of any restrictions on disseminating the data or information

(e.g., “confidential,” “critical energy infrastructure information,” “aggregating” or “identity masking”); and (vi) an estimate of the relative burden imposed on the reporting entities to accommodate the data or information request.

- ~~42~~.2. A proposed modification to a previously authorized request for data or information shall explain (i) the nature of the modifications; (ii) an estimate of the burden imposed on the reporting entities to accommodate the modified data or information request, and (iii) any other items from paragraph ~~4-42.1~~ that require updating as a result of the modifications.
- ~~23~~. After the close of the comment period, NERC shall make such revisions to the proposed request for data or information as are appropriate in light of the comments. NERC shall submit the proposed request for data or information, as revised, along with the comments received, NERC’s evaluation of the comments and recommendations, to the Board of Trustees.
- ~~34~~. In acting on the proposed request for data or information, the Board of Trustees may authorize NERC to issue it, modify it, or remand it for further consideration.
- ~~45~~. NERC may make minor changes to an authorized request for data or information without board approval. However, if a reporting entity objects to NERC in writing to such changes within 21 days of issuance of the modified request, such changes shall require board approval before they are implemented.
- ~~56~~. Authorization of a request for data or information shall be final unless, within thirty (30) days of the decision by the Board of Trustees, an affected party appeals the authorization under this Section 1600 to the ~~applicable~~ERO governmental authority.

1603. Owners, Operators, and Users to Comply

Owners, operators, and users of the bulk power system registered on the NERC Compliance Registry shall comply with authorized requests for data and information. Failure of a reporting entity within the United States to comply with an authorized request for data or information under Section 1600 may be deemed a violation of 18 C.F.R. section 39.2(d), and may result in a request by NERC to the Commission to exercise its enforcement authority to require the reporting entity to comply with the request for data or information and for other appropriate enforcement action by the Commission. NERC will make any request for the Commission to enforce a request for data or information through a non-public submission to the Commission’s enforcement staff.

1604. Requests by Regional Entity for Data or Information

1. A regional entity may request that NERC seek authorization for a request for data or information to be applicable within the footprint of the regional entity, either as a freestanding request or as part of a proposed NERC request for data or information. Any such request must be consistent with this Section 1600.

2. TheA regional entity may also develop its own procedures for requesting data or information, but any such procedures must include at least the same procedural elements as are included in this Section 1600. Any such regional entity procedures or changes to such procedures shall be submitted to NERC for approval. Upon approving such procedures or changes thereto, NERC shall file the proposed procedures or proposed changes for approval by the Commission and any other ERO governmental authorities applicable to the regional entity. The regional entity procedures or changes to such procedures shall not be effective in a jurisdiction until approved by, and in accordance with any revisions directed by, the Commission or other ERO governmental authority.

1605. Confidentiality

If the approved data or information request includes a statement under Section 1602.1.1(v) that the requested data or information will be held confidential or treated as critical energy infrastructure information, then the applicable provisions of Section 1500 will apply without further action by a submitting entity. A submitting entity may designate any other data or information as confidential pursuant to the provisions of Section 1500, and NERC or the regional entity shall treat that data or information in accordance with Section 1500. NERC or a regional entity may utilize additional protective procedures for handling particular requests for data or information as may be necessary under the circumstances.

1606. Expedited Procedures for Requesting Time-Sensitive Data or Information

1. In the event NERC or a regional entity must obtain data or information by a date or within a time period that does not permit adherence to the time periods specified in Section 1602, the procedures specified in Section 1606 may be used to obtain the data or information. Without limiting the circumstances in which the procedures specified in Section 1606 may be used, such circumstances may include situations in which it is necessary to obtain the data or information within a shorter time period than possible under Section 1602, in order to evaluate a threat to the reliability or security of the bulk-power system, or to comply with a directive in an order issued by the Commission or by another ERO governmental authority. The procedures specified in Section 1606 may only be used if authorized by the NERC Board of Trustees prior to activation of such procedures.

2. Prior to posting a proposed request for data or information, or a modification to a previously-authorized request, for public comment under Section 1606, NERC shall provide the proposed request or modification, including the information specified in paragraph 1602.2.1 or 1602.2.2 as applicable, to the Commission's Office of Electric Reliability. The submission to the Commission's Office of Electric Reliability shall also include an explanation of why it is necessary to use the expedited procedures of Section 1606 to obtain the data or information. The submission shall be made to the Commission's Office of Electric Reliability as far in advance, up to twenty-one (21) days, of the posting of the proposed request or modification for public comments as is

- reasonably possible under the circumstances, but in no event less than two (2) days in advance of the public posting of the proposed request or modification.
3. NERC shall post the proposed request for data or information or proposed modification to a previously-authorized request for data or information for a public comment period that is reasonable in duration given the circumstances, but in no event shorter than five (5) days. The proposed request for data or information or proposed modification to a previously-authorized request for data or information shall include the information specified in paragraph 1602.2.1 or 1602.2.2, as applicable, and shall also include an explanation of why it is necessary to use the expedited procedures of Section 1606 to obtain the data or information.
 4. The provisions of paragraphs 1602.3, 1602.4, 1602.5 and 1602.6 shall be applicable to a request for data or information or modification to a previously-authorized request for data or information developed and issued pursuant to Section 1606, except that (a) if NERC makes minor changes to an authorized request for data or information without board approval, such changes shall require board approval if a reporting entity objects to NERC in writing to such changes within five (5) days of issuance of the modified request; and (b) authorization of the request for data or information shall be final unless an affected party appeals the authorization of the request by the Board of Trustees to the ERO governmental authority within five (5) days following the decision of the Board of Trustees authorizing the request, which decision shall be promptly posted on NERC's web site.

NERC posted the revisions it is proposing to comply with the requirements of the February 21 Order for comment by all stakeholders. Comments are due April 30, 2008. A copy of the revisions, as posted, is included as **Attachment 1**. NERC will update the agenda material with a summary of the comments received and any appropriate revisions to the proposed text shortly after the close of the comment period.

After the board has acted, NERC will file the proposed change in its rules with FERC and other governmental authorities that require the rule changes to be filed.

Section 1600 is now in effect, with the provision that the specific revisions addressed by FERC in the February 21 Order will not take effect until FERC approves the changes.

ES-ISAC Task Force Report

Board Action Required

Approve recommendations

Information

At its October 23, 2007 meeting the board formed a joint task force to consider issues surrounding the governance structure and NERC's overall role in the Electricity Sector Information Sharing and Analysis Center (ES-ISAC). The task force comprises representatives from the board and the Member Representatives Committee.

The task force first identified a set of core principles, purposes, and functions for the Electricity Sector Coordinating Council (ESCC) and the ES-ISAC. These core principles, purposes, and functions determine the tone and direction for the ESCC and for ES-ISAC operations. Consideration of these core principles, purposes, and functions helped form the task force's view on the desired outcomes of NERC efforts in this area. The task force then reviewed the existing ESCC and ES-ISAC structure, staffing, and operations to clarify the need, role, and operation of NERC's involvement in the ESCC and the ES-ISAC. With this information and discussion involving ES-ISAC leadership, the task force was able to identify two conclusions and recommendations:

Task Force Conclusion #1 – NERC's existing role in the operations of the ES-ISAC fits the core principles, purposes and functions as identified by the task force and should continue. NERC should periodically review the type, amount, and level of resources necessary to adequately perform the operations role of the ES-ISAC and recommend changes to the Board of Trustees as appropriate. Furthermore, to the extent that the scope of operations need to expand beyond the bulk power system, then NERC and its partners in industry and government will consider alternative structures.

Task Force Conclusion #2 – The existing role of the ESCC is appropriate for providing guidance to the ES-ISAC operations and should continue. However, in order to enhance strategic and policy guidance to the ES-ISAC, and in order to provide strategic and high level policy guidance and broad electricity sector participation and support on critical infrastructure security matters, including matters beyond the bulk power system, executive level participation from the stakeholder sectors needs to be added. The task force recommends that this be done by the following:

The ESCC to be directed by an Electricity Sector Steering Group (ESSG) comprising the following seven members: one member from the NERC Board of Trustees, the NERC CEO, and five CEO level executives named by the NERC MRC.

Attachment 1 is a copy of the complete task force report. The task force will request the NERC Board of Trustees approve these recommendations during its May 7, 2008 meeting.

NERC Task Force on the Electricity Sector Coordinating Council and Information Sharing and Analysis Center

Report and Findings

At the October 23, 2007 NERC Board of Trustees meeting, the Board formed a task force to consider the issues of the governance structure and NERC's overall role in the Electricity Sector Information Sharing and Analysis Center (ES ISAC). The task force was formed as a joint task force with representatives from the Board and Member Representatives Committee. Members of the Task Force are shown in Attachment 1.

History

The electricity sector information sharing and analysis center formed first, then the electricity sector coordinating council.

In May 1998, Bill Clinton issued Presidential Decision Directive (PDD 63), which called for government agencies to build private sector partnerships to help protect the country's critical infrastructures. PDD 63 (and later Homeland Security Presidential Directive 7 issued by President Bush in December 2003 and the Department of Homeland Security's National Infrastructure Protection Plan in 2006) recognized the Department of Energy as the sector specific agency for energy including production, refining, storage, and distribution of oil and gas, and electric power (except for nuclear power facilities). In this role, DOE collaborates with Federal agencies, state and local governments, tribal organizations, and the private sector.

In September 1998, NERC agreed to be the electricity sector coordinator and to operate the Electricity Sector's Information Sharing and Analysis Center (ES ISAC). The ES ISAC was formed and its operations centered around open participation by all electricity sector participants. The Electricity Sector Coordinating Council (ESCC) was later established to provide overall strategic leadership in the critical infrastructure protection arena. At the time, the NERC Critical Infrastructure Protection Committee (CIPC) was the most logical group to form the core of this leadership role. Recognizing the need to supplement this core leadership, CIPC's Executive Committee, along with NERC's CEO and representatives from EEI, APPA, and NRECA, agreed to serve as the ESCC. The ESCC meets from time to time with its peer public sector group, the Government Energy Coordinating Council (with representatives of federal, state, local and tribal governments) and chaired by the U.S. Department of Energy as the energy sector lead, to discuss policy and strategic critical infrastructure protection, response and restoration issues. In addition to providing expert advice, leadership and support, CIPC has guided the direction and growth of the ES ISAC operations.

Additionally, NERC's CEO and the CIPC chairman represent electricity sector interests on the Partnership for Critical Infrastructure Security. This private-sector group brings together the sector coordinating council's leadership across critical infrastructures for policy discussion and coordination purposes.

The ES ISAC began operations in 1999 with its primary focus on Y2K issues and potential terrorism attacks on the electric transmission system. It began as a small operation staffed by NERC personnel based in Princeton. The on-duty personnel carried pagers and cell phones in non-business hours. Regular conference calls were held with government partners and electricity industry experts to prepare for Y2K and cyber security threats. The role of the ES ISAC grew after September 11, 2001 to emphasize physical security, and maintain an "all-hazards, all-threats" perspective.

Following creation of the US Department of Homeland Security (DHS) in 2002, DHS became the lead US government agency for developing and implementing strategies for critical infrastructure protection and for building and maintaining the public-private partnership. The US Federal Energy Regulatory Commission (FERC) has been one of the federal agencies on the Government's Energy Coordinating Council since it began. This group includes all government energy sector partners and has facilitated cooperation and increasing coordination. FERC's role expanded with the passage of the Energy Policy Act of 2005 when section 215 of the Federal Power Act was amended giving FERC greater oversight and regulatory authority over the bulk electric power system. The relationship between FERC's role on the government energy sector coordinating council and NERC's role on the private sector electricity sector coordinating council became closely linked when NERC was designated as the Electric Reliability Organization in 2006.

Canadian participation in the ES ISAC was initiated by the active participation of Canadian representatives in the Critical Infrastructure Protection Advisory Group and CIPC. The ES ISAC has worked to maintain a good working relationship with Public Safety Canada (PSC) and a PSC representative is invited to attend CIPC meetings. Canadian contacts are kept on the ES ISAC distribution lists to assure cross border coordination.

Core Principles, Purposes and Functions of ESCC and ES ISAC

The task force identified a set of core principles, purposes and functions for the ESCC and the ES ISAC. The task force believes these core principles, purposes and functions determine the tone and direction for the ESCC and for ISAC operations. Consideration of these core principles, purposes and functions also helped form the task force's view on the desired outcomes of NERC efforts in this area.

Participation

- Full North American electric industry participation, including NERC.

- Industry participation by technical experts in the field to support and guide operational aspects.
- Industry participation at executive level to provide strategic guidance, direction and access to required resources.

Independence

- Separation from NERC standards and compliance enforcement functions.
- Positioned to be able to take appropriate actions in response to information provided to the ESCC or ES ISAC.
- Positioned to coordinate activities with federal and provincial government authorities in the US and Canada.

Capability

- Capability to respond to all critical infrastructure (cyber and physical) security matters and issues raised by federal government agencies, including matters beyond the bulk power system. (ES ISAC)
- Capability to communicate rapidly and effectively with all electricity sector members. (ES ISAC)
- Sufficient processes and procedures in place to carry out its functions. (ES ISAC)
- Ability to evaluate critical infrastructure threats and vulnerabilities, and develop strategic and tactical mitigation measures. (ESCC and ES ISAC)
- Ability to participate in critical infrastructure policy discussions at DHS or other federal agencies. (ESCC)
- Ability to coordinate electricity sector activities with other key related sectors, such as nuclear, oil and gas, dams, and telecom. (ESCC)
- Ability to discuss and exchange information confidentially, both internally and with government agencies. (ESCC and ES ISAC)

Resources

- Dedicated staff and funding, including necessary industry resource commitment.

Existing ESCC and ES ISAC Attributes

Given the core principles, purposes and functions described above, the task force reviewed the existing ESCC and ISAC structure, staffing and operations to clarify the need for, role and operation of NERC's involvement in the ESCC and the ES ISAC.

ESCC

1. **Governance:** The ESCC is self-organized, inclusive and broadly representative of the electricity sector, with active participation of owners and operators. Given the integrated nature of the North America electricity grid, the ESCC includes representatives from Canada.
2. **Representation:** ESCC representatives are members of the electricity sector who either personally have the credibility to influence others, or are representatives of institutions with such credibility. ESCC members provide the leadership and networks of communication and influence across the sector to enable differing and consensus discussions, and bring to bear practical operational experience as necessary.
3. **Outreach and Sector Education:** The ESCC is able to reach out broadly across the electricity sector to seek input, share ideas and take the action necessary to achieve the goals of the ESCC.
4. **Focus:** As part of maintaining electricity grid reliability, the ESCC is focused on matters related to the electricity industry's contribution to public safety, homeland security and critical infrastructure protection, including collaboration with the Department of Energy, Department of Homeland Security, Federal Energy Regulatory Commission, and Canadian authorities to:
 - Identify, prioritize and coordinate initiatives to enhance the protection and reliability of the electricity grid,
 - Collaborate with other critical infrastructure sectors to better understand and address interdependencies, and
 - Provide oversight and guidance to the ES ISAC.

ES ISAC

1. **Governance:** Oversight and overall program direction is provided by the ESCC.
2. **Function:** Share information related to operational emergencies affecting grid reliability, physical and cyber threats, vulnerabilities, incidents, potential protective measures and effective practices. Coordinate with industry owners and operators to facilitate response and recovery activities and communication following an incident or event. Collect information on the status of distribution related problems when requested by government agencies. Currently, NERC operations cover only the bulk power system. There is a gap with respect to the remainder of the electric system in that non-bulk power system facilities are not covered by ES ISAC operations.
3. **Capability:** The ES ISAC has the necessary technical skills, responds to incidents and events on a 24x7 basis, and has processes in place to acquire additional resources from the electricity industry to respond to emergencies.
4. **Confidentiality:** Receive and share information, recognizing confidentiality concerns, with the electricity industry, other critical infrastructure sectors,

governments at the state, national, and international level and the public, where necessary and as appropriate.

Options for Enhanced Operation of the ES ISAC

The task force considered whether or not modifications to the ES ISAC would enhance the function or improve the results achieved. In doing so, the task force considered the following options:

- Replace NERC as the operator of the ES ISAC day-to-day function. Another organization would be found to take on this role or a new organization would be formed. Significant issues to be resolved are organization, governance, and funding.
- Leave the ES ISAC operation and NERC's role as it is today, but provide additional resources as necessary.

***Task Force Conclusion #1** – NERC's existing role in the operations of the ES ISAC fits the core principles, purposes and functions as identified by the task force and should continue. NERC should periodically review the type, amount and level of resources necessary to adequately perform the operations role of the ISAC and recommend changes to the Board of Trustees as appropriate. Furthermore, to the extent that the scope of operations need to expand beyond the bulk power system, then NERC and its partners in industry and government will consider alternative structures if needed to the one in place today.*

Options for Enhanced Operation of the ESCC

The task force also considered whether or not modifications to the ESCC would enhance the guidance to the ES ISAC or improve strategic direction and coordination of electricity sector interaction with the Federal government on critical infrastructure protection and homeland security. In doing so, the task force considered the following options:

- Revise ESCC membership structure to **replace** the existing membership with executive level representation from stakeholder sectors.
- Revise the ESCC membership to **add** executive level representation from stakeholder sectors to the existing membership.
- Create a new Electricity Sector Executive Steering group with executive representation from stakeholder sectors to direct the existing ESCC.
- Leave ESCC membership and ES ISAC governance as is.

Task Force Conclusion #2 – The existing role of the ESCC is appropriate for providing guidance to the ES ISAC operations and should continue. However, in order to enhance strategic and policy guidance to the ES ISAC, and in order to provide strategic and high level policy guidance and broad electricity sector participation and support on critical infrastructure security matters, including matters beyond the bulk power system, executive level participation from the stakeholder sectors needs to be added. The task force recommends that this be done by the following:

The ESCC to be directed by an Electricity Sector Steering Group (ESSG) comprised of the following 7 members

- 1. One member from the NERC Board of Trustees*
- 2. The NERC CEO*
- 3. Five CEO level executives named by the NERC MRC*

The CIPC Chairman and vice-chairman would be invited to attend the ESSG meetings.

The ESSG will provide policy guidance and participate as necessary in meetings with Government agencies.

The ESCC would continue in its present form and membership.

The ESCC will continue to delegate day-to-day activities to the ISAC and CIPC as necessary and appropriate to meet the operations requirement of the ES ISAC.

The Steering Group will likely meet on a quarterly, or as-necessary to guide urgent matters.

The CIPC Chairman, supported by NERC staff, will provide periodic updates to Steering Group members regarding current activities and emerging issues.

ES ISAC Task Force Members

Paul Barber	Trustee	Dave Goulding	MRC member
Jim Goodrich	Trustee	Scott Moore	MRC member
Rick Sergel	Trustee	Mike Smith	MRC member

Participating Subject Matter Experts

Stuart Brindley	Former CIPC Chairman
Barry Lawson	CIPC Chairman
Jim Fama	EEI
Lynn Costantini	NERC staff
Stan Johnson	NERC staff
David Whiteley	NERC staff

Reliability Standards

Board Action Required

Approve the following:

- a. Changes to 12 Violation Risk Factors for Critical Infrastructure Protection Standards

The following information is presented for informational purposes:

- b. Status of Standards Development

Information

The Reliability Standards Program is responsible for all aspects of NERC's Reliability Standards, including: developing and maintaining reliability standards; the reliability standards development process; and the review of proposed regional standards. This program also has primary responsibility for managing NERC's relationship with the North American Energy Standards Board, which develops business practice standards and communications protocols for electric and gas wholesale and retail market participants. The standards program depends on the active involvement of industry subject matter experts to both recommend and develop reliability standards.

a. **Changes to 12 Violation Risk Factors for Critical Infrastructure Protection Standards** — **Approve**

Action: Approve modifications to twelve Violation Risk Factors pertaining to the approved Critical Infrastructure Protection standards as directed by the Commission in Order No. 706. Direct staff to file the modified Violation Risk Factors with FERC and applicable governmental authorities in Canada.

Background: On January 18, 2008, FERC issued Order No. 706 approving CIP-002-1 through CIP-009-1 reliability standards to become mandatory and enforceable in the United States. In the Order, FERC directed NERC to modify a number of Violation Risk Factors in accordance with FERC directives in the Order and submit these modified Violation Risk Factors no later than 90 days prior to the date the relevant standard becomes enforceable. On July 1, 2008, 13 main requirements and their associated sub-requirements from the CIP-002-1 through CIP-009-1 reliability standards become enforceable. Upon review of these 13 main requirements and their associated sub-requirements, NERC identified 12 Violation Risk Factors previously approved by the Board of Trustees that FERC has directed NERC to change.

NERC has not met the deliverable date of April 2, 2008 (90 days from the date the relevant standard becomes effective). On April 14th, NERC received additional clarity from FERC staff on the language in Order No. 706 dealing with the term "enforceable date" relative to the implementation plan language that uses language such as "compliant" and "auditably compliant" that resulted in the July 1, 2008 enforceable date for these thirteen requirements.

Accordingly, NERC requests the board approve the following modifications to the Violation Risk Factor assignments for these 12 requirements and sub-requirements consistent with FERC Order No. 706:

Standard	Requirement	Requirement Text	Original Approved VRF	Proposed Revised VRF
CIP-002-1	R1.	Critical Asset Identification Method — The Responsible Entity shall identify and document a risk-based assessment methodology to use to identify its Critical Assets.	LOWER	MEDIUM
CIP-002-1	R1.2.	The risk-based assessment shall consider the following assets:	LOWER	MEDIUM
CIP-002-1	R2.	Critical Asset Identification — The Responsible Entity shall develop a list of its identified Critical Assets determined through an annual application of the risk-based assessment methodology required in R1. The Responsible Entity shall review this list at least annually, and update it as necessary.	LOWER	MEDIUM
CIP-002-1	R3.	Critical Cyber Asset Identification — Using the list of Critical Assets developed pursuant to Requirement R2, the Responsible Entity shall develop a list of associated Critical Cyber Assets essential to the operation of the Critical Asset. Examples at control centers and backup control centers include systems and facilities at master and remote sites that provide monitoring and control, automatic generation control, real-time power system modeling, and real-time inter-utility data exchange. The Responsible Entity shall review this list at least annually, and update it as necessary. For the purpose of Standard CIP-002, Critical Cyber Assets are further qualified to be those having at least one of the following characteristics:	MEDIUM	HIGH
CIP-003-1	R1.	Cyber Security Policy — The Responsible Entity shall document and implement a cyber security policy that represents management's commitment and ability to secure its Critical Cyber Assets. The Responsible Entity shall, at minimum, ensure the following:	LOWER	MEDIUM
CIP-003-1	R2.	Leadership — The Responsible Entity shall assign a senior manager with overall responsibility for leading and managing the entity's implementation of, and adherence to, Standards CIP-002	LOWER	MEDIUM

		through CIP-009.		
CIP-004-1	R2.1.	This program will ensure that all personnel having such access to Critical Cyber Assets, including contractors and service vendors, are trained within ninety calendar days of such authorization.	LOWER	MEDIUM
CIP-004-1	R2.2.	Training shall cover the policies, access controls, and procedures as developed for the Critical Cyber Assets covered by CIP-004, and include, at a minimum, the following required items appropriate to personnel roles and responsibilities:	LOWER	MEDIUM
CIP-004-1	R2.2.4.	Action plans and procedures to recover or re-establish Critical Cyber Assets and access thereto following a Cyber Security Incident.	LOWER	MEDIUM
CIP-004-1	R3.	Personnel Risk Assessment —The Responsible Entity shall have a documented personnel risk assessment program, in accordance with federal, state, provincial, and local laws, and subject to existing collective bargaining unit agreements, for personnel having authorized cyber or authorized unescorted physical access. A personnel risk assessment shall be conducted pursuant to that program within thirty days of such personnel being granted such access. Such program shall at a minimum include:	LOWER	MEDIUM
CIP-004-1	R4.2.	The Responsible Entity shall revoke such access to Critical Cyber Assets within 24 hours for personnel terminated for cause and within seven calendar days for personnel who no longer require such access to Critical Cyber Assets.	LOWER	MEDIUM
CIP-007-1	R1.1.	The Responsible Entity shall create, implement, and maintain cyber security test procedures in a manner that minimizes adverse effects on the production system or its operation.	LOWER	MEDIUM

b. Status of Standards Development — Information Only

Regulatory Status

In the United States, NERC has received approval for 94 continent-wide reliability standards and eight WECC regional standards. An additional 24 standards (“fill-in-the-blank”) are still being held pending further information, per Order No. 693. FERC has proposed approving the following standards through its Notice of Proposed Rulemaking (NOPR) process:

- INT-001-3 — Interchange Information
- INT-004-2 — Dynamic Interchange Transaction Modifications
- INT-005-2 — Interchange Authority Distributes Arranged Interchange
- INT-006-2 — Response to Interchange Authority
- INT-008-2 — Interchange Authority Distributes Status
- IRO-006-4 — Reliability Coordination — Transmission Loading Relief
- NUC-001-1 — Nuclear Plant Interface Coordination

All of NERC’s Reliability Standards become mandatory and enforceable in the Canadian province of Ontario and New Brunswick after board approval. While the regulatory framework is in place in Alberta and Quebec for mandatory and enforceable reliability standards, no reliability standards have been adopted as such.

Since the February 2008 board meeting, NERC staff and the leadership of the respective standard drafting teams have met with FERC staff on the following standards in support of the request for pre-filing meetings:

- PRC-023-1 — Transmission Relay Loadability (March 31, 2008)
- Interpretation (b) of BAL-005-0 Requirement R17 (April 10, 2008)
- Interpretations to VAR-001-1 — Requirement R4, CIP-006-1 — Requirement R1.1, and BAL-003-0 — Requirements R2, R2.2, R5, R5.1 (April 18, 2008)
- BAL-004-1 — Time Error Correction (April 24, 2008 scheduled)
- BAL-004-WECC-01 — Automatic Time Error Correction (April 24, 2008 scheduled)

As of April 21, 2008, Interpretation (b) of BAL-005-0 Requirement R17 has been filed for FERC approval. The remaining reliability standards or interpretations will be filed by the May 7, 2008 board meeting.

Standards Under Development

Key standards that are nearing completion are:

[System Personnel Training](#) (Project 2006-01) — This proposed standard would establish new requirements for the development, implementation, and maintenance of system personnel training programs. The first draft of the standard was posted in September 2006. The second draft was posted for comment from August 15–September 28, 2007. Additionally, a request for nominations to additional drafting team members was posted August 15–29, 2007. The Standards Committee approved the appointment of five additional experts to the team and the retirement of two from the team at its September 11–12 meeting.

Status — The drafting team posted the third draft of the proposed standard from February 25 through April 8, 2008. The team is reviewing and responding to comments on the posting and pending no significant changes, this project is expected to move to the ballot phase in June, 2008. Overall project completion is slated for the third quarter of 2008.

[Operate Within Interconnection Reliability Operating Limits](#) — The standard drafting team reviewed FERC Order 693 with respect to the IROL standards that were posted for pre-ballot review and noted that there were some directives that were not met with the proposed standards. In May, the Standards Committee authorized the team to consider additional changes to the standards and the associated implementation plan and post the revisions for another comment period before proceeding to the ballot stage later this summer. The standards, coupled with the system operating limits approved by the board in November 2006 will provide for consistent determination of limits for operation of the bulk power system.

Status — The drafting team posted the proposed standards for what is believed to be a final comment period in late March. The proposed standards are projected to move to the ballot phase in May with completion expected in July 2008.

[ATC Related Standards](#) (Project 2006-07) — This proposed set of standards addresses the methodology and components to calculate available transfer capability. These standards are the focal point of FERC's open access transmission tariff reform Order No. 890 in which it specifies improvements that will make these calculations more open and transparent. These improvements will thereby eliminate the potential for discretionary practices when calculating transfer capability for native load versus commercial uses of the transmission grid. FERC originally set a December 2007 deadline for completion of these standards.

In late May 2007, the standard drafting team produced its first draft of all affected ATC standards (MOD-001 through MOD-009) for a 30-day public comment period. The team received over 120 sets of comments from industry stakeholders that it considered in a series of meetings throughout the summer and early fall. The team posted its second draft of ATC standards in October and received a large number of comments in response.

In November 2007, NERC requested, and FERC approved, an extension for delivery of these ATC standards until May 9, 2008. To meet this deadline, the Standards Committee, at its December 11, 2007 meeting, approved the drafting team submitting the standards for ballot without an additional comment period, since the standards had just been posted in October. The Standards Committee also agreed to utilize multiple initial ballots as necessary without additional industry comment periods.

The standards were balloted March 3–12, and none of the standards receives a supermajority approval. Several of the negative ballots were accompanied by detailed comments. In response, the drafting team has withdrawn the ballot request and has rewritten and posted for comment five of the six standards; the remaining standard (the Capacity Benefit Margin (CBM) standard) is in the process of being rewritten. NERC has requested an additional extension until August 29, 2008 for delivery of the five standards, and until November 21, 2008 for the CBM standard.

Status — The drafting team made significant changes to the set of standards as result of the fall 2007 posting. In an effort to meet the May 9, 2008 deadline, the team requested and received Standards Committee approval to move to the ballot phase without industry comment. The initial ballot on the six ATC-related reliability standards was conducted from March 3–12, 2008. Each of the proposed standards achieved the necessary 75 percent quorum of ballot pool participants but failed to reach the required two-thirds weighted segment approval needed for

presentation to the board. Among many technical comments that were offered during the ballot, a significant number of commenters noted the failure to allow the industry to comment on the standards that were changed significantly from the previous posting as a reason for their negative votes.

In light of the commentary regarding industry comment and the further changes that were made as a result of the ballot comments, the drafting team recommended that the proposed set of standards be presented for industry comment and allow the full effect of the Reliability Standards Development Process to take its course. NERC staff concurred with this approach and requested FERC to further extend its ATC-standards deadline. For five of six ATC-standards, NERC requested an extension to August 29, 2008. The sixth standard, dealing with Capacity Benefit Margin, requires more significant technical revision and is proposed to be delivered by November 21, 2008. After discussing the current status of activities with FERC staff on April 3, 2008, NERC filed its request for extension on April 17, 2008.

[Facilities Ratings](#) (Project 2006-09) — This project resolves a proposed directive for improvement in the facility ratings standards FAC-008 and FAC-009. The second version of the SAR and proposed revisions to the standards, including changes driven by FERC Order 693, were posted July 19–August 17, 2007.

Status — The drafting team is awaiting a meeting with FERC staff before presenting the standard for final posting. The balloting phase is expected in May with completion slated for June or July 2008.

In addition to these key projects, the following summarizes the status of the remaining standards under development:

- [Project 2006-02](#) — Assess Transmission Future Needs and Develop Transmission Plans: the second posting of the proposed standards is expected in June 2008.
- [Project 2006-03](#) — System Restoration and Blackstart: the third posting of the proposed standards is expected in June 2008.
- [Project 2006-04](#) — Backup Facilities: the drafting team is responding to the comments received on the first posting of the proposed standard that concluded in March 2008.
- [Project 2007-14](#) — Permanent Changes to Coordinate Interchange Timing Tables: these standards are expected to be presented for balloting in May 2008.

The following projects are expected to produce the first draft for industry comment during the current quarter:

- [Project 2007-01](#) — Underfrequency Load Shedding
- [Project 2007-02](#) — Operating Personnel Communications Protocols
- [Project 2007-07](#) — Vegetation Management
- [Project 2007-09](#) — Generator Verification

2008 Summer Assessment

Board Action Required

Approve report for publication

Information

NERC will issue its 2008 Summer Reliability Assessment on or about May 15.

The report will be provided to the board and Member Representatives Committee (MRC) on April 30 for discussion at the May 6 MRC meeting and consideration for approval at the May 7 board meeting.

Additional details on the report and its preparation schedule appear in Item 9 of the MRC agenda.

Compliance Monitoring and Enforcement

Board Action Required

None

Background

The Compliance Monitoring and Enforcement Program (CMEP) is responsible for all aspects of NERC's compliance monitoring and enforcement activities. Through this program NERC monitors and enforces compliance with reliability standards, including the imposition of penalties and sanctions on registered entities found in violation of reliability standards, and may recommend new or improved reliability standards and measures to the Reliability Standards Program.

NERC's Regional Entities perform many of the compliance monitoring and enforcement activities. NERC is also responsible for the review, approval, and auditing of Regional Entity compliance monitoring and enforcement programs and the oversight of compliance and enforcement authorities delegated to the Regional Entities through the approved delegation agreements.

Pre-June 18 Violations and Mitigation Plans

To date, NERC has been notified of 4,990 violations (individual reliability standards requirements) that were primarily self-reported to the Regional Entities, occurred before June 18, 2007 (June 25 for QFs), and submitted to NERC after June 1, 2007. Of the 4,990 violations, 1,379 violations were dismissed once reviewed by the Regions and determined to not be violations, leaving a total of 3,611 pre-June 18 violations. The self-reported violations involved 320 distinct registered entities. With the exception of 240 violations, all of the pre-June 18 violations not dismissed have been confirmed; this includes 1,602 violations for which mitigation plans have been completed by the registered entity and verified as complete by the responsible Regional Entity.

NERC approval and submission to FERC of mitigation plans related to pre-June 18 violations is substantially complete for plans associated with and submitted to NERC by the MRO, NPCC, RFC, SERC, SPP, and TRE Regional Entities.

Some mitigation plans for entities within the FRCC Region remain outstanding. In lieu of submitting remaining plans to NERC and then verifying them FRCC is verifying the plans prior to providing them to NERC. NERC and FRCC are working together to complete verification and submittal of these plans to FERC as quickly as possible.

NERC has approved and forwarded to FERC most of the mitigation plans for entities located within the WECC Region. NERC and WECC are completing work on the remaining outstanding plans with the anticipation that WECC will complete submittal of all such plans to NERC by mid-May 2008.

"Pre-to-Post" Violations and Mitigation Plans

The completion date of most mitigation plans related to pre-June 18 violations has passed. The Regional Entities are actively verifying certification reporting from relevant registered entities that they have: (i) completed relevant mitigation plan(s) on time and as approved; and (ii) were

compliant with the standards requirements associated with the plan(s) upon completion of same. Where such certification is not being or cannot be verified, new post-June 18 violations are being alleged and prosecuted. Sanctioning for such violations will be determined on the basis that the violation in question began June 18, 2007.

Post-June 18 Violations and Mitigation Plans

To help monitor and understand how well violations are progressing through the CMEP process, violation process states have been identified and defined, as described below. Table 1 indicates the number of violations, by Region, that are presently in a particular violation process state as of March 24, 2008. Violation process states and sub-states are being refined and will be presented, along with a violation process flow chart, to the Board of Trustees at its May meeting.

NERC's process for approving mitigation plans associated with violations of reliability standards has been impacted by the recent FERC "Order Addressing Revised Delegation Agreements," issued March 21, 2008, wherein the Commission accepted that NERC have 30 days to complete its review of a mitigation plan submitted to it by a Regional Entity.

NERC continues to receive and complete its processing and submittals of Regional Entity-approved mitigation plans related to post-June 18 violations. Table 2 provides the mitigation states for all violations by Region, as of March 24, 2008. There are presently six mitigation states identified and defined below. These mitigation states are being refined and will be presented, along with a mitigation process flow chart, to the Board of Trustees at its May meeting.

NERC is gaining experience in its processing of these mitigation plans and does not anticipate any significant difficulty in being able to meet the new FERC-approved 30 day approval timeframe to complete its review, approvals, and submittals of such plans to FERC.

Violation Notifications and Filings

NERC continues to receive, process and submit information to the Commission regarding alleged violations of reliability standards received from the Regional Entities. All such submittals to date have been confidential and non-public.

The Regional Entities have completed their processing regarding numerous post-June 18 violations of reliability standards. Pursuant to the Uniform Compliance Monitoring and Enforcement Program, NERC has initiated its approval process of these alleged violations and the sanctioning proposed for them by the Regional Entities. When NERC has completed its approval process and produced Notices of Penalty for these violations NERC will publicly file the notices with FERC's Office of the Secretary. Initial filings are anticipated in the very near future.

NERC is also required to submit a status report to FERC on a quarterly basis summarizing information on all enforceable violations that have occurred. A draft 2008 first quarter status report is being developed and will be presented to the Board of Trustees Compliance Committee at its May meeting. Once approved by the committee, the final report will be submitted to FERC.

Table 1: Violation State Summary

Region	State 1 (Assessment)		State 2 (Confirmation)					State 3 (Filing)	State 4 (Final Actions)	Total	
	Initial Notice not Issued	Region Preparing Notice	Notice Received	Accepted + Not Contested	Contested	Hearing	Appealed	NOCV / SA Received	NOP / NOS Development		Violation Closing Actions
FRCC	41	14	3	2	0	0	0	0	0	0	60
MRO	0	1	2	28	0	0	0	8	0	0	39
NPCC	0	0	0	0	0	0	0	13	0	0	13
RFC	1	25	3	13	0	0	0	0	0	0	42
SERC	3	15	3	68	0	0	0	15	0	0	104
SPP	13	1	0	5	1	0	0	0	0	0	20
TRE	12	4	1	6	0	0	0	21	0	0	44
WECC	67	345	0	101	0	0	0	0	0	0	513
TOTAL	137	405	12	223	1	0	0	57	0	0	835

Definitions

Initial Notice not Issued	Preliminary alleged violation information received from Region, but no Initial Notice issued to FERC.
Region Preparing Notice	NERC awaiting receipt of Notice of Proposed Penalty or Sanction from Region.
Notice Received	NERC received Notice of Proposed Penalty or Sanction and is awaiting acceptance, auto acceptance or contest.
Accepted; Not Contested	Region received acceptance letter from registered entity and violation is confirmed, or 30-day clock expired and violation is auto-accepted and is confirmed.
Contested	Region received letter from registered entity contesting violation and is in negotiations.
Hearing	Region received request for hearing from registered entity.
Appealed	NERC received request for appeal from registered entity.
NOCV / SA Received	NERC has received and is reviewing a Notice of Confirmed Violation (NOCV) or a Settlement Agreement (SA) provided by the Region.
NOP / NOS Development	Violation is Confirmed/Settled and a Notice of Penalty (NOP) or a Notice of Settlement (NOS) being developed.
Violation Closing Actions	NOP or NOS issued by NERC and publicly filed with FERC; closing actions proceeding: payment of penalties, fulfillment of sanctions, completion of mitigation plan, exhaustion of administrative and judicial remedies, or fulfillment of settlement terms.

Table 2: Mitigation State Summary

Region	Region Awaiting	Region Reviewing	NERC Reviewing	NERC Approved	Mitigation Completed; Not Approved	Mitigation Completed	Total
FRCC	27	0	30	0	1	2	60
MRO	3	0	1	12	0	23	39
NPCC	0	1	0	4	0	8	13
RFC	3	23	1	1	0	14	42
SERC	15	4	4	8	2	71	104
SPP	0	2	6	0	6	6	20
TRE	16	0	6	2	0	20	44
WECC	287	35	24	167	0	0	513
TOTAL	351	65	72	194	9	144	835

Definitions

Region Awaiting	Region awaiting receipt of mitigation plan from registered entity.
Region Reviewing	Region received mitigation plan and is reviewing.
NERC Reviewing	Mitigation plan approved by Region; NERC received mitigation plan and is reviewing.
NERC Approved	Mitigation plan approved by NERC.
Mitigation Completed; Not Approved	Mitigation plan verified by Region as complete; awaiting approval of plan by NERC.
Mitigation Completed	Mitigation plan approved by NERC; mitigation plan verified by Region as complete.

Violation Trends

Table 3 below lists the enforceable standards that experienced the highest number of standards requirements violations as of March 24, 2008.

Table 3: Enforceable Standards with the Highest Number of Requirements Violations

Standard	Standard Description	Total
CIP-001-1	Sabotage Reporting	142
PRC-005-1	Transmission and Generation Protection System Maintenance and Testing	71
FAC-008-1	Facility Ratings Methodology	40
FAC-009-1	Establish and Communicate Facility Ratings	31
PRC-004-1	Analysis and Mitigation of Transmission and Generation Protection System Mis-operations	28
PRC-008-0	Underfrequency Load Shedding Equipment Maintenance Programs	28
PER-002-0	Operating Personnel Training	25
PRC-007-0	Assuring Consistency with Regional UFLS Program Requirements	25
EOP-001-0	Emergency Operations Planning	22
FAC-003-1	Vegetation Management Program	20
FAC-001-0	Facility Connection Requirements	20
EOP-005-1	System Restoration Plans	20

Vegetation Outage Performance

The NERC Board of Trustees Compliance Committee has reviewed and accepted the *Vegetation-Related Transmission Outage Fourth Quarter 2007 Report*. Vegetation-related transmission outages that occurred in the fourth quarter of 2007 are being reported in accordance with standard FAC-003-1.

During the fourth quarter, there were 4 vegetation-related outages reported for 200 kV and higher transmission lines. There was one 230 kV transmission outage caused by trees falling into lines from inside the right-of-way zone (Category 2). There were also three 230 kV transmission outages caused by trees falling into lines from outside the right-of-way zone (Category 3). There were no Category 1 outages (outages caused by vegetation growing into lines from vegetation inside and/or outside of the ROW) reported during the fourth quarter of 2007.

Table 4 summarizes the number of transmission outages by voltage level, region, and category that have occurred during 2007. The Board of Trustees Compliance Committee will continue to closely monitor this issue in 2008. The complete 2007 fourth quarter report is posted on the NERC [Web site](#).¹

¹ http://www.nerc.com/~comply/vegetation_management_reports.html.

Table 4: 2007 NERC Vegetation-related Transmission Outage Statistics

Region	First Quarter			Second Quarter			Third Quarter			Fourth Quarter		
	Category 1	Category 2	Category 3	Category 1	Category 2	Category 3	Category 1	Category 2	Category 3	Category 1	Category 2	Category 3
	GROW-INS (inside/outside ROW)	FALL-INS (inside ROW)	FALL-INS (outside ROW)	GROW-INS (inside/outside ROW)	FALL-INS (inside ROW)	FALL-INS (outside ROW)	GROW-INS (inside/outside ROW)	FALL-INS (inside ROW)	FALL-INS (outside ROW)	GROW-INS (inside/outside ROW)	FALL-INS (inside ROW)	FALL-INS (outside ROW)
FRCC					1-230 kV	1-230 kV						
MRO			1 - 230 kV	1-345 kV			2-230 kV 1-345 kV					
NPCC							1-345 kV		1-230 kV			
RFC				1-230 kV 1-345 kV		1-230 kV 1-345 kV	2-230 kV 1-345 kV					
SERC				1-230 kV	1-500 kV	3-230 kV	1-230 kV		2-230 kV			
SPP				1-<200 kV								
TRE												
WECC			1-<200 kV 3 - 230 kV 1 - 500 kV				2-230 kV 1-500 kV		2-<200 kV		1-230 kV	2<200 kV 3-230 kV
Subtotal			1-<200 kV 4 - 230 kV 1 - 500 kV	1-<200 kV 2-230 kV 2-345 kV	1-230 kV 1-500 kV	5-230 kV 1-345 kV	7-230 kV 3-345 kV 1-500 kV		2-<200 kV 3-230 kV		1-230 kV	2<200 kV 3-230 kV
TOTAL	Category 1 (Grow-ins inside/outside ROW)				Category 2 (Fall-ins inside ROW)				Category 3 (Fall-ins outside ROW)			
	1-<200 kV; 9-230 kV; 5-345 kV; 1-500 kV				2-230 kV; 1-500 kV				5-<200 kV; 15-230 kV; 1-345 kV; 1-500 kV			

Communications Plan for First Round of Compliance Actions

Board Action Required

None

Information

In accordance with its statutory obligations, NERC is preparing to announce the first batch of confirmed violations of its reliability standards. The successful launch of this announcement will impact the way the media and key stakeholders perceive the process of developing, monitoring and enforcing reliability standards in North America, as well as the capabilities of the organizations responsible for conducting this oversight work. It also lays the groundwork for clear and accurate communications on future violation postings.

General guidelines and principles for NERC and the Regional Entities communications activities surrounding compliance violations are contained in a draft “Communications Plan for Confirmed Violations” (“the plan”), written by NERC and the Regional Entities in November 2007 and reviewed by FERC in early 2008. NERC and the Regional Entities have also developed an “Initial Compliance Violations Communications Activities Road Map” that is intended to complement the plan by providing the specific steps necessary to achieve proactive and positive media coverage of the initial set of violations.

Due to the confidential nature of non-public violations, and the sensitivities surrounding public violations, NERC and the regions will not comment on or otherwise discuss specific violations, but rather will limit their communications to the compliance process itself.

Julia Souder, NERC Director of Intergovernmental Affairs will discuss with the board NERC’s plans for communicating the first round of compliance actions.

Organization Registration — NERC Statement of Compliance Registry Criteria

Board Action Required

None

Information

NERC, through the Regional Entities, initiated the process to register all owners, operators, and users of the bulk power system as required of the electric reliability organization (ERO) by 18 C.F.R. 39 in the United States. As part of that effort, certain entities were classified as Load-Serving Entities (LSEs) based on the definition in NERC's FERC-approved Glossary of Terms.

Load-Serving Entity (LSE) — Secures energy and transmission service (and related interconnected operations services) to serve the electrical demand and energy requirements of its end-use customers.

Some of the entities initially registered as LSEs were load aggregators in areas where retail choice was allowed on the basis the entity was responsible to secure energy and transmission service to serve the electrical demand and energy requirements of its end-use customers. These load aggregators did not own physical power system assets including any distribution system wires.

Several of these entities appealed the decision of NERC's Regional Entities to register the load aggregators as LSEs to the NERC Board of Trustees' Compliance Committee per the NERC Rules of Procedure. The Compliance Committee reviewed these appeals and based on the definition of LSE, and the facts in the specific case, rendered a decision that the entities were properly registered recognizing that if they did not own power system assets, a limited set of reliability standards would apply.

The entities appealed this decision to FERC, and FERC reversed NERC's registry determinations for these entities. However, FERC stated its concern about the reliability gap that may occur. To avoid a possible gap, FERC required NERC to develop a consistent, uniform approach to ensure that appropriate reliability standards and requirements are applied to retail marketers; i.e., load aggregators. It directed NERC to submit a plan by March 4, 2008 describing how it will address this issue.

The Board of Trustees approved the plan on February 28, 2008, and NERC filed the plan with FERC on March 4, 2008.

The plan proposed a two-step process to address the potential reliability gap:

1. Short-term: Using a posting and open comment process, NERC will revise the registration criteria to define "Non-Asset Owning LSEs" as a subset of LSEs and will specify the reliability standards applicable to that subset. The Board of Trustees will consider the revisions at its May 7, 2008 meeting.

2. Longer-term: NERC will determine the changes necessary to terms and requirements in reliability standards to address the issues surrounding accountability for loads served by retail marketers/suppliers and process them through execution of the three-year *Reliability Standards Development Plan*.
 - a. Begin the implementation with an LSE and Compliance workshop in April 2008 to identify and highlight the issues;
 - b. Include the results of the workshop and other feedback into NERC's ongoing standards work plan; and
 - c. Revise the standards and definitions as appropriate.

FERC approved this plan on April 4, 2008.

NERC developed a revision to the NERC *Statement of Compliance Registry Criteria* and posted proposed revisions to the Registry Criteria on March 12, 2008 seeking stakeholder comment by April 10, 2008. **Attachment 1** contains a summary of comment received.

NERC received comments from interested stakeholders by the April 10 deadline and held an LSE and Compliance Workshop in Houston, Texas on April 15, 2008. The comments received and the input by all interested parties at the workshop, have caused NERC to rethink how it is approaching the short-term aspect of the plan. As a result, NERC believes it is appropriate to post another proposed revision to the NERC *Statement of Compliance Registry Criteria* rather than asking the board to take action on the short-term aspect of the plan.

NERC is interested in making sure those included on its Compliance Registry have the best information and are in the best position to take actions on the appropriate provisions of its approved reliability standards. NERC is also interested in making sure there are no gaps in reliability responsibility for the approved NERC Reliability Standards, by ensuring all loads are represented in the planning and operation of the bulk power system. It is the Distribution Provider that is in the best position to satisfy this need. To resolve the dilemma of identifying a responsible entity for certain loads in areas of retail choice, this revision will propose the Distribution Provider to whom the load is connected, regardless of who may be arranging for the energy in the areas of retail choice, is to be registered as the LSE for all loads connected to its system for the purposes of compliance with NERC's approved LSE standards. In the event some other entity, including a load aggregator, is responsible for compliance with NERC's approved standards, the provisions of joint registration or transfer by agreement currently contained in the registration criteria may be utilized. Such an approach will not require any changes to the reliability standards in the short-term, and assures the best information is provided and actions can be taken as directed, by Reliability Coordinators or Balancing Authorities, by those who physically operate the systems.

To recognize this potential change in responsibility for those Distribution Providers with loads served by retail choice through load aggregators and where a clear agreement may not be in place delineating the responsibilities between the parties, NERC will ask the Distribution Provider to provide the necessary information and take the actions necessary to comply with the reliability standards on a good-faith basis until either agreements can be reached or joint registration completed. NERC will exercise its discretion in the application of penalties or sanctions upon Distribution Providers who are providing this information on the behalf of loads served by a retail choice load aggregator until such time as both entities are either registered or the standards are updated to clarify the responsibilities for each party as ultimately identified in the longer-term solution proposed by NERC.

NERC will post this second alternative revision for approximately a 30-day comment period and will ask the board to consider action on the short-term solution after the close of that comment period.

NERC will continue to evaluate the comments and input from the LSE and Compliance Workshop to develop its longer-term solution to be provided to the board at a later date.

Summary of Comments to the March 12, 2008 proposed NERC Statement of Compliance Registry Criteria

On March 12, 2008, NERC posted for public comment a proposed revision to the NERC *Statement of Compliance Registry Criteria*. NERC received comments from a number of interested stakeholders by the April 10, 2008 deadline. Those comments can be categorized as follows:

1. Others should provide the information necessary for compliance and changes to the registration criteria are not the optimum solution

NERC has never disputed that others may also have the information necessary for compliance, or in some cases may have better information. In some cases, the respective commenter indicates the RTO or ISO should provide the necessary information for compliance with the standards. NERC recognizes that others may be able to provide this information; however, identifying others to provide that information is either a matter of agreement between the parties or may require a revision to the reliability standards. Revisions to the reliability standards is a matter for the longer-term approach of implementing changes to the work plan for the reliability standards to include such a solution and not the subject of this interim revision to the NERC *Statement of Compliance Registry Criteria*.

2. Retail power marketers are Purchasing-Selling Entities and not Load-Serving Entities

NERC recognizes that retail power marketers may also be Purchasing-Selling Entities. In some cases, the standards are applicable to both Purchasing-Selling Entities and Load-Serving Entities. However, in some cases, the standards only apply to a Load-Serving Entity and no other entity. The current definition of Load-Serving Entity does not prohibit an entity from performing multiple functions. If a retail power marketer does not secure energy and transmission service (and related interconnected operations services) to serve the electrical demand and energy requirements of its end-use customers, NERC agrees they are not a Load-Serving Entity and will not include them on the registry.

3. The entity cannot currently comply with the reliability standards

While this may be of concern to the entity, should NERC determine they are to be registered for any function, this is not the subject of the proposed revisions. However, if it is the case that the entity does not have the information or others have better information or are in a better position to provide the information or take actions should reliability be threatened, then that entity should be identified as the responsible entity in the standards themselves.

4. NERC has not demonstrated how the eleven standards that apply solely to Load-Serving Entities will further the reliability of the bulk power system

NERC filed these standards with the Commission for approval in April of 2006. The standards were reviewed and approved by the Commission as necessary to preserve the reliability of the bulk power system. Such a discussion is not germane to the proposed revisions to the registration criteria.

5. Someone else will supply the load when contracts end and are not renewed

Such an argument can be made for all loads in retail choice areas. If the Distribution Provider (the entity responsible for providing the wires necessary to serve the load) is to be made responsible for all aspects of the load, such changes will require revisions to the functional definitions and reliability standards themselves. Such possible changes to responsibilities are the subject of the longer-term solution.

6. NERC must identify the reliability gap suggested in the FERC order

The reliability gap occurs when no entity is registered and as such held accountable to perform the requirements set forth in the standard for a portion of the loads served. As RFC stated in during the FERC technical conference, the loads subject to retail choice in its footprint are in the tens of thousands of megawatts (MW).

7. The criteria should be clear that it does not apply to entities that serve load only at wholesale

Wholesale loads do not fit the definition of a Load-Serving Entity that secures energy and transmission services for its end-use customers, because wholesale is presumably a sale-for-resale and not a sale to end-use customers.

8. The minimum size for a load aggregator should be established at a different level than for those who have the loads connected to their systems.

NERC recognizes that individually, seemingly smaller loads may not seem significant. However, in aggregate, these loads become important to reliability. NERC established the 25 MW size based on reporting and other requirements that exist within other regulatory contexts.

North American Electric Reliability Corporation
Statement of Activities
(Unaudited)

From 1/1/2008 to 3/31/2008

(In Whole Dollars)

Over(Under)

	YTD Actual	YTD Budget	YTD Budget Variance	2008 Projection	Total Budget	2008 Variance from Projection
Funding						
Assessments	9,913,195	9,913,195	-	24,938,994	24,938,994	(15,025,799)
Membership Fees	198,452	175,000	23,452	750,000	175,000	(551,548)
Testing	297,185	240,750	56,435	963,000	963,000	(665,815)
Services & Software	99,073	63,750	35,323	260,000	255,000	(160,927)
Interest	56,202	50,000	6,202	200,000	200,000	(143,798)
Total Funding	10,564,107	10,442,695	121,412	27,111,994	26,531,994	(16,547,887)
Expenses						
Personnel Expenses						
Salaries	4,372,299	4,616,950	(244,651)	13,611,628	13,187,575	(9,239,329)
Payroll Taxes	373,433	371,862	1,570	787,708	773,557	(414,275)
Employee Benefits	332,547	408,723	(76,175)	1,724,324	1,692,607	(1,391,777)
Savings & Retirement	361,129	306,996	54,133	1,348,297	1,261,195	(987,168)
Total Personnel Expenses	5,439,408	5,704,532	(265,123)	17,471,957	16,914,934	(12,032,549)
Meeting Expenses						
Meetings	220,979	174,333	46,645	1,038,075	720,500	(817,096)
Travel	473,528	343,175	130,353	1,603,108	1,372,700	(1,129,580)
Conference Calls	28,444	28,250	194	121,671	113,000	(93,227)
Total Meeting Expenses	722,951	545,758	177,193	2,762,854	2,206,200	(2,039,903)
Operating Expenses						
Rent & Improvements	176,279	170,000	6,280	680,000	680,000	(503,721)
Contracts	614,219	656,715	(42,496)	2,931,860	2,626,860	(2,317,641)
Consultants	217,149	320,000	(102,851)	1,545,000	1,280,000	(1,327,852)
Office Costs	216,822	186,250	30,572	711,268	745,000	(494,446)
Professional Services	208,694	385,000	(176,306)	1,370,000	1,420,000	(1,161,306)
Computer Purchase & Maint.	111,913	150,000	(38,087)	600,000	600,000	(488,087)
Furniture & Equipment	5,180	14,750	(9,570)	59,000	59,000	(53,820)
Total Operating Expenses	1,550,257	1,882,715	(332,458)	7,897,128	7,410,860	(6,346,871)
Total Expenses	7,712,616	8,133,005	(420,389)	28,131,939	26,531,994	(20,419,323)
Net Change in Assets	2,851,491	2,309,690	541,801	(1,019,945)	(0)	3,871,436