
**BEFORE THE
PROVINCE OF MANITOBA**

**NORTH AMERICAN ELECTRIC)
RELIABILITY CORPORATION)**

**NOTICE OF FILING OF
AMENDMENTS TO THE BYLAWS OF THE
NORTH AMERICAN ELECTRIC RELIABILITY CORPORATION**

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TABLE OF CONTENTS

I.	INTRODUCTION	1
II.	NOTICES AND COMMUNICATIONS	2
III.	STATEMENT OF BASIS AND PURPOSE OF PROPOSED BYLAWS AMENDMENTS	2
A.	Proposed Amendment to Article III, §3a of the NERC Bylaws	2
B.	Proposed Amendment to Article VIII, §4 of the NERC Bylaws	4
C.	Proposed Amendment to Article III, §3b of the NERC Bylaws	6
D.	Proposed Amendments to Article I, §1, Article II, §§1 and 4, and Article VIII, §2 of the NERC Bylaws	7
E.	Proposed Amendment to Article X, §1 of the NERC Bylaws	8
IV.	APPROVAL PROCESS FOR THE BYLAWS AMENDMENTS	8
Attachment 1:	Clean version of NERC Bylaws including proposed amendments	
Attachment 2:	Redlined version of NERC Bylaws marked to show proposed amendments	

I. INTRODUCTION

The North American Electric Reliability Corporation (“NERC”) respectfully submits a Notice of Filing of several amendments to NERC’s Bylaws.¹ The amendments are to the following provisions of the NERC Bylaws:

- i. Article III, §3a;
- ii. Article VIII, §4;
- iii. Article III, §3b;
- iv. Article I, §1; Article II, §§1 and 4; and Article VIII, §2; and
- v. Article XI, §1.

The proposed amendments were approved by the NERC Member Representatives Committee (“MRC”) on July 29, 2008 and by the Board of Trustees on July 30, 2008. **Attachments 1 and 2** contain, respectively, clean and redlined versions of the Bylaws with the proposed amendments.

As explained herein the Bylaws amendments will accomplish the following:

- (i) provide for a short period of time following election to the NERC Board of Trustees for a newly-elected Trustee to eliminate or resolve any conflicts of interests which would otherwise preclude membership on the Board;
- (ii) modify the procedure for electing one or more additional Canadian representatives to the MRC should that be necessary if sufficient Canadian representation does not result from the initial election of MRC members;
- (iii) revise the provision that identifies the original members of the NERC Board, for clarity;
- (iv) eliminate the term “regional reliability organization” from the Bylaws; and
- (v) amend a reference to “reliability readiness audits” to “reliability readiness evaluations,” consistent with a change in terminology for this program that NERC has already adopted elsewhere.

¹ NERC filed these amendments to the Bylaws with the Federal Energy Regulatory Commission (“FERC”) on August 14, 2008, and is also filing these amendments with the other applicable governmental authorities in Canada.

II. NOTICES AND COMMUNICATIONS

Notices and communications with respect to this filing may be addressed to:

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III. STATEMENT OF BASIS AND PURPOSE OF PROPOSED BYLAWS AMENDMENTS

The basis and purpose of each of the amendments to the NERC Bylaws is discussed below.

A. Proposed Amendment to Article III, §3a of the NERC Bylaws

Article III, §3a of the NERC Bylaws provides that a member of the NERC Board of Trustees may not be an officer, director, or employee of any entity that would reasonably be perceived as having a direct financial interest in the outcome of Board decisions and may not have any other relationship that would interfere with the exercise of independent judgment in carrying out the responsibilities of a Trustee. During previous screenings of potential candidates to stand for election to the NERC Board, some candidates were concerned that the current Bylaws provision requires a nominee to resolve any conflicts (employee, officer or director position or financial interests) before the time the nominee knows he or she will be elected to the Board by the MRC.² This concern could potentially cause qualified candidates for election to the

² Under Article III, §6 of the NERC Bylaws, the members of the Board of Trustees are elected by the MRC.

Board to decline to accept a nomination to stand for election, thereby reducing the pool of available qualified candidates. The Board of Trustees Corporate Governance and Human Resources Committee discussed this issue and concluded a nominee for election to the Board should be given a short period of time *following* election to resolve any conflicts of interest.

The amendment to Article III, §3a of the NERC Bylaws will provide persons elected to the NERC Board of Trustees a short period of time following election (*i.e.*, 10 days to eliminate any conflicts due to employment with, or holding an officer or director position with, another organization that creates a conflict, and 60 days to eliminate any financial interests that present a conflict) to eliminate or resolve any conflicts of interest that would otherwise preclude service as a Trustee. The Trustee would be required to recuse himself or herself from participation in any matter involving the source of the conflict during this time period, until the conflict is resolved or eliminated. The text of Article III, §3a with the amendatory language (underscored) is as follows:

- a. An independent trustee is a person (i) who is not an officer or employee of the Corporation, a member or an officer, director, or employee of a member of the Corporation, or an officer, director, or employee of any entity that would reasonably be perceived as having a direct financial interest in the outcome of board decisions and (ii) who does not have any other relationship that would interfere with the exercise of independent judgment in carrying out the responsibilities of a trustee. Provided, that upon initial election to the board, an independent trustee shall within ten (10) days terminate any employee, officer, or director position that conflicts with this subparagraph and shall within sixty (60) days terminate any financial interest or other relationship that conflicts with this subparagraph, and prior to such termination shall not participate in discussion of or voting on any matter involving the entity of which the trustee is an employee, officer or director or in which the trustee has the financial interest or other relationship giving rise to the conflict.

B. Proposed Amendment to Article VIII, §4 of the NERC Bylaws

The amendment to Article VIII, §4 addresses the method for selecting one or more additional Canadians for the MRC should that become necessary. Article VIII, §4 requires that “the Member Representatives Committee shall contain a number of Canadian voting representatives equal to the percentage of the NEL [Net Energy for Load] of Canada to the total NEL of the United States and Canada, times the total number of voting members on the Member Representatives Committee, rounded up to the next whole number.” It further provides a procedure for selecting an additional Canadian representative or representatives to the MRC “[i]f the annual selection of members of the Member Representatives Committee pursuant to Section 3 of this Article VIII does not result in the number of Canadian voting representatives provided for herein on the Member Representatives Committee.” At present, Article VIII, §4 direct that the additional Canadian to be added to the MRC is “the candidate who received the highest vote total among those candidates who would have qualified as Canadian voting representatives but were not elected.”

Some members of the MRC have expressed a concern that the current method of selecting an additional Canadian to the MRC (when necessary) may not prove satisfactory in the future. The following hypothetical illustrates the concern: Assume an additional Canadian must be added to the MRC and (i) there is an unelected Canadian in a large (100-entity) sector of the MRC who finished a distant fourth (and last) in the election of MRC representatives from that sector with just eight votes, and (ii) there is an unelected Canadian in a smaller (15-entity) sector of the MRC who finished a close second in the election for MRC representatives from that sector with seven votes (*i.e.*, almost one-half the sector votes). The current Bylaws provision states that “the candidate who received the highest vote total” is added to the MRC. If “highest vote total”

is interpreted to mean the candidate with the highest raw number of votes, then the Canadian who finished dead last in his sector voting with just eight percent of the sector vote would be added to the MRC. On the other hand, if “highest vote total” means the candidate with the highest fraction of the sector vote, then the candidate who finished a very close second in his/her sector voting would be added to the MRC.

NERC believes the latter outcome is the fairer and more appropriate outcome and would result in selection of an additional Canadian to the MRC who had the strongest electoral support within his/her own sector. This is consistent with the overall scheme of the Bylaws that the members of the MRC are selected through sector elections (*see* Article VIII, §§2 and 3 of the Bylaws). To ensure the latter outcome in fact obtains in future MRC elections should this scenario arise, the proposed amendment would replace “highest vote total” with “highest fraction of the sector vote” in Article VIII, §4. Following is the text of Article VIII, §4 with the amendment shown in legislative style:

Section 4 — Adequate Representation of Canadian Interests on the Member Representatives Committee — In addition to the requirements for composition of the Member Representatives Committee specified in Section 1 of this Article VIII, the Member Representatives Committee shall contain a number of Canadian voting representatives equal to the percentage of the NEL of Canada to the total NEL of the United States and Canada, times the total number of voting members on the Member Representatives Committee, rounded up to the next whole number. If the annual selection of members of the Member Representatives Committee pursuant to Section 3 of this Article VIII does not result in the number of Canadian voting representatives provided for herein on the Member Representatives Committee, then the candidate who received the highest ~~vote total~~ fraction of the sector vote among those candidates who would have qualified as Canadian voting representatives but were not elected to the Member Representatives Committee shall be added to the Member Representatives Committee. Additional Canadian voting representatives shall be added to the Member Representatives Committee through this selection process until the Member Representatives Committee includes a number of Canadian voting representatives equal to the percentage of the NEL of Canada to the total NEL of the United States and Canada, times the total number of voting members on the Member Representatives Committee, rounded up to the next whole number.

Provided, that no more than one such additional Canadian voting representative shall be selected from a sector, except that if this limitation precludes the addition of the number of additional Canadian voting representatives required by the previous sentence, then no more than two Canadian voting representatives may be selected from the same sector. Such additional Canadian voting representatives shall be representatives of the sectors in which they stood for election, and shall serve terms expiring at the next annual meeting of the Member Representatives Committee pursuant to Section 7 of this Article VIII. For purposes of this Section 4, “Canadian” means one of the following: (a) a company or association incorporated or organized under the laws of Canada or of a province of Canada that is a member of the Corporation, or its designated representative irrespective of nationality; (b) an agency of a federal, provincial, or local government in Canada that is a member of the Corporation, or its designated representative irrespective of nationality; or (c) a person who is a Canadian citizen residing in Canada and is a member of the Corporation.

When the Corporation receives recognition from appropriate governmental authorities in Mexico as the electric reliability organization, this provision will be expanded to provide for adequate representation of Mexican interests on the Member Representatives Committee.

C. Proposed Amendment to Article III, §3b of the NERC Bylaws

The amendment to Article III, §3b revises that provision so that the list of Trustees named therein – who were NERC’s original Trustees at the time of its formation – are identified as NERC’s Trustees as of the “original effective date” of the Bylaws, rather than as of the “effective date” of the Bylaws (which could be construed as the date any subsequent amendment is approved and becomes effective). Currently, Article III, §3b states, “as of the effective date of these Bylaws, the independent trustees of the Corporation and the date the term of each independent trustee expires are as follows:”, followed by a list of the original Trustees of NERC at the time of its formation and the dates their terms (at that time) would expire. With the proposed amendment, Article III, §3b will identify this list of Trustees as the Trustees as of the “original effective date” of the NERC Bylaws:

- b. Independent trustees shall be elected to terms expiring at the annual election of independent trustees occurring in the third year after their election. As of the original effective date of these Bylaws, the independent trustees of the

Corporation and the date the term of each independent trustee expires ~~were~~^{are} as follows:

<u>Name</u>	<u>Term Expires</u>
John Q. Anderson	2007
Paul F. Barber	2008
Thomas W. Berry	2007
Richard Drouin	2009
James M. Goodrich	2008
Donald P. Hodel	2008
Sharon L. Nelson	2007
Bruce A. Scherr	2009
Kenneth G. Peterson	2009
Fred Gorbet	2008

D. Proposed Amendments to Article I, §1, Article II, §§1 and 4, and Article VIII, §2 of the NERC Bylaws

The amendments to Article I, §1, Article II, §§1 and 4, and Article VIII, §2 of the Bylaws eliminate the term “regional reliability organization” from the Bylaws. NERC now carries out its statutory functions through, in part, delegation agreements with eight Regional Entities. While many of these Regional Entities were formerly “regional reliability organizations,” in fact there no longer are “regional reliability organizations,” and so the references in the Bylaws to “regional reliability organization” are outdated, and accordingly should be removed from the Bylaws.

The proposed amendment to Article I, §1, “Definitions,” deletes the definition of “Regional reliability organization” from the Bylaws. The proposed amendment to Article II, §1, simply deletes a reference to “regional reliability organization,” leaving the provision referring only to “regional entity.” The same is true of the proposed amendments to Article II, §4, where “regional reliability organization” is deleted in three places. Finally, the proposed amendments to Article VIII, §2 also delete “regional reliability organization,” in two places, leaving the provisions referring only to “regional entity.”

E. Proposed Amendment to Article X, §1 of the NERC Bylaws

The proposed amendment to Article XI, §1 changes a reference to adoption of NERC Rules of Procedure relating to “readiness audits and reliability assessments” to “readiness evaluations and reliability assessments.” Article XI, §1, “Development of Rules of Procedure,” states that NERC “shall develop and implement such Rules of Procedure as in the judgment of the board are necessary or appropriate to carry out the purposes of the Corporation and to govern its operations, including without limiting the foregoing, Rules of Procedure relating to:”, and then lists potential categories of Rules of Procedure. One of the listed categories is “conduct of readiness audits and reliability assessments.” The proposed amendment would change this item to “conduct of readiness evaluations and reliability assessments” This amendment is consistent with the change to the name of this program that NERC has already implemented elsewhere in the ERO rules (*e.g.*, in Section 700 of the NERC Rules of Procedure).

IV. APPROVAL PROCESS FOR THE BYLAWS AMENDMENTS

Article XIV, §1 of the NERC Bylaws sets forth the required procedure for approval of amendments to the Bylaws:

Section 1 — Amendments to the Bylaws — These Bylaws may be altered, amended, or repealed by a majority vote of both the board and the Member Representatives Committee at respective meetings of the board and the Members Representative Committee at which a quorum is present. Written notice of the subject matter of the proposed changes to the Bylaws shall be provided, as appropriate, to the trustees or to the Member Representatives Committee not less than ten (10) nor more than sixty (60) days prior to the date of the meeting of the board or of the Member Representatives Committee at which the vote is to be taken. Notwithstanding the provisions of this Article XIV, the members of the Corporation voting by sector shall have the right to alter, amend, or repeal Bylaws adopted by the board and the Member Representatives Committee and to adopt new Bylaws, provided that any such alteration, amendment, or repeal or the adoption of new Bylaws is approved by vote of two-thirds of the sectors at a meeting of Members called for that purpose, or by written consent of two-thirds of the sectors, where the number of votes for and against the proposed alteration, amendment, repeal, or adoption of Bylaws shall be determined in accordance with

Section 2 of Article IV. Any alteration, amendment, repeal, or adoption of Bylaws shall be subject to any applicable requirements for filing with or approval by the Commission and any other applicable governmental authority.

The requirements of Article XIV, §1 were followed in obtaining approval of the proposed Bylaws amendments that are the subject of this filing. Specifically, the proposed Bylaws amendments were approved by majority vote of the MRC at its meeting held on July 29, 2008, and by majority vote of the Board of Trustees at its meeting held on July 30, 2008. The required quorums of the MRC and of the Board were present at the meetings of July 29 and July 30, respectively. Applicable notice was provided to the MRC and the Board, respectively, that the proposed amendments would be presented for approval at these meetings.

Respectfully submitted,

/s/ David N. Cook

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ATTACHMENT 1

**CLEAN VERSION OF NERC BYLAWS
INCLUDING PROPOSED AMENDMENTS**

**BYLAWS
OF THE
NORTH AMERICAN ELECTRIC RELIABILITY CORPORATION**

**ARTICLE I
Definitions**

Section 1 — Definitions — As used in these Bylaws of the North American Electric Reliability Corporation (hereinafter referred to as “the Corporation”), the terms set forth in this Article I shall have the meanings set forth herein.

“Applicable governmental authority” means the Federal Energy Regulatory Commission within the United States and the appropriate governmental authority with subject matter jurisdiction over reliability within Canada and Mexico.

“Board” means the Board of Trustees of the Corporation.

“Bulk power system” means facilities and control systems necessary for operating an interconnected electric energy transmission network (or any portion thereof) and electric energy from generation facilities needed to maintain transmission system reliability. The term does not include facilities used in the local distribution of electric energy.

“Commission” means the Federal Energy Regulatory Commission.

“Electric reliability organization” or “ERO” means the organization that is certified by the Commission under Section 39.3 of its regulations, the purpose of which is to establish and enforce Reliability Standards for the bulk power system in the United States. The organization may also have received recognition by applicable governmental authorities in Canada and Mexico to establish and enforce reliability standards for the bulk power systems of the respective countries.

“Member” means a member of the Corporation pursuant to Article II of these Bylaws.

“Net Energy for Load (NEL)” means net generation of an electric system plus energy received from others less energy delivered to others through interchange. It includes system losses, but excludes energy required for storage of energy at energy storage facilities. Calculations of net energy for load for all purposes under these Bylaws shall be based on the most recent calendar year for which data on net energy for load of applicable regions of the United States, Canada, and Mexico is available.

“Regional entity” means an entity having enforcement authority pursuant to 18 C.F.R. § 39.8.

“Reliability standard” means a requirement to provide for reliable operation of the bulk power system, including without limiting the foregoing requirements for the operation of existing bulk power system facilities, including cybersecurity protection, and the design of planned additions or modifications to such facilities to the extent necessary for reliable operation of the bulk power system, but shall not include any requirement to enlarge bulk power system facilities or to construct new transmission capacity or generation capacity.

“Reliable operation” means operating the elements of the bulk power system within equipment and electric system thermal, voltage, and stability limits so that instability, uncontrolled separation, or cascading failures of the bulk power system will not occur as a result of a sudden disturbance, including a cybersecurity incident, or unanticipated failure of system elements.

“Sector” means a group of members of the Corporation that are bulk power system owners, operators, or users or other persons and entities with substantially similar interests, including governmental entities, as pertinent to the purposes and operations of the Corporation and the operation of the bulk power system, as defined in Article II, Section 4 of these Bylaws. Each sector shall constitute a class of members for purposes of the New Jersey Nonprofit Corporation Act.

Section 2 — Additional Defined Terms — Additional terms not defined in this Article I are defined in the remainder of these Bylaws.

Section 3 — Technical Terms — Technical terms not defined in these Bylaws shall have the definitions set forth in the Federal Power Act, Part 39 of the regulations of the Commission, or the “Glossary of Terms Used in Reliability Standards”, in that order of precedence, and if not defined in any of those sources, shall be defined in accordance with their commonly understood and used technical meaning in the electric power industry, including applicable codes and standards.

ARTICLE II Membership

Section 1 — Members — Membership in the Corporation is voluntary and is open to any person or entity that has an interest in the reliable operation of the North American bulk power system and that registers with the Corporation as a member, maintains its registration in accordance with this Article II, and complies with the other conditions and obligations of membership specified in these Bylaws. Membership in a regional entity shall not be a condition for membership in the Corporation. The secretary of the Corporation shall maintain a roster of the members of the Corporation.

Section 2 — Registration as a Member — Any person or entity that is eligible to be a

member of the Corporation in accordance with Article II, Section 1 may become a member by completing, and submitting to the secretary of the Corporation, a membership registration on a form prescribed by the board. If not a natural person, the member shall designate a representative and an alternative representative with authority to receive notices, cast votes, and execute waivers and consents on behalf of the member. The secretary of the Corporation shall maintain a current roster of the members of the Corporation including each member's designated representative and alternative representative. From time to time, the board shall establish a date by which members shall submit their registration renewals. All members shall be required to renew their registrations within 30 calendar days of a request by the secretary of the Corporation, using a registration renewal form prescribed by the board. The secretary of the Corporation shall remove from the roster of members of the Corporation any member that has not submitted a registration renewal within 30 days following a date established by the board. The secretary shall notify any member that is removed from the roster of members of such removal, by notice sent to such former member's last known address on the records of the Corporation.

Section 3 — Obligations and Conditions of Membership

- a. Each member shall agree, in writing, to accept the responsibility to promote, support, and comply with the purposes and policies of the Corporation as set forth in its Certificate of Incorporation, Bylaws, Rules of Procedure, and Reliability Standards as from time to time adopted, approved, or amended.
- b. As an additional condition of membership in the Corporation, each person or entity registering as a member shall be required to execute an agreement with the Corporation, in a form to be specified by the board, that such person or entity will hold all trustees, officers, employees, and agents of the Corporation, as well as volunteers participating in good faith in the activities of the Corporation, harmless, to the extent permitted by Federal or provincial laws, regulations and rules, for any injury or damage to that member caused by any act or omission of any trustee, officer, employee, agent, or volunteer in the course of performance of his or her duties on behalf of the Corporation, other than for acts of gross negligence, intentional misconduct, or a breach of confidentiality.

Section 4 — Membership Sectors

- a. Each member shall elect to be assigned to one of the following membership sectors: (i) investor-owned utility; (ii) state/municipal utility; (iii) cooperative utility; (iv) federal or provincial utility/power marketing administration; (v) transmission-dependent utility; (vi) merchant electricity generator; (vii) electricity marketer; (viii) large end-use electricity customer; (ix) small end-use electricity customer; (x) independent system operator/regional transmission organization; (xi) regional entity; or (xii) government representatives. The composition of each sector shall be as follows:
 - i. Investor-owned utility — This sector includes any investor-owned entity

Includes Amendments
Approved by Board on 7-30-08

with a 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.

- ii. 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.
- iii. 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.
- iv. 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.
- v. 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.
- vi. 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 nonutility electricity producers such as exempt wholesale generators who sell electricity at wholesale. This sector also includes organizations that represent the interests of such entities.
- vii. Electricity marketer — This sector includes any entity that is engaged in the activity of buying and selling of wholesale electric power in North America

Includes Amendments
Approved by Board on 7-30-08

on a physical or financial basis. This sector also includes organizations that represent the interests of such entities.

- viii. 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.
 - ix. 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.
 - x. 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.
 - xi. Regional entity — This sector includes any regional entity as defined in Article I, Section 1.
 - xii. 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.
- b. A member may elect to be assigned to any sector so long as membership in that sector is consistent with the member's business or other activities. A corporation and its affiliates shall be considered a single member and may register in only one sector, which may be any single sector for which the corporation or any of its affiliates is eligible. A consultant, attorney, agent, vendor, trade or industry association, state, provincial or local consumer advocate organization that provides

services to or otherwise represents the interests of the members of one or more sectors may elect to be assigned to one such sector.

Section 5 — Term of Membership — Membership in the Corporation shall be retained as long as a member meets its respective qualifications, obligations, and conditions of membership as set forth in this Article II.

Section 6 — Removal — In addition to termination of membership in accordance with Article II, Section 2, the board, following notice to the member and exercise of appropriate due process procedures, may terminate the membership of a member if in the judgment of the board that member has violated its obligations and responsibilities to the Corporation. This termination shall require a two-thirds vote of the trustees present and voting at a meeting of the board at which a quorum of the board entitled to vote is present. Within thirty (30) days following the action of the board terminating the membership of a member, the member shall be entitled to appeal such termination to the Commission or to the applicable governmental authority in Canada or Mexico.

ARTICLE III Board of Trustees

Section 1 — Board of Trustees — The business and affairs of the Corporation shall be managed by a Board of Trustees. The board shall consist of eleven members (the “trustees”). Ten (10) of the trustees shall be “independent” trustees nominated and elected in accordance with the requirements and procedures specified in Sections 2, 3, 4, and 5 of this Article III (the “independent trustees”). The remaining trustee shall be the person elected by the board, in accordance with Article VI, Section 1, of these Bylaws, to serve as president of the Corporation (the “management trustee”). Each trustee, including the management trustee, shall have one (1) vote on any matter brought before the board for a vote. All trustees are expected to serve the public interest and to represent the reliability concerns of the entire North American bulk power system.

Section 2 — Composition of Board Based on Country Participation

- a. The board shall consist of a number of trustees from the United States and from Canada. The number of trustees from Canada shall not be less than the percentage of the NEL of Canada to the total NEL of the United States and Canada, times eleven, rounded up to the nearest whole number. For purposes of this board composition requirement, the management trustee shall be counted as a trustee from Canada if he or she is a Canadian citizen.
- b. When the Corporation receives recognition by appropriate regulatory authorities in Mexico as its electric reliability organization, the number of independent trustees will be increased by at least one, and the board composition requirement in subsection (a) will be expanded to include Mexico.

Section 3 — Independent Board Members — The independent trustees shall be elected,

shall have the qualifications specified, and shall serve in the manner provided in this section.

- a. An independent trustee is a person (i) who is not an officer or employee of the Corporation, a member or an officer, director, or employee of a member of the Corporation, or an officer, director, or employee of any entity that would reasonably be perceived as having a direct financial interest in the outcome of board decisions and (ii) who does not have any other relationship that would interfere with the exercise of independent judgment in carrying out the responsibilities of a trustee. Provided, that upon initial election to the board, an independent trustee shall within ten (10) days terminate any employee, officer, or director position that conflicts with this subparagraph and shall within sixty (60) days terminate any financial interest or other relationship that conflicts with this subparagraph, and prior to such termination shall not participate in discussion of or voting on any matter involving the entity of which the trustee is an employee, officer or director or in which the trustee has the financial interest or other relationship giving rise to the conflict.

- b. Independent trustees shall be elected to terms expiring at the annual election of independent trustees occurring in the third year after their election. As of the original effective date of these Bylaws, the independent trustees of the Corporation and the date the term of each independent trustee expires were as follows:

<u>Name</u>	<u>Term Expires</u>
John Q. Anderson	2007
Paul F. Barber	2008
Thomas W. Berry	2007
Richard Drouin	2009
James M. Goodrich	2008
Donald P. Hodel	2008
Sharon L. Nelson	2007
Bruce A. Scherr	2009
Kenneth G. Peterson	2009
Fred Gorbet	2008

- c. Independent trustees shall be nominated and elected pursuant to the nomination and election procedures specified in Sections 4, 5, and 6 of this Article III.

Section 4 — Vacancies on the Board —Should any vacancy on the board arise from the death, resignation, retirement, disqualification, or removal from office of any independent trustee, or from any other cause, such vacancy shall be filled by electing a trustee at the next annual election of trustees to fill the remainder, if any, of the term of the departed trustee. Provided, that the board by resolution may in its discretion call a special election to fill any such vacancy for the remainder, if any, of the term of the departed trustee. Any vacancy shall be filled so as to maintain the composition of the board in accordance with country participation pursuant to Section 2 of this Article III.

Section 5 — Nominating Committee — The board shall appoint, on an annual basis, or more frequently if needed in the event of a special election pursuant to Article III, Section 4, a nominating committee (the “nominating committee”) to recommend candidates (i) to succeed the independent trustees whose terms expire during the current year and (ii) to serve the remainder of the term of any independent trustee who ceased to serve as a trustee subsequent to the last annual election of trustees. The nominating committee shall consist of those independent trustees whose terms do not expire during the current year and such number of other persons with such qualifications as the board shall specify, provided, that the nominating committee shall be chaired by an independent trustee whose term does not expire during the current year and shall include at least three persons who are also members of the Member Representatives Committee, and provided further, that the nominating committee formed for the purpose of recommending candidates to stand for election as trustees at the election to be held on or about February 1, 2007, pursuant to Article III, Section 6 shall not include any members of the Member Representatives Committee but shall include three persons each of whom at the time of his or her appointment by the chair of the Stakeholders Committee of the North American Electric Reliability Council to the nominating committee shall be a member of that Stakeholders Committee. The board shall establish, by resolution, the procedures to be followed by the nominating committee in identifying and recommending candidates to serve as independent trustees; provided, however, that such procedures shall include a means of permitting members of the Corporation to recommend to the nominating committee candidates for consideration as nominees for independent trustees. The nominating committee shall nominate candidates for election to the board consistent with the requirements of Article III, Section 2 for board composition by country participation, and shall also endeavor to nominate candidates for election to the board consistent with the objectives that the board as an entirety reflects expertise in the areas of technical electric operations and reliability, legal, market, financial, and regulatory matters, and familiarity with regional system operation issues; and reflects geographic diversity.

Section 6 — Election of Independent Trustees — The Member Representatives Committee of the Corporation shall elect the persons (i) to succeed those independent trustees whose terms expire each year and (ii) to serve the remainder of the term of any independent trustee who ceased to serve as a trustee subsequent to the last annual election of independent trustees. The annual election of independent trustees shall be scheduled to be conducted on or about February 1 of each year or as soon thereafter as is reasonably possible. Any special election pursuant to Article III, Section 2 shall be held as expeditiously as possible consistent with the time required for a nominating committee to be appointed and to nominate one or more candidates for the special election. All independent trustees shall be elected from nominees proposed by the nominating committee. A nominee shall be elected an independent trustee if such person receives the affirmative vote of two-thirds of the members of the Member Representatives Committee. Each nominee receiving the necessary two-thirds vote of the Member Representatives Committee shall take office immediately upon election. In the event that the voting fails to elect a nominee to fill any of the positions of independent trustee to be filled in an annual election of independent trustees, the nominating committee shall as promptly as reasonably possible consider and propose one or more additional nominee or nominees for that position, and a vote by the Member Representatives Committee on the election of such nominee or nominees shall be conducted as quickly as possible. For

avoidance of doubt, the independent trustees shall be elected by the Member Representatives Committee in accordance with this Section 6 and shall not be elected by vote of the members of the Corporation.

Section 7 — Management Trustee — The president of the Corporation shall be, ex officio, the management trustee of the Corporation, effective as of the date of his or her election by the board as president of the Corporation in accordance with Article VI, Section 1, of these Bylaws, to serve until such time that he or she ceases to hold the position of president.

Section 8 — Committees of the Board — The board shall by resolution create and appoint all committees of the board as the board deems necessary to perform its responsibilities; provided, that the management trustee shall not be a member of the audit committee or of the human resources committee, if any. All committees of the board shall have such duties as are prescribed by the board. Notice to the public of the dates, places, and times of meetings of board committees, and all nonconfidential material provided to committee members, shall be posted on the Corporation's Web site within 24 hours of the time that notice is given to committee members. Meetings of board committees shall be open to the public, subject to reasonable limitations due to the availability and size of meeting facilities; provided, that the meeting may be held in or adjourn to closed session to discuss matters of a confidential nature, including but not limited to personnel matters, compliance and enforcement matters, litigation, or commercially sensitive or critical infrastructure information of any entity.

ARTICLE IV

Meetings of Members of the Corporation

Section 1 — Meetings of Members — Meetings of members of the Corporation may be called for any purpose or purposes by the chairman of the board or by a number of members constituting at least ten (10) percent of the members on the roster of members maintained by the secretary of the Corporation, which number shall include members in at least three of the sectors. Meetings of members shall be held at the principal office of the Corporation or at such other place fixed by the board as shall be specified in the notice of meeting. Meetings shall be called upon written notice of the time, date, place, and purposes of the meeting given to all members on the roster of members maintained by the secretary of the Corporation not less than ten (10) nor more than sixty days (60) prior to the date of the meeting.

Section 2 — Quorum and Voting Requirements for Meetings of Members — At any meeting of the members of the Corporation, attendance in person or by proxy by one-half of the members in each of at least two-thirds of the sectors on the roster of members maintained by the secretary of the Corporation shall constitute a quorum. Except as otherwise expressly provided in the Corporation's Certificate of Incorporation, these Bylaws or applicable law, actions by the members of the Corporation shall be approved upon receipt of seven affirmative votes at a meeting of the members of the Corporation at which a quorum is present, where (i) each sector of the Corporation shall have one vote, except that if less than one-half of the members in a sector are present, in person or by proxy, at the meeting, the vote of that sector shall be weighted by a percentage equal to the number of members of the sector present in person or by proxy at the meeting divided by one-half of the members in the sector;

(ii) the vote of each sector of the Corporation shall be allocated for and against the proposed action based on the respective percentages of votes cast for and against the proposed action by the members in that sector voting in person or by proxy; and (iii) the proportions of the votes of each sector allocated for and against the proposed action shall be summed to determine the total number of votes for and against the proposed action.

Section 3 — Waivers of Notice of Meetings of Members; and Member Meeting

Adjournments — Notice of a meeting of members need not be given to any member who signs a waiver of notice, in person or by proxy, whether before or after the meeting. The attendance of any member at a meeting, in person or by proxy, without protesting prior to the conclusion of the meeting the lack of notice of such meeting, shall constitute a waiver of notice of the meeting by such member. When any meeting of members is adjourned to another time or place, it shall not be necessary to give notice of the adjourned meeting if the time and place to which the meeting is adjourned are announced at the meeting at which the adjournment is taken, and if at the adjourned meeting only such business is transacted as might have been transacted at the original meeting.

Section 4 — Action Without a Meeting of Members — Any action, required or permitted to be taken at a meeting of members, may be taken without a meeting if the action is consented to in writing by the minimum number of members that would be required to approve the action at a meeting of the members at which all members were present. The call for action without a meeting of members may be initiated by the chairman of the board or by a number of members constituting at least ten (10) percent of the members on the roster of members maintained by the secretary of the Corporation, which number shall include members in at least three of the sectors. Notice of the proposal for action without a meeting shall be provided to all members on the roster of members maintained by the secretary of the Corporation at least ten (10) days prior to the date established for the tabulation of consents. The members shall receive written notice of the results, and the results shall be posted on the Corporation's Web site, within ten (10) days of the action vote, and all written responses of the members shall be filed with the minutes of proceedings of members.

Section 5 — Meetings of the Members to be Open — Notice to the public of the dates, places, and times of meetings of the members, and all nonconfidential material provided to the members, shall be posted on the Corporation's Web site within 24 hours of the time that notice is given to the members. Meetings of the members shall be open to the public, subject to reasonable limitations due to the availability and size of meeting facilities; provided, that the meeting may be held in or adjourn to closed session to discuss matters of a confidential nature, including but not limited to personnel matters, compliance and enforcement matters, litigation, or commercially sensitive or critical infrastructure information of any entity.

ARTICLE V
Meetings of the Board of Trustees

Section 1 — Regular Meetings of the Board — A regular meeting of the board for such business as may come before the meeting shall be held on or about February 1 of each year. By resolution adopted at any meeting of the board, the board may provide for additional

regular meetings that may be held without further notice to the trustees.

Section 2 — Special Meetings of the Board — Special meetings of the board for any purpose or purposes may be called at any time by the chairman or by any two trustees. Such meetings may be held upon notice given to all trustees not less than five (5) days prior to the date of the meeting. Such notice shall specify the time, date, place, and purpose or purposes of the meeting and may be given by telephone, telegraph, or other electronic media, or by express delivery.

Section 3 — Quorum and Voting Requirements for Meetings of the Board — Unless otherwise expressly provided in the Corporation's Certificate of Incorporation, these Bylaws or applicable law, (i) the quorum necessary for the transaction of business at meetings of the board shall be a majority of the trustees, and (ii) actions by the board shall be approved upon receipt of the affirmative vote of a majority of the trustees present and voting at a meeting at which a quorum is present.

Section 4 — Meetings of the Board to be Open — Notice to the public of the dates, places, and times of meetings of the board, and all nonconfidential material provided to the board, shall be posted on the Corporation's Web site, and notice of meetings of the board shall be sent electronically to members of the Corporation, within 24 hours of the time that notice or such material is given to the trustees. Meetings of the board shall be open to the public, subject to reasonable limitations due to the availability and size of meeting facilities; provided, that the board may meet in or adjourn to closed session to discuss matters of a confidential nature, including but not limited to personnel matters, compliance and enforcement matters, litigation, or commercially sensitive or critical infrastructure information of any entity. Any or all of the trustees, or members of a committee, may participate in a meeting of the board, or a meeting of a committee, by means of a communications system by which all persons participating in the meeting are able to hear each other.

Section 5 — Waivers of Notice of Board Meetings; and Board Meeting Adjournments — Notice of a board meeting need not be given to any trustee who signs a waiver of notice, in person or by proxy, whether before or after the meeting, or who attends the meeting without protesting, prior to the conclusion of the meeting, the lack of notice of such meeting. Notice of an adjourned board meeting need not be given if the time and place to which the meeting is adjourned are announced at the meeting at which the adjournment is taken and if the period of adjournment does not exceed ten (10) days.

Section 6 — Action Without a Meeting — Any action, required or permitted to be taken at a meeting of the board or of any committee thereof, may be taken by the board or by the committee without a meeting if the action is consented to in writing by the number of trustees or members of the committee, as the case may be, entitled to vote on the action that would be required to approve the action at a meeting of the board or committee with all members of the board or committee present. The call for action without a meeting of the board may be initiated by the chairman or by any two trustees. Notice of the proposed call for action without a meeting, and all nonconfidential material provided to the board in connection with

the call for action without a meeting, shall be posted on the Corporation's Web site within 24 hours of the time notice of the call for action without a meeting or such material is provided to the board. The call for action without a meeting of a committee of the board may be initiated by the chairman or by any two members of the committee. The trustees or members of the committee shall receive written notice of the results, and unless the action was confidential the results shall be posted on the Corporation's Web site, within seven (7) days of the action vote. All written responses of the trustees shall be filed with the minutes of the Corporation, and all written responses of members of a committee shall be filed with the minutes of such committee.

ARTICLE VI

Officers

Section 1 — Officers — At its regular meeting held on or about February 1 of each year in accordance with Section 1 of Article V of these Bylaws, the board shall elect a chairman, a vice chairman, a president, a secretary, a treasurer, an assistant secretary-treasurer, and such other officers of the Corporation (collectively, the "officers") as it shall deem necessary. The chairman and the vice chairman must each be independent trustees prior to their election to such offices. The chairman, vice chairman, and president shall each be nominated and elected by the board. All of the remaining officers shall be appointed or removed by the board based upon the recommendation of the president. The duties and authority of the chairman, the vice chairman, and the president shall be determined from time to time by the board, and the duties and authority of the other officers of the Corporation shall be determined from time to time by the president. Subject to any such determination, the officers shall have the following duties and authority:

- a. The chairman shall preside at all meetings of the members and at all meetings of the board. The chairman, in consultation with the other trustees, shall be responsible for the efficient operation of the board and its committees. The chairman shall be an ex officio member of each committee of the board. The chairman may delegate from time to time any or all of the aforesaid duties and authority to the vice chairman, another trustee, the president, or any other officer.
- b. The vice chairman shall have such duties and possess such other powers as may be delegated to him or her by the chairman. The vice chairman shall act as the chairman at such times as the chairman may request. In the event the chairman is unable to discharge the duties and powers of that office by reason of incapacity and during any vacancies in the office of the chairman, the vice chairman shall act as chairman until the cessation of such incapacity or the filling of such vacancy.
- c. The president shall be the chief executive officer of the Corporation. He or she shall be responsible for the day-to-day ongoing activities of the Corporation and shall have such other duties as may be delegated or assigned to him or her by the chairman. The president may enter into and execute in the name of the Corporation contracts or other instruments not in the regular course of business that are authorized, either generally or specifically, by the board.

- d. The secretary shall maintain the roster of members of the Corporation; shall cause notices of all meetings to be served as prescribed in these Bylaws; shall keep or cause to be kept the minutes of all meetings of the members and the board; and shall have charge of the seal of the Corporation. The secretary shall perform such other duties and possess such other powers as are incident to his or her office or as shall be assigned to him or her by the president.
- e. The treasurer shall have custody of the funds and securities of the Corporation, and shall keep or cause to be kept regular books of account for the Corporation. The treasurer shall perform such other duties and possess such other powers as are incident to his or her office or as shall be assigned to him or her by the president.
- f. The assistant secretary-treasurer shall have such duties and possess such other powers as may be delegated to him or her by the president.

ARTICLE VII Committees of the Corporation

Section 1 — Committees of the Corporation — In addition to those committees specified by these Bylaws, to which the board shall appoint members in accordance with the requirements of these Bylaws, the board may by resolution create standing committees of the Corporation; and may in addition by resolution appoint such other committees as the board deems necessary to carry out the purposes of the Corporation. The board shall appoint standing committees and other committees of the Corporation that are representative of members, other interested parties and the public, that provide for balanced decision making, and that include persons with outstanding technical knowledge and experience. All appointments of committees of the Corporation shall provide the opportunity for an equitable number of members from the United States and Canada (and from Mexico after the Corporation receives recognition by appropriate governmental authorities in Mexico as its electric reliability organization) to be appointed to each committee in approximate proportion to each country's percentage of the total NEL. All committees shall have such scope and duties, not inconsistent with law, as are specified in these Bylaws and the Rules of Procedure of the Corporation or otherwise determined by the board.

ARTICLE VIII Member Representatives Committee

Section 1 — Member Representatives Committee — The Corporation shall have a Member Representatives Committee that shall have the following rights and obligations:

- a. to elect the independent trustees, in accordance with Article III, Section 6;
- b. to vote on amendments to the Bylaws, in accordance with Article XVI; and
- c. to provide 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.

Because it is elected by the members of the Corporation and not appointed by the board, the Member Representatives Committee shall not be a standing committee of the Corporation, but is authorized to provide its advice and recommendations directly to the board.

Section 2 — Composition of the Member Representatives Committee — The Member Representatives Committee shall consist of (i) two representatives from each sector except the government representative sector and the regional entity sector, (ii) two voting representatives from the regional entity sector, with the remaining members of that sector being non-voting members of the Member Representatives Committee, (iii) the chairman and vice chairman of the Member Representatives Committee, (iv) any additional Canadian representatives as are selected pursuant to Section 4 of this Article VIII, and (v) the following representatives of the government representatives sector: two representatives of the United States federal government, one representative of the Canadian federal government, two representatives of state governments, and one representative of a provincial government, all of whom shall be nonvoting members of the Member Representatives Committee except the two representatives of state governments. The representatives of each sector shall be members of the Corporation, or officers or executive-level employees, agents or representatives of members of the Corporation, in that sector; provided, that at any time only one officer, employee, agent, or representative of a member in a sector may be a representative from that sector. No member of the board shall be a member of the Member Representatives Committee. The board may by resolution create additional nonvoting positions on the Member Representatives Committee at the written request of any group of members of the Corporation that believes its interests are not adequately represented on the Member Representatives Committee.

In order to provide that the terms of approximately one-half of the members of the Member Representatives Committee expire each year, on the initial Member Representatives Committee one-half of the representatives from each sector shall serve a term expiring at the next annual meeting, and one-half of the representatives from each sector shall serve a term expiring at the second succeeding annual meeting, in each case held pursuant to Section 7 of this Article VIII.

Following the expiration of the terms of the members of the initial Member Representatives Committee as provided above, each member of the Member Representatives Committee shall thereafter serve a term of two years commencing at an annual meeting held pursuant to Section 7 of this Article VIII and ending at the second succeeding annual meeting. There shall be no limit on the number of terms that a member of the Corporation, or an employee, agent, or representative of a member of the Corporation, may serve on the Member Representatives Committee.

Section 3 — Election of Members of the Member Representatives Committee

- a. Unless a sector adopts an alternative election procedure, the annual election of representatives from each sector to the Member Representatives Committee, and any

election to fill a vacancy, shall be conducted in accordance with the following process, which shall be administered by the officers of the Corporation. During the period beginning approximately ninety (90) days and ending approximately thirty (30) days prior to an annual election, or beginning approximately forty-five (45) days and ending approximately fifteen (15) days prior to an election to fill a vacancy, nominations may be submitted for candidates for election to the Member Representatives Committee, provided that for the initial election the period may begin as soon as these bylaws are made effective and may end approximately fifteen (15) days prior to the election. A nominee for election as a sector representative must be a member, or an officer, executive-level employee or agent of a member, in that sector. No more than one nominee who is an officer, executive-level employee or agent of a member or its affiliates may stand for election in any single sector; if more than one officer, employee or agent of a member or its affiliates is nominated for election from a sector, the member shall designate which such nominee shall stand for election. The election of representatives shall be conducted over a period of ten (10) days using an electronic process. Each member in a sector shall have one vote for each representative to be elected from the sector in that election, and may cast no more than one vote for any nominee. The nominee receiving the highest number of votes in each sector shall be elected to the representative position to be filled from that sector; if there is more than one representative position to be filled from a sector, the nominee receiving the second highest number of votes shall also be elected, and so forth. Provided, that to be elected a nominee must receive a number of votes equal to a simple majority of the members in the sector casting votes in the election. If no nominee in a sector receives a simple majority of votes cast in the first ballot, a second ballot shall be conducted which shall be limited to the number of candidates receiving the two (2) highest vote totals on the first ballot (or to the number of candidates receiving the four (4) highest vote totals on the first ballot if two representative positions remain to be filled, and so forth). The nominee or nominees receiving the highest total or totals of votes on the second ballot shall be elected to the representative position or positions remaining to be filled for the sector.

A sector may adopt an alternative procedure to the foregoing to nominate and elect its representatives to the Member Representatives Committee if (i) the alternative procedure is consistent in principle with the procedures specified in the preceding paragraph of this Section 3a, and (ii) the alternative procedure is approved by vote of at least two-thirds of the members in the sector. Any alternative procedure is subject to review and disapproval by the board.

Section 4 — Adequate Representation of Canadian Interests on the Member

Representatives Committee — In addition to the requirements for composition of the Member Representatives Committee specified in Section 1 of this Article VIII, the Member Representatives Committee shall contain a number of Canadian voting representatives equal to the percentage of the NEL of Canada to the total NEL of the United States and Canada, times the total number of voting members on the Member Representatives Committee, rounded up to the next whole number. If the annual selection of members of the Member

Representatives Committee pursuant to Section 3 of this Article VIII does not result in the number of Canadian voting representatives provided for herein on the Member Representatives Committee, then the candidate who received the highest fraction of the sector vote among those candidates who would have qualified as Canadian voting representatives but were not elected to the Member Representatives Committee shall be added to the Member Representatives Committee. Additional Canadian voting representatives shall be added to the Member Representatives Committee through this selection process until the Member Representatives Committee includes a number of Canadian voting representatives equal to the percentage of the NEL of Canada to the total NEL of the United States and Canada, times the total number of voting members on the Member Representatives Committee, rounded up to the next whole number. Provided, that no more than one such additional Canadian voting representative shall be selected from a sector, except that if this limitation precludes the addition of the number of additional Canadian voting representatives required by the previous sentence, then no more than two Canadian voting representatives may be selected from the same sector. Such additional Canadian voting representatives shall be representatives of the sectors in which they stood for election, and shall serve terms expiring at the next annual meeting of the Member Representatives Committee pursuant to Section 7 of this Article VIII. For purposes of this Section 4, "Canadian" means one of the following: (a) a company or association incorporated or organized under the laws of Canada or of a province of Canada that is a member of the Corporation, or its designated representative irrespective of nationality; (b) an agency of a federal, provincial, or local government in Canada that is a member of the Corporation, or its designated representative irrespective of nationality; or (c) a person who is a Canadian citizen residing in Canada and is a member of the Corporation.

When the Corporation receives recognition from appropriate governmental authorities in Mexico as the electric reliability organization, this provision will be expanded to provide for adequate representation of Mexican interests on the Member Representatives Committee.

Section 5 — Officers of the Member Representatives Committee — At the initial meeting of the Member Representatives Committee, and annually thereafter prior to the annual election of representatives to the Member Representatives Committee, the Member Representatives Committee shall select a chairman and vice chairman from among its voting members by majority vote of the members of the Member Representatives Committee to serve as chairman and vice chairman of the Member Representatives Committee during the upcoming year; provided, that the incumbent chairman and vice chairman shall not vote or otherwise participate in the selection of the incoming chairman and vice-chairman. The newly selected chairman and vice chairman shall not have been representatives of the same sector. Selection of the chairman and vice chairman shall not be subject to approval of the board. 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 Member Representatives Committee and shall thereafter be responsible for acting in the best interests of the members as a whole.

Section 6 — Vacancies on the Member Representatives Committee — In the event that any member of the Member Representatives Committee ceases to serve as a member of the Member Representatives Committee as a result of his or her death, resignation, retirement,

disqualification, or removal or other cause, the members in the sector of which such member was a representative shall elect, as soon thereafter as reasonably possible, and in accordance with the procedures in Sections 3 and 4 of this Article VIII, a new member to replace the member of the Member Representatives Committee who ceases to serve. Except with regard to the selection of the chairman and vice chairman at the initial meeting of the Member Representatives Committee, the vacancies in the sector representatives created by the selection of the chair and vice chair pursuant to Section 5 of this Article VIII shall be filled at the annual election of representatives to the Member Representatives Committee that is next held following the election of the chairman and vice chairman. In the case of the selection of the chairman and vice chairman at the initial meeting of the Member Representatives Committee, the sector representative vacancies created thereby shall be filled as soon thereafter as reasonably possible in accordance with the procedures in Section 3 of this Article VIII for sector representative vacancies.

Section 7 — Annual Meeting of the Member Representatives Committee — An annual meeting of the Member Representatives Committee for the election of independent trustees and to conduct such other business as may come before the meeting shall be held on or about February 1 of each year or as soon thereafter as is reasonably possible. By resolution adopted at any meeting of the Member Representatives Committee, the Member Representatives Committee may provide for additional regular meetings that may be held without further notice to the members of the Member Representatives Committee.

Section 8 — Special Meetings of the Member Representatives Committee — Special meetings of the Member Representatives Committee for any purpose or purposes may be called by the chair of the Member Representatives Committee or by any five (5) members of the Member Representatives Committee, which number shall include representatives from at least three sectors, and require notice given to all members of the Member Representatives Committee not less than seven (7) days prior to the date of the meeting. Such notice shall specify the time, date, place, and purpose or purposes of the meeting and may be given by telephone, telegraph, or other electronic media, or by express delivery.

Section 9 — Quorums and Voting for Meetings of the Member Representatives Committee — The quorum necessary for the transaction of business at meetings of the Member Representatives Committee shall be two-thirds of the voting members of the Member Representatives Committee attending the meeting in person or by proxy. A member of the Member Representatives Committee may give a proxy only to a person who is a member, or an officer, executive-level employee, agent or representative of a member, registered in the same sector. Each voting member of the Member Representatives Committee shall have one (1) vote on any matter coming before the Member Representatives Committee that requires a vote. Except as otherwise expressly provided in the Corporation's Certificate of Incorporation, these Bylaws or applicable law, actions by members of the Member Representatives Committee shall be approved upon receipt of the affirmative vote of a majority of the voting members of the Member Representatives Committee present and voting, in person or by proxy, at any meeting at which a quorum is present.

Section 10 — Meetings of the Member Representatives Committee to be Open — Notice

to the public of the dates, places, and times of meetings of the Member Representatives Committee, and all nonconfidential material provided to the Member Representatives Committee, shall be posted on the Corporation's Web site, and notice of meetings of the Member Representatives Committee shall be sent electronically to all members of the Corporation, within 24 hours of the time that notice or such material is given to the Member Representatives Committee. Meetings of the Member Representatives Committee shall be open to the public, subject to reasonable limitations due to the availability and size of meeting facilities; provided, that the Member Representatives Committee may meet in or adjourn to closed session to discuss matters of a confidential nature, including but not limited to personnel matters, compliance and enforcement matters, litigation, or commercially sensitive or critical infrastructure information of any entity. Any or all members of, and any other participants in, the Member Representatives Committee may participate in a meeting of the Member Representatives Committee by a means of a communications system by which all persons participating in the meeting are able to hear each other.

Section 11 — Waivers of Notice of Meetings of the Member Representatives Committee; and Meeting Adjournments — Notice of a meeting of the Member Representatives Committee need not be given to any member of the Member Representatives Committee who signs a waiver of notice, in person or by proxy, whether before or after the meeting, or who attends the meeting without protesting, prior to the conclusion of the meeting, the lack of notice of such meeting. Notice of an adjourned meeting of the Member Representatives Committee need not be given if the time and place to which the meeting is adjourned are announced at the meeting at which the adjournment is taken and if the period of adjournment does not exceed ten (10) days.

Section 12 — Action Without a Meeting of the Member Representatives Committee — Any action required or permitted to be taken at a meeting of the Member Representatives Committee may be taken by the Member Representatives Committee without a meeting if the action is consented to in writing by the number of members of the Member Representatives Committee entitled to vote on the action that would be required to approve the action at a meeting of the Member Representatives Committee with all of its members present. The call for action without a meeting of the Member Representatives Committee may be initiated by the Chair of the Member Representatives Committee or by any five (5) members of the Member Representatives Committee, which number shall include representatives from at least three (3) sectors. Notice of the proposed call for action without a meeting, and all nonconfidential material provided to the Member Representatives Committee in connection with the call for action without a meeting, shall be posted on the Corporation's Web site within 24 hours of the time notice of the call for action without a meeting or such material is provided to the members of the Members Representative Committee. The members of the Member Representatives Committee shall receive written notice of the results, and the results shall be posted on the Corporation's Web site, within seven (7) days of the action vote, and all written responses of voting members of the Member Representatives Committee shall be filed with the minutes of the Corporation.

Section 13 — Other Procedures of the Member Representatives Committee — The chairman of the board in office on November 1, 2006, shall preside at the initial meeting of the Member Representatives Committee, until a chairman is selected in accordance with Section 5 of this Article VIII. Except as to any matter as to which the procedure to be followed by the Member Representatives Committee is expressly set forth in these Bylaws, the Member Representatives Committee may adopt such additional procedures, not inconsistent with these Bylaws, as it deems appropriate.

ARTICLE IX Reliability Standards

Section 1 — Development of Reliability Standards — The Corporation shall develop, implement and, in all regions in which necessary governmental approvals have been obtained or authority has been provided, enforce, reliability standards that provide for reliable operation of the bulk power systems of North America. All reliability standards shall be approved by the board. All reliability standards of the Corporation shall be posted on its Web site. Nothing in this Article shall be deemed to invalidate any standard of the Corporation that was in effect on November 1, 2006.

Section 2 — Procedures for Development of Reliability Standards — The Corporation shall develop reliability standards pursuant to procedures and processes that shall be specified in the Rules of Procedure of the Corporation. The Rules of Procedure shall provide for the development of reliability standards through an open, transparent, and public process that provides for reasonable notice and opportunity for public comment, due process, and balancing of interests and is designed to result in reliability standards that are technically sound. Participation in the process for development of reliability standards shall not be limited to members of the Corporation but rather shall be open to all persons and entities with an interest in the reliable operation of the bulk power system.

Section 3 — Procedures for Determinations of Violations of Reliability Standards and Imposition of Sanctions for Violations — In all regions in which regulatory approval has been obtained or governmental authority has been provided, the Corporation shall consider and make determinations that an owner, operator, or user of the bulk power system has violated a reliability standard, and shall impose sanctions for such violations, pursuant to procedures and processes that shall be specified in the Rules of Procedure of the Corporation. Such procedures and processes shall provide for reasonable notice and opportunity for hearing. Any sanction imposed for a violation of a reliability standard shall bear a reasonable relation to the seriousness of the violation and shall take into consideration efforts of the owner, operator, or user of the bulk power system to remedy the violation in a timely manner. Subject to any necessary action by any applicable governmental authorities, no sanction imposed for a violation of a reliability standard shall take effect until the thirty-first (31) day after the Corporation, where authorized by law or agreement, files with the Commission or other applicable governmental authority notice of the sanction and the record of the proceedings in which the violation and sanction were determined, or such other date as ordered by the Commission or other applicable governmental authority or as prescribed by applicable law.

**ARTICLE X
Agreements with Regional Entities**

Section 1 — Delegation Agreements with Regional Entities — The Corporation may, in accordance with appropriate governmental authority, enter into agreements with regional entities pursuant to which a regional entity shall be delegated the authority of the Corporation to enforce reliability standards within a geographic region of North America and may develop and propose reliability standards to be in effect within such region. All delegation agreements with regional entities shall be approved by the board. No delegation agreement with a regional entity shall be effective with respect to a region until the agreement has received any necessary approval from an applicable governmental authority.

Section 2 — Standards for Delegation Agreements — The Corporation shall be permitted to enter into a delegation agreement with a regional entity only if the board determines that (i) the regional entity has agreed to promote, support, and comply with the purposes and policies of the Corporation as set forth in its Certificate of Incorporation, Bylaws, Rules of Procedure, and Reliability Standards as from time to time adopted, approved, or amended; (ii) the regional entity satisfies the criteria set forth in Sections 39.3(b) and 39.8 of the Commission's regulations, or other criteria specified by applicable governmental authorities, and (iii) the delegation agreement will promote effective and efficient administration of the reliability of the bulk power system.

**ARTICLE XI
Rules of Procedure**

Section 1 — Development of Rules of Procedure — The Corporation shall develop and implement such Rules of Procedure as in the judgment of the board are necessary or appropriate to carry out the purposes of the Corporation and to govern its operations, including without limiting the foregoing, Rules of Procedure relating to (i) registration of owners, operators, and users of the bulk power system; (ii) development of reliability standards; (iii) procedures for standing committees of the Corporation, subgroups of standing committees, and other committees, subcommittees, task forces, and sector-specific forums of the Corporation; (iv) critical infrastructure protection; (v) conduct of readiness evaluations and reliability assessments; (vi) enforcement of compliance with reliability standards and determinations of violations of reliability standards by owners, operators, and users of the bulk power system; (vii) impositions of sanctions for violations of reliability standards; (viii) development, implementation, and administration of delegation agreements with regional entities; (ix) personnel certification; (x) event analysis and information exchange; (xi) real-time monitoring of the bulk power system; and (xii) development and administration of budgets, business plans, and funding mechanisms of the Corporation. All Rules of Procedure of the Corporation shall be posted on its Web site.

Section 2 — Adoption, Amendment, and Repeal of Rules of Procedure — Except as provided in Section 2 of Article XII, all Rules of Procedure, amendments thereto and repeals thereof shall be approved by the board. Proposals to adopt new Rules of Procedure or to

amend or repeal existing Rules of Procedure may be submitted by (i) the Member Representatives Committee, (ii) any fifty (50) members of the Corporation, which number shall include members in at least three sectors, (iii) a committee of the Corporation to whose purpose and functions the Rule of Procedure pertains, or (iv) an officer of the Corporation. Unless the board determines that exigent conditions exist requiring adoption of a new Rule of Procedure or amendment or repeal of an existing Rule of Procedure in a shorter time, all proposals for adoption, amendment and repeal of Rules of Procedure shall be posted on the Corporation's Web site and subject to public comment for a minimum of forty-five (45) days prior to action by the board. All Rules of Procedure and amendments to and repeals of Rules of Procedure approved by the board shall be submitted to the Commission and to other applicable governmental authorities for approval, and shall not be effective in the United States until approved by the Commission or in Canada or Mexico until approval is obtained from any governmental authority from which approval is required in those countries and subject to any conditions, limitations, or modifications required by the Commission or other governmental authority. Nothing in this Article shall be deemed to invalidate any Rule of Procedure of the Corporation that was in effect on November 1, 2006.

ARTICLE XII

Personnel Certification Governance Committee

Section 1 — Personnel Certification Governance Committee — There shall be a Personnel Certification Governance Committee of the Corporation, which shall be a standing committee of the Corporation. The purpose of the Personnel Certification Governance Committee shall be to provide oversight to the policies and processes used to implement and maintain the integrity and independence of the Corporation's System Operator Certification Program. The governance authority and structure of the Personnel Certification Governance Committee shall be implemented and maintained so that policies and procedures are established to protect against undue influence that could compromise the integrity of the System Operator Certification process.

Section 2 — Appointment and Reporting of the Personnel Certification Governance Committee — The members of the Personnel Certification Governance Committee shall be appointed by the board from candidates selected and presented by a nominating task force in accordance with Rules of Procedure for the Personnel Certification Governance Committee. Nominations and appointments shall take into account the need to include representatives of all geographic regions of North America on the Personnel Certification Governance Committee. The Personnel Certification Governance Committee shall report directly to the board and the president of the Corporation regarding governance and administration of the System Operator Certification Program; provided, however, that the Personnel Certification Governance Committee shall have autonomy in developing and implementing system operator certification eligibility requirements, the development, administration, and scoring of the system operator assessment instruments, and operational processes for the System Operator Certification Program. The Personnel Certification Governance Committee shall provide to the board periodic assessments, no less frequently than every two (2) years, of the effectiveness of the System Operator Certification Program.

Section 3 — Administration of the Personnel Certification Governance Committee — In order to maintain the independence of the Personnel Certification Governance Committee, staff of the Corporation shall administer the System Operator Certification program on behalf of the Personnel Certification Governance Committee on a fee for service basis.

ARTICLE XIII Budgets and Funding

Section 1 — Compensation of the Board and Member Representatives Committee — The board shall have the right to fix from time to time, by resolution adopted by a majority of the independent trustees then serving as trustees, the amount of the annual retainer fee or other compensation to be paid to the independent trustees for their services to the Corporation, including any fees to be paid for each meeting of the board or any board committee attended by an independent trustee. No compensation shall be paid to the management trustee for his or her services on the board, other than the compensation paid to the management trustee for services as president of the Corporation. No compensation shall be paid by the Corporation to the members of the Member Representatives Committee for their services on the Member Representatives Committee.

Section 2 — Preparation and Adoption of Annual Budget, Business Plan, and Funding Mechanism — The board shall prepare or cause to be prepared an annual budget for the administrative and other expenses of the Corporation, including the expenditures for the fiscal year for any material special projects undertaken by the Corporation and reasonable and proper reserves and provisions for contingencies, an accompanying business plan for the Corporation, and a funding mechanism, for each fiscal year. The annual budget, business plan, and funding mechanism of the Corporation shall be for a fiscal year commencing on January 1 and ending on December 31. Each annual budget, business plan, and funding mechanism (including the annual budget, annual business plan, and annual funding mechanism for each regional entity) shall be approved by the board at a regular meeting or a special meeting of the board duly called for that purpose. The board shall approve each annual budget, business plan, and funding mechanism at least 135 days before the start of the fiscal year in order to allow for timely submittal of the approved annual budget, business plan, and funding mechanism to the applicable governmental authorities.

Section 3 — Criteria for Funding Mechanisms — The annual funding mechanism shall be designed to recover, over the course of the fiscal year, the sum of (i) the annual budget, (ii) less revenues projected to be received by the Corporation from other sources such as sales of services and materials and registration, application and certification fees for programs conducted or administered by the Corporation, and (iii) plus or minus the estimated deficiency or excess of the Corporation's revenues compared to its expenditures for the current fiscal year. The annual funding mechanism shall consist of such assessments as determined by the board that result in an equitable allocation of the Corporation's funding requirement among end users of the North American electric utility system as established in the Corporation's Rules of Procedure.

Section 4 — Consultation in Preparation of Annual Budget, Business Plan, and Funding

Mechanism — In preparing the annual budget, business plan, and funding mechanism, the board shall consult with the members of the Member Representatives Committee, and shall post a draft budget and business plan for review and comment by the members of the Corporation and the Member Representatives Committee and the standing committees of the Corporation for at least thirty (30) days prior to the date of the meeting of the board at which the annual budget, business plan, and funding mechanism are to be adopted.

Section 5 — Modified or Supplemental Funding Mechanisms — During the course of a fiscal year, the board may modify the approved funding mechanism or develop and approve a supplemental funding mechanism if determined by the board to be necessary due to such factors as a shortfall in revenues of the Corporation from projected levels, incurred or anticipated expenditures or new projects not provided for in the annual budget, or such other factors as in the judgment of the board warrant modification of the funding mechanism for the fiscal year or development of a supplemental funding mechanism. In preparing a modified or supplemental funding mechanism, the board shall follow the provisions of Section 4 of this Article XIII to the extent possible in the judgment of the board in light of the exigency of the circumstances necessitating preparation and approval of the modified or supplemental funding mechanism. Each modified or supplemental funding mechanism shall be approved by the board at a regular meeting or a special meeting of the board duly called for that purpose.

Section 6 — Submission of Annual Budgets, Business Plans, and Funding Mechanisms to the Governmental Authorities — Each annual budget, annual business plan, and annual, modified, or supplemental funding mechanism approved by the board (including the annual budget, annual business plan, and annual, modified, or supplemental funding mechanism for each regional entity) shall be submitted by the Corporation to the applicable governmental authorities for approval in accordance with its regulations, except as otherwise provided by applicable law or by agreement, and shall not be effective until it has received any necessary approval by the applicable governmental authorities. If a governmental authority by order modifies or remands an annual budget, business plan, or annual, modified, or supplemental funding mechanism, the board shall promptly following such order adopt such modifications to the budget, business plan, or funding mechanism as are required or directed by the order of the governmental authority.

ARTICLE XIV Amendments to the Bylaws

Section 1 — Amendments to the Bylaws — These Bylaws may be altered, amended, or repealed by a majority vote of both the board and the Member Representatives Committee at respective meetings of the board and the Members Representative Committee at which a quorum is present. Written notice of the subject matter of the proposed changes to the Bylaws shall be provided, as appropriate, to the trustees or to the Member Representatives Committee not less than ten (10) nor more than sixty (60) days prior to the date of the meeting of the board or of the Member Representatives Committee at which the vote is to be taken. Notwithstanding the provisions of this Article XIV, the members of the Corporation voting by sector shall have the right to alter, amend, or repeal Bylaws adopted by the board

and the Member Representatives Committee and to adopt new Bylaws, provided that any such alteration, amendment, or repeal or the adoption of new Bylaws is approved by vote of two-thirds of the sectors at a meeting of Members called for that purpose, or by written consent of two-thirds of the sectors, where the number of votes for and against the proposed alteration, amendment, repeal, or adoption of Bylaws shall be determined in accordance with Section 2 of Article IV. Any alteration, amendment, repeal, or adoption of Bylaws shall be subject to any applicable requirements for filing with or approval by the Commission and any other applicable governmental authority.

ARTICLE XV General

Section 1 — Indemnification — The Corporation shall indemnify its officers, trustees and other corporate agents to the full extent from time to time permitted by the New Jersey Nonprofit Corporation Act and other applicable law. Such right of indemnification shall inure to the benefit of the legal representative of any such person. The foregoing indemnification shall be in addition to, and not in restriction or limitation of, any privilege or power that the Corporation may have with respect to the indemnification or reimbursement of its trustees, officers, or other corporate agents. The Corporation shall also pay or advance expenses incurred by an officer, trustee, or other corporate agent in connection with a proceeding in advance of the final disposition of the proceeding upon receipt of an undertaking by or on behalf of the officer, trustee, or other corporate agent to repay the amount unless it shall be ultimately determined that the officer, trustee, or other corporate agent is entitled to be indemnified by the Corporation.

Section 2 — Parliamentary Rules — In the absence of and to the extent not inconsistent with specific provisions in these Bylaws, meetings or other actions pursuant to these Bylaws shall be governed by procedures that the board may, from time to time, establish by resolution.

Section 3 — Dissolution — Upon dissolution of the Corporation, in accordance with paragraph TENTH of the Certificate of Incorporation, the remaining assets of the Corporation after payment of debts shall be distributed in the manner determined by the board, provided, (i) that no part of the assets shall be distributed to any trustee of the Corporation, and (ii) that the distribution of assets shall be consistent with the requirements of Section 501(c)(6) of the United States Internal Revenue Code of 1986, as amended.

ATTACHMENT 2

REDLINED VERSION OF NERC BYLAWS

MARKED TO SHOW PROPOSED AMENDMENTS

BYLAWS
OF THE
NORTH AMERICAN ELECTRIC RELIABILITY CORPORATION

ARTICLE I
Definitions

Section 1 — Definitions — As used in these Bylaws of the North American Electric Reliability Corporation (hereinafter referred to as “the Corporation”), the terms set forth in this Article I shall have the meanings set forth herein.

“Applicable governmental authority” means the Federal Energy Regulatory Commission within the United States and the appropriate governmental authority with subject matter jurisdiction over reliability within Canada and Mexico.

“Board” means the Board of Trustees of the Corporation.

“Bulk power system” means facilities and control systems necessary for operating an interconnected electric energy transmission network (or any portion thereof) and electric energy from generation facilities needed to maintain transmission system reliability. The term does not include facilities used in the local distribution of electric energy.

“Commission” means the Federal Energy Regulatory Commission.

“Electric reliability organization” or “ERO” means the organization that is certified by the Commission under Section 39.3 of its regulations, the purpose of which is to establish and enforce Reliability Standards for the bulk power system in the United States. The organization may also have received recognition by applicable governmental authorities in Canada and Mexico to establish and enforce reliability standards for the bulk power systems of the respective countries.

“Member” means a member of the Corporation pursuant to Article II of these Bylaws.

“Net Energy for Load (NEL)” means net generation of an electric system plus energy received from others less energy delivered to others through interchange. It includes system losses, but excludes energy required for storage of energy at energy storage facilities. Calculations of net energy for load for all purposes under these Bylaws shall be based on the most recent calendar year for which data on net energy for load of applicable regions of the United States, Canada, and Mexico is available.

“Regional entity” means an entity having enforcement authority pursuant to 18 C.F.R. § 39.8.

~~“Regional reliability organization” means each of the following organizations or any successor organizations: Electric Reliability Council of Texas, Florida Reliability Coordinating Council, Midwest Reliability Organization, Northeast Power Coordinating Council, ReliabilityFirst Corporation, SERC Reliability Corporation, Southwest Power Pool, and Western Electricity Coordinating Council.~~

“Reliability standard” means a requirement to provide for reliable operation of the bulk power system, including without limiting the foregoing requirements for the operation of existing bulk power system facilities, including cybersecurity protection, and the design of planned additions or modifications to such facilities to the extent necessary for reliable operation of the bulk power system, but shall not include any requirement to enlarge bulk power system facilities or to construct new transmission capacity or generation capacity.

“Reliable operation” means operating the elements of the bulk power system within equipment and electric system thermal, voltage, and stability limits so that instability, uncontrolled separation, or cascading failures of the bulk power system will not occur as a result of a sudden disturbance, including a cybersecurity incident, or unanticipated failure of system elements.

“Sector” means a group of members of the Corporation that are bulk power system owners, operators, or users or other persons and entities with substantially similar interests, including governmental entities, as pertinent to the purposes and operations of the Corporation and the operation of the bulk power system, as defined in Article II, Section 4 of these Bylaws. Each sector shall constitute a class of members for purposes of the New Jersey Nonprofit Corporation Act.

Section 2 — Additional Defined Terms — Additional terms not defined in this Article I are defined in the remainder of these Bylaws.

Section 3 — Technical Terms — Technical terms not defined in these Bylaws shall have the definitions set forth in the Federal Power Act, Part 39 of the regulations of the Commission, or the “Glossary of Terms Used in Reliability Standards”, in that order of precedence, and if not defined in any of those sources, shall be defined in accordance with their commonly understood and used technical meaning in the electric power industry, including applicable codes and standards.

ARTICLE II

Membership

Section 1 — Members — Membership in the Corporation is voluntary and is open to any person or entity that has an interest in the reliable operation of the North American bulk power system and that registers with the Corporation as a member, maintains its registration

in accordance with this Article II, and complies with the other conditions and obligations of membership specified in these Bylaws. Membership in a ~~regional reliability organization or~~ regional entity shall not be a condition for membership in the Corporation. The secretary of the Corporation shall maintain a roster of the members of the Corporation.

Section 2 — Registration as a Member — Any person or entity that is eligible to be a member of the Corporation in accordance with Article II, Section 1 may become a member by completing, and submitting to the secretary of the Corporation, a membership registration on a form prescribed by the board. If not a natural person, the member shall designate a representative and an alternative representative with authority to receive notices, cast votes, and execute waivers and consents on behalf of the member. The secretary of the Corporation shall maintain a current roster of the members of the Corporation including each member's designated representative and alternative representative. From time to time, the board shall establish a date by which members shall submit their registration renewals. All members shall be required to renew their registrations within 30 calendar days of a request by the secretary of the Corporation, using a registration renewal form prescribed by the board. The secretary of the Corporation shall remove from the roster of members of the Corporation any member that has not submitted a registration renewal within 30 days following a date established by the board. The secretary shall notify any member that is removed from the roster of members of such removal, by notice sent to such former member's last known address on the records of the Corporation.

Section 3 — Obligations and Conditions of Membership

- a. Each member shall agree, in writing, to accept the responsibility to promote, support, and comply with the purposes and policies of the Corporation as set forth in its Certificate of Incorporation, Bylaws, Rules of Procedure, and Reliability Standards as from time to time adopted, approved, or amended.
- b. As an additional condition of membership in the Corporation, each person or entity registering as a member shall be required to execute an agreement with the Corporation, in a form to be specified by the board, that such person or entity will hold all trustees, officers, employees, and agents of the Corporation, as well as volunteers participating in good faith in the activities of the Corporation, harmless, to the extent permitted by Federal or provincial laws, regulations and rules, for any injury or damage to that member caused by any act or omission of any trustee, officer, employee, agent, or volunteer in the course of performance of his or her duties on behalf of the Corporation, other than for acts of gross negligence, intentional misconduct, or a breach of confidentiality.

Section 4 — Membership Sectors

- a. Each member shall elect to be assigned to one of the following membership sectors:
 - (i) investor-owned utility; (ii) state/municipal utility; (iii) cooperative utility; (iv) federal or provincial utility/power marketing administration; (v) transmission-dependent utility; (vi) merchant electricity generator; (vii) electricity marketer; (viii)

large end-use electricity customer; (ix) small end-use electricity customer; (x) independent system operator/regional transmission organization; (xi) ~~regional reliability organization~~/regional entity; or (xii) government representatives. The composition of each sector shall be as follows:

- i. Investor-owned utility — This sector includes any investor-owned entity with a 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.
- ii. 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.
- iii. 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.
- iv. 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.
- v. 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.
- vi. 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 nonutility electricity

producers such as exempt wholesale generators who sell electricity at wholesale. This sector also includes organizations that represent the interests of such entities.

- vii. 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.
- viii. 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.
- ix. 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.
- x. 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.
- xi. Regional ~~reliability organization/regional~~ entity — This sector includes any ~~regional reliability organization or~~ regional entity as defined in Article I, Section 1.
- xii. 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.

- b. A member may elect to be assigned to any sector so long as membership in that sector is consistent with the member's business or other activities. A corporation and its affiliates shall be considered a single member and may register in only one sector, which may be any single sector for which the corporation or any of its affiliates is eligible. A consultant, attorney, agent, vendor, trade or industry association, state, provincial or local consumer advocate organization that provides services to or otherwise represents the interests of the members of one or more sectors may elect to be assigned to one such sector.

Section 5 — Term of Membership — Membership in the Corporation shall be retained as long as a member meets its respective qualifications, obligations, and conditions of membership as set forth in this Article II.

Section 6 — Removal — In addition to termination of membership in accordance with Article II, Section 2, the board, following notice to the member and exercise of appropriate due process procedures, may terminate the membership of a member if in the judgment of the board that member has violated its obligations and responsibilities to the Corporation. This termination shall require a two-thirds vote of the trustees present and voting at a meeting of the board at which a quorum of the board entitled to vote is present. Within thirty (30) days following the action of the board terminating the membership of a member, the member shall be entitled to appeal such termination to the Commission or to the applicable governmental authority in Canada or Mexico.

ARTICLE III **Board of Trustees**

Section 1 — Board of Trustees — The business and affairs of the Corporation shall be managed by a Board of Trustees. The board shall consist of eleven members (the "trustees"). Ten (10) of the trustees shall be "independent" trustees nominated and elected in accordance with the requirements and procedures specified in Sections 2, 3, 4, and 5 of this Article III (the "independent trustees"). The remaining trustee shall be the person elected by the board, in accordance with Article VI, Section 1, of these Bylaws, to serve as president of the Corporation (the "management trustee"). Each trustee, including the management trustee, shall have one (1) vote on any matter brought before the board for a vote. All trustees are expected to serve the public interest and to represent the reliability concerns of the entire North American bulk power system.

Section 2 — Composition of Board Based on Country Participation

- a. The board shall consist of a number of trustees from the United States and from Canada. The number of trustees from Canada shall not be less than the percentage of the NEL of Canada to the total NEL of the United States and Canada, times eleven, rounded up to the nearest whole number. For purposes of this board composition requirement, the management trustee shall be counted as a trustee from Canada if he or she is a Canadian citizen.

- b. When the Corporation receives recognition by appropriate regulatory authorities in Mexico as its electric reliability organization, the number of independent trustees will be increased by at least one, and the board composition requirement in subsection (a) will be expanded to include Mexico.

Section 3 — Independent Board Members — The independent trustees shall be elected, shall have the qualifications specified, and shall serve in the manner provided in this section.

- a. An independent trustee is a person (i) who is not an officer or employee of the Corporation, a member or an officer, director, or employee of a member of the Corporation, or an officer, director, or employee of any entity that would reasonably be perceived as having a direct financial interest in the outcome of board decisions and (ii) who does not have any other relationship that would interfere with the exercise of independent judgment in carrying out the responsibilities of a trustee. Provided, that upon initial election to the board, an independent trustee shall within ten (10) days terminate any employee, officer, or director position that conflicts with this subparagraph and shall within sixty (60) days terminate any financial interest or other relationship that conflicts with this subparagraph, and prior to such termination shall not participate in discussion of or voting on any matter involving the entity of which the trustee is an employee, officer or director or in which the trustee has the financial interest or other relationship giving rise to the conflict.
- b. Independent trustees shall be elected to terms expiring at the annual election of independent trustees occurring in the third year after their election. As of the original effective date of these Bylaws, the independent trustees of the Corporation and the date the term of each independent trustee expires ~~wereare~~ as follows:

<u>Name</u>	<u>Term Expires</u>
John Q. Anderson	2007
Paul F. Barber	2008
Thomas W. Berry	2007
Richard Drouin	2009
James M. Goodrich	2008
Donald P. Hodel	2008
Sharon L. Nelson	2007
Bruce A. Scherr	2009
Kenneth G. Peterson	2009
Fred Gorbet	2008

- c. Independent trustees shall be nominated and elected pursuant to the nomination and election procedures specified in Sections 4, 5, and 6 of this Article III.

Section 4 — Vacancies on the Board —Should any vacancy on the board arise from the death, resignation, retirement, disqualification, or removal from office of any independent

trustee, or from any other cause, such vacancy shall be filled by electing a trustee at the next annual election of trustees to fill the remainder, if any, of the term of the departed trustee. Provided, that the board by resolution may in its discretion call a special election to fill any such vacancy for the remainder, if any, of the term of the departed trustee. Any vacancy shall be filled so as to maintain the composition of the board in accordance with country participation pursuant to Section 2 of this Article III.

Section 5 — Nominating Committee — The board shall appoint, on an annual basis, or more frequently if needed in the event of a special election pursuant to Article III, Section 4, a nominating committee (the “nominating committee”) to recommend candidates (i) to succeed the independent trustees whose terms expire during the current year and (ii) to serve the remainder of the term of any independent trustee who ceased to serve as a trustee subsequent to the last annual election of trustees. The nominating committee shall consist of those independent trustees whose terms do not expire during the current year and such number of other persons with such qualifications as the board shall specify, provided, that the nominating committee shall be chaired by an independent trustee whose term does not expire during the current year and shall include at least three persons who are also members of the Member Representatives Committee, and provided further, that the nominating committee formed for the purpose of recommending candidates to stand for election as trustees at the election to be held on or about February 1, 2007, pursuant to Article III, Section 6 shall not include any members of the Member Representatives Committee but shall include three persons each of whom at the time of his or her appointment by the chair of the Stakeholders Committee of the North American Electric Reliability Council to the nominating committee shall be a member of that Stakeholders Committee. The board shall establish, by resolution, the procedures to be followed by the nominating committee in identifying and recommending candidates to serve as independent trustees; provided, however, that such procedures shall include a means of permitting members of the Corporation to recommend to the nominating committee candidates for consideration as nominees for independent trustees. The nominating committee shall nominate candidates for election to the board consistent with the requirements of Article III, Section 2 for board composition by country participation, and shall also endeavor to nominate candidates for election to the board consistent with the objectives that the board as an entirety reflects expertise in the areas of technical electric operations and reliability, legal, market, financial, and regulatory matters, and familiarity with regional system operation issues; and reflects geographic diversity.

Section 6 — Election of Independent Trustees — The Member Representatives Committee of the Corporation shall elect the persons (i) to succeed those independent trustees whose terms expire each year and (ii) to serve the remainder of the term of any independent trustee who ceased to serve as a trustee subsequent to the last annual election of independent trustees. The annual election of independent trustees shall be scheduled to be conducted on or about February 1 of each year or as soon thereafter as is reasonably possible. Any special election pursuant to Article III, Section 2 shall be held as expeditiously as possible consistent with the time required for a nominating committee to be appointed and to nominate one or more candidates for the special election. All independent trustees shall be elected from nominees proposed by the nominating committee. A nominee shall be elected an independent trustee if such person receives the affirmative vote of two-thirds of the members of the Member

Representatives Committee. Each nominee receiving the necessary two-thirds vote of the Member Representatives Committee shall take office immediately upon election. In the event that the voting fails to elect a nominee to fill any of the positions of independent trustee to be filled in an annual election of independent trustees, the nominating committee shall as promptly as reasonably possible consider and propose one or more additional nominee or nominees for that position, and a vote by the Member Representatives Committee on the election of such nominee or nominees shall be conducted as quickly as possible. For avoidance of doubt, the independent trustees shall be elected by the Member Representatives Committee in accordance with this Section 6 and shall not be elected by vote of the members of the Corporation.

Section 7 — Management Trustee — The president of the Corporation shall be, ex officio, the management trustee of the Corporation, effective as of the date of his or her election by the board as president of the Corporation in accordance with Article VI, Section 1, of these Bylaws, to serve until such time that he or she ceases to hold the position of president.

Section 8 — Committees of the Board — The board shall by resolution create and appoint all committees of the board as the board deems necessary to perform its responsibilities; provided, that the management trustee shall not be a member of the audit committee or of the human resources committee, if any. All committees of the board shall have such duties as are prescribed by the board. Notice to the public of the dates, places, and times of meetings of board committees, and all nonconfidential material provided to committee members, shall be posted on the Corporation's Web site within 24 hours of the time that notice is given to committee members. Meetings of board committees shall be open to the public, subject to reasonable limitations due to the availability and size of meeting facilities; provided, that the meeting may be held in or adjourn to closed session to discuss matters of a confidential nature, including but not limited to personnel matters, compliance and enforcement matters, litigation, or commercially sensitive or critical infrastructure information of any entity.

ARTICLE IV

Meetings of Members of the Corporation

Section 1 — Meetings of Members — Meetings of members of the Corporation may be called for any purpose or purposes by the chairman of the board or by a number of members constituting at least ten (10) percent of the members on the roster of members maintained by the secretary of the Corporation, which number shall include members in at least three of the sectors. Meetings of members shall be held at the principal office of the Corporation or at such other place fixed by the board as shall be specified in the notice of meeting. Meetings shall be called upon written notice of the time, date, place, and purposes of the meeting given to all members on the roster of members maintained by the secretary of the Corporation not less than ten (10) nor more than sixty days (60) prior to the date of the meeting.

Section 2 — Quorum and Voting Requirements for Meetings of Members — At any meeting of the members of the Corporation, attendance in person or by proxy by one-half of the members in each of at least two-thirds of the sectors on the roster of members maintained by the secretary of the Corporation shall constitute a quorum. Except as otherwise expressly

provided in the Corporation's Certificate of Incorporation, these Bylaws or applicable law, actions by the members of the Corporation shall be approved upon receipt of seven affirmative votes at a meeting of the members of the Corporation at which a quorum is present, where (i) each sector of the Corporation shall have one vote, except that if less than one-half of the members in a sector are present, in person or by proxy, at the meeting, the vote of that sector shall be weighted by a percentage equal to the number of members of the sector present in person or by proxy at the meeting divided by one-half of the members in the sector; (ii) the vote of each sector of the Corporation shall be allocated for and against the proposed action based on the respective percentages of votes cast for and against the proposed action by the members in that sector voting in person or by proxy; and (iii) the proportions of the votes of each sector allocated for and against the proposed action shall be summed to determine the total number of votes for and against the proposed action.

Section 3 — Waivers of Notice of Meetings of Members; and Member Meeting

Adjournments — Notice of a meeting of members need not be given to any member who signs a waiver of notice, in person or by proxy, whether before or after the meeting. The attendance of any member at a meeting, in person or by proxy, without protesting prior to the conclusion of the meeting the lack of notice of such meeting, shall constitute a waiver of notice of the meeting by such member. When any meeting of members is adjourned to another time or place, it shall not be necessary to give notice of the adjourned meeting if the time and place to which the meeting is adjourned are announced at the meeting at which the adjournment is taken, and if at the adjourned meeting only such business is transacted as might have been transacted at the original meeting.

Section 4 — Action Without a Meeting of Members — Any action, required or permitted to be taken at a meeting of members, may be taken without a meeting if the action is consented to in writing by the minimum number of members that would be required to approve the action at a meeting of the members at which all members were present. The call for action without a meeting of members may be initiated by the chairman of the board or by a number of members constituting at least ten (10) percent of the members on the roster of members maintained by the secretary of the Corporation, which number shall include members in at least three of the sectors. Notice of the proposal for action without a meeting shall be provided to all members on the roster of members maintained by the secretary of the Corporation at least ten (10) days prior to the date established for the tabulation of consents. The members shall receive written notice of the results, and the results shall be posted on the Corporation's Web site, within ten (10) days of the action vote, and all written responses of the members shall be filed with the minutes of proceedings of members.

Section 5 — Meetings of the Members to be Open — Notice to the public of the dates, places, and times of meetings of the members, and all nonconfidential material provided to the members, shall be posted on the Corporation's Web site within 24 hours of the time that notice is given to the members. Meetings of the members shall be open to the public, subject to reasonable limitations due to the availability and size of meeting facilities; provided, that the meeting may be held in or adjourn to closed session to discuss matters of a confidential nature, including but not limited to personnel matters, compliance and enforcement matters, litigation, or commercially sensitive or critical infrastructure information of any entity.

**ARTICLE V
Meetings of the Board of Trustees**

Section 1 — Regular Meetings of the Board — A regular meeting of the board for such business as may come before the meeting shall be held on or about February 1 of each year. By resolution adopted at any meeting of the board, the board may provide for additional regular meetings that may be held without further notice to the trustees.

Section 2 — Special Meetings of the Board — Special meetings of the board for any purpose or purposes may be called at any time by the chairman or by any two trustees. Such meetings may be held upon notice given to all trustees not less than five (5) days prior to the date of the meeting. Such notice shall specify the time, date, place, and purpose or purposes of the meeting and may be given by telephone, telegraph, or other electronic media, or by express delivery.

Section 3 — Quorum and Voting Requirements for Meetings of the Board — Unless otherwise expressly provided in the Corporation's Certificate of Incorporation, these Bylaws or applicable law, (i) the quorum necessary for the transaction of business at meetings of the board shall be a majority of the trustees, and (ii) actions by the board shall be approved upon receipt of the affirmative vote of a majority of the trustees present and voting at a meeting at which a quorum is present.

Section 4 — Meetings of the Board to be Open — Notice to the public of the dates, places, and times of meetings of the board, and all nonconfidential material provided to the board, shall be posted on the Corporation's Web site, and notice of meetings of the board shall be sent electronically to members of the Corporation, within 24 hours of the time that notice or such material is given to the trustees. Meetings of the board shall be open to the public, subject to reasonable limitations due to the availability and size of meeting facilities; provided, that the board may meet in or adjourn to closed session to discuss matters of a confidential nature, including but not limited to personnel matters, compliance and enforcement matters, litigation, or commercially sensitive or critical infrastructure information of any entity. Any or all of the trustees, or members of a committee, may participate in a meeting of the board, or a meeting of a committee, by means of a communications system by which all persons participating in the meeting are able to hear each other.

Section 5 — Waivers of Notice of Board Meetings; and Board Meeting Adjournments — Notice of a board meeting need not be given to any trustee who signs a waiver of notice, in person or by proxy, whether before or after the meeting, or who attends the meeting without protesting, prior to the conclusion of the meeting, the lack of notice of such meeting. Notice of an adjourned board meeting need not be given if the time and place to which the meeting is adjourned are announced at the meeting at which the adjournment is taken and if the period of adjournment does not exceed ten (10) days.

Section 6 — Action Without a Meeting — Any action, required or permitted to be taken at a meeting of the board or of any committee thereof, may be taken by the board or by the committee without a meeting if the action is consented to in writing by the number of trustees or members of the committee, as the case may be, entitled to vote on the action that would be required to approve the action at a meeting of the board or committee with all members of the board or committee present. The call for action without a meeting of the board may be initiated by the chairman or by any two trustees. Notice of the proposed call for action without a meeting, and all nonconfidential material provided to the board in connection with the call for action without a meeting, shall be posted on the Corporation's Web site within 24 hours of the time notice of the call for action without a meeting or such material is provided to the board. The call for action without a meeting of a committee of the board may be initiated by the chairman or by any two members of the committee. The trustees or members of the committee shall receive written notice of the results, and unless the action was confidential the results shall be posted on the Corporation's Web site, within seven (7) days of the action vote. All written responses of the trustees shall be filed with the minutes of the Corporation, and all written responses of members of a committee shall be filed with the minutes of such committee.

ARTICLE VI Officers

Section 1 — Officers — At its regular meeting held on or about February 1 of each year in accordance with Section 1 of Article V of these Bylaws, the board shall elect a chairman, a vice chairman, a president, a secretary, a treasurer, an assistant secretary-treasurer, and such other officers of the Corporation (collectively, the "officers") as it shall deem necessary. The chairman and the vice chairman must each be independent trustees prior to their election to such offices. The chairman, vice chairman, and president shall each be nominated and elected by the board. All of the remaining officers shall be appointed or removed by the board based upon the recommendation of the president. The duties and authority of the chairman, the vice chairman, and the president shall be determined from time to time by the board, and the duties and authority of the other officers of the Corporation shall be determined from time to time by the president. Subject to any such determination, the officers shall have the following duties and authority:

- a. The chairman shall preside at all meetings of the members and at all meetings of the board. The chairman, in consultation with the other trustees, shall be responsible for the efficient operation of the board and its committees. The chairman shall be an ex officio member of each committee of the board. The chairman may delegate from time to time any or all of the aforesaid duties and authority to the vice chairman, another trustee, the president, or any other officer.
- b. The vice chairman shall have such duties and possess such other powers as may be delegated to him or her by the chairman. The vice chairman shall act as the chairman at such times as the chairman may request. In the event the chairman is unable to discharge the duties and powers of that office by reason of incapacity and during any vacancies in the office of the chairman, the vice chairman shall act as

chairman until the cessation of such incapacity or the filling of such vacancy.

- c. The president shall be the chief executive officer of the Corporation. He or she shall be responsible for the day-to-day ongoing activities of the Corporation and shall have such other duties as may be delegated or assigned to him or her by the chairman. The president may enter into and execute in the name of the Corporation contracts or other instruments not in the regular course of business that are authorized, either generally or specifically, by the board.
- d. The secretary shall maintain the roster of members of the Corporation; shall cause notices of all meetings to be served as prescribed in these Bylaws; shall keep or cause to be kept the minutes of all meetings of the members and the board; and shall have charge of the seal of the Corporation. The secretary shall perform such other duties and possess such other powers as are incident to his or her office or as shall be assigned to him or her by the president.
- e. The treasurer shall have custody of the funds and securities of the Corporation, and shall keep or cause to be kept regular books of account for the Corporation. The treasurer shall perform such other duties and possess such other powers as are incident to his or her office or as shall be assigned to him or her by the president.
- f. The assistant secretary-treasurer shall have such duties and possess such other powers as may be delegated to him or her by the president.

ARTICLE VII Committees of the Corporation

Section 1 — Committees of the Corporation — In addition to those committees specified by these Bylaws, to which the board shall appoint members in accordance with the requirements of these Bylaws, the board may by resolution create standing committees of the Corporation; and may in addition by resolution appoint such other committees as the board deems necessary to carry out the purposes of the Corporation. The board shall appoint standing committees and other committees of the Corporation that are representative of members, other interested parties and the public, that provide for balanced decision making, and that include persons with outstanding technical knowledge and experience. All appointments of committees of the Corporation shall provide the opportunity for an equitable number of members from the United States and Canada (and from Mexico after the Corporation receives recognition by appropriate governmental authorities in Mexico as its electric reliability organization) to be appointed to each committee in approximate proportion to each country's percentage of the total NEL. All committees shall have such scope and duties, not inconsistent with law, as are specified in these Bylaws and the Rules of Procedure of the Corporation or otherwise determined by the board.

ARTICLE VIII Member Representatives Committee

Section 1 — Member Representatives Committee — The Corporation shall have a Member Representatives Committee that shall have the following rights and obligations:

- a. to elect the independent trustees, in accordance with Article III, Section 6;
- b. to vote on amendments to the Bylaws, in accordance with Article XVI; and
- c. to provide 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.

Because it is elected by the members of the Corporation and not appointed by the board, the Member Representatives Committee shall not be a standing committee of the Corporation, but is authorized to provide its advice and recommendations directly to the board.

Section 2 — Composition of the Member Representatives Committee — The Member Representatives Committee shall consist of (i) two representatives from each sector except the government representative sector and the ~~regional reliability organization~~/regional entity sector, (ii) two voting representatives from the ~~regional reliability organization~~/regional entity sector, with the remaining members of that sector being non-voting members of the Member Representatives Committee, (iii) the chairman and vice chairman of the Member Representatives Committee, (iv) any additional Canadian representatives as are selected pursuant to Section 4 of this Article VIII, and (v) the following representatives of the government representatives sector: two representatives of the United States federal government, one representative of the Canadian federal government, two representatives of state governments, and one representative of a provincial government, all of whom shall be nonvoting members of the Member Representatives Committee except the two representatives of state governments. The representatives of each sector shall be members of the Corporation, or officers or executive-level employees, agents or representatives of members of the Corporation, in that sector; provided, that at any time only one officer, employee, agent, or representative of a member in a sector may be a representative from that sector. No member of the board shall be a member of the Member Representatives Committee. The board may by resolution create additional nonvoting positions on the Member Representatives Committee at the written request of any group of members of the Corporation that believes its interests are not adequately represented on the Member Representatives Committee.

In order to provide that the terms of approximately one-half of the members of the Member Representatives Committee expire each year, on the initial Member Representatives Committee one-half of the representatives from each sector shall serve a term expiring at the next annual meeting, and one-half of the representatives from each sector shall serve a term expiring at the second succeeding annual meeting, in each case held pursuant to Section 7 of this Article VIII.

Following the expiration of the terms of the members of the initial Member Representatives Committee as provided above, each member of the Member Representatives Committee shall thereafter serve a term of two years commencing at an annual meeting held pursuant to

Section 7 of this Article VIII and ending at the second succeeding annual meeting. There shall be no limit on the number of terms that a member of the Corporation, or an employee, agent, or representative of a member of the Corporation, may serve on the Member Representatives Committee.

Section 3 — Election of Members of the Member Representatives Committee

- a. Unless a sector adopts an alternative election procedure, the annual election of representatives from each sector to the Member Representatives Committee, and any election to fill a vacancy, shall be conducted in accordance with the following process, which shall be administered by the officers of the Corporation. During the period beginning approximately ninety (90) days and ending approximately thirty (30) days prior to an annual election, or beginning approximately forty-five (45) days and ending approximately fifteen (15) days prior to an election to fill a vacancy, nominations may be submitted for candidates for election to the Member Representatives Committee, provided that for the initial election the period may begin as soon as these bylaws are made effective and may end approximately fifteen (15) days prior to the election. A nominee for election as a sector representative must be a member, or an officer, executive-level employee or agent of a member, in that sector. No more than one nominee who is an officer, executive-level employee or agent of a member or its affiliates may stand for election in any single sector; if more than one officer, employee or agent of a member or its affiliates is nominated for election from a sector, the member shall designate which such nominee shall stand for election. The election of representatives shall be conducted over a period of ten (10) days using an electronic process. Each member in a sector shall have one vote for each representative to be elected from the sector in that election, and may cast no more than one vote for any nominee. The nominee receiving the highest number of votes in each sector shall be elected to the representative position to be filled from that sector; if there is more than one representative position to be filled from a sector, the nominee receiving the second highest number of votes shall also be elected, and so forth. Provided, that to be elected a nominee must receive a number of votes equal to a simple majority of the members in the sector casting votes in the election. If no nominee in a sector receives a simple majority of votes cast in the first ballot, a second ballot shall be conducted which shall be limited to the number of candidates receiving the two (2) highest vote totals on the first ballot (or to the number of candidates receiving the four (4) highest vote totals on the first ballot if two representative positions remain to be filled, and so forth). The nominee or nominees receiving the highest total or totals of votes on the second ballot shall be elected to the representative position or positions remaining to be filled for the sector.

A sector may adopt an alternative procedure to the foregoing to nominate and elect its representatives to the Member Representatives Committee if (i) the alternative procedure is consistent in principle with the procedures specified in the preceding paragraph of this Section 3a, and (ii) the alternative procedure is approved by vote of at least two-thirds of the members in the sector. Any alternative procedure is

subject to review and disapproval by the board.

Section 4 — Adequate Representation of Canadian Interests on the Member

Representatives Committee — In addition to the requirements for composition of the Member Representatives Committee specified in Section 1 of this Article VIII, the Member Representatives Committee shall contain a number of Canadian voting representatives equal to the percentage of the NEL of Canada to the total NEL of the United States and Canada, times the total number of voting members on the Member Representatives Committee, rounded up to the next whole number. If the annual selection of members of the Member Representatives Committee pursuant to Section 3 of this Article VIII does not result in the number of Canadian voting representatives provided for herein on the Member Representatives Committee, then the candidate who received the highest ~~vote total~~[fraction of the sector vote](#) among those candidates who would have qualified as Canadian voting representatives but were not elected to the Member Representatives Committee shall be added to the Member Representatives Committee. Additional Canadian voting representatives shall be added to the Member Representatives Committee through this selection process until the Member Representatives Committee includes a number of Canadian voting representatives equal to the percentage of the NEL of Canada to the total NEL of the United States and Canada, times the total number of voting members on the Member Representatives Committee, rounded up to the next whole number. Provided, that no more than one such additional Canadian voting representative shall be selected from a sector, except that if this limitation precludes the addition of the number of additional Canadian voting representatives required by the previous sentence, then no more than two Canadian voting representatives may be selected from the same sector. Such additional Canadian voting representatives shall be representatives of the sectors in which they stood for election, and shall serve terms expiring at the next annual meeting of the Member Representatives Committee pursuant to Section 7 of this Article VIII. For purposes of this Section 4, “Canadian” means one of the following: (a) a company or association incorporated or organized under the laws of Canada or of a province of Canada that is a member of the Corporation, or its designated representative irrespective of nationality; (b) an agency of a federal, provincial, or local government in Canada that is a member of the Corporation, or its designated representative irrespective of nationality; or (c) a person who is a Canadian citizen residing in Canada and is a member of the Corporation.

When the Corporation receives recognition from appropriate governmental authorities in Mexico as the electric reliability organization, this provision will be expanded to provide for adequate representation of Mexican interests on the Member Representatives Committee.

Section 5 — Officers of the Member Representatives Committee — At the initial meeting of the Member Representatives Committee, and annually thereafter prior to the annual election of representatives to the Member Representatives Committee, the Member Representatives Committee shall select a chairman and vice chairman from among its voting members by majority vote of the members of the Member Representatives Committee to serve as chairman and vice chairman of the Member Representatives Committee during the upcoming year; provided, that the incumbent chairman and vice chairman shall not vote or otherwise participate in the selection of the incoming chairman and vice-chairman. The newly

selected chairman and vice chairman shall not have been representatives of the same sector. Selection of the chairman and vice chairman shall not be subject to approval of the board. 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 Member Representatives Committee and shall thereafter be responsible for acting in the best interests of the members as a whole.

Section 6 — Vacancies on the Member Representatives Committee — In the event that any member of the Member Representatives Committee ceases to serve as a member of the Member Representatives Committee as a result of his or her death, resignation, retirement, disqualification, or removal or other cause, the members in the sector of which such member was a representative shall elect, as soon thereafter as reasonably possible, and in accordance with the procedures in Sections 3 and 4 of this Article VIII, a new member to replace the member of the Member Representatives Committee who ceases to serve. Except with regard to the selection of the chairman and vice chairman at the initial meeting of the Member Representatives Committee, the vacancies in the sector representatives created by the selection of the chair and vice chair pursuant to Section 5 of this Article VIII shall be filled at the annual election of representatives to the Member Representatives Committee that is next held following the election of the chairman and vice chairman. In the case of the selection of the chairman and vice chairman at the initial meeting of the Member Representatives Committee, the sector representative vacancies created thereby shall be filled as soon thereafter as reasonably possible in accordance with the procedures in Section 3 of this Article VIII for sector representative vacancies.

Section 7 — Annual Meeting of the Member Representatives Committee — An annual meeting of the Member Representatives Committee for the election of independent trustees and to conduct such other business as may come before the meeting shall be held on or about February 1 of each year or as soon thereafter as is reasonably possible. By resolution adopted at any meeting of the Member Representatives Committee, the Member Representatives Committee may provide for additional regular meetings that may be held without further notice to the members of the Member Representatives Committee.

Section 8 — Special Meetings of the Member Representatives Committee — Special meetings of the Member Representatives Committee for any purpose or purposes may be called by the chair of the Member Representatives Committee or by any five (5) members of the Member Representatives Committee, which number shall include representatives from at least three sectors, and require notice given to all members of the Member Representatives Committee not less than seven (7) days prior to the date of the meeting. Such notice shall specify the time, date, place, and purpose or purposes of the meeting and may be given by telephone, telegraph, or other electronic media, or by express delivery.

Section 9 — Quorums and Voting for Meetings of the Member Representatives Committee — The quorum necessary for the transaction of business at meetings of the Member Representatives Committee shall be two-thirds of the voting members of the Member Representatives Committee attending the meeting in person or by proxy. A member of the Member Representatives Committee may give a proxy only to a person who is a

member, or an officer, executive-level employee, agent or representative of a member, registered in the same sector. Each voting member of the Member Representatives Committee shall have one (1) vote on any matter coming before the Member Representatives Committee that requires a vote. Except as otherwise expressly provided in the Corporation's Certificate of Incorporation, these Bylaws or applicable law, actions by members of the Member Representatives Committee shall be approved upon receipt of the affirmative vote of a majority of the voting members of the Member Representatives Committee present and voting, in person or by proxy, at any meeting at which a quorum is present.

Section 10 — Meetings of the Member Representatives Committee to be Open — Notice to the public of the dates, places, and times of meetings of the Member Representatives Committee, and all nonconfidential material provided to the Member Representatives Committee, shall be posted on the Corporation's Web site, and notice of meetings of the Member Representatives Committee shall be sent electronically to all members of the Corporation, within 24 hours of the time that notice or such material is given to the Member Representatives Committee. Meetings of the Member Representatives Committee shall be open to the public, subject to reasonable limitations due to the availability and size of meeting facilities; provided, that the Member Representatives Committee may meet in or adjourn to closed session to discuss matters of a confidential nature, including but not limited to personnel matters, compliance and enforcement matters, litigation, or commercially sensitive or critical infrastructure information of any entity. Any or all members of, and any other participants in, the Member Representatives Committee may participate in a meeting of the Member Representatives Committee by a means of a communications system by which all persons participating in the meeting are able to hear each other.

Section 11 — Waivers of Notice of Meetings of the Member Representatives Committee; and Meeting Adjournments — Notice of a meeting of the Member Representatives Committee need not be given to any member of the Member Representatives Committee who signs a waiver of notice, in person or by proxy, whether before or after the meeting, or who attends the meeting without protesting, prior to the conclusion of the meeting, the lack of notice of such meeting. Notice of an adjourned meeting of the Member Representatives Committee need not be given if the time and place to which the meeting is adjourned are announced at the meeting at which the adjournment is taken and if the period of adjournment does not exceed ten (10) days.

Section 12 — Action Without a Meeting of the Member Representatives Committee — Any action required or permitted to be taken at a meeting of the Member Representatives Committee may be taken by the Member Representatives Committee without a meeting if the action is consented to in writing by the number of members of the Member Representatives Committee entitled to vote on the action that would be required to approve the action at a meeting of the Member Representatives Committee with all of its members present. The call for action without a meeting of the Member Representatives Committee may be initiated by the Chair of the Member Representatives Committee or by any five (5) members of the Member Representatives Committee, which number shall include representatives from at least three (3) sectors. Notice of the proposed call for action without a meeting, and all nonconfidential material provided to the Member Representatives Committee in connection

with the call for action without a meeting, shall be posted on the Corporation's Web site within 24 hours of the time notice of the call for action without a meeting or such material is provided to the members of the Members Representative Committee. The members of the Member Representatives Committee shall receive written notice of the results, and the results shall be posted on the Corporation's Web site, within seven (7) days of the action vote, and all written responses of voting members of the Member Representatives Committee shall be filed with the minutes of the Corporation.

Section 13 — Other Procedures of the Member Representatives Committee — The chairman of the board in office on November 1, 2006, shall preside at the initial meeting of the Member Representatives Committee, until a chairman is selected in accordance with Section 5 of this Article VIII. Except as to any matter as to which the procedure to be followed by the Member Representatives Committee is expressly set forth in these Bylaws, the Member Representatives Committee may adopt such additional procedures, not inconsistent with these Bylaws, as it deems appropriate.

ARTICLE IX Reliability Standards

Section 1 — Development of Reliability Standards — The Corporation shall develop, implement and, in all regions in which necessary governmental approvals have been obtained or authority has been provided, enforce, reliability standards that provide for reliable operation of the bulk power systems of North America. All reliability standards shall be approved by the board. All reliability standards of the Corporation shall be posted on its Web site. Nothing in this Article shall be deemed to invalidate any standard of the Corporation that was in effect on November 1, 2006.

Section 2 — Procedures for Development of Reliability Standards — The Corporation shall develop reliability standards pursuant to procedures and processes that shall be specified in the Rules of Procedure of the Corporation. The Rules of Procedure shall provide for the development of reliability standards through an open, transparent, and public process that provides for reasonable notice and opportunity for public comment, due process, and balancing of interests and is designed to result in reliability standards that are technically sound. Participation in the process for development of reliability standards shall not be limited to members of the Corporation but rather shall be open to all persons and entities with an interest in the reliable operation of the bulk power system.

Section 3 — Procedures for Determinations of Violations of Reliability Standards and Imposition of Sanctions for Violations — In all regions in which regulatory approval has been obtained or governmental authority has been provided, the Corporation shall consider and make determinations that an owner, operator, or user of the bulk power system has violated a reliability standard, and shall impose sanctions for such violations, pursuant to procedures and processes that shall be specified in the Rules of Procedure of the Corporation. Such procedures and processes shall provide for reasonable notice and opportunity for hearing. Any sanction imposed for a violation of a reliability standard shall bear a reasonable relation to the seriousness of the violation and shall take into consideration efforts of the

owner, operator, or user of the bulk power system to remedy the violation in a timely manner. Subject to any necessary action by any applicable governmental authorities, no sanction imposed for a violation of a reliability standard shall take effect until the thirty-first (31) day after the Corporation, where authorized by law or agreement, files with the Commission or other applicable governmental authority notice of the sanction and the record of the proceedings in which the violation and sanction were determined, or such other date as ordered by the Commission or other applicable governmental authority or as prescribed by applicable law.

ARTICLE X Agreements with Regional Entities

Section 1 — Delegation Agreements with Regional Entities — The Corporation may, in accordance with appropriate governmental authority, enter into agreements with regional entities pursuant to which a regional entity shall be delegated the authority of the Corporation to enforce reliability standards within a geographic region of North America and may develop and propose reliability standards to be in effect within such region. All delegation agreements with regional entities shall be approved by the board. No delegation agreement with a regional entity shall be effective with respect to a region until the agreement has received any necessary approval from an applicable governmental authority.

Section 2 — Standards for Delegation Agreements — The Corporation shall be permitted to enter into a delegation agreement with a regional entity only if the board determines that (i) the regional entity has agreed to promote, support, and comply with the purposes and policies of the Corporation as set forth in its Certificate of Incorporation, Bylaws, Rules of Procedure, and Reliability Standards as from time to time adopted, approved, or amended; (ii) the regional entity satisfies the criteria set forth in Sections 39.3(b) and 39.8 of the Commission's regulations, or other criteria specified by applicable governmental authorities, and (iii) the delegation agreement will promote effective and efficient administration of the reliability of the bulk power system.

ARTICLE XI Rules of Procedure

Section 1 — Development of Rules of Procedure — The Corporation shall develop and implement such Rules of Procedure as in the judgment of the board are necessary or appropriate to carry out the purposes of the Corporation and to govern its operations, including without limiting the foregoing, Rules of Procedure relating to (i) registration of owners, operators, and users of the bulk power system; (ii) development of reliability standards; (iii) procedures for standing committees of the Corporation, subgroups of standing committees, and other committees, subcommittees, task forces, and sector-specific forums of the Corporation; (iv) critical infrastructure protection; (v) conduct of readiness [audit evaluations](#) and reliability assessments; (vi) enforcement of compliance with reliability standards and determinations of violations of reliability standards by owners, operators, and users of the bulk power system; (vii) impositions of sanctions for violations of reliability standards; (viii) development, implementation, and administration of delegation agreements

with regional entities; (ix) personnel certification; (x) event analysis and information exchange; (xi) real-time monitoring of the bulk power system; and (xii) development and administration of budgets, business plans, and funding mechanisms of the Corporation. All Rules of Procedure of the Corporation shall be posted on its Web site.

Section 2 — Adoption, Amendment, and Repeal of Rules of Procedure — Except as provided in Section 2 of Article XII, all Rules of Procedure, amendments thereto and repeals thereof shall be approved by the board. Proposals to adopt new Rules of Procedure or to amend or repeal existing Rules of Procedure may be submitted by (i) the Member Representatives Committee, (ii) any fifty (50) members of the Corporation, which number shall include members in at least three sectors, (iii) a committee of the Corporation to whose purpose and functions the Rule of Procedure pertains, or (iv) an officer of the Corporation. Unless the board determines that exigent conditions exist requiring adoption of a new Rule of Procedure or amendment or repeal of an existing Rule of Procedure in a shorter time, all proposals for adoption, amendment and repeal of Rules of Procedure shall be posted on the Corporation's Web site and subject to public comment for a minimum of forty-five (45) days prior to action by the board. All Rules of Procedure and amendments to and repeals of Rules of Procedure approved by the board shall be submitted to the Commission and to other applicable governmental authorities for approval, and shall not be effective in the United States until approved by the Commission or in Canada or Mexico until approval is obtained from any governmental authority from which approval is required in those countries and subject to any conditions, limitations, or modifications required by the Commission or other governmental authority. Nothing in this Article shall be deemed to invalidate any Rule of Procedure of the Corporation that was in effect on November 1, 2006.

ARTICLE XII Personnel Certification Governance Committee

Section 1 — Personnel Certification Governance Committee — There shall be a Personnel Certification Governance Committee of the Corporation, which shall be a standing committee of the Corporation. The purpose of the Personnel Certification Governance Committee shall be to provide oversight to the policies and processes used to implement and maintain the integrity and independence of the Corporation's System Operator Certification Program. The governance authority and structure of the Personnel Certification Governance Committee shall be implemented and maintained so that policies and procedures are established to protect against undue influence that could compromise the integrity of the System Operator Certification process.

Section 2 — Appointment and Reporting of the Personnel Certification Governance Committee — The members of the Personnel Certification Governance Committee shall be appointed by the board from candidates selected and presented by a nominating task force in accordance with Rules of Procedure for the Personnel Certification Governance Committee. Nominations and appointments shall take into account the need to include representatives of all geographic regions of North America on the Personnel Certification Governance Committee. The Personnel Certification Governance Committee shall report directly to the board and the president of the Corporation regarding governance and administration of the

System Operator Certification Program; provided, however, that the Personnel Certification Governance Committee shall have autonomy in developing and implementing system operator certification eligibility requirements, the development, administration, and scoring of the system operator assessment instruments, and operational processes for the System Operator Certification Program. The Personnel Certification Governance Committee shall provide to the board periodic assessments, no less frequently than every two (2) years, of the effectiveness of the System Operator Certification Program.

Section 3 — Administration of the Personnel Certification Governance Committee — In order to maintain the independence of the Personnel Certification Governance Committee, staff of the Corporation shall administer the System Operator Certification program on behalf of the Personnel Certification Governance Committee on a fee for service basis.

ARTICLE XIII Budgets and Funding

Section 1 — Compensation of the Board and Member Representatives Committee — The board shall have the right to fix from time to time, by resolution adopted by a majority of the independent trustees then serving as trustees, the amount of the annual retainer fee or other compensation to be paid to the independent trustees for their services to the Corporation, including any fees to be paid for each meeting of the board or any board committee attended by an independent trustee. No compensation shall be paid to the management trustee for his or her services on the board, other than the compensation paid to the management trustee for services as president of the Corporation. No compensation shall be paid by the Corporation to the members of the Member Representatives Committee for their services on the Member Representatives Committee.

Section 2 — Preparation and Adoption of Annual Budget, Business Plan, and Funding Mechanism — The board shall prepare or cause to be prepared an annual budget for the administrative and other expenses of the Corporation, including the expenditures for the fiscal year for any material special projects undertaken by the Corporation and reasonable and proper reserves and provisions for contingencies, an accompanying business plan for the Corporation, and a funding mechanism, for each fiscal year. The annual budget, business plan, and funding mechanism of the Corporation shall be for a fiscal year commencing on January 1 and ending on December 31. Each annual budget, business plan, and funding mechanism (including the annual budget, annual business plan, and annual funding mechanism for each regional entity) shall be approved by the board at a regular meeting or a special meeting of the board duly called for that purpose. The board shall approve each annual budget, business plan, and funding mechanism at least 135 days before the start of the fiscal year in order to allow for timely submittal of the approved annual budget, business plan, and funding mechanism to the applicable governmental authorities.

Section 3 — Criteria for Funding Mechanisms — The annual funding mechanism shall be designed to recover, over the course of the fiscal year, the sum of (i) the annual budget, (ii) less revenues projected to be received by the Corporation from other sources such as sales of services and materials and registration, application and certification fees for programs

conducted or administered by the Corporation, and (iii) plus or minus the estimated deficiency or excess of the Corporation's revenues compared to its expenditures for the current fiscal year. The annual funding mechanism shall consist of such assessments as determined by the board that result in an equitable allocation of the Corporation's funding requirement among end users of the North American electric utility system as established in the Corporation's Rules of Procedure.

Section 4 — Consultation in Preparation of Annual Budget, Business Plan, and Funding Mechanism — In preparing the annual budget, business plan, and funding mechanism, the board shall consult with the members of the Member Representatives Committee, and shall post a draft budget and business plan for review and comment by the members of the Corporation and the Member Representatives Committee and the standing committees of the Corporation for at least thirty (30) days prior to the date of the meeting of the board at which the annual budget, business plan, and funding mechanism are to be adopted.

Section 5 — Modified or Supplemental Funding Mechanisms — During the course of a fiscal year, the board may modify the approved funding mechanism or develop and approve a supplemental funding mechanism if determined by the board to be necessary due to such factors as a shortfall in revenues of the Corporation from projected levels, incurred or anticipated expenditures or new projects not provided for in the annual budget, or such other factors as in the judgment of the board warrant modification of the funding mechanism for the fiscal year or development of a supplemental funding mechanism. In preparing a modified or supplemental funding mechanism, the board shall follow the provisions of Section 4 of this Article XIII to the extent possible in the judgment of the board in light of the exigency of the circumstances necessitating preparation and approval of the modified or supplemental funding mechanism. Each modified or supplemental funding mechanism shall be approved by the board at a regular meeting or a special meeting of the board duly called for that purpose.

Section 6 — Submission of Annual Budgets, Business Plans, and Funding Mechanisms to the Governmental Authorities — Each annual budget, annual business plan, and annual, modified, or supplemental funding mechanism approved by the board (including the annual budget, annual business plan, and annual, modified, or supplemental funding mechanism for each regional entity) shall be submitted by the Corporation to the applicable governmental authorities for approval in accordance with its regulations, except as otherwise provided by applicable law or by agreement, and shall not be effective until it has received any necessary approval by the applicable governmental authorities. If a governmental authority by order modifies or remands an annual budget, business plan, or annual, modified, or supplemental funding mechanism, the board shall promptly following such order adopt such modifications to the budget, business plan, or funding mechanism as are required or directed by the order of the governmental authority.

ARTICLE XIV

Amendments to the Bylaws

Section 1 — Amendments to the Bylaws — These Bylaws may be altered, amended, or

repealed by a majority vote of both the board and the Member Representatives Committee at respective meetings of the board and the Members Representative Committee at which a quorum is present. Written notice of the subject matter of the proposed changes to the Bylaws shall be provided, as appropriate, to the trustees or to the Member Representatives Committee not less than ten (10) nor more than sixty (60) days prior to the date of the meeting of the board or of the Member Representatives Committee at which the vote is to be taken. Notwithstanding the provisions of this Article XIV, the members of the Corporation voting by sector shall have the right to alter, amend, or repeal Bylaws adopted by the board and the Member Representatives Committee and to adopt new Bylaws, provided that any such alteration, amendment, or repeal or the adoption of new Bylaws is approved by vote of two-thirds of the sectors at a meeting of Members called for that purpose, or by written consent of two-thirds of the sectors, where the number of votes for and against the proposed alteration, amendment, repeal, or adoption of Bylaws shall be determined in accordance with Section 2 of Article IV. Any alteration, amendment, repeal, or adoption of Bylaws shall be subject to any applicable requirements for filing with or approval by the Commission and any other applicable governmental authority.

ARTICLE XV General

Section 1 — Indemnification — The Corporation shall indemnify its officers, trustees and other corporate agents to the full extent from time to time permitted by the New Jersey Nonprofit Corporation Act and other applicable law. Such right of indemnification shall inure to the benefit of the legal representative of any such person. The foregoing indemnification shall be in addition to, and not in restriction or limitation of, any privilege or power that the Corporation may have with respect to the indemnification or reimbursement of its trustees, officers, or other corporate agents. The Corporation shall also pay or advance expenses incurred by an officer, trustee, or other corporate agent in connection with a proceeding in advance of the final disposition of the proceeding upon receipt of an undertaking by or on behalf of the officer, trustee, or other corporate agent to repay the amount unless it shall be ultimately determined that the officer, trustee, or other corporate agent is entitled to be indemnified by the Corporation.

Section 2 — Parliamentary Rules — In the absence of and to the extent not inconsistent with specific provisions in these Bylaws, meetings or other actions pursuant to these Bylaws shall be governed by procedures that the board may, from time to time, establish by resolution.

Section 3 — Dissolution — Upon dissolution of the Corporation, in accordance with paragraph TENTH of the Certificate of Incorporation, the remaining assets of the Corporation after payment of debts shall be distributed in the manner determined by the board, provided, (i) that no part of the assets shall be distributed to any trustee of the Corporation, and (ii) that the distribution of assets shall be consistent with the requirements of Section 501(c)(6) of the United States Internal Revenue Code of 1986, as amended.