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**UNITED STATES OF AMERICA  
BEFORE THE  
FEDERAL ENERGY REGULATORY COMMISSION**

North American Electric Reliability            )  
Corporation    )            **Docket No. XXXX**

**JOINT PETITION OF THE NORTH AMERICAN ELECTRIC RELIABILITY  
CORPORATION, FLORIDA RELIABILITY COORDINATING COUNCIL, INC., AND  
SERC RELIABILITY CORPORATION FOR APPROVALS IN CONNECTION WITH  
THE DISSOLUTION OF THE FLORIDA RELIABILITY COORDINATING COUNCIL,  
INC. REGIONAL ENTITY**

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**February 27, 2019**

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## **ATTACHMENTS**

- Attachment 1** Termination Agreement for the Amended and Restated Delegation Agreement between the North American Electric Reliability Corporation and Florida Reliability Coordinating Council
- Attachment 2** CLEAN – Revised Exhibit A to Regional Delegation Agreement with SERC Reliability Corporation
- Attachment 3** REDLINE – Revised Exhibit A to Regional Delegation Agreement with SERC Reliability Corporation
- Attachment 4** Transfer of Delegated Authority over Florida Reliability Coordinating Council RE Registered Entities to SERC Reliability Corporation
- Attachment 5** CLEAN – Amended SERC Bylaws
- Attachment 6** REDLINE – Amended SERC Bylaws

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**JOINT PETITION OF THE NORTH AMERICAN ELECTRIC RELIABILITY CORPORATION, FLORIDA RELIABILITY COORDINATING COUNCIL, INC., AND SERC RELIABILITY CORPORATION FOR APPROVALS IN CONNECTION WITH THE DISSOLUTION OF THE FLORIDA RELIABILITY COORDINATING COUNCIL, INC. REGIONAL ENTITY**

**I. INTRODUCTION**

Following the mutual decision reached by the North American Electric Reliability Corporation (“NERC”)<sup>1</sup> and Florida Reliability Coordinating Council (“FRCC”) to terminate the Delegated Authority<sup>2</sup> of the FRCC Regional Entity (“FRCC RE”) division of FRCC, NERC, as the Electric Reliability Organization (“ERO”), FRCC, and SERC Reliability Corporation (“SERC”) as the Regional Entity assuming FRCC RE’s Delegated Authority over the registered entities in FRCC RE’s footprint (therefore known as the “Transferee Regional Entity”) (collectively, the “Petitioners”), request that the Federal Energy Regulatory Commission (“FERC” or the “Commission”) approve the following, in accordance with Section 215(e)(4) of the Federal Power Act<sup>3</sup> and Sections 39.8 and 39.10<sup>4</sup> of the Code of Federal Regulations:

- (1) termination of the Amended and Restated Delegation Agreement (“RDA”) between NERC and FRCC pursuant to the terms of a Termination Agreement (**Attachment 1**);
- (2) the transfer of all registered entities in the FRCC RE footprint to SERC by July 1, 2019;

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<sup>1</sup> The Commission certified NERC as the electric reliability organization (“ERO”) in accordance with Section 215 of the FPA on July 20, 2006. *N. Am. Elec. Reliability Corp.*, 116 FERC ¶ 61,062 (2006) (“ERO Certification Order”).

<sup>2</sup> This term is defined in the RDA between NERC and FRCC to include the authority to propose and enforce Reliability Standards and to undertake related activities set forth in the RDA.

<sup>3</sup> 16 U.S.C. § 824o (2012).

<sup>4</sup> 18 C.F.R. §§ 39.8 and 39.10 (2018).

- (3) amendments to Exhibit A<sup>5</sup> to the RDA between NERC and SERC (**Attachments 2 and Attachment 3**) to illustrate the changed geographic footprint of SERC resulting from the transfer of registered entities from FRCC RE to SERC;
- (4) amendments to the SERC Bylaws (**Attachments 5 and Attachment 6**);
- (5) a Special Assessment for FRCC RE to assist with wind down costs;
- (6) the allocation of FRCC RE penalty monies<sup>6</sup> towards wind down costs of FRCC RE;
- (7) the allocation of SERC penalty monies towards costs associated with SERC's assumed Delegated Authority over the transferring registered entities from the FRCC RE footprint;
- (8) the use of FERC-approved 2019 assessment monies to fund costs associated with the wind down of FRCC RE operations and SERC's Delegated Authority over the transferring registered entities from the FRCC RE footprint.

Together, these requests were approved by the NERC Board of Trustees on February 7, 2019, and are referred to herein as the "Proposed Transaction." The Petitioners reserve their right to withdraw from the Proposed Transaction if the Commission does not approve any of the material terms of the Proposed Transaction as outlined herein.

## **II. REQUEST FOR EXPEDITED COMMISSION ACTION AND SHORTENED COMMENT PERIOD**

The Petitioners respectfully request that the Commission consider this Petition on an expedited basis, to allow the issuance of an order in this proceeding by May 1, 2019. The Petitioners also request a shortened comment period of no more than 14 days.

The requested timeline will permit orderly transition of registered entities from FRCC RE to SERC and seamless mid-year seating of former FRCC representatives on the SERC Board Executive Committee ("BEC") and SERC Board. The Commission's order in this proceeding will provide the certainty that is needed for the Petitioners to complete transition activities. To minimize

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<sup>5</sup> No other portion of the NERC-SERC RDA is being amended.

<sup>6</sup> Defined as penalties associated with noncompliance with Reliability Standards by FRCC RE entities that were part of the FRCC RE caseload prior to the date in which entities are transferred to SERC. The definition does not include any noncompliance by FRCC in its capacity as a Reliability Coordinator.

disruption to registered entities in FRCC RE, the Petitioners have engaged in preliminary activities for the transfer of files, documents and other information necessary for SERC’s assumption of Delegated Authority over FRCC RE’s registered entities by July 1, 2019. Expeditious processing will also allow for additional training and outreach to registered entities. The date that the Commission approves the filing will serve as the date upon which the terms of the proposed Termination Agreement become effective (“Effective Date”). An expedited order will enable FRCC to complete its wind down activities and cease to be a Regional Entity on August 31, 2019 (the “Termination Effective Date”).

A shortened comment period is warranted due to extensive coordination with affected registered entities prior to the FRCC Board’s decision to dissolve the FRCC RE division. Over the past twelve months, the Petitioners have sought the input of impacted registered entities. For example, since late 2017, FRCC’s stakeholder board has been examining the issues that led to its decision to seek dissolution of the RE division. In addition, the FRCC Board formed a stakeholder taskforce which met more than 15 times to examine potential impacts of a transition to SERC. This coordination mitigates the need for a longer comment period.

### **III. NOTICES AND COMMUNICATIONS**

Notices and communications with respect to this filing may be addressed to the following:<sup>7</sup>

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<sup>7</sup> \*Persons to be included in Commission’s official service list. The Petitioners respectfully request a waiver of Rule 203 of the Commission’s regulations, 18 C.F.R. § 385.203 (2017), to allow the inclusion of more than two persons on the service list in this proceeding.

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#### IV. TERMINATION OF FRCC RE'S DELEGATED AUTHORITY

FRCC's governance structure includes a NERC Regional Entity division and a Member Services division. On October 30, 2018, after a careful, deliberate review of FRCC's governance structure, FRCC announced its decision to dissolve the FRCC RE division. As part of its review, FRCC examined factors including, but not limited to, maintaining the reliability of the bulk power system ("BPS") in Florida, customer costs, and the extent to which stakeholders would be able to participate in governance of a successor Regional Entity. FRCC undertook its review in response to NERC's determination that NERC Regional Entities should be separate corporate entities from NERC registered entities.

The NERC-FRCC RDA expires on December 31, 2020; however, it permits early termination upon a date that is mutually agreed to by the parties.<sup>8</sup> NERC and FRCC have agreed that, subject to Commission approval of the Proposed Transaction, as outlined herein, and of the terms of the Termination Agreement (**Attachment 1**), and absent any material deviation from the terms of the Proposed Transaction, the RDA should be terminated and FRCC RE should cease to act as a Regional Entity on the Termination Effective Date.<sup>9</sup> As a result of FRCC's decision to seek the dissolution of the FRCC RE division, the Petitioners are working to ensure that FRCC RE's wind-down and transfer of registered entities and Delegated Authority to SERC are performed in a manner that maintains reliability of the BPS and enhances the efficiency of the

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<sup>8</sup> Sections 12(a) and (b) of the RDA.

<sup>9</sup> On October 30, 2018, FRCC's board of directors voted to authorize FRCC's President and Chief Executive Officer to terminate the NERC-FRCC RDA at the appropriate time, so long as all necessary legal and regulatory approvals had been obtained on terms as outlined in this filing and with no material modifications.

ERO Enterprise. Consistent with the RDA,<sup>10</sup> the Termination Agreement sets forth the following NERC and FRCC obligations to support orderly wind-down of FRCC RE's Delegated Authority and transfer of Delegated Authority to SERC.

**a. NERC's Obligations in Connection with the Proposed Transaction**

The proposed Termination Agreement requires NERC to take the following steps outlined in Section 3 of the Termination Agreement to effectuate the dissolution and wind down of FRCC RE:

- (i) identify SERC as the Transferee Regional Entity for all registered entities in the FRCC RE footprint;
- (ii) identify the Load-Serving Entities ("LSEs") associated with each FRCC RE registered entity for statutory assessment purposes and specify that those LSEs shall, as of the Termination Effective Date, be included as LSEs within SERC;
- (iii) assist in the transition of compliance monitoring and enforcement processes to SERC;
- (iv) seek a Special Assessment to assist FRCC RE with wind down costs;
- (v) request approval to deviate from any applicable rules and policies and to apply FRCC RE Penalty monies as follows:
  - a. Penalty monies processed and submitted<sup>11</sup> to NERC between July 1, 2018 and July 1, 2019 to apply towards wind down costs; and
  - b. Penalty monies processed and submitted between July 1, 2019 and December 31, 2019, or not otherwise applied towards wind-down costs, to be reimbursed to FRCC entities on a pro-rata basis;
- (vi) request approval to deviate from any applicable rules and policies to apply SERC penalties towards the increased cost of SERC's assumed Delegated Authority over the transferring FRCC RE registered entities;
- (vii) request approval to apply Commission-approved 2018 and 2019 FRCC and SERC assessments towards costs associated with the Proposed Transaction;
- (viii) coordinate with FRCC to ensure the disconnection of information technology interfaces between NERC and FRCC and its employees and contractors with associated

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<sup>10</sup> Sections 12(c) and (d) of the RDA.

<sup>11</sup> Defined as penalties for FRCC entities billed but not yet collected, penalties for FRCC entities pending FERC approval, and penalties for FRCC entities submitted to NERC and pending NERC Board of Trustees Compliance Committee approval.



Regional Entity responsibilities; and,

- (ix) submit applicable agreements, governance materials, and other corporate documents necessary to effectuate the termination of the RDA to the Commission for approval both prior to and after the Termination Effective Date.

As of the date of this Petition, NERC has completed the first two obligations. The NERC Board of Trustees approved SERC as the transferee Regional Entity on February 7, 2019. NERC has also identified the LSEs in the FRCC RE footprint associated with each registered entity being transferred to SERC. In addition, the Petitioners have initiated efforts to transition CMEP activities from FRCC RE to SERC. These activities and this Petition facilitate completion of NERC's remaining obligations pursuant to the Termination Agreement, subject to a Commission order in this proceeding (*see infra* **Section VII** for details regarding the requested Special Assessment).

**b. FRCC's Obligations in Connection with the Proposed Transaction**

The proposed Termination Agreement imposes several obligations on FRCC to effectuate dissolution of FRCC RE and to support the transfer of Delegated Authority to SERC. In particular, Section 6 of the Termination Agreement states that FRCC must:

- (i) transition relevant files and documents pertaining to FRCC RE's Delegated Authority and delegation-related activities to SERC;
- (ii) submit to NERC detailed descriptions of the reallocation of any Commission-approved 2018 and/or 2019 assessment funds for the wind-down and dissolution of the FRCC RE and the termination and transfer of the FRCC RE Delegated Authority, including completion of the obligations set forth in the Termination Agreement and other revenue sources for the FRCC RE on April 1, 2019 and May 1, 2019;
- (iii) use any Special Assessment authorized by the Commission to pay for wind down costs, including retention agreements for fourteen (14) FRCC RE staff and nine (9) key shared corporate staff upon dissolution of FRCC RE;
- (iv) provide NERC the estimated value of FRCC penalties to be applied towards wind down costs by May 1, 2019;
- (v) submit to NERC unaudited quarterly financial reports for all 2019 quarters leading up

to and including the Termination Effective Date;<sup>12</sup>

- (vi) submit to NERC by April 1, 2020, all audited financial statements of FRCC for 2019;
- (vii) submit to NERC by April 1, 2020, a reconciliation of actual expenses with budgeted expenses for 2019; and,
- (viii) verify the completion of the steps identified in this section of the Termination Agreement through a certification signed by an officer of FRCC no later than one hundred and fifty (150) days following the Termination Effective Date.

As of the date of this Petition, FRCC has initiated the first obligation. FRCC will complete this obligation and the remaining obligations in this section contingent upon the issuance of an order by the Commission approving the Proposed Transaction consistent with the material terms outlined herein.

#### **V. AUTOMATIC TERMINATION OF THE SERC AND FRCC RE COMPLIANCE MONITORING AND ENFORCEMENT AGREEMENT**

In 2010, SERC and FRCC entered into a compliance monitoring and enforcement agreement pursuant to which SERC assumed responsibility as the Compliance Enforcement Authority (“CEA”) for FRCC’s registered functions within the FRCC RE Region (“SERC-FRCC CMEP Agreement”).<sup>13</sup> The SERC-FRCC CMEP Agreement automatically renewed on January 1, 2018. Although the SERC-FRCC CMEP Agreement will become moot on July 1, 2019 if the Commission approves the transfer of all Registered Entities, including FRCC, to SERC, it will automatically terminate at the end of the calendar year that FRCC ceases to be a Regional Entity – December 31, 2019.<sup>14</sup> After dissolution of FRCC RE, FRCC will be registered in SERC along with the remaining entities in the FRCC RE footprint (*see infra Section VI* below for discussion

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<sup>12</sup> NERC will continue to provide the unaudited quarterly financial reports to the Commission and post them on its web site, along with the unaudited quarterly financial reports of NERC and the other Regional Entities, consistent with longstanding practice.

<sup>13</sup> The Commission approved the SERC-FRCC CMEP Agreement in *Order Conditionally Accepting Compliance Monitoring and Enforcement Program Agreements and Revised Delegation Agreements, and Ordering Compliance Filing*, 132 FERC ¶ 61,024 (2010).

<sup>14</sup> Section 5(b) and (c) of the SERC-FRCC CMEP Agreement

of the transfer of registered entities in FRCC RE to SERC). Therefore, SERC will continue to act as the CEA for FRCC following termination of the RDA and SERC-FRCC CMEP Agreement.

## **VI. RATIONALE AND PROCESS FOR TRANSFER OF FRCC RE REGISTERED ENTITIES**

NERC proposes transferring to SERC all 36 FRCC RE registered entities and expanding SERC's boundaries to incorporate such entities (detailed rationale in **Attachment 4**). Although the NERC ROP does not contain specific criteria for the transfer of multiple registered entities to one or more Regional Entities upon a Regional Entity dissolution, NERC was informed by the following criteria in Section 1208 of the NERC ROP:

- (i) the location of the registered entity's BPS facilities in relation to the geographic and electrical boundaries of SERC;
- (ii) the impact of the proposed transfer on other BPS owners, operators, and users, including affected Reliability Coordinators ("RCs"), Balancing Authorities ("BAs"), and Transmission Operators ("TOPs"), as appropriate;
- (iii) the impact of the proposed transfer on the current and future staffing, resources, budgets and assessments to other LSEs of SERC;
- (iv) the sufficiency of SERC's staffing and resources to perform compliance monitoring and enforcement activities with respect to the registered entities being transferred; and
- (v) the registered entities' compliance history with FRCC RE, and the manner in which pending compliance monitoring and enforcement matters concerning the registered entities would be transitioned from FRCC RE to SERC.

NERC also applied the Commission's guidance on transfers of registered entities within the ERO Enterprise. The Commission has noted that a Regional Entity's boundary change "should be carefully considered and should serve to improve the effectiveness or efficiency of the Regional Entities and NERC's administration of reliability, and should not merely benefit an individual registered entity."<sup>15</sup> The Commission also stated that NERC may consider whether a transfer will

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<sup>15</sup> *Order Conditionally Approving Revised Pro Forma Delegation Agreement, Revised Delegation Agreements with Regional Entities, Amendments to Rules of Procedure and Certain Regional Entity Bylaws*, 133 FERC ¶ 61,061 (2010) at P 72 ("October 2010 Order"). See also *Order Denying Rehearing*, 134 FERC ¶ 61,179 (2011) at P 15 ("March 2011

improve the registered entity's contribution to BPS reliability.<sup>16</sup> The Commission added that the financial impacts of a transfer are not the determinative factor,<sup>17</sup> and that NERC is responsible for promoting consistent treatment of registered entities between the Regional Entities to “ensure[] that registered entities will have no justification to shop for a favorable Regional Entity ....”<sup>18</sup>

NERC's proposed transfer of the FRCC RE registered entities to SERC is consistent with Section 1208 of the ROP as well as Commission precedent. In particular, NERC identified SERC as the appropriate Transferee Regional Entity based on the following: (i) SERC is the only Regional Entity sharing geographic and electrical boundaries with FRCC RE; (ii) transferring to SERC will have no impact on operations of transferring registered entities; (iii) SERC plans to increase staffing and resources; and (iv) given existing and planned coordination between SERC and FRCC RE, there will be no gaps in oversight of compliance monitoring and enforcement (“CMEP”) activities related to the transferring registered entities. As a result, the effectiveness and efficiency of the ERO Enterprise's administration of reliability would best be served by approval of SERC as Transferee Regional Entity.

## **VII. REQUEST FOR SPECIAL ASSESSMENT AND WAIVER OF NERC RULE OF PROCEDURE 1107**

In Order No. 672, the Commission stated that for “the ERO to request emergency funding,” NERC may request FERC approval for special assessments “[o]n a demonstration of unforeseen and extraordinary circumstances .... Such filing shall include supporting materials to justify the requested funding.” **Exhibit E** of the FRCC RDA similarly states that, “[d]uring the course of the fiscal year, if FRCC determines it does not or will not have sufficient funds to carry out its

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Order”).

<sup>16</sup> March 2011 Order at P 10.

<sup>17</sup> *Id.* at P 8.

<sup>18</sup> *Id.*

delegated functions and related activities, FRCC shall submit to NERC one or more proposed amended or supplemental business plans and budgets and requests for approval.”<sup>19</sup>

The “unforeseen and extraordinary circumstance” warranting this request for a Special Assessment was the October 30, 2018, FRCC Board vote to wind down FRCC RE effective July 1, 2019. This vote accelerated the maturation of FRCC’s obligation to make retention agreement payments to fourteen (14) key FRCC RE staff and nine (9) key shared corporate staff who are instrumental in maintaining FRCC’s execution of its Delegated Authority.

In November 2017, after NERC determined that NERC Regional Entities should be separate corporate entities from NERC registered entities, FRCC RE and corporate employees voiced concerns about their uncertain employment. To reassure staff that FRCC would continue to fulfill its mission to assure reliability, and to retain staff through December 31, 2019, FRCC offered certain employees retention agreements that included a modest retention payment to be paid if they stayed through December 31, 2019.

In February 2018, the FRCC board decided to postpone a determination regarding dissolution of FRCC RE causing FRCC to lose staff. As a result, FRCC offered amended retention agreements guaranteeing employment at least through December 31, 2020, as well as additional completion payments to be paid on or before January 31, 2021. When the FRCC Board approved FRCC’s 2019 budget in June 2018, it had not anticipated that the Regional Entity division would cease to exist in 2019. Rather, FRCC’s Commission-approved 2019 budget only reflected reduced Regional Entity staff and an attrition factor, and assumed only the modest retention payments that FRCC had offered its key RE and corporate employees in November 2017.

Despite these amended retention agreements in February 2018, FRCC continued to receive

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<sup>19</sup> See also Section 1108 of the NERC ROP.

staff resignations. Needing to address the cumulative impact of staff resignations and to ensure FRCC could continue to meet its responsibilities under the RDA, FRCC again amended the retention agreements in June 2018. The second amended retention agreements introduced periodic retention payments earned if an employee remained employed on July 31, 2019 and then again on July 31, 2020. These enhanced retention agreements also offered employees a more significant payment if they remained employed at FRCC until the FRCC Board of Directors made and fully implemented a final decision as to the future of the RE. These retention agreements were unanimously approved by FRCC's full stakeholder board, representing the registered entities that will ultimately pay the expense. These enhanced retention agreements did what they were intended to do, and FRCC has received no additional resignations since implementing the enhanced agreements.

In October 30, 2018, FRCC Board decided to seek dissolution of the FRCC RE by July 1, 2019. As a result of the proposed dissolution in 2019, FRCC faced an accelerated obligation to pay out retention payments in lump sums in 2019. All retention payments under the enhanced agreements will be due and owing to FRCC RE and FRCC corporate staff on August 31, 2019, as opposed to being spread throughout 2019, 2020, and ending in early 2021. These agreements amount to approximately \$3,020,000 of retention and other payroll related costs. Payment of these retention agreements creates a cash flow issue for FRCC in mid-2019 when the first retention payments are owed to staff. Accordingly, FRCC requests that a Special Assessment be approved in the amount up to \$630,000 based on current cash flow projections. The calculation of the Special Assessment amount will take into account all cash flow available to FRCC by August 2019.

NERC also requests the Commission's express approval to deviate from any applicable rules and policies, including Section 1107 of the NERC ROP, as needed, to permit use of penalty

payments for FRCC RE wind down and SERC transition costs, in order to limit the amount of the Special Assessment.

## **VIII. BUDGET, COMPLIANCE AND ENFORCEMENT TRANSFER ANALYSIS**

Apart from the Special Assessment discussed above in **Section VII**, all budgetary and assessment impacts of FRCC RE's dissolution and wind down will be reflected in the customary budget cycle process as follows:

- (1) unaudited quarterly financial statements for all quarters leading up to and including the Termination Effective Date,
- (2) a reconciliation of budgeted to actual expenditures for the 2019 FRCC RE and SERC Commission-approved budgets,<sup>20</sup> and,
- (3) the 2020 Business Plan and Budget for SERC which will be filed by NERC on or around August 24, 2019.

The following sections discuss budgetary impacts of the Proposed Transaction on SERC.

### **a. Budget and Resource Ramifications of the Transfers on SERC**

By assuming Delegated Authority for the registered entities transferring to SERC from FRCC RE, SERC anticipates an increase in costs for 2019 and beyond. NERC requests that SERC apply the FRCC RE third and fourth quarter assessments in 2019 as well as SERC penalty monies towards the costs of assuming FRCC RE's Delegated Authority. If the Commission approves the Special Assessment, NERC requests the Commission's approval for FRCC to transfer to SERC the RE third quarter assessment money by August 31, 2019, and fourth quarter assessment money by October 31, 2019.<sup>21</sup> NERC also requests the Commission's approval to deviate from Section

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<sup>20</sup> Pursuant to the Termination Agreement, NERC will receive from FRCC a true-up of actual and budgeted expenses for 2019 120 days after the Termination Effective Date. NERC will, in the normal course, file with FERC the true-up filings for 2019 for NERC, FRCC RE, and SERC.

<sup>21</sup> This is contingent upon the Commission's approval of the Special Assessment.

1107<sup>22</sup> of the NERC ROP to allow SERC to apply, as needed, penalties received by SERC between July 1, 2018 and December 31, 2019, towards the costs associated with its assumed Delegated Authority over FRCC RE's registered entities.<sup>23</sup> NERC will continue to monitor and evaluate the plans and progress of SERC and FRCC in executing the transitions and wind-down of Regional Entity activities, using approved assessment funding, reserves, and other funding sources

In 2020, SERC will include the impacts of FRCC RE's transferred Delegated Authority in SERC's business plan and budget. For 2019, SERC anticipates approximately \$4.8 million to \$5.2 million in one-time costs to accommodate the transfer of additional registered entities. Annual steady state costs thereafter are anticipated to be in the range of \$4.5 million to \$5.5 million. Additionally, SERC anticipates adding an additional 17 to 21 full-time staff to manage the additional work associated with SERC's assumption of Delegated Authority over the transferring registered entities.

#### **b. Compliance and Enforcement Ramifications of the Transfers**

After reviewing the transition plans and holding discussions with FRCC and SERC, NERC believes that the steps outlined in the Proposed Transaction sufficiently mitigate the risk of material gaps in oversight of compliance monitoring and enforcement activities resulting from the transfers of the FRCC RE registered entities to SERC. Regarding the transfer of the FRCC RE

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<sup>22</sup> NERC Rule of Procedure Section 1107.2 provides the following:

All funds from financial Penalties assessed in the United States received by the entity initiating the compliance monitoring and enforcement process shall be applied as a general offset to the entity's budget requirements for the subsequent fiscal year, if received by July 1, or for the second subsequent fiscal year, if received on or after July 1. Funds from financial Penalties shall not be directly applied to any program maintained by the entity conducting the compliance monitoring and enforcement process. Funds from financial Penalties assessed against a Canadian entity shall be applied as specified by legislation or agreement.

*Emphasis added.*

<sup>23</sup> See NERC Rule of Procedure Section 1107.4.



registered entities' compliance history, SERC and FRCC RE use the same Compliance Issues Tracking System ("CITS") data platform. SERC plans to access FRCC's CITS data of the registered entities. Preliminary activities associated with these transfers are ongoing. The transfer of the compliance history data will assist in a seamless transition for FRCC RE registered entities and provide SERC with registered entity CMEP history needed for compliance monitoring and enforcement of the transferred registered entities going forward.

SERC's estimated full time equivalent increases appear to be reasonable and appropriate to accommodate the increased workloads associated with the transfers. The Petitioners will ensure that any previously scheduled audits are performed for appropriate RCs, BAs and TOPs transferring from the FRCC RE and will review the audit schedule for other FRCC RE registered entities to assess and to identify any areas of risks that would warrant audits in 2019. SERC will develop an annual CMEP Implementation Plan for 2020, including a compliance audit and spot check schedule, which will include the transferred registered entities. The compliance audit schedule and coverage will take into account the transferred registered entities' previous audit histories as well as Inherent Risk Assessments previously prepared by the FRCC RE for the transferred registered entities.

Expedited Commission review of this Petition and Commission approval to transfer the registration of FRCC RE registered entities on July 1, 2019, will provide FRCC and the Petitioners the ability to timely complete the transfer of files, documents and other information necessary for SERC to assume CMEP responsibilities for the transferring FRCC RE registered entities. NERC will oversee all transition activities to ensure that Regional Entities meet statutory obligations and that there are no gaps in reliability oversight or enforcement during, or as a result of, the transition.

## **IX. AMENDMENT TO THE SERC REGIONAL DELEGATION AGREEMENT**

The transfer of all 36 FRCC RE registered entities to SERC expands the boundaries of

SERC. To reflect the transfer of the FRCC RE registered entities to SERC, NERC and SERC propose to amend Exhibit A – Regional Boundaries to the RDA with SERC (see **Attachment 2 and Attachment 3**).<sup>24</sup> Exhibit A to the RDAs describes the geographic boundaries of a Regional Entity.<sup>25</sup> The regional boundary description in Exhibit A is merely an illustration of the geographic areas included in a given Regional Entity. There are no other amendments required to the SERC RDA.

## **X. AMENDMENTS TO THE SERC BYLAWS**

The petitioners request the Commission’s approval of the proposed amendments to the SERC Bylaws. These revisions accommodate the integration of the FRCC RE into the SERC Region. **Attachment 4 and Attachment 5** to this petition are clean and redline versions, respectively, of the revised SERC Bylaws.

### **a. Proposed Amendments to the SERC Bylaws**

There are proposed changes to two provisions of the SERC Bylaws: (i) Section 6.1 - Executive Committee Representatives; and (ii) Section 4.7 - Election of Board Officers and Executive Committee. Each one of those is discussed below.

#### **(1) Section 6.1 Executive Committee Representatives**

SERC proposes to add three (3) seats to its Board Executive Committee (“BEC”) in the three (3) sectors noted below to ensure that FRCC entities can fully integrate and engage in SERC Board activities from the outset. SERC proposes to change the number of representatives on the BEC from twelve (12) to fifteen (15). Specifically, SERC proposes to increase the number of representatives from the Investor Owned Utility (“IOU”) sector from three (3) to four (4), increase

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<sup>24</sup> Attachments 2 and 3 are, respectively, clean and redlined versions of the proposed amended version of the SERC RDA.

<sup>25</sup> The boundaries depicted in the various RDAs are illustrative. The scope of each Regional Entity’s jurisdiction is provided for in the NERC Compliance Registry.

the number representatives from the Cooperative sector from two (2) to three (3), and increase the number of representatives from the Municipal sector from two (2) to three (3).

**(2) Section 4.7 Election of Board Officers and Executive Committee**

SERC proposes to divide the BEC members into two groups and introduce staggered terms (i.e., alternating terms for Group 1 and Group 2) to mitigate the risk that the entire BEC could turn over at the same time. Specifically, SERC proposes to modify the language in paragraph 2 to introduce staggered, two-year terms. The first group would serve an initial three-year term and then two-year terms thereafter. The second group would serve an initial two-year term and then two-year terms thereafter. By adding incoming FRCC members to the BEC on July 1, 2019, the staggered terms would not disrupt the current term for current BEC members which ends on June 30, 2020. Furthermore, it would give the incoming FRCC BEC members the ability to serve the remaining year of the current term (from July 1, 2019 to June 30, 2020) on the BEC. Thereafter, the guaranteed incoming three (3) FRCC BEC members would be added to Group 1, which would allow them to serve an additional three-year term beginning on July 1, 2020, and ending on June 30, 2023. This would guarantee the FRCC entities four (4) consecutive years on the BEC in order to support a seamless integration of FRCC registered entities on the SERC Board. FRCC registered entities are also free to run for any other BEC seats for which they are eligible.

**b. SERC and NERC Approvals of the Proposed Amendments**

The SERC Board conditionally approved the proposed amendments to the SERC Bylaws on October 24, 2018 (conditioned on the FRCC Board's approval during its October 30, 2018, meeting to dissolve the FRCC RE). The FRCC Board approved dissolving the FRCC RE on October 30, 2018, consistent with the terms presented to the board, thereby satisfying the condition for SERC's Board approval of the proposed Bylaws amendments. The NERC Board approved the proposed amendments on February 7, 2019, as part of the Proposed Transaction.

**XI. EXCEPTION FROM REGIONAL RELIABILITY STANDARD PRC-006-SERC-02**

SERC will not subject former FRCC RE Registered Entities to compliance with *SERC Regional Reliability Standard PRC-006-SERC-02* in favor of continued compliance and enforcement of *NERC Reliability Standard PRC-006-3*. Based on Florida's peninsular nature with limited ties to the rest of the Eastern Interconnection, the FRCC Planning Coordinator has developed an Automatic Underfrequency Load Shedding program with requirements based on the technical design criteria of maintaining a radial transmission network intact during large scale electrical system disturbances within peninsular Florida. The current FRCC Planning Coordinator program specifically coordinates with intentional islanding schemes for peninsular Florida and is supported by extensive technical evaluations and historical experience. These factors were not considered during development of *Regional Reliability Standard PRC-006-SERC-02*. In addition, the current version of *Regional Reliability Standard PRC-006-SERC-02*, along with its development history, has a geographical applicability that excludes peninsular Florida entities.

As a result, the Petitioners intend for SERC to: (i) monitor the FRCC RE registered entities' compliance with *NERC Reliability Standard PRC-006-3 – Automatic Underfrequency Load Shedding* – to which the FRCC RE Registered Entities are already subject; and (ii) exclude FRCC RE registered entities from applicability of *Regional Reliability Standard PRC-006-SERC-02*, upon their transfer to SERC, until the Regional Reliability Standard is reviewed through the SERC Regional Reliability Standards Development Procedure. This approach will continue to support reliability.

Based on the above and in the interest of reliability, SERC will also review *Regional Reliability Standard PRC-006-SERC-02*, with a specific assessment of BES performance

incorporating the existing or revised FRCC Planning Coordinator Underfrequency Load Shedding program elements in lieu of immediate application of the Regional Standard to peninsular Florida entities, no later than its next anticipated five-year review deadline, January 1, 2023. Former FRCC RE registered entities will then have an additional three (3) years to implement any changes to their obligations under the Reliability Standard. This will provide affected entities sufficient lead time to reset relays in the field, if they are determined to be needed.

## **XII. CONCLUSION**

For the reasons set forth above, the Petitioners respectfully request that the Commission approve the Proposed Transaction as outlined in this Petition, after review on an expedited basis with a shortened comment period of no more than 14 days, to allow the issuance of an order in this proceeding within 60 days of the date of this filing and to allow the Proposed Transaction to proceed to completion.

Respectfully submitted,

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Reliability Corporation*

**ATTACHMENT 1**

**Termination Agreement for the Amended and Restated  
Delegation Agreement between the North American Electric  
Reliability Corporation and Florida Reliability Coordinating  
Council, Inc.**

**TERMINATION AGREEMENT FOR THE AMENDED AND  
RESTATED DELEGATION AGREEMENT BETWEEN THE  
NORTH AMERICAN ELECTRIC RELIABILITY  
CORPORATION  
AND FLORIDA RELIABILITY  
COORDINATING COUNCIL, INC.**

THIS AGREEMENT (“Termination Agreement”), by and between the North American Electric Reliability Corporation (“NERC”) and Florida Reliability Coordinating Council, Inc. (“FRCC”) (collectively the “Parties”) is intended to provide for the following: (i) the termination of the *Amended and Restated Delegation Agreement between North American Electric Reliability Corporation and Florida Reliability Coordinating Council, Inc.* (“RDA”) entered into on January 1, 2016, including, without limitation, the responsibilities and obligations of NERC and FRCC thereunder, (ii) an orderly and organized wind-down and dissolution of the activities of the FRCC Regional Entity (“FRCC RE”), a division of FRCC, and, (iii) an orderly and seamless transition of FRCC’s Delegated Authority as set forth in the RDA (the “FRCC Delegated Authority”) to SERC Reliability Corporation (“SERC,” which the Parties intend to serve as the sole successor Regional Entity and sometimes referred to herein as the “Transferee Regional Entity”). Capitalized terms used in this Termination Agreement that are not defined herein shall have the same meaning as in the RDA or, if not defined in the RDA, shall have the meaning defined in Appendix 2 (*Definitions Used in the Rules of Procedure*) of the NERC Rules of Procedure.

**RECITALS**

- I. NERC and FRCC entered into an RDA, effective as of January 1, 2016, wherein NERC and FRCC agreed that FRCC would carry out Delegated Authority and delegation-related activities in furtherance of NERC’s responsibilities as the Electric Reliability Organization (“ERO”) under Subtitle A of the Electricity Modernization Act of 2005

which added Section 215 to the Federal Power Act (16 U.S.C. § 824o) (the “Act”).

- II. NERC and FRCC have mutually agreed to terminate the RDA and to terminate the FRCC RE’s status and activities as the Regional Entity for the FRCC Region.
- III. The Parties desire an orderly and seamless transfer and transition of the FRCC Delegated Authority to SERC.

NOW, THEREFORE, in consideration of the mutual covenants and agreements contained in this Termination Agreement, NERC and FRCC, intending to be bound, agree as follows:

1. The Parties propose that the terms of the Termination Agreement become effective as of the date upon which the Federal Energy Regulatory Commission (the “Commission”) approves this Termination Agreement (such date, the “Effective Date”) in substantially the form proposed.
2. FRCC RE shall cease to exist as a Regional Entity and complete wind down of its business on August 31, 2019 (the “Termination Effective Date”).
3. The Parties agree to engage in such of the activities contemplated by this Termination Agreement according to the terms specified herein, with the objective of terminating the RDA and transferring the FRCC Delegated Authority to SERC.
4. Termination of the RDA is subject to (i) the Commission’s approval of this Termination Agreement, as proposed, and (ii) NERC and FRCC completing their respective obligations that are specified in this Termination. Agreement.
5. Unless otherwise specified herein, NERC must complete and document the following activities by the Termination Effective Date:
  - a. Issue a determination specifying that by July 1, 2019, SERC shall be the Transferee Regional Entity for all Registered Entities in the FRCC Region,



subject to the Commission's approval.

- b. Seek approval to amend the SERC Bylaws to include revisions to: (i) Section 6.1 Executive Committee Representatives to add three seats for integration of FRCC entities; and (ii) Section 4.7 Election of Board Officers and Executive Committee to introduce staggered terms for two groups of Board Executive Committee members.
- c. Based on the determinations made pursuant to Section 3.a of this Termination Agreement, NERC shall identify the Load-Serving Entity ("LSEs") in the FRCC Region and specify that those LSEs shall, as of the Termination Effective Date, be included as LSEs within SERC for purposes of determining, allocating, and billing NERC statutory funding assessments.
- d. Assist with the transition of all compliance and enforcement processes for Registered Entities in the FRCC Region to SERC by July 1, 2019.
- e. Request and obtain Commission approval of a petition providing for the following:
  - i. the funding of the wind-down costs for FRCC beyond FRCC's expected available cash<sup>1</sup> as of July 1, 2019, including costs associated with payments due under retention agreements for key FRCC RE employees and key shared corporate employees supporting the FRCC RE for its wind down. In addition to expected available cash, FRCC will use the following to fund its wind down costs:

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<sup>1</sup> "Available cash" means any available working capital attributed to the RE's operations not needed for current or anticipated costs through the termination date and wind-down, including excess funds from Q1 and Q2 2019 assessments and prior year budget variances.

1. a Special Assessment,
  2. FRCC RE penalties<sup>2</sup> processed and submitted<sup>3</sup> between July 1, 2018, and December 31, 2019, and,
  3. first and second quarter assessment funds in 2019.
- ii. a Special Assessment, with appropriate supporting budget and other information provided to NERC by FRCC.
  - iii. deviate from any applicable rules and policies, including Section 1107 of the NERC Rules of Procedure (“ROP”), as needed, to permit use of Penalty payments processed and submitted to NERC between July 1, 2018 and December 31, 2019 as follows:
    1. Penalties processed and submitted between July 1, 2018 and July 1, 2019, for FRCC to use to pay for the costs of the wind-down and dissolution of the FRCC RE; and,
    2. Penalty monies processed and submitted between July 1, 2019, and December 31, 2019, or not otherwise applied towards wind-down costs, to be reimbursed to FRCC entities on a pro-rata basis.
  - iv. deviate from any applicable rules and policies, as needed, to permit the following treatment of assessments:

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<sup>2</sup> FRCC penalties are defined as penalties associated with instances of noncompliance with Reliability Standards by FRCC RE entities that were part of the FRCC RE caseload prior to the date in which entities are transferred to SERC. The definition does not include any noncompliance by FRCC in its capacity as a Reliability Coordinator or Planning Authority.

<sup>3</sup> Processed and submitted shall mean penalties for FRCC entities billed but not yet collected, penalties for FRCC entities pending Commission approval, and penalties for FRCC entities submitted to NERC and pending NERC Board of Trustees Compliance Committee approval.

1. apply Commission-approved 2019 FRCC first and second quarter assessments towards the wind-down costs of FRCC RE; and,
  2. transfer Commission-approved 2019 FRCC third and fourth quarter assessments to SERC by August 31, 2019 and October 31, 2019, respectively, contingent upon the approval of the Special Assessment.
- v. exemption of the FRCC RE Registered Entities from compliance with *Regional Reliability Standard PRC-006-SERC-02* in favor of continued enforcement of *NERC Reliability Standard PRC-006-3 – Automatic Underfrequency Load Shedding* until such time as the Regional Reliability Standard is reaffirmed or revised through the SERC Regional Reliability Standards Development Procedure. If the FRCC entities later become subject to *SERC Reliability Standard PRC-006-SERC-02* as a result of the SERC Regional Reliability Standards Development Procedure, FRCC entities shall have three (3) years to comply.
- vi. this Termination Agreement and any other agreements, documents, or proposed actions necessary to effectuate the termination of the RDA, the transfer of Registered Entities in the FRCC Region to SERC, and the transfer and transition of the FRCC Delegated Authority to SERC.
- vii. approval of any NERC governance or internal process documents to which amendments are necessary or appropriate to account for or reflect the dissolution of the FRCC RE and the termination of the RDA.
- f. Amend the SERC bylaws to account for or to reflect the dissolution of the FRCC



Agreement, “files, documents, records and other information” shall be construed broadly and, without limiting the foregoing, shall include all material maintained or stored in any form or format, including in paper form or in electronic media, that is still subject to regulatory retention requirements.

b. Without limiting the generality of this requirement, transfer to SERC, as the Transferee Regional Entity, all relevant files, documents, records, and other information relating to:

- i. any regional reliability standards development projects in progress as of the Termination Effective Date;
- ii. registration of Registered Entities in the FRCC Region;
- iii. completed and in-progress certification activities for Registered Entities (Reliability Coordinators, Balancing Authorities and Transmission Operators) in the FRCC Region;
- iv. FRCC RE’s completed or in-progress compliance monitoring and enforcement activities with respect to the Registered Entities in the FRCC Region;
- v. completed Technical Feasibility Exception Requests (“TFE Requests”) and Material Change Reports submitted by Registered Entities in the FRCC Region;
- vi. in-progress reviews of TFE Requests and Material Change Reports submitted by Registered Entities in the FRCC Region; and
- vii. FRCC RE’s monitoring of the progress of Registered Entity with approved TFE Requests in implementing compensating and mitigating measures and in achieving Strict Compliance with the Applicable

Requirement;

- viii. previously-reviewed and in-progress Bulk Electric System Exception Requests submitted by Registered Entities in the FRCC Region;
  - ix. previously-completed and in-progress reliability assessments (e.g., annual long-term reliability assessments, seasonal reliability assessments, and special reliability studies) of the FRCC Region (whether conducted as an assessment solely of the FRCC Region or as part of an assessment of a broader region, including the entire North American Bulk Power System); and
  - x. previously-completed and in-progress analyses, in which FRCC RE participated, of system events occurring in the FRCC Region.
- c. Submit to NERC detailed descriptions or estimates of the reallocation of any Commission-approved 2018 and/or 2019 assessment funds for the wind-down and dissolution of the FRCC RE and the termination and transfer of the FRCC Delegated Authority, including completion of the obligations set forth in this Agreement and other revenue sources for the FRCC RE on April 1, 2019 and on May 1, 2019. NERC will use this information, as needed, to support any filings with the Commission necessary in connection with the termination and transfer of the FRCC Delegated Authority.
- d. Provide NERC the estimated value of FRCC penalties processed and submitted and to be applied to reduce the Special Assessment by May 1, 2019.
- e. Use any Special Assessment authorized by the Commission to pay for wind down costs, including the above-referenced retention agreements for fourteen (14) FRCC RE staff and nine (9) key shared corporate staff upon dissolution of

FRCC RE.

- f. Submit to NERC unaudited quarterly financial reports for all 2019 quarters leading up to and including the Termination Effective Date.
  - g. Submit to NERC, by April 1, 2020, audited financial statements for the FRCC RE for 2019.
  - h. Submit to NERC, by April 1, 2020, a reconciliation of actual expenditures for the FRCC RE for 2019 as compared to the Commission-approved FRCC RE budget for 2019.
  - i. Verify the completion of the steps identified in this section of the Termination Agreement through a certification signed by an officer of FRCC no later than one hundred and fifty (150) days following the Termination Effective Date.
7. All notices, demands, requests, and other communications required or permitted by or provided for in this Termination Agreement shall be given in writing to FRCC or NERC, at the respective addresses set forth below, or at such other address as FRCC or NERC shall designate for itself in writing in accordance with this Section 5, and shall be delivered by hand, reputable overnight courier, or e-mail which is verified as being received:

**If to FRCC:**

Attn: Stacy Dochoda  
President and Chief Executive Officer  
Florida Reliability Coordinating Council, Inc.  
3000 Bayport Drive, Suite 600  
Tampa, Florida 33607  
sdochoda@frc.com

**If to NERC:**

Attn: James B. Robb  
President and Chief Executive Officer

North American Electric Reliability Corporation  
3353 Peachtree Road NE, Suite 600 – North Tower  
Atlanta, GA 30326  
Jim.Robb@nerc.net

8. Neither this Termination Agreement nor any of the terms hereof may be amended unless such amendment is made in writing, signed by FRCC and NERC, and approved by the Commission.
9. This Termination Agreement constitutes the entire agreement on its subject matter, and supersedes all prior agreements and understanding, both written and oral, between FRCC and NERC as to the subject matter of this Termination Agreement.
10. This Termination Agreement may be executed in counterparts and each counterpart shall have the same force and effect as the original.
11. The following provisions of the RDA shall survive its termination:
  - a. Section 13 (Limitation of Liability),
  - b. Section 14 (No Third-Party Beneficiaries),
  - c. Section 15 (Confidentiality), provided, however, that FRCC or NERC may transfer Confidential Information to SERC, as the Transferee Regional Entity, in accordance with this Termination Agreement, and,
  - d. Exhibit E (Funding) - Section 8 (NERC Review of Regional Entity Financial Records), provided, that NERC's rights under Exhibit E – Section 8 shall survive for twelve (12) months following the Termination Effective Date.

**NOW, THEREFORE,** FRCC and NERC have caused this Termination Agreement to be executed by their duly authorized representatives, to be effective as of the Effective Date.



## **1.0 Regional Boundaries**

The geographic boundaries of SERC Reliability Corporation (SERC) are determined by the service areas of its membership, comprised of investor-owned utilities, municipal, cooperative, state and federal systems, merchant electricity generators, and power marketers.

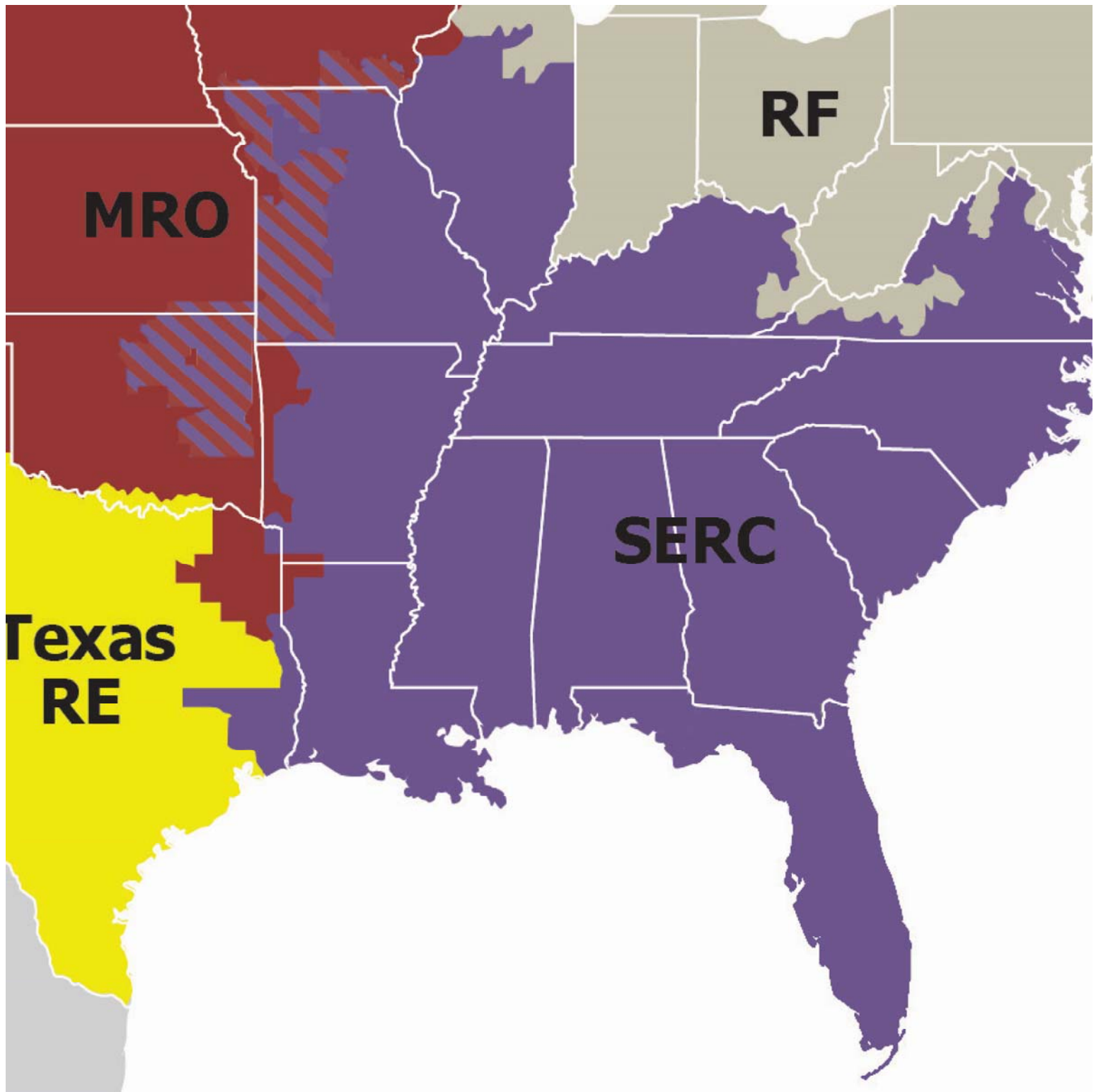
SERC covers an area of approximately 630,000 square miles in sixteen states: all of Alabama, Florida, Georgia, Mississippi, North Carolina, South Carolina; most of Arkansas, Louisiana, Missouri, and Tennessee; and portions of Illinois, Iowa, Kentucky, Oklahoma, Texas, and Virginia.

Service provided by SERC members in areas which overlap with neighboring regions include:

- The area in southern Iowa is served by N.E. Missouri Electric Power Cooperative, a member of Associated Electric Cooperative, Inc., and N.W. Electric Power Cooperative, a member of Associated Electric Cooperative, Inc.
- The area in eastern Oklahoma is served by KAMO Electric Cooperative, Inc., a member of Associated Electric Cooperative, Inc.
- The area in western Missouri is served by N.W. Electric Power Cooperative, a member of Associated Electric Cooperative, Inc., and KAMO Electric Cooperative, Inc., a member of Associated Electric Cooperative, Inc.

A regional map is show in Section 1.1.

SERC may also perform compliance and enforcement activities outside of the Regional Entity, on behalf of NERC and/or other Regional Entities, such activities to be undertaken pursuant to a contract between the Regional Entities that is approved by the SERC Board, the NERC Board, and the Federal Energy Regulatory Commission.



## 1.0 Regional Boundaries

The geographic boundaries of SERC Reliability Corporation (SERC) are determined by the service areas of its membership, comprised of investor-owned utilities, municipal, cooperative, state and federal systems, merchant electricity generators, and power marketers.

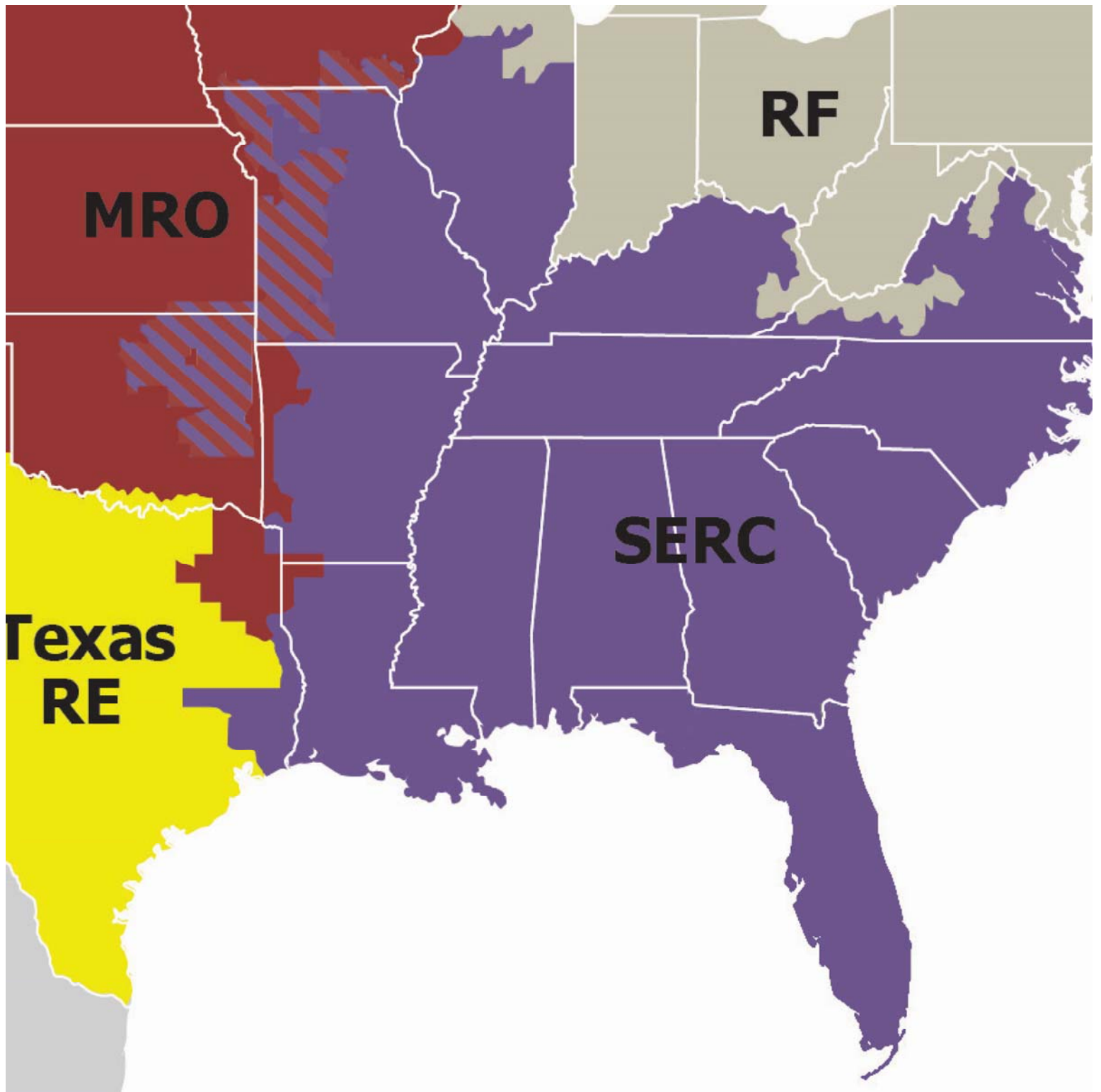
SERC covers an area of approximately ~~574,000~~630,000 square miles in sixteen states: all of Alabama, Florida, Georgia, Mississippi, North Carolina, South Carolina; most of Arkansas, Louisiana, Missouri, and Tennessee; and portions of ~~Florida~~, Illinois, Iowa, Kentucky, Oklahoma, Texas, and Virginia.

Service provided by SERC members in areas which overlap with neighboring regions include:

- The area in southern Iowa is served by N.E. Missouri Electric Power Cooperative, a member of Associated Electric Cooperative, Inc., and N.W. Electric Power Cooperative, a member of Associated Electric Cooperative, Inc.
- The area in eastern Oklahoma is served by KAMO Electric Cooperative, Inc., a member of Associated Electric Cooperative, Inc.
- The area in western Missouri is served by N.W. Electric Power Cooperative, a member of Associated Electric Cooperative, Inc., and KAMO Electric Cooperative, Inc., a member of Associated Electric Cooperative, Inc.
- ~~The area in N.E. Florida (part of Baker and Nassau counties) served by Okefenokee Rural Electric Membership Corporation (OREMC), a member of Georgia System Operations Corporation; and facilities physically located in Baker County, Florida owned by Georgia Transmission Corporation (GTC) are part of the SERC Region and not the FRCC Region.~~

A regional map is show in Section 1.1.

SERC may also perform compliance and enforcement activities outside of the Regional Entity, on behalf of NERC and/or other Regional Entities, such activities to be undertaken pursuant to a contract between the Regional Entities that is approved by the SERC Board, the NERC Board, and the Federal Energy Regulatory Commission.



**ATTACHMENT 4**

**Transfer of Delegated Authority over Florida Reliability  
Coordinating Council RE Registered Entities to SERC**

## **Transfer of Delegated Authority over Florida Reliability Coordinating Council RE Registered Entities to SERC**

Following the mutual decision reached by the North American Electric Reliability Corporation (“NERC”) and Florida Reliability Coordinating Council (“FRCC”) to terminate the Delegated Authority of the FRCC Regional Entity (“FRCC RE”) division of FRCC, NERC, as the Electric Reliability Organization (“ERO”) identifies SERC Reliability Corporation (“SERC”) as the Regional Entity that will assume FRCC RE’s Delegated Authority over all registered entities in FRCC RE’s footprint. When reviewing this transfer of Delegated Authority, under the guidance of Section 1208 of the NERC Rules of Procedure (“ROP”) as well as Federal Energy Regulatory Commission precedent, NERC considered the following:

- (1) the location of the Registered Entity’s Bulk Power System facilities in relation to the geographic and electrical boundaries of the transferee Regional Entity;
- (2) the impact of the proposed transfer on other Bulk Power System owners, operators, and users, including affected Reliability Coordinators (“RC”), Balancing Authorities (“BA”), and Transmission Operators (“TOP”), as appropriate;
- (3) the impact of the proposed transfer on the current and future staffing, resources, budgets and assessments to other Load-Serving Entities of the transferee Regional Entity;
- (4) the sufficiency of the proposed transferee Regional Entity’s staffing and resources to perform compliance monitoring and enforcement activities with respect to the Registered Entity;

- (5) the Registered Entity’s compliance history with FRCC RE; and the manner in which pending compliance monitoring and enforcement matters concerning the Registered Entity would be transitioned from SPP to the transferee Regional Entity; and,
- (6) any other reasons NERC and the transferee Regional Entity consider relevant.

Below is a complete list of the Registered Entities that NERC proposes to transfer from FRCC RE’s footprint to SERC’s footprint.

NCR ID#	Entity Name	Proposed Regional Entity
NCR00003	Bartow, City of	SERC
NCR00004	Beaches Energy Services of Jacksonville Beach	SERC
NCR11010	City of Leesburg	SERC
NCR00054	City of Ocala Electric Utility	SERC
NCR00063	Duke Energy Florida, LLC	SERC
NCR00021	Florida Keys Electric Cooperative Assn	SERC
NCR00022	Florida Municipal Power Agency	SERC
NCR00023	Florida Municipal Power Pool	SERC
NCR00024	Florida Power & Light Co.	SERC
NCR00025	Florida Public Utilities Company	SERC
NCR00026	Florida Reliability Coordinating Council	SERC
NCR00464	Florida Reserve Sharing Group	SERC
NCR00027	Fort Pierce Utilities Authority	SERC
NCR00032	Gainesville Regional Utilities	SERC
NCR00069	General Electric International - Shady Hills	SERC
NCR11875	GenOn Florida	SERC
NCR00035	Hardee Power Partners Limited	SERC
NCR00037	Homestead, City of	SERC
NCR00039	Indiantown Cogeneration LP	SERC
NCR00040	JEA	SERC
NCR00041	Key West, City of (Keys Energy)	SERC

NCR00042	Kissimmee Utility Authority	SERC
NCR00043	Lake Worth, City of	SERC
NCR00044	Lakeland Electric	SERC
NCR00045	Lee County Electric Cooperative, Inc	SERC
NCR00052	New Smyrna Beach, Utilities Commission of	SERC
NCR00057	Orlando Utilities Commission	SERC
NCR10054	Palm Beach Resource Recovery Corporation	SERC
NCR00065	Reedy Creek Improvement District	SERC
NCR00068	Seminole Electric Cooperative	SERC
NCR00071	Southern Power Company	SERC
NCR00073	Tallahassee, City of	SERC
NCR00074	Tampa Electric Company	SERC
NCR00078	Vandolah Power Company, LLC	SERC
NCR00079	Vero Beach, City of	SERC
NCR00081	Winter Park, City of	SERC



The location of the registered entity’s BPS facilities in relation to the geographic and electrical boundaries of the transferee Regional Entity

NERC’s review began with the NERC U.S. Regions Map.



**Figure 1: NERC Regions Map<sup>1</sup>**

As shown in Figure 1, FRCC RE has geographic boundaries with only one existing Regional Entity- SERC. FRCC is entirely within the geographic boundary of the State of Florida. The FRCC region is comprised of peninsular Florida east of the Apalachicola River with the exception of a small section of Northeast Florida (Baker and Nassau counties). Areas west of the Apalachicola River are within the SERC region. The FRCC region is within the Eastern Interconnection and is under the direction of the FRCC Reliability Coordinator.

<sup>1</sup> The NERC Regions Map is available at: [http://www.nerc.com/AboutNERC/keyplayers/PublishingImages/2017\\_NERC\\_Regions\\_May2017.jpg](http://www.nerc.com/AboutNERC/keyplayers/PublishingImages/2017_NERC_Regions_May2017.jpg). Please note that Figure 1 represents the NERC Regional Entity footprints and does not represent the SPP RTO footprint.

The FRCC Region has an electrical boundary with the SERC region. The FRCC region interconnects with the SERC region via eleven (11) Bulk Electric System (“BES”) transmission lines. The 11 lines consist of two 500 kV, four 230 kV, and five 115 kV lines. These lines are referred to as the “Florida / Southern Interface.” These eleven (11) lines comprise the BES electrical boundary between the FRCC region and the SERC region. The FRCC Region does not have an electrical boundary with any other NERC region.

The impact of the proposed transfer on other BPS owners, operators, and users, including affected RCs, BAs, and TOPs.

NERC must ensure the continuity of functional alignment within geographic or electrical boundaries. Recognizing the importance of interactions between functions to ensure the reliable operation of the BPS, NERC considered the functional relationships between registered entities in FRCC. NERC emphasizes maintaining those relationships within a common Regional Entity footprint to promote the efficient and effective administration of BPS reliability. Transferring the registration of FRCC RE registered entities to SERC does not affect their alignment as all entities in the existing footprint would change registration together on July 1, 2019.

The impact of the proposed transfer on the current and future staffing, resources, budgets and assessments to other Load-Serving Entities of the transferee Regional Entity.

For 2019, SERC anticipates approximately \$4.8 million to \$5.2 million in one-time costs to accommodate the transfer of FRCC RE’s registered entities. NERC proposes that SERC will cover these costs through available assessment and penalty funds. NERC does not anticipate any

changes to the assessments of the Load-Serving Entities of SERC, as approved in SERC's 2019 business plan and budget.

The sufficiency of the proposed transferee Regional Entity's staffing and resources to perform compliance monitoring and enforcement activities with respect to the Registered Entity.

SERC's estimated full time equivalent increases appear to be reasonable and appropriate to accommodate the increased workloads associated with the transfer of all FRCC registered entities to SERC in 2019.

The Registered Entity's compliance history with FRCC RE; and the manner in which pending compliance monitoring and enforcement matters concerning the Registered Entity would be transitioned from FRCC RE to the transferee Regional Entity.

NERC and SERC will develop and implement transition plans that will include compliance history and pending compliance monitoring and enforcement matters concerning each registered entity. NERC and SERC will coordinate with the registered entities.

There are currently three FRCC RE registered entities involved in Coordinated Oversight. Two of those entities already have SERC as the Lead Regional Entity ("LRE") while the other has Texas RE as the LRE. There will be no impact to those compliance monitoring and enforcement oversight arrangements.

Any other reasons NERC and the transferee Regional Entity consider relevant.

There are no other reasons NERC considers relevant at this time.

**AMENDED AND RESTATED**

**BYLAWS**

**OF**

**SERC RELIABILITY CORPORATION**

**A North Carolina Nonprofit Corporation**

**Approved by the SERC Board of Directors on October 24, 2018**

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Approved by the SERC Board of Directors on October 24, 2018

Approved the NERC Board of Trustees on February 7, 2019

Approved by the Federal Energy Regulatory Commission on \_\_\_\_\_

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Approved by the SERC Board of Directors on October 24, 2018  
Approved the NERC Board of Trustees on February 7, 2019  
Approved by the Federal Energy Regulatory Commission on \_\_\_\_\_

**AMENDED AND RESTATED**  
**BYLAWS**  
**OF**  
**SERC RELIABILITY CORPORATION**  
**[Hereinafter referred to as the “Corporation”]**  
**A North Carolina Nonprofit Corporation**

**ARTICLE I - OFFICES**

1.1 **Principal Office.** The principal office of the Corporation shall be located in the City of Charlotte, Mecklenburg County, North Carolina. The Board of Directors may by resolution change the location of this office from time to time.

1.2 **Other Offices.** The Corporation may have other offices at such place or places as the Board of Directors may from time to time appoint or the business of the Corporation may require.

**ARTICLE II - MEMBERSHIP**

2.1 **General.** The Corporation shall be a membership corporation. Entities that meet the eligibility requirements and apply for membership in the Corporation shall hereinafter be referred to individually as a “Member Company” and collectively as “Member Companies”.

2.2 **Eligibility.** Membership in the Corporation is voluntary and is open to any entity in the SERC Region (defined in Section 3.2 below) that is a user, owner or operator of the Bulk Power System, has a material interest in the Bulk Power System in the SERC Region, satisfies the criteria for membership specified in this Section 2.2, qualifies for one or more of the Sectors identified in Section 2.4, and is subject to the jurisdiction of the Federal Energy Regulatory Commission. Membership in the Corporation is predicated on mandatory acceptance of the responsibility to promote, support, and comply with Reliability Standards of the Corporation and the North American Electric Reliability Corporation (“NERC”), and to assist the Corporation in its compliance with the terms and provisions of a Delegation Agreement (a “Delegation Agreement”) with NERC, by which NERC delegates authority to propose and enforce Reliability Standards, pursuant to 16 U.S.C. § 824o or the corresponding provisions of any subsequent U.S. Code revisions.



For purposes of these Bylaws, the terms “Bulk Power System”, “Reliability Standards” and “Regional Entity” shall be as defined in 16 U.S.C. § 824o or the corresponding provisions of any subsequent U.S. Code revisions.

2.3 **Termination.** A Member Company may terminate its membership in the Corporation by giving the Board of Directors at least thirty (30) days written notice of its intent to terminate such membership (such Member Companies shall hereinafter be referred to as "Terminated Member Companies"). Terminated Member Companies shall nevertheless continue to be liable for any and all obligations incurred prior to the end of the calendar year in which such notice is given, including, but not limited to, the obligation to pay a pro rata share of any Corporation expense. In addition to termination of membership by the Member Company, the Board of Directors, following notice to the Member Company, may terminate the membership of a Member Company if in the judgment of the Board of Directors that Member Company has violated its obligations and responsibilities to the Corporation. The termination of the membership of a Member Company by the Board of Directors shall require a Supermajority vote, as defined in these Bylaws.

2.4 **Sectors.** Each Member Company shall be classified by the Executive Committee in one of the following seven (7) Sectors (each a “Sector”, and collectively, the “Sectors”):

- (a) Investor-Owned Utility Sector – This Sector includes any investor-owned entity with substantial business interest in ownership and/or operation in any of the asset categories of generation, transmission or distribution.
- (b) Federal/State Sector – This Sector includes any U.S. federal entity that owns and/or operates electric facilities and/or provides balancing authority services, in any of the asset categories of generation, transmission, or distribution; or any entity that is owned by or subject to the governmental authority of a state and 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.
- (c) Cooperative Sector – 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.
- (d) Municipal Sector – This Sector includes any entity owned by or subject to the governmental authority of a 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 municipality; and any entity, whose members are municipalities, formed under state law for the purpose of generating or purchasing electricity for sale at wholesale to their members.

- (e) Marketer Sector– This Sector includes any entity that is engaged in the activity of buying and selling of wholesale electric power in the SERC Region on a physical or financial basis.
- (f) Merchant Electricity Generator Sector – This Sector includes any entity that owns or operates an electricity generating facility or provides balancing authority services for such entities. This includes, but is not limited to, small power producers and all other non-utility producers such as exempt wholesale generators who sell electricity at wholesale.
- (g) ISO-RTO Sector – This Sector includes any entity that operates a FERC approved ISO or RTO.

The Executive Committee’s classification of a Member Company in a particular Sector may only be changed by the Executive Committee.

2.5 **Transfer of Membership.** A Member Company may not give or otherwise transfer its membership, except to a successor that becomes a Member Company in accordance with the terms and conditions of these Bylaws, and provided that the successor continues to meet its predecessor’s obligations.

2.6 **Powers.** Notwithstanding any other provisions of these Bylaws, except for the appointment of Directors as provided in Section 4.2 below, Member Companies shall be non-voting members and shall have no power or authority or right to vote with respect to the actions of the Corporation, specifically including, but not limited to, the dissolution or merger of the Corporation.

### **ARTICLE III - PURPOSES**

3.1 **General Purposes.** The purpose of the Corporation is to promote effective and efficient administration of Bulk Power System reliability in the SERC Region, as defined in Section 3.2. In pursuit of this goal, the Corporation shall:

- (a) enter into a Delegation Agreement to serve as a Regional Entity pursuant to 16 U.S.C. § 824o or the corresponding provisions of any subsequent U.S. Code revisions;

- (b) promote the development of reliability and adequacy arrangements among the systems in the SERC Region;
- (c) participate in the establishment of Reliability Standards;
- (d) participate in the measurement of performance relative to these Reliability Standards;
- (e) promote conformance to and compliance with these Reliability Standards;
- (f) develop and exchange information with respect to planning and operating matters relating to the reliability and adequacy of the Bulk Power System;
- (g) review as necessary activities in the SERC Region on reliability and adequacy in order to meet Reliability Standards;
- (h) provide a mechanism to resolve disputes on reliability issues in a manner that meets the needs of the parties and the SERC Region; and
- (i) provide information with respect to matters considered by the Corporation, where appropriate, to the Federal Energy Regulatory Commission ("FERC") and to other federal and state agencies concerned with reliability and adequacy.

3.2 **Geographic Area.** The Corporation accomplishes its purposes in a geographic area (the "SERC Region") that is defined in Exhibit A of the Amended and Restated Delegation Agreement Between North American Electric Reliability Corporation and SERC Reliability Corporation.

3.3 **Other Statutory Functions.** The Corporation may also perform statutory functions outside of the SERC Region, on behalf of NERC or other Regional Entities. The Corporation may undertake such activities pursuant to a contract that is approved by the Executive Committee.

## **ARTICLE IV - BOARD OF DIRECTORS**

4.1 **General Powers.** The affairs of the Corporation shall be managed by its Board of Directors except as otherwise provided in these Bylaws.

4.2 **Composition and Eligibility.** The Board of Directors shall be comprised of no fewer than three (3) Directors.

Each Director shall be the principal officer or other authorized employee from a Member Company or a company that controls, is controlled by, or is under common control with such Member Company (an “affiliated entity”). Each Member Company, together with any affiliated entities, may appoint one (1) Director to the Board of Directors. For clarification purposes only, each Member Company and all of such Member Company’s affiliated entities (including any affiliated entities which may be a separate Member Company) shall have the right to appoint only one (1) Director to serve on behalf of such Member Company and all of such Member Company’s affiliated entities. Each Director shall serve until otherwise replaced by the applicable Member Company, together with any affiliated entities. Each Member Company, together with any affiliated entities, may designate one (1) alternate Director, who shall be a principal officer or other authorized employee from the Director’s Member Company or an affiliated entity, to serve in the place of the Member Company’s Director at any meeting of the Board of Directors (an “Alternate Director”). Directors may not otherwise use proxy votes. Any vacancy occurring among the Directors or Alternate Directors shall be filled by the applicable Member Company, together with any affiliated entities.

4.3 **Customer Advisors; Board Advisors; and Other Participants.** The Board of Directors may, but shall not be required to, appoint one or more Customer Advisors to serve the Corporation. Each Customer Advisor shall be a person in the SERC Region who is (i) employed by an entity that receives service at retail and does not otherwise sell, purchase, or transmit power over the Bulk Power System or own, operate or maintain, control or operate facilities or systems that are part of the Bulk Power System; (ii) a state public utility commission representative; or (iii) any other customer advocate. The term of the Customer Advisor(s) shall be for a two (2) year period. The role of the Customer Advisor(s) is purely advisory and the Customer Advisor(s) shall have no authority whatsoever to bind the Corporation in any way.

The Board of Directors may, but shall not be required to, appoint one but no more than five Board Advisor(s) to serve the Corporation, the Board of Directors, the Executive Committee and the Officers of the Corporation. The Board Advisor(s) shall be either former Directors of the Corporation or former NERC Trustees. Appointments shall be made by the Board of Directors and those appointed shall serve for a term of one (1) year with no limits on eligibility for reappointment. The purpose of the Board Advisor(s) shall be to advise the Board of Directors, Executive Committee and Officers of the Corporation, as directed from time to time by the Board of Directors or the Executive Committee. The role of the Board Advisor(s) is purely advisory and the Board Advisor(s) shall have no authority whatsoever to bind the Corporation in any way.

The Chair of FERC and the chair or president of any State Utility Commission in a state in which electric service is provided by a Member Company of the Corporation shall be invited to designate an observer to attend meetings of the Board.

4.4 **Regular Meetings of the Board.** Unless otherwise determined by the Chair, a regular meeting of the Board of Directors shall be held without other notice than these Bylaws on the fourth Wednesday in the months of April and October in each year. Notwithstanding the foregoing, the Chair may elect to hold a regular semi-annual meeting of the Board of Directors on another date provided that the Board receives at least ten (10) days advance notice. If the day fixed for the meeting shall be a legal holiday in the State of North Carolina, the meeting shall be held on the next succeeding business day. The Board of Directors may designate any place as the place of meeting for any meeting. The Board of Directors may provide by resolution the time and place for the holding of additional regular meetings of the Board without other notice than the resolution. Directors or any committee designated by the Board of Directors may participate in such Board or committee meetings by means of a telephone conference, webcast or any other communication by means of which all persons participating in the meeting can hear each other at the same time, and participation by such means shall constitute presence in person at such meeting.

4.5 **Special Meetings of the Board.** Special meetings of the Board of Directors may be called at the request of the Chair, or by Directors holding twenty percent (20%) or more of the Individual Votes. The Chair may fix any place as the place for holding any special meeting of the Board.

4.6 **Notice of Special Meetings.** Notice of any special meeting of the Board of Directors shall be given at least two (2) days prior to the special meeting by written notice delivered personally, or sent by mail or electronic mail to each Director at the address as shown by the records of the Corporation. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail in a sealed envelope so addressed, with postage prepaid. If sent by electronic mail, such notice shall be deemed to be delivered when sent via electronic mail. Any Director may waive notice of any meeting. The attendance of a Director at any meeting shall constitute a waiver of notice of such meeting, except where a Director attends a meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any special meeting of the Board need be specified in the notice or waiver of notice of such meeting, unless specifically required by law or by these Bylaws.

4.7 **Election of Board Officers and Executive Committee.** Biennially, at the April meeting, the Board of Directors shall elect Board Officers from among the Directors for the positions of Chair, Vice Chair, and Secretary-Treasurer, each for a term of two (2) years beginning on July 1st after the election. No Director may serve in more than one (1) Board Officer position at the same time. The Chair shall conduct and preside at all meetings, be responsible for the preparation of the agenda, and carry out all other duties assigned by the Board of Directors. In the Chair's absence, the Vice Chair shall serve as acting Chair and shall preside at all meetings, be responsible for the preparation of the agenda, and carry out all other duties assigned by the Board of Directors. In the event that a Board Officer cannot complete his or her term, the Board of Directors may hold a

special election to elect a replacement Board Officer for the remainder of the unexpired term.

Initially, at the first April Board meeting following the integration of FRCC into SERC, the Board shall approve two groups (Group 1 and Group 2) of representatives to the Executive Committee which shall be nominated by the Sectors. Group 1 shall serve an initial three (3) year term and then for two (2) year terms thereafter, with terms beginning on July 1 after the approval; Group 2 shall serve an initial two (2) year term and then for two (2) year terms thereafter, with terms beginning on July 1 after the approval in alternating years from Group 1 terms. The initial allocation of Executive Committee representatives to Group 1 and Group 2 shall be recommended by the Nominating Committee and approved by the Chair, or in the absence of the Chair, by the Vice Chair. Each Sector may also elect alternates to the Executive Committee, which shall be elected on the same schedule as their representatives and, if a Sector has more than one (1) representative on the Executive Committee, such Sector shall designate the priority of succession by such alternates.

4.8 **Agenda.** As far in advance of each regular and special meeting as practical, an agenda shall be distributed to Directors and other participants.

4.9 **Compensation.** Directors shall not receive any compensation from the Corporation for their services to the Corporation.

4.10 **Duties.** The Board of Directors shall have the exclusive responsibility to:

- (a) Authorize distributions;
- (b) Recommend to members or approve dissolution, merger or the sale, pledge or transfer of substantially all of the Corporation's assets;
- (c) Fill vacancies on any of the Board's committees;
- (d) Adopt, amend, or repeal the Articles of Incorporation or Bylaws;
- (e) Form or dissolve committees of the Board as it deems necessary to carry out the business of the Corporation; and
- (f) Resolve any disputes regarding the Member Companies and the Corporation, if those issues cannot be resolved by the standing committees or subcommittees of the Corporation and are not otherwise subject to NERC's dispute provisions for non-compliance with Reliability Standards.

4.11 **Voting.** The intent of Sections 4.12 and 4.14 is to ensure that no two Sectors should be able to control any decision and that a single Sector should not be able

to veto any matter, respectively. In the event that either of the foregoing shall nevertheless occur, the Board shall promptly revise the provisions of these Bylaws so that no two Sectors shall be able to control any decision and no single Sector shall be able to veto any matter.

#### 4.12 **Voting Definitions.**

- (a) "Adjusted Weighted Vote" shall mean the number of votes of each Director determined in the manner set forth in Section 4.13 hereof.
- (b) "Simple Majority" shall require the presence of a quorum and the (i) concurrence of Directors whose combined Individual Votes are greater than fifty percent (50%) of the total Individual Votes of all Directors present at the meeting and entitled to vote on the issue, (ii) concurrence of Directors whose combined Adjusted Weighted Votes are greater than fifty percent (50%) of the total Adjusted Weighted Vote of all Directors at the meeting and entitled to vote on the issue, and (iii) for at least one of the Individual Vote test or the Adjusted Weighted Vote test, on an individual Sector basis, the positive vote shall outweigh the negative vote for at least three Sectors.
- (c) "Supermajority" shall require the presence of a quorum and the (i) concurrence of Directors whose combined Individual Votes equal or exceed two-thirds (2/3) of the total Individual Votes of all Directors present at the meeting and entitled to vote on the issue, (ii) concurrence of Directors whose combined Adjusted Weighted Votes are greater than two-thirds (2/3) of the total Adjusted Weighted Vote of all Directors present at the meeting and entitled to vote on the issue, and (iii) for at least one of the Individual Vote test or the Adjusted Weighted Vote test, on an individual Sector basis, the positive vote shall outweigh the negative vote for at least three Sectors.
- (d) "Individual Vote" shall mean a single vote accorded to each Director.
- (e) "Given Year" shall mean the applicable fiscal year for which the Adjusted Weighted Votes are calculated.
- (f) "Reporting Year" shall mean the fiscal year immediately preceding the Given Year.
- (g) "Previous Year" shall mean the fiscal year immediately preceding the Reporting Year.

4.13 **Determination of Adjusted Weighted Vote.** The Directors' Adjusted Weighted Votes for a Given Year shall be determined by the following formula:

$$V = 10(1/N) + 30(B/C) + 30(D/E) + 30(F/G)$$

V = % of Adjusted Weighted Vote

N = total number of Member Companies

B = Member Company's Previous Year internal peak demand

C = total of factor B for all Member Companies

D = Member Company's owned generating capacity as of January 1 of the Reporting Year

E = total of factor D for all Member Companies

F = Member Company's sum of circuit miles of transmission times the respective operating voltage for facilities of 69 kV and above as of December 31 of the Previous Year

G = total of factor F for all Member Companies

4.14 **Voting; Manner of Acting; Voting Rights; Quorum.**

- (a) Except as otherwise provided in these Bylaws, all actions by the Board of Directors require approval by a Simple Majority vote.
- (b) A motion which requires a vote shall be deemed to have passed by the requisite vote if it passes either:
  - (i) the Individual Vote test; or
  - (ii) the Adjusted Weighted Vote test;

and, for purposes of the failed test (any test that is not satisfied), on an individual Sector basis, the positive votes outweigh the negative votes in every Sector but one.

- (c) Directors holding two-thirds (2/3) of the Individual Votes shall constitute a quorum for action by the Board. If Directors holding less than two-thirds (2/3) of the Individual Votes are present at the meeting, a majority of the Directors present may adjourn the meeting from time to time without further notice.

4.15 **Action without a meeting.** Any action required by law to be taken at a meeting of Directors, or any action which may be taken at a meeting of Directors, may be taken without a meeting if all of the Directors consent in writing to the action so taken.



The action shall be evidenced by one or more written consents describing the action taken, signed by each Director, and included in the minutes or filed with the corporate records reflecting the action taken. Action taken under this section is effective when the last Director signs the consent unless the consent specifies a different effective date. A consent signed under this section has the effect of a meeting vote. A Director's consent to action taken without a meeting may be in electronic form and delivered by electronic means.

## ARTICLE V - CORPORATE OFFICERS

5.1 **Corporate Officers.** The Board of Directors shall appoint a President/Chief Executive Officer, one or more Vice Presidents, a Secretary, and a Treasurer of the Corporation. Two (2) or more of such offices may be held by the same person, except for the offices of President/Chief Executive Officer and Secretary. The Board of Directors may appoint such other officers and assistant officers as it deems necessary. The Board Officers shall determine the compensation and benefits for all Corporate Officers.

5.2 **President/Chief Executive Officer.** The President shall be the Chief Executive Officer of the Corporation and shall manage the operations of the Corporation to the end that its purposes shall be accomplished. The President shall:

- (a) Promote the mission of the Corporation and implement the goals and objectives of the Corporation;
- (b) Report to the Board of Directors and carry out the policies and procedures set by the Board of Directors;
- (c) Represent SERC at all NERC Stakeholder and Board of Trustees, meetings, as appropriate;
- (d) Attend all Board of Directors meetings and serve as ex-officio non-voting member of (i) the Board of Directors, (ii) the Executive Committee, and (iii) all other Board committees;
- (e) Coordinate subregional activities and interregional affairs, to include data collection;
- (f) Oversee the business affairs of the Corporation, including the Corporation staff, and enact such policies and procedures for staff as are needed to implement the goals and objectives of the Corporation; and

- (g) Provide other assistance to the Corporation and NERC, as appropriate.

5.3 **Vice President.** The Corporation may have one or more Vice Presidents. A Vice President of the Corporation shall perform such duties and exercise such powers as may be assigned to him or her from time to time by the Board of Directors, the Executive Committee, or the President. In the absence of the President, or in the case of the President's inability to act (because of death, resignation, removal, disqualification, or otherwise), a Vice President of the Corporation may be appointed to perform the duties and exercise the powers of the President, subject to the control of the Board of Directors and the Executive Committee.

5.4 **Secretary.** The Secretary of the Corporation shall be custodian of and shall maintain the corporate books, records and the minutes of the meetings of the Board of Directors and other Corporation-related meetings and shall assure that all required notices are duly given in accordance with these Bylaws, the Articles of Incorporation or as otherwise may be required by law. The Secretary of the Corporation shall also be the custodian of the seal of the Corporation. The Secretary of the Corporation shall, in general, perform all duties incident to the office of Secretary of the Corporation and such other duties as may, from time to time, be assigned to him or her by the Board of Directors, the Executive Committee, or the President.

5.5 **Treasurer.** The Treasurer of the Corporation shall have charge and custody of, and be responsible for, all funds and securities of the Corporation and deposit all such funds in the name of the Corporation in such banks, trust companies, or other depositories as shall be selected in accordance with the provisions of these Bylaws. The Treasurer of the Corporation shall, in general, perform all of the duties incident to the office of Treasurer of the Corporation and such other duties as from time to time may be assigned to him or her by the Board of Directors, the Executive Committee, or the President.

## ARTICLE VI - EXECUTIVE COMMITTEE

6.1 **Executive Committee Representatives.** The Executive Committee shall be comprised of fifteen (15) Sector representatives from the Board of Directors, consisting of:

- (a) The Investor-Owned Utility Sector shall have four (4) representatives;
- (b) The Federal/State Sector shall have two (2) representatives;
- (c) The Cooperative Sector shall have three (3) representatives;

- (d) The Municipal Sector shall have three (3) representatives;
- (e) The Marketer Sector shall have one (1) representative;
- (f) The Merchant Electricity Generator Sector shall have one (1) representative; and
- (g) The ISO-RTO Sector shall have one (1) representative.

It is the desire of the Board of Directors that the Cooperative and Municipal sectors have representation from both transmission dependent and transmission owning Members.

Each Sector shall be responsible for nominating their representative(s) and alternates from among the Directors. The Chair of the Board shall serve as Chair of the Executive Committee and shall conduct all meetings and shall be responsible for the preparation of the agenda. In the event that a representative on the Executive Committee is unable to complete a term, the Sector's alternate shall replace such representative.

6.2 **Ex Officio Representatives.** The Chair, Vice Chair, and Secretary-Treasurer of the Board of Directors shall also be ex officio representatives on the Executive Committee, but shall not have voting rights unless such Board Officer is also elected by a Sector to the Executive Committee pursuant to Section 6.1 above.

6.3 **Authority of Executive Committee.** Except as limited by Section 55A-8-25 of the North Carolina Nonprofit Corporation Act and Section 4.10 of these Bylaws, the Executive Committee is empowered to make all such decisions and take such actions as are deemed to be necessary for the operation of the Corporation.

6.4 **Action.** Each voting representative on the Executive Committee shall have one vote. The presence of three-quarters (3/4) of the voting representatives on the Executive Committee shall constitute a quorum. The positive vote of two-thirds (2/3) of Executive Committee voting representatives present and voting is necessary to pass a particular action.

## **ARTICLE VII - OTHER COMMITTEES**

7.1 **Designation by Board.** The Board of Directors, by resolution adopted by a Simple Majority vote, may designate Board committees and standing committees, as shall be necessary to address the purposes of the Corporation. Each Board committee shall have at least two Directors among its members.

7.2 **Rules for Governance.** Each committee shall adopt rules for its own governance that are not inconsistent with these Bylaws, rules adopted by the Board of Directors, applicable NERC or FERC rules or regulations, or applicable state or federal laws. Each committee shall maintain its rules for governance in a written scope document that is approved by the Board of Directors.

7.3 **Ad-Hoc Support Committees.** The Board or its committees may, from time to time, appoint ad-hoc committees to research and/or advise it on compliance or technical issues or matters, among other things. Such ad-hoc committees may be formed on an as-needed basis and may vary in makeup depending on the needs of the Board or its committees.

## ARTICLE VIII - MISCELLANEOUS

8.1 **Conflicts of Interest.** All Directors, Alternate Directors, Customer Advisors, Board Advisors, and Board committee representatives shall comply with the Corporation's Standards of Conduct policy that prohibits conflicts of interest, as such conflicts could cast doubt on the ability of such persons to act with total objectivity with regard to the overall interests of the Corporation.

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

8.3 **Checks, Drafts, etc.** All checks, drafts, or orders for the payment of money, notes or other evidences of indebtedness issued in the name of the Corporation, shall be signed by an authorized officer or agent of the Corporation and in such manner as shall from time to time be determined by resolution of the Executive Committee. In the absence of such determination by the Executive Committee, such instruments shall be signed by the Board's Secretary-Treasurer, the Corporation's President, or the Corporation's Finance Director, as stipulated by the Executive Committee. The Corporation's Finance Director may arrange audits of financial records, sign appropriate documents, and perform such duties normally performed by the Board's Secretary-Treasurer, except duties assigned to the Corporation's President.

8.4 **Deposits.** All funds of the Corporation shall be deposited from time to time to the credit of the Corporation in such banks, trust companies, or other depositories as the Corporation's President may select.

8.5 **Books and Records.** The Corporation shall keep correct and complete books and records of account and shall also keep minutes of the proceedings of the Board of Directors and committees having any of the authority of the Board of Directors, and

shall keep at its registered or principal office a record giving the names and addresses of the Directors. All books and records of the Corporation may be inspected by any Director, or agent or attorney representing any Director, for any proper purpose at any reasonable time.

8.6 **Seal**. The corporate seal shall be in circular form and shall have inscribed thereon the name of the Corporation, the words "Corporate Seal", and such other word or words, if any, as may be determined by the Board of Directors to be inscribed thereon.

8.7 **Fiscal Year**. The fiscal year of the Corporation shall begin on the first day of January and end on the last day of December in each year.

## ARTICLE IX - EXPENSES

9.1 **Allocation of Specific Expenses**. The expenses of Directors and Board Officers shall be borne by that person's regular employer.

9.2 **Statutory Functions**. The Corporation anticipates that as a general rule all of its expenses shall be incurred in the furtherance of statutory activities pursuant to Section 215 of the Federal Power Act, and that all such expenses shall be funded by NERC, subject to FERC approval.

9.3 **Non-Statutory Functions**. Notwithstanding Section 9.2, the Board of Directors may from time to time authorize the Corporation to participate in non-statutory activities (i.e., activities not described in Section 215 of the Federal Power Act). In the event that the Corporation proposes to engage in non-statutory activities, such activities shall be identified in the Corporation's annual business plan that is submitted to NERC and, if approved by NERC, shall be submitted to FERC for approval in advance of engaging in such non-statutory activities. The expenses incurred by the Corporation for any such approved non-statutory activities shall be allocated by the Board of Directors to the beneficiaries of such activities on a basis proposed in the business plan submitted for NERC and FERC approval.

## ARTICLE X - DISPUTE RESOLUTION PROCESS

10.1 **Dispute Resolution**. All disputes regarding non-compliance with Reliability Standards shall be handled in accordance with the NERC Rules of Procedure. The organizational units of the Corporation shall deal with all other disputes within the framework of their respective organizations. For such other disputes, Member Companies of the Corporation are encouraged to utilize the appropriate Dispute

Resolution Process within the Corporation prior to seeking resolution at NERC, FERC, or with legal counsel.

## ARTICLE XI - DISSOLUTION

11.1 **Dissolution.** The Corporation may be voluntarily dissolved upon unanimous consent of the Board of Directors, and in accordance with Section 55A-14-02 of the North Carolina Nonprofit Corporation Act, as amended from time to time.

11.2 **Distribution of Assets.** Upon dissolution of the Corporation as provided in Section 11.1, the residual assets, after payment of all just obligations, shall be distributed exclusively to organizations which are exempt from federal income tax under Section 501(c)(6) of the Internal Revenue Code of 1986, or corresponding provisions of any subsequent federal tax laws, as the Board of Directors shall determine.

## ARTICLE XII - WAIVER OF NOTICE

12.1 **Waiver.** Whenever any notice is required to be given under the provisions of the North Carolina Nonprofit Corporation Act or under the provisions of the articles of incorporation or the Bylaws of the Corporation, a waiver thereof in writing signed by the person or persons entitled to such notice, whether before or after the time stated therein, shall be deemed equivalent to the giving of such notice.

## ARTICLE XIII - INDEMNIFICATION

13.1 **Indemnification of Directors, Alternate Directors, Customer Advisors, Board Advisors, Committee Members, Officers, Employees and Agents.** Every person who is, or has served as, a Director, Alternate Director, Customer Advisor, Board Advisor, committee member, Officer, employee, or agent of the Corporation shall be indemnified by the Corporation in the manner and to the extent authorized by the North Carolina Nonprofit Corporation Act. The foregoing rights of indemnification shall be without prejudice to any other rights to which any such Director, Alternate Director, Customer Advisor, Board Advisor, committee member, Officer, employee, or agent may be entitled as a matter of law.

**ARTICLE XIV - AMENDMENT OF THE BYLAWS AND ARTICLES OF  
INCORPORATION**

14.1 **Amendment of the Bylaws and Articles of Incorporation.** After a request by twenty percent (20%) of the Board of Directors or an affirmative vote of the Executive Committee, a proposal to amend the Bylaws or the Articles of Incorporation shall be put before the Board of Directors at any regular or special meeting for a vote. Copies of the proposed amendments shall be distributed to the Board of Directors at least thirty (30) days before the meeting at which they are to be considered. An amendment to the Bylaws or the Articles of Incorporation shall be adopted after being approved by a Supermajority vote of the Board of Directors, provided that a quorum is present.

**AMENDED AND RESTATED**

**BYLAWS**

**OF**

**SERC RELIABILITY CORPORATION**

**A North Carolina Nonprofit Corporation**

Approved by the **SERC** Board of Directors on ~~April 22, 2015~~ October 24,  
2018



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Approved by the SERC Board of Directors on April 22, 2015-October 24, 2018  
Approved the NERC Board of Trustees on February 7, 2019  
Approved by the Federal Energy Regulatory Commission on

**ARTICLE XIV - AMENDMENT OF THE BYLAWS AND ARTICLES OF INCORPORATION ..... 16**  
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**AMENDED AND RESTATED**  
**BYLAWS**  
**OF**  
**SERC RELIABILITY CORPORATION**  
**[Hereinafter referred to as the “Corporation”]**  
**A North Carolina Nonprofit Corporation**

**ARTICLE I - OFFICES**

1.1 **Principal Office.** The principal office of the Corporation shall be located in the City of Charlotte, Mecklenburg County, North Carolina. The Board of Directors may by resolution change the location of this office from time to time.

1.2 **Other Offices.** The Corporation may have other offices at such place or places as the Board of Directors may from time to time appoint or the business of the Corporation may require.

**ARTICLE II - MEMBERSHIP**

2.1 **General.** The Corporation shall be a membership corporation. Entities that meet the eligibility requirements and apply for membership in the Corporation shall hereinafter be referred to individually as a “Member Company” and collectively as “Member Companies”.

2.2 **Eligibility.** Membership in the Corporation is voluntary and is open to any entity in the SERC Region (defined in Section 3.2 below) that is a user, owner or operator of the Bulk Power System, has a material interest in the Bulk Power System in the SERC Region, satisfies the criteria for membership specified in this Section 2.2, qualifies for one or more of the Sectors identified in Section 2.4, and is subject to the jurisdiction of the Federal Energy Regulatory Commission. Membership in the Corporation is predicated on mandatory acceptance of the responsibility to promote, support, and comply with Reliability Standards of the Corporation and the North American Electric Reliability Corporation (“NERC”), and to assist the Corporation in its compliance with the terms and provisions of a Delegation Agreement (a “Delegation Agreement”) with NERC, by which NERC delegates authority to propose and enforce Reliability Standards, pursuant to 16 U.S.C. § 824o or the corresponding provisions of any subsequent U.S. Code revisions.

For purposes of these Bylaws, the terms “Bulk Power System”, “Reliability Standards” and “Regional Entity” shall be as defined in 16 U.S.C. § 824o or the corresponding provisions of any subsequent U.S. Code revisions.

2.3 **Termination.** A Member Company may terminate its membership in the Corporation by giving the Board of Directors at least thirty (30) days written notice of its intent to terminate such membership (such Member Companies shall hereinafter be referred to as "Terminated Member Companies"). Terminated Member Companies shall nevertheless continue to be liable for any and all obligations incurred prior to the end of the calendar year in which such notice is given, including, but not limited to, the obligation to pay a pro rata share of any Corporation expense. In addition to termination of membership by the Member Company, the Board of Directors, following notice to the Member Company, may terminate the membership of a Member Company if in the judgment of the Board of Directors that Member Company has violated its obligations and responsibilities to the Corporation. The termination of the membership of a Member Company by the Board of Directors shall require a Supermajority vote, as defined in these Bylaws.

2.4 **Sectors.** Each Member Company shall be classified by the Executive Committee in one of the following seven (7) Sectors (each a “Sector”, and collectively, the “Sectors”):

- (a) Investor-Owned Utility Sector – This Sector includes any investor-owned entity with substantial business interest in ownership and/or operation in any of the asset categories of generation, transmission or distribution.
- (b) Federal/State Sector – This Sector includes any U.S. federal entity that owns and/or operates electric facilities and/or provides balancing authority services, in any of the asset categories of generation, transmission, or distribution; or any entity that is owned by or subject to the governmental authority of a state and 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.
- (c) Cooperative Sector – 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.
- (d) Municipal Sector – This Sector includes any entity owned by or subject to the governmental authority of a 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 municipality; and any entity, whose members are municipalities, formed under state law for the purpose of generating or purchasing electricity for sale at wholesale to their members.

- (e) Marketer Sector– This Sector includes any entity that is engaged in the activity of buying and selling of wholesale electric power in the SERC Region on a physical or financial basis.
- (f) Merchant Electricity Generator Sector – This Sector includes any entity that owns or operates an electricity generating facility or provides balancing authority services for such entities. This includes, but is not limited to, small power producers and all other non-utility producers such as exempt wholesale generators who sell electricity at wholesale.
- (g) ISO-RTO Sector – This Sector includes any entity that operates a FERC approved ISO or RTO.

The Executive Committee’s classification of a Member Company in a particular Sector may only be changed by the Executive Committee.

2.5 **Transfer of Membership.** A Member Company may not give or otherwise transfer its membership, except to a successor that becomes a Member Company in accordance with the terms and conditions of these Bylaws, and provided that the successor continues to meet its predecessor’s obligations.

2.6 **Powers.** Notwithstanding any other provisions of these Bylaws, except for the appointment of Directors as provided in Section 4.2 below, Member Companies shall be non-voting members and shall have no power or authority or right to vote with respect to the actions of the Corporation, specifically including, but not limited to, the dissolution or merger of the Corporation.

### ARTICLE III - PURPOSES

3.1 **General Purposes.** The purpose of the Corporation is to promote effective and efficient administration of Bulk Power System reliability in the SERC Region, as defined in Section 3.2. In pursuit of this goal, the Corporation shall:

- (a) enter into a Delegation Agreement to serve as a Regional Entity pursuant to 16 U.S.C. § 824o or the corresponding provisions of any subsequent U.S. Code revisions;

- (b) promote the development of reliability and adequacy arrangements among the systems in the SERC Region;
- (c) participate in the establishment of Reliability Standards;
- (d) participate in the measurement of performance relative to these Reliability Standards;
- (e) promote conformance to and compliance with these Reliability Standards;
- (f) develop and exchange information with respect to planning and operating matters relating to the reliability and adequacy of the Bulk Power System;
- (g) review as necessary activities in the SERC Region on reliability and adequacy in order to meet Reliability Standards;
- (h) provide a mechanism to resolve disputes on reliability issues in a manner that meets the needs of the parties and the SERC Region; and
- (i) provide information with respect to matters considered by the Corporation, where appropriate, to the Federal Energy Regulatory Commission ("FERC") and to other federal and state agencies concerned with reliability and adequacy.

3.2 **Geographic Area.** The Corporation accomplishes its purposes in a geographic area (the "SERC Region") that is defined in Exhibit A of the Amended and Restated Delegation Agreement Between North American Electric Reliability Corporation and SERC Reliability Corporation.

3.3 **Other Statutory Functions.** The Corporation may also perform statutory functions outside of the SERC Region, on behalf of NERC or other Regional Entities. The Corporation may undertake such activities pursuant to a contract that is approved by the Executive Committee.

## **ARTICLE IV - BOARD OF DIRECTORS**

4.1 **General Powers.** The affairs of the Corporation shall be managed by its Board of Directors except as otherwise provided in these Bylaws.

4.2 **Composition and Eligibility.** The Board of Directors shall be comprised of no fewer than three (3) Directors.

Each Director shall be the principal officer or other authorized employee from a Member Company or a company that controls, is controlled by, or is under common control with such Member Company (an “affiliated entity”). Each Member Company, together with any affiliated entities, may appoint one (1) Director to the Board of Directors. For clarification purposes only, each Member Company and all of such Member Company’s affiliated entities (including any affiliated entities which may be a separate Member Company) shall have the right to appoint only one (1) Director to serve on behalf of such Member Company and all of such Member Company’s affiliated entities. Each Director shall serve until otherwise replaced by the applicable Member Company, together with any affiliated entities. Each Member Company, together with any affiliated entities, may designate one (1) alternate Director, who shall be a principal officer or other authorized employee from the Director’s Member Company or an affiliated entity, to serve in the place of the Member Company’s Director at any meeting of the Board of Directors (an “Alternate Director”). Directors may not otherwise use proxy votes. Any vacancy occurring among the Directors or Alternate Directors shall be filled by the applicable Member Company, together with any affiliated entities.

4.3 **Customer Advisors; Board Advisors; and Other Participants.** The Board of Directors may, but shall not be required to, appoint one or more Customer Advisors to serve the Corporation. Each Customer Advisor shall be a person in the SERC Region who is (i) employed by an entity that receives service at retail and does not otherwise sell, purchase, or transmit power over the Bulk Power System or own, operate or maintain, control or operate facilities or systems that are part of the Bulk Power System; (ii) a state public utility commission representative; or (iii) any other customer advocate. The term of the Customer Advisor(s) shall be for a two (2) year period. The role of the Customer Advisor(s) is purely advisory and the Customer Advisor(s) shall have no authority whatsoever to bind the Corporation in any way.

The Board of Directors may, but shall not be required to, appoint one but no more than five Board Advisor(s) to serve the Corporation, the Board of Directors, the Executive Committee and the Officers of the Corporation. The Board Advisor(s) shall be either former Directors of the Corporation or former NERC Trustees. Appointments shall be made by the Board of Directors and those appointed shall serve for a term of one (1) year with no limits on eligibility for reappointment. The purpose of the Board Advisor(s) shall be to advise the Board of Directors, Executive Committee and Officers of the Corporation, as directed from time to time by the Board of Directors or the Executive Committee. The role of the Board Advisor(s) is purely advisory and the Board Advisor(s) shall have no authority whatsoever to bind the Corporation in any way.

The Chair of FERC and the chair or president of any State Utility Commission in a state in which electric service is provided by a Member Company of the Corporation shall be invited to designate an observer to attend meetings of the Board.



4.4 **Regular Meetings of the Board.** Unless otherwise determined by the Chair, a regular meeting of the Board of Directors shall be held without other notice than these Bylaws on the fourth Wednesday in the months of April and October in each year. Notwithstanding the foregoing, the Chair may elect to hold a regular semi-annual meeting of the Board of Directors on another date provided that the Board receives at least ten (10) days advance notice. If the day fixed for the meeting shall be a legal holiday in the State of North Carolina, the meeting shall be held on the next succeeding business day. The Board of Directors may designate any place as the place of meeting for any meeting. The Board of Directors may provide by resolution the time and place for the holding of additional regular meetings of the Board without other notice than the resolution. Directors or any committee designated by the Board of Directors may participate in such Board or committee meetings by means of a telephone conference, webcast or any other communication by means of which all persons participating in the meeting can hear each other at the same time, and participation by such means shall constitute presence in person at such meeting.

4.5 **Special Meetings of the Board.** Special meetings of the Board of Directors may be called at the request of the Chair, or by Directors holding twenty percent (20%) or more of the Individual Votes. The Chair may fix any place as the place for holding any special meeting of the Board.

4.6 **Notice of Special Meetings.** Notice of any special meeting of the Board of Directors shall be given at least two (2) days prior to the special meeting by written notice delivered personally, or sent by mail or electronic mail to each Director at the address as shown by the records of the Corporation. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail in a sealed envelope so addressed, with postage prepaid. If sent by electronic mail, such notice shall be deemed to be delivered when sent via electronic mail. Any Director may waive notice of any meeting. The attendance of a Director at any meeting shall constitute a waiver of notice of such meeting, except where a Director attends a meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any special meeting of the Board need be specified in the notice or waiver of notice of such meeting, unless specifically required by law or by these Bylaws.

4.7 **Election of Board Officers and Executive Committee.** Biennially, at the April meeting, the Board of Directors shall elect Board Officers from among the Directors for the positions of Chair, Vice Chair, and Secretary-Treasurer, each for a term of two (2) years beginning on July 1st after the election. No Director may serve in more than one (1) Board Officer position at the same time. The Chair shall conduct and preside at all meetings, be responsible for the preparation of the agenda, and carry out all other duties assigned by the Board of Directors. In the Chair's absence, the Vice Chair shall serve as acting Chair and shall preside at all meetings, be responsible for the preparation of the agenda, and carry out all other duties assigned by the Board of Directors. In the event that a Board Officer cannot complete his or her term, the Board of Directors may hold a

special election to elect a replacement Board Officer for the remainder of the unexpired term.

~~At the same time~~ Initially, at the first April Board meeting following the integration of FRCC into SERC, the Board shall approve two groups (Group 1 and Group 2) of representatives to the Executive Committee which shall be nominated by the Sectors. Group 1 shall serve an initial three (3) year term and then for two (2) year terms thereafter, with terms beginning on July 1 after the approval; Group 2 shall serve an initial two (2) year term and then for two (2) year terms thereafter, with terms beginning on July 1 after the approval in alternating years from Group 1 terms. The initial allocation of Executive Committee representatives to Group 1 and Group 2 shall be recommended by the Nominating Committee and approved by the Chair, or in the absence of the Chair, by the Vice Chair. to serve for a period of two (2) years beginning July 1st, after the approval. Each Sector may also elect alternates to the Executive Committee, which shall be elected on the same schedule as their representatives and, if a Sector has more than one (1) representative on the Executive Committee, such Sector shall designate the priority of succession by such alternates.

4.8 **Agenda.** As far in advance of each regular and special meeting as practical, an agenda shall be distributed to Directors and other participants.

4.9 **Compensation.** Directors shall not receive any compensation from the Corporation for their services to the Corporation.

4.10 **Duties.** The Board of Directors shall have the exclusive responsibility to:

- (a) Authorize distributions;
- (b) Recommend to members or approve dissolution, merger or the sale, pledge or transfer of substantially all of the Corporation's assets;
- (c) Fill vacancies on any of the Board's committees;
- (d) Adopt, amend, or repeal the Articles of Incorporation or Bylaws;
- (e) Form or dissolve committees of the Board as it deems necessary to carry out the business of the Corporation; and
- (f) Resolve any disputes regarding the Member Companies and the Corporation, if those issues cannot be resolved by the standing committees or subcommittees of the Corporation and are not otherwise subject to NERC's dispute provisions for non-compliance with Reliability Standards.

4.11 **Voting.** The intent of Sections 4.12 and 4.14 is to ensure that no two Sectors should be able to control any decision and that a single Sector should not be able to veto any matter, respectively. In the event that either of the foregoing shall nevertheless occur, the Board shall promptly revise the provisions of these Bylaws so that no two Sectors shall be able to control any decision and no single Sector shall be able to veto any matter.

4.12 **Voting Definitions.**

- (a) "Adjusted Weighted Vote" shall mean the number of votes of each Director determined in the manner set forth in Section 4.13 hereof.
- (b) "Simple Majority" shall require the presence of a quorum and the (i) concurrence of Directors whose combined Individual Votes are greater than fifty percent (50%) of the total Individual Votes of all Directors present at the meeting and entitled to vote on the issue, (ii) concurrence of Directors whose combined Adjusted Weighted Votes are greater than fifty percent (50%) of the total Adjusted Weighted Vote of all Directors at the meeting and entitled to vote on the issue, and (iii) for at least one of the Individual Vote test or the Adjusted Weighted Vote test, on an individual Sector basis, the positive vote shall outweigh the negative vote for at least three Sectors.
- (c) "Supermajority" shall require the presence of a quorum and the (i) concurrence of Directors whose combined Individual Votes equal or exceed two-thirds (2/3) of the total Individual Votes of all Directors present at the meeting and entitled to vote on the issue, (ii) concurrence of Directors whose combined Adjusted Weighted Votes are greater than two-thirds (2/3) of the total Adjusted Weighted Vote of all Directors present at the meeting and entitled to vote on the issue, and (iii) for at least one of the Individual Vote test or the Adjusted Weighted Vote test, on an individual Sector basis, the positive vote shall outweigh the negative vote for at least three Sectors.
- (d) "Individual Vote" shall mean a single vote accorded to each Director.
- (e) "Given Year" shall mean the applicable fiscal year for which the Adjusted Weighted Votes are calculated.
- (f) "Reporting Year" shall mean the fiscal year immediately preceding the Given Year.
- (g) "Previous Year" shall mean the fiscal year immediately preceding the Reporting Year.

4.13 **Determination of Adjusted Weighted Vote.** The Directors' Adjusted Weighted Votes for a Given Year shall be determined by the following formula:

$$V = 10(1/N) + 30(B/C) + 30(D/E) + 30(F/G)$$

V = % of Adjusted Weighted Vote

N = total number of Member Companies

B = Member Company's Previous Year internal peak demand

C = total of factor B for all Member Companies

D = Member Company's owned generating capacity as of January 1 of the Reporting Year

E = total of factor D for all Member Companies

F = Member Company's sum of circuit miles of transmission times the respective operating voltage for facilities of 69 kV and above as of December 31 of the Previous Year

G = total of factor F for all Member Companies

4.14 **Voting; Manner of Acting; Voting Rights; Quorum.**

- (a) Except as otherwise provided in these Bylaws, all actions by the Board of Directors require approval by a Simple Majority vote.
- (b) A motion which requires a vote shall be deemed to have passed by the requisite vote if it passes either:
  - (i) the Individual Vote test; or
  - (ii) the Adjusted Weighted Vote test;

and, for purposes of the failed test (any test that is not satisfied), on an individual Sector basis, the positive votes outweigh the negative votes in every Sector but one.

- (c) Directors holding two-thirds (2/3) of the Individual Votes shall constitute a quorum for action by the Board. If Directors holding less than two-thirds (2/3) of the Individual Votes are present at the meeting, a majority of the Directors present may adjourn the meeting from time to time without further notice.

4.15 **Action without a meeting.** Any action required by law to be taken at a meeting of Directors, or any action which may be taken at a meeting of Directors, may be taken without a meeting if all of the Directors consent in writing to the action so taken. The action shall be evidenced by one or more written consents describing the action taken, signed by each Director, and included in the minutes or filed with the corporate records reflecting the action taken. Action taken under this section is effective when the last Director signs the consent unless the consent specifies a different effective date. A consent signed under this section has the effect of a meeting vote. A Director's consent to action taken without a meeting may be in electronic form and delivered by electronic means.

## ARTICLE V - CORPORATE OFFICERS

5.1 **Corporate Officers.** The Board of Directors shall appoint a President/Chief Executive Officer, one or more Vice Presidents, a Secretary, and a Treasurer of the Corporation. Two (2) or more of such offices may be held by the same person, except for the offices of President/Chief Executive Officer and Secretary. The Board of Directors may appoint such other officers and assistant officers as it deems necessary. The Board Officers shall determine the compensation and benefits for all Corporate Officers.

5.2 **President/Chief Executive Officer.** The President shall be the Chief Executive Officer of the Corporation and shall manage the operations of the Corporation to the end that its purposes shall be accomplished. The President shall:

- (a) Promote the mission of the Corporation and implement the goals and objectives of the Corporation;
- (b) Report to the Board of Directors and carry out the policies and procedures set by the Board of Directors;
- (c) Represent SERC at all NERC Stakeholder and Board of Trustees, meetings, as appropriate;
- (d) Attend all Board of Directors meetings and serve as ex-officio non-voting member of (i) the Board of Directors, (ii) the Executive Committee, and (iii) all other Board committees;
- (e) Coordinate subregional activities and interregional affairs, to include data collection;
- (f) Oversee the business affairs of the Corporation, including the Corporation staff, and enact such policies and procedures for staff

as are needed to implement the goals and objectives of the Corporation; and

- (g) Provide other assistance to the Corporation and NERC, as appropriate.

5.3 **Vice President.** The Corporation may have one or more Vice Presidents. A Vice President of the Corporation shall perform such duties and exercise such powers as may be assigned to him or her from time to time by the Board of Directors, the Executive Committee, or the President. In the absence of the President, or in the case of the President's inability to act (because of death, resignation, removal, disqualification, or otherwise), a Vice President of the Corporation may be appointed to perform the duties and exercise the powers of the President, subject to the control of the Board of Directors and the Executive Committee.

5.4 **Secretary.** The Secretary of the Corporation shall be custodian of and shall maintain the corporate books, records and the minutes of the meetings of the Board of Directors and other Corporation-related meetings and shall assure that all required notices are duly given in accordance with these Bylaws, the Articles of Incorporation or as otherwise may be required by law. The Secretary of the Corporation shall also be the custodian of the seal of the Corporation. The Secretary of the Corporation shall, in general, perform all duties incident to the office of Secretary of the Corporation and such other duties as may, from time to time, be assigned to him or her by the Board of Directors, the Executive Committee, or the President.

5.5 **Treasurer.** The Treasurer of the Corporation shall have charge and custody of, and be responsible for, all funds and securities of the Corporation and deposit all such funds in the name of the Corporation in such banks, trust companies, or other depositories as shall be selected in accordance with the provisions of these Bylaws. The Treasurer of the Corporation shall, in general, perform all of the duties incident to the office of Treasurer of the Corporation and such other duties as from time to time may be assigned to him or her by the Board of Directors, the Executive Committee, or the President.

## ARTICLE VI - EXECUTIVE COMMITTEE

6.1 **Executive Committee Representatives.** The Executive Committee shall be comprised of ~~twelve-fifteen~~ (12-15) Sector representatives from the Board of Directors, consisting of:

- (a) The Investor-Owned Utility Sector shall have ~~three-four~~ (3-4) representatives;



- (b) The Federal/State Sector shall have two (2) representatives;
- (c) The Cooperative Sector shall have ~~two-three~~ (23) representatives;
- (d) The Municipal Sector shall have ~~two-three~~ (23) representatives;
- (e) The Marketer Sector shall have one (1) representative;
- (f) The Merchant Electricity Generator Sector shall have one (1) representative; and
- (g) The ISO-RTO Sector shall have one (1) representative.

It is the desire of the Board of Directors that the Cooperative and Municipal sectors have representation from both transmission dependent and transmission owning Members.

Each Sector shall be responsible for nominating their representative(s) and alternates from among the Directors. The Chair of the Board shall serve as Chair of the Executive Committee and shall conduct all meetings and shall be responsible for the preparation of the agenda. In the event that a representative on the Executive Committee is unable to complete a term, the Sector's alternate shall replace such representative.

6.2 **Ex Officio Representatives.** The Chair, Vice Chair, and Secretary-Treasurer of the Board of Directors shall also be ex officio representatives on the Executive Committee, but shall not have voting rights unless such Board Officer is also elected by a Sector to the Executive Committee pursuant to Section 6.1 above.

6.3 **Authority of Executive Committee.** Except as limited by Section 55A-8-25 of the North Carolina Nonprofit Corporation Act and Section 4.10 of these Bylaws, the Executive Committee is empowered to make all such decisions and take such actions as are deemed to be necessary for the operation of the Corporation.

6.4 **Action.** Each voting representative on the Executive Committee shall have one vote. The presence of three-quarters (3/4) of the voting representatives on the Executive Committee shall constitute a quorum. The positive vote of two-thirds (2/3) of Executive Committee voting representatives present and voting is necessary to pass a particular action.

## ARTICLE VII - OTHER COMMITTEES

7.1 **Designation by Board.** The Board of Directors, by resolution adopted by a Simple Majority vote, may designate Board committees and standing committees, as

shall be necessary to address the purposes of the Corporation. Each Board committee shall have at least two Directors among its members.

7.2 **Rules for Governance.** Each committee shall adopt rules for its own governance that are not inconsistent with these Bylaws, rules adopted by the Board of Directors, applicable NERC or FERC rules or regulations, or applicable state or federal laws. Each committee shall maintain its rules for governance in a written scope document that is approved by the Board of Directors.

7.3 **Ad-Hoc Support Committees.** The Board or its committees may, from time to time, appoint ad-hoc committees to research and/or advise it on compliance or technical issues or matters, among other things. Such ad-hoc committees may be formed on an as-needed basis and may vary in makeup depending on the needs of the Board or its committees.

## ARTICLE VIII - MISCELLANEOUS

8.1 **Conflicts of Interest.** All Directors, Alternate Directors, Customer Advisors, Board Advisors, and Board committee representatives shall comply with the Corporation's Standards of Conduct policy that prohibits conflicts of interest, as such conflicts could cast doubt on the ability of such persons to act with total objectivity with regard to the overall interests of the Corporation.

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

8.3 **Checks, Drafts, etc.** All checks, drafts, or orders for the payment of money, notes or other evidences of indebtedness issued in the name of the Corporation, shall be signed by an authorized officer or agent of the Corporation and in such manner as shall from time to time be determined by resolution of the Executive Committee. In the absence of such determination by the Executive Committee, such instruments shall be signed by the Board's Secretary-Treasurer, the Corporation's President, or the Corporation's Finance Director, as stipulated by the Executive Committee. The Corporation's Finance Director may arrange audits of financial records, sign appropriate documents, and perform such duties normally performed by the Board's Secretary-Treasurer, except duties assigned to the Corporation's President.

8.4 **Deposits.** All funds of the Corporation shall be deposited from time to time to the credit of the Corporation in such banks, trust companies, or other depositories as the Corporation's President may select.



8.5 **Books and Records.** The Corporation shall keep correct and complete books and records of account and shall also keep minutes of the proceedings of the Board of Directors and committees having any of the authority of the Board of Directors, and shall keep at its registered or principal office a record giving the names and addresses of the Directors. All books and records of the Corporation may be inspected by any Director, or agent or attorney representing any Director, for any proper purpose at any reasonable time.

8.6 **Seal.** The corporate seal shall be in circular form and shall have inscribed thereon the name of the Corporation, the words "Corporate Seal", and such other word or words, if any, as may be determined by the Board of Directors to be inscribed thereon.

8.7 **Fiscal Year.** The fiscal year of the Corporation shall begin on the first day of January and end on the last day of December in each year.

## ARTICLE IX - EXPENSES

9.1 **Allocation of Specific Expenses.** The expenses of Directors and Board Officers shall be borne by that person's regular employer.

9.2 **Statutory Functions.** The Corporation anticipates that as a general rule all of its expenses shall be incurred in the furtherance of statutory activities pursuant to Section 215 of the Federal Power Act, and that all such expenses shall be funded by NERC, subject to FERC approval.

9.3 **Non-Statutory Functions.** Notwithstanding Section 9.2, the Board of Directors may from time to time authorize the Corporation to participate in non-statutory activities (i.e., activities not described in Section 215 of the Federal Power Act). In the event that the Corporation proposes to engage in non-statutory activities, such activities shall be identified in the Corporation's annual business plan that is submitted to NERC and, if approved by NERC, shall be submitted to FERC for approval in advance of engaging in such non-statutory activities. The expenses incurred by the Corporation for any such approved non-statutory activities shall be allocated by the Board of Directors to the beneficiaries of such activities on a basis proposed in the business plan submitted for NERC and FERC approval.

## ARTICLE X - DISPUTE RESOLUTION PROCESS

10.1 **Dispute Resolution.** All disputes regarding non-compliance with Reliability Standards shall be handled in accordance with the NERC Rules of Procedure. The

organizational units of the Corporation shall deal with all other disputes within the framework of their respective organizations. For such other disputes, Member Companies of the Corporation are encouraged to utilize the appropriate Dispute Resolution Process within the Corporation prior to seeking resolution at NERC, FERC, or with legal counsel.

## ARTICLE XI - DISSOLUTION

11.1 **Dissolution**. The Corporation may be voluntarily dissolved upon unanimous consent of the Board of Directors, and in accordance with Section 55A-14-02 of the North Carolina Nonprofit Corporation Act, as amended from time to time.

11.2 **Distribution of Assets**. Upon dissolution of the Corporation as provided in Section 11.1, the residual assets, after payment of all just obligations, shall be distributed exclusively to organizations which are exempt from federal income tax under Section 501(c)(6) of the Internal Revenue Code of 1986, or corresponding provisions of any subsequent federal tax laws, as the Board of Directors shall determine.

## ARTICLE XII - WAIVER OF NOTICE

12.1 **Waiver**. Whenever any notice is required to be given under the provisions of the North Carolina Nonprofit Corporation Act or under the provisions of the articles of incorporation or the Bylaws of the Corporation, a waiver thereof in writing signed by the person or persons entitled to such notice, whether before or after the time stated therein, shall be deemed equivalent to the giving of such notice.

## ARTICLE XIII - INDEMNIFICATION

13.1 **Indemnification of Directors, Alternate Directors, Customer Advisors, Board Advisors, Committee Members, Officers, Employees and Agents**. Every person who is, or has served as, a Director, Alternate Director, Customer Advisor, Board Advisor, committee member, Officer, employee, or agent of the Corporation shall be indemnified by the Corporation in the manner and to the extent authorized by the North Carolina Nonprofit Corporation Act. The foregoing rights of indemnification shall be without prejudice to any other rights to which any such Director, Alternate Director, Customer Advisor, Board Advisor, committee member, Officer, employee, or agent may be entitled as a matter of law.

**ARTICLE XIV - AMENDMENT OF THE BYLAWS AND ARTICLES OF  
INCORPORATION**

14.1 **Amendment of the Bylaws and Articles of Incorporation.** After a request by twenty percent (20%) of the Board of Directors or an affirmative vote of the Executive Committee, a proposal to amend the Bylaws or the Articles of Incorporation shall be put before the Board of Directors at any regular or special meeting for a vote. Copies of the proposed amendments shall be distributed to the Board of Directors at least thirty (30) days before the meeting at which they are to be considered. An amendment to the Bylaws or the Articles of Incorporation shall be adopted after being approved by a Supermajority vote of the Board of Directors, provided that a quorum is present.