

NERC

NORTH AMERICAN ELECTRIC
RELIABILITY CORPORATION

August 5, 2009

NERC Stakeholders:

As NERC CEO Rick Sergel's planned retirement approaches, NERC's Board of Trustees has begun the process to select the organization's next president and chief executive officer. To lead this effort, the board formed a Search Committee, comprised of all ten independent trustees.

The Search Committee has selected Russell Reynolds Associates as its search consultant to identify and conduct the initial screening of candidates. Larry Klock will lead the search for Russell Reynolds Associates. Larry will be in close coordination with the Search Committee and NERC human resources staff throughout the selection process.

The Search Committee plans to select a final candidate in the November/December timeframe with the goal of completing the transition to a new chief executive by January.

NERC stakeholders wishing to recommend a candidate for the position should submit their recommendation via e-mail to Larry Klock, managing director, Russell Reynolds Associates, at lklock@russellreynolds.com no later than close of business **Wednesday, August 19** with a copy to Julie Morgan, director of human resources, NERC, at julie.morgan@nerc.net. Larry Klock can also be reached by phone at 312-993-0705 to answer any questions you may have.

Recommendations should include the following information:

- Recommender's name, company name, title, and contact information
- Thorough contact information for the proposed candidate
- Proposed candidate's resume (if available)
- Brief description of why the recommender believes this candidate should be considered for the position

Recommenders are urged to review the attached job description for the position prior to submitting a recommendation to ensure the proposed candidate meets the qualifications outlined therein.

As always, we appreciate your continued feedback and support.

Regards,

Fred Gorbet

Fred Gorbet

Co-Chair, NERC Search Committee

Janice Case

Janice Case

Co-Chair, NERC Search Committee

Attachment

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NORTH AMERICAN ELECTRIC
RELIABILITY CORPORATION

Position and Candidate Specification President and Chief Executive Officer

POSITION SPECIFICATION

Client Company

The North American Electric Reliability Corporation (NERC) is the industry self-regulatory organization dedicated to ensuring the reliability of the bulk power system in North America. NERC is subject to oversight by the U.S. Federal Energy Regulatory Commission and governmental authorities in Canada.

To achieve its mission, NERC develops and enforces reliability standards; assesses adequacy annually via a 10-year forecast and winter and summer forecasts; monitors the bulk power system; analyzes system events and disturbances; and educates, trains, and certifies industry personnel.

As of June 18, 2007, reliability standards became mandatory and enforceable within the U.S. for all users, owners, and operators of the bulk power system. Reliability standards are also mandatory and enforceable in Alberta, Ontario, New Brunswick, and Saskatchewan. Reliability standards will soon be mandatory and enforceable in British Columbia, Manitoba, and Quebec. NERC is seeking to achieve comparable results in the other Canadian provinces and with the National Energy Board of Canada. NERC will seek recognition in Mexico once the necessary legislation is adopted there.

Membership in NERC is free, voluntary, and open to any person or entity with an interest in the reliable operation of the North American bulk power system that submits an application and maintains its membership in accordance with Article II of the Corporation's Bylaws.

Each member will join one of twelve industry sectors, and is eligible for selection as a sector representative on the NERC Member Representatives Committee (MRC). The MRC elects the Corporation's independent trustees, votes on amendments to the bylaws, and provides advice and recommendations to the board with respect to the development of annual budgets, business plans and funding mechanisms, and other matters pertinent to the purpose and operations of the Corporation.

Overview

Effective Reliability Standards that are clear, consistent, and technically sound, coupled with a strong standards enforcement program, form the foundation of NERC's efforts to help maintain and improve the reliability of North America's bulk power system. NERC provides a number of additional programs and services designed to support owners, operators and users of the bulk power system in their efforts to attain operational excellence. These include supporting training and education, monitoring the international electric grid, benchmarking performance to provide the industry with an objective lens through which to view itself, and more.

Reliability Standards

Reliability Standards are the planning and operating rules that electric utilities follow to ensure the most reliable system possible. These standards are developed by the industry using a balanced, open, fair and inclusive process managed by the NERC Standards Committee. The Committee is facilitated by NERC staff and comprised of representatives from many electric industry sectors.

Proposed standards are reviewed and approved by the NERC Board of Trustees, which then submits the standards to the U.S. Federal Energy Regulatory Commission and Canadian provincial regulators for approval. Once approved by these governmental agencies, the standards become legally binding on all users, owners, and operators of the bulk power system.

Compliance & Enforcement

NERC has the legal authority to enforce compliance with NERC Reliability Standards, which it achieves through a rigorous program of monitoring, audits and investigations, and the imposition of financial penalties and other enforcement actions for non-compliance. NERC has delegated the primary responsibility for the compliance monitoring and enforcement program to eight Regional Entities, but maintains oversight through the actions of NERC staff and the Compliance Committee of the Board of Trustees.

Potential violations of reliability standards are identified primarily through means that include:

- Self-reporting by owners, operators, and users of the bulk power system, of specific incidents and events;
- Information provided in periodic reports;
- Audits and other monitoring programs conducted by NERC or the Regional Entities;
- Investigations by NERC or the Regional Entities.

Reliability & Adequacy Assessments

One of NERC's statutory roles is to conduct periodic, independent assessments of the reliability and adequacy of the bulk power system in North America. NERC prepares three reliability assessments each year: Long-Term Reliability Assessment; Winter Assessment; and Summer Assessment.

To prepare the reports, NERC consolidates data and information from the eight Regional Entities. The information is then analyzed to assess current and future electricity demand, and the adequacy of the bulk power system to meet that demand.

Events Analysis

With the help of the Regional Entities, NERC records all disturbances and abnormal events on the bulk power system. NERC investigates many of these events, identifies their causes, and publishes the findings in an effort to prevent similar events from occurring in the future, and mitigating those that can't be prevented.

Situation Awareness

To assist with the 24/7 operation of a reliable electricity system, NERC monitors the bulk power system in real time. Related responsibilities include:

- Facilitation of real-time voice and data exchange among reliability coordinators;
- Facilitation of regular coordination among reliability service organizations and agencies;
- Notifications to the industry when significant events occur that have the potential to impact reliability in other areas of the system;
- Provision of tools and services to support the work of system operators;
- High-level communication, coordination and cooperation among industry and governments.

Infrastructure Security

NERC coordinates electric industry activities designed to protect the industry's critical infrastructure from physical and cyber threats. Security is addressed in the daily operation of the electricity grid and in future planning of the grid.

NERC operates the industry's Electricity Sector Information Sharing and Analysis Center (ESISAC) under the U.S. Department of Homeland Security and Public Safety Canada. ESISAC gathers information about security-related threats and incidents, and communicates it to government authorities.

Benchmarking

NERC has a "benchmarking" effort to measure the overall effectiveness of NERC and the electric power industry in improving the reliability of the bulk power system, based on key metrics. To date, metrics have been defined in four areas: standards and compliance, performance and operations, disturbances, and long-term reliability outlook.

Education

To encourage continuous learning, NERC offers training and education support to help bulk power industry participants conduct their own training and education programs. NERC also determines which educational programs qualify as Continuing Education Programs for the industry.

Position Summary

The NERC President and Chief Executive Officer (CEO) provides leadership, direction, and administration of all aspects of the North American Electric Reliability Corporation mission. The CEO responds to the needs of stakeholders and Regional Entities, including providing quality programs and services, advocating on behalf of electric system reliability on public policy issues, and working to achieve NERC's mission and vision. In support of NERC's mission, the CEO has extensive interaction with the diverse group of stakeholders that make up the electricity industry, including electric utilities, customers, and regulatory agencies from Canada, the United States, and Mexico. In addition, the CEO provides broad oversight and policy coordination for NERC's standing committees.

The basic function of this position is to lead and further develop an organization that helps to ensure the highest levels of system reliability in the North American power grid. This position requires an individual who is committed and enthusiastic about this critical element of the continent's infrastructure, safety, and economic well-being. The CEO sits on and reports directly to the NERC Board of Trustees. He/she is responsible for the overall management and control of activities, programs, and resources of NERC. NERC's CEO serves as a representative on various ad hoc related task forces and committees.

NERC abides by a formal conflict of interest policy for its trustees, officers, and employees. NERC representatives shall avoid and refrain from involvement in or situations where there is actually a conflict of interest relating to a personal financial interest that could significantly affect or reasonably appear to affect his or her actions or decisions in his or her capacity at NERC.

Key Relationships

Reports to: NERC Board of Trustees

Direct reports: Chief Financial and Administrative Officer
Senior Vice President
Vice President and General Counsel
Chief Security Officer
Chief Information Officer
Vice President, Standards
Vice President, Compliance
Director, Reliability Assessment and Performance Analysis
Manager of Communications

Other key relationships: NERC Regional Entities
Federal Energy Regulatory Commission (FERC)
Member Representatives Committee

North American Energy Standards Board (NAESB)
ISO/RTO Council
National Association of Regulatory Utility Commissioners
(NARUC)
Natural Resources Canada
Canadian Provincial Authorities
Other North American agencies, stakeholder associations, media,
and external constituents

Major Responsibilities

- Work effectively with stakeholders, Regional Entities (through approved Delegation Agreements), and regulators in the US and Canada to ensure that NERC successfully carries out its mission of ensuring the reliability of the bulk power system in North America.
- Serve as a member of the NERC Board of Trustees.
- Serve as the Chairman of the Electric Sector Steering Group (ESSG) Committee, which provides strategic and policy guidance to the Electricity Sector Coordinating Council and to NERC in its role as the operator of the Electricity Sector Information Sharing and Analysis Center.
- Oversee development of the Strategic Plan for Board of Trustees approval.
- Provide intellectual and executive leadership, direction, and administration of NERC activities to achieve priority goals set forth in the Strategic Plan and the objectives set forth in the annual Business Plan.
- Advise the board on current trends, problems, and activities, and recommend actions where appropriate.
- Recommend to the board and Member Representatives Committee policy positions on legislation, proposed regulations, and other governmental and public policy activities that affect the electricity industry as it regards the adequacy and reliability of bulk power supply.
- Represent NERC in its relationships with other organizations in collaborating on relevant public policy issues and other issues affecting the reliability of bulk power supply.
- Take leadership and responsibility for testifying on behalf of NERC before government bodies; initiate NERC actions and involvement regarding government bodies; inform the board of implications of proposed and pending governmental actions; and develop strategies and recommend appropriate responses.

- Direct and supervise all NERC staff activities through: hiring and development of competent executive and administrative staff (where applicable, subject to board approval); providing guidance to management and staff to implement NERC's philosophy; team-building; and working effectively toward achieving its mission and vision.
- Periodically evaluate the performance of NERC staff members and make changes, as necessary; keep open lines of communication; seek to maintain high employee morale and a professional environment; and be fully supportive of commitment to valuing and strengthening diversity.
- Foster collaboration, cooperation, and coordination of NERC committees, working groups, and task forces through delegation of authority, good management, and effective staff liaison.

CANDIDATE SPECIFICATION: KEY SELECTION CRITERIA

Ideal Experience

Relevant Expertise

- Held CEO, COO, or other senior executive positions in an electric utility, or related industry participant, and managed or supported a complex portfolio of transmission and control assets.
- Established a track record of success, most likely with a well-respected energy industry-related organization(s), and preferably related to the electric utility sector.
- Developed a keen appreciation for the need and demonstrated ability to deliver results in regard to reliability, adding value and ensuring cost-effectiveness of transmission system operations, maintenance, and support.
- Achieved significant expertise in the electric utility industry with a series of responsible positions in management, which required the knowledge of transmission system reliability, operations, maintenance, and planning.

Skills and Understanding

- Regardless of specific background, the successful candidate must have demonstrated an understanding of and appreciation for the importance of NERC's relationships within the industry with Regional Entities, stakeholder utilities, stakeholder associations, NARUC, state regulatory authorities, FERC, Natural Resources Canada, Canadian Provincial Authorities, NAESB, et. al.
- Familiarity with and understanding of NERC standards, the implementation of compliance programs, and the development of a compliance culture.
- Obtained a solid understanding of the trends and challenges impacting the North American electricity sector and potential ramifications on the safe and reliable operation of the transmission system.
- Developed a familiarity and understanding of the technical aspects of electric system reliability and the passion for performance excellence sufficient to guide the NERC staff in their day-to-day activities and credibly represent NERC with all constituents.
- Acquired a broad knowledge of related business areas such as finance, accounting, asset valuation, risk management, human resource management, and information technology.

Accomplishments and Credentials

- Demonstrated ability to develop and execute a business plan and organization strategy with a clearly articulated vision and to pursue a targeted plan for meeting strategic objectives.
- Proven ability to attract, develop, motivate, mentor, and retain outstanding leadership talent, and then lead their efforts with high energy and enthusiasm to achieve/exceed stated business objectives.
- Exhibited an effective working relationship and had direct involvement with an independent board of directors; possibly, having gained governance experience by working closely with and serving as an inside or independent director.
- Attained solid academic credentials with appropriate undergraduate/graduate degrees in engineering and/or business disciplines from accredited institutions of higher learning.

Critical Competencies for Success

- A professional, high-energy business executive with proven organizational and leadership skills; and a leader with strong technical expertise and leadership/management skills by virtue of having successfully run a comparably-sized or larger organization with significant budgetary responsibilities, and having consistently achieved superior performance.
- Demonstrated breadth of strategic, analytical, technical, and financial experience and abilities, including leadership perspective, team development, and proven professional management skills, as clearly indicated by reputation in the industry, and a track record of superior performance of both capital and human assets under his/her direct control and supervision.
- Superior communication skills and a natural ability to inspire, motivate, and convey a sense of vision for NERC that are clearly exhibited through low turnover, an energized and enthusiastic organization, examples of mentored leaders, and accomplishment of strategic objectives. Also, one whose passion, commitment, and dedication to performance excellence will enable him/her to take and support potentially difficult policy stances, and be the industry spokesperson for system reliability, when necessary.
- Ability to quickly attain a thorough grasp and in-depth knowledge of NERC's charter, direction, staff, and culture, coupled with the maturity and wisdom to appropriately identify industry and member-specific reliability issues, and then effectively direct the

staff's efforts to address these issues, as demonstrated by having taken responsibility for an organization and positioned it as a leader in its sector.

- Exhibited a broad geographical perspective by working with international constituents in a collaborative, collegial, and cooperative manner to build representative coalitions and shape widely applicable policy.

Other Personal Characteristics

- A person whose stature and credibility are readily apparent and supported by a track record of accomplishments in directly related businesses and positions.
- A sensitive and committed individual with sound judgment and a practical, straightforward management style; flexible and persistent; and not easily deterred or frustrated by diversions and obstructions to progress.
- Someone capable of foreseeing and implementing the requisite strategic moves, structural and regulatory changes, and future adaptations necessary for NERC to effectively fulfill its mission and oversight role of the industry, and achieve or exceed its objectives in terms of immediate and longer term performance.
- A decisive, action-oriented person who is of high intelligence and possesses practical judgment with a focus on essential issues.
- A person with infectious energy and enthusiasm, good interpersonal skills, and the ability to succinctly express complex concepts and perspectives simply; capable of gaining the understanding and cooperation of key constituents.
- A proactive, inspirational individual with the ability to gain the respect of industry superiors, peers, and subordinates through leadership, intelligence, presence, and perseverance.
- Of the highest moral persuasion with absolute integrity and unquestionable ethics; one who aspires to lead a mission critical, public interest organization.