

TO: MEMBER REPRESENTATIVES COMMITTEE
REGIONAL ENTITY EXECUTIVES
NERC ROSTER
REGISTERED ENTITIES
ALL OTHER INTERESTED ENTITIES AND PERSONS

FROM: Paul Barber, Chair
Board of Trustees Nominating Committee

SUBJECT: Opportunity to Suggest Candidates for Board of Trustees of the North American Electric Reliability Corporation

DATE: June 29, 2015

DEADLINE: **July 13, 2015**

The Nominating Committee for the Board of Trustees of the North American Electric Reliability Corporation is providing an opportunity for stakeholders to suggest candidates to serve as independent members of NERC's Board of Trustees. NERC is the entity certified by the Federal Energy Regulatory Commission under section 215 of the Federal Power Act to be the electric reliability organization within the United States. NERC has equivalent relationships with most governmental authorities in Canada and is pursuing such relationships with the remainder.

The Nominating Committee for this year is comprised of the following individuals:

Independent Trustees

Paul Barber
Janice Case
Fred Gorbet
George Hawkins
Ken Peterson
Jan Schori
Roy Thilly

MRC Representatives

Sylvain Clermont
Nabil Hitti
Bruce Campbell
Carol Chinn
Michelle D'Antuono
Jeffrey Gust

The independent Trustees whose terms expire at the 2016 annual meeting are Bob Clarke and Dave Goulding. In addition, Doug Jaeger will be resigning as a trustee in August 2015 due to a work conflict, and thus there will be one vacancy on the Board.

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The Committee has determined that Messrs. Clarke and Goulding are willing and interested to serve an additional term, and has made a preliminary determination that it will re-nominate them for re-election. The Committee thus expects to include one new nominee on its proposed slate.

The process for the nomination of and election of trustees is attached. In addition, the Nominating Committee has retained Russell Reynolds to assist in the search and screening of candidates. Russell Reynolds has prepared with the Committee a position specification, which is also attached. Candidates must be prepared to demonstrate they would be able to meet the independence requirement and be free from conflicts of interest. The attached position specification summarizes NERC's requirements, which are contained in its Bylaws and related policies that are available at www.nerc.com.

Please submit all suggestions for candidates to Larry Klock of Russell Reynolds, larry.klock@russellreynolds.com. **All suggestions for candidates must be received by July 13, 2015.**

Procedures for Nomination and Election of Trustees

1. The Nominating Committee comprises the Trustees whose terms are not expiring at the next Annual Meeting and at least three representatives of the Member Representatives Committee.
2. The Nominating Committee will ask for suggested candidates by posting notice on the NERC web site and sending notice to the NERC roster.
3. The notice will include the names of the Trustees whose terms are expiring, identify any other vacancies, and establish a deadline for submitting suggestions.
4. Any member of the Board, NERC, the Member Representatives Committee, the NERC standing committees, a Regional Reliability Entity or Organization, or any other interested entity or person may submit suggested candidates for consideration by the Nominating Committee. The Nominating Committee, at its discretion, may also engage a consultant to seek out candidates.
5. Candidates must demonstrate they will be able to meet NERC's independence criteria.
6. The Nominating Committee, at its discretion, may engage a consultant to assist in screening candidates.
7. The Nominating Committee will present a slate of one nominee for each position to be filled.
8. The Nominating Committee will send its slate of nominees to the Member Representatives Committee no later than three weeks before the Annual Meeting.
9. If a nominee fails to receive at least a two-thirds favorable vote from the members of the Member Representatives Committee, then the Nominating Committee will present an additional nominee for consideration by the Member Representatives Committee, as necessary. The additional nominee may be selected from the list of suggested candidates developed through these procedures, or the Nominating Committee may solicit additional suggestions.

Position Specification

Board Trustee

North American Electric Reliability Corporation (NERC)

Private and Confidential

June 29, 2015

Position Specification

Board Trustee
North American Electric Reliability Corporation
www.nerc.com

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Our Client

On November 9, 1965, a blackout darkened the northeastern United States and southeastern Canada, affecting the lives of 30 million people. It raised many questions about the reliability of the continent's interconnected bulk electric network. In response, on June 1, 1968, the electric industry established the North American Electric Reliability Council (NERC). NERC was initially a voluntary, non-profit corporation owned by ten (subsequently consolidated into eight) Regional Reliability Councils which set and monitored compliance with standards designed to insure the operating reliability of the electricity network. This voluntary-based structure changed through the passage of the U.S. Energy Policy Act of 2005, which called for the creation of an international "electricity reliability organization (ERO)". The ERO would be given the authority to develop and enforce mandatory standards for the reliable operation and planning of the bulk power system throughout North America. NERC was designated as this "electric reliability organization" by the U.S. Federal Energy Regulatory Commission (FERC) on July 20, 2006.

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

To achieve its mission, NERC develops and enforces reliability standards, assesses adequacy through long-term and seasonal assessments; conducts special assessments focused on specific issues affecting reliability; monitors the bulk power system; analyzes system events and disturbances; and educates, trains, and certifies industry personnel. Membership in NERC is free, voluntary, and open to any person or entity with an interest in the reliable operation of the North American bulk power system that submits an application and maintains its membership in accordance with Article II of the Corporation's bylaws.

Each member (today, over 500) will join one of 12 industry sectors (investor-owned utility, state or municipal utility, cooperative utility, federal or provincial utility/power marketing administrator, transmission-dependent utility, merchant electricity generator, electricity marketer, large end-use electricity customer, small end-use electricity customer, independent system operator/regional transmission organization, regional entity, government representative) and is eligible for selection as a sector representative on the NERC Member Representatives Committee (MRC). The MRC elects the Corporation's independent trustees, votes on amendments to the bylaws, and provides advice and recommendations to the board with respect to the development of annual budgets, business plans and funding mechanisms, and other matters pertinent to the purpose and operations of the Corporation.

Today, NERC oversees reliability for a bulk power system that provides electricity to 334 million people, has a total electricity demand of 830,000 megawatts, has 211,000 miles of high-voltage transmission lines, and represents more than \$1 trillion worth of assets. Its streamlined staff of 180 dedicated

employees is based at NERC's headquarters in Atlanta and in an office in Washington, DC. Additional information about NERC can be found at www.nerc.com.

The Role

NERC is governed by a Board of Trustees comprised of 10 independent trustees and the president of NERC. Prospective trustees are screened and then interviewed by a hybrid Nominating Committee consisting of independent trustees plus members of the MRC. The Nominating Committee recommendation(s) are presented to the full MRC in late December to be voted on at the annual meeting of the MRC in early February. Newly elected trustees serve for a term of three years.

Trustees have a broad spectrum of expertise, to include knowledge of electric operations and reliability, legal and regulatory frameworks, market and financial matters, and familiarity with regional system operation issues. Diversity – in the form of geography, gender, and ethnicity – is valued. Trustees must be independent of the industry, both in employment and financial ownership. Trustees are expected to attend all board meetings in person and to serve on at least two of the following standing committees: compliance, standards oversight and technology, enterprise-wide risk, governance and human resources, finance and audit, and nominating.

2016 Meeting Dates:

- February 10-11 in Sarasota, FL
- May 4-5 in Chicago, IL
- August 10-11 in Halifax, Canada
- November 1-2 in Atlanta, GA

Trustees are expected to arrive a day or two before the scheduled quarterly board meetings to attend additional meetings with stakeholders and others. In addition to the regularly quarterly meetings, the Board and its committees hold a number of special meetings and conference calls throughout the year focused on specific issues. Trustees are also requested to attend at least two additional outreach meetings a year to include a combination of any of the following: regional entity board meetings, trade meetings, technical committee meetings, etc. Also, one trustee is assigned as an observer to the Electricity Sub-Sector Coordinating Council (ESCC).

Candidate Profile

As can be seen on NERC's website, <http://www.nerc.com/gov/bot/Pages/default.aspx>, the composition of the NERC Board of Trustees, individually and collectively, provides the board with a broad array of expertise and experience. We seek a spectrum of skills in order to ensure an effective board composition. This includes individuals with prior board and executive experience and skill sets that include familiarity with regulatory constructs that have a compliance and enforcement aspect, as well as governance and strategic planning.

Ideally, candidates should have an understanding of the utility industry structure including the bulk power delivery system and its associated regulatory construct. Although technical expertise and experience is not essential, it is a valued attribute. Candidates should have experience dealing with large and diverse groups of stakeholders. We seek individuals with board and senior leadership experience in their background and knowledge across a broad base of different business aspects that could include

exposure to environmental issues, project development, risk management and overall corporate governance. A demonstrated track record in pragmatic business management is attractive. We seek geographic, ethnic, and gender diversity.

Perhaps the Candidate Profile can be personified by the trustees who are completing a 3-year term this year. Mr. Bob Clarke and Mr. Dave Goulding, are standing for re-election. Mr. Doug Jaeger will be stepping down as a result of a work conflict. All three have contributed distinctly different perspectives to the NERC Board.

Bob Clarke brings a strong governance and finance background with an industry perspective. He served as chancellor of the Vermont State Colleges and prior to that served as President of Vermont Technical College. Bob served as member of the board of directors of Central Vermont Public Service and as chair of the board of Vermont Electric Power Company, Inc. and Vermont Electric Transmission Company, Central Vermont affiliates. He was also chair of the Board's Audit Committee and a member of both the Executive and Corporate Governance Committees. Additionally, Bob served on the Board of TD Banknorth Group, Inc., and served as a director of the Richard E. and Deborah L. Tarrant Foundation (a charitable giving foundation).

Dave Goulding brings deep industry expertise, having served as president and CEO of the Ontario Independent Electricity System Operator and prior to that in a number of senior positions with Ontario Hydro, including senior vice president of Central Market Operations. He is a past member of what was then the NERC stakeholder board and stakeholder committee, and was chair of the Northeast Power Coordinating Council, one of NERC's regional entities. Dave is also a member of the board of Rouge Valley Health System, which operates hospitals and mental health facilities in Ontario, Canada.

Doug Jaeger was elected as a trustee for a term expiring in February 2016, but will be stepping down after the August 2015 NERC board meetings due to a new executive role that created a potential conflict of interest that would result in his not being independent under NERC's guidelines. He has served as a principal of AMP Advisors, providing advisory and consulting services. Doug was the CEO of Adolfson & Peterson, a national construction firm with concentrations in the medical, energy, government, senior housing and education segments. Prior to joining Adolf & Peterson, he held senior level positions with Xcel Energy, a major transmission provider, including vice president of transmission, vice president of business operations and vice president of retail marketing and sales. He has thus provided the perspective of a CEO along with significant industry expertise.

To minimize the possibility of conflicts of interest, we require each new trustee to be truly independent. By this, we mean a person who is not an officer, employee, or director of an entity that would reasonably be perceived as having a direct financial interest in the outcome of board decisions and who does not have a relationship that would interfere with the exercise of independent judgment in carrying out the responsibilities of a trustee. A newly-elected trustee must terminate any financial interest or other relationship with an entity included on NERC's Compliance Registry within 60 days of election to the board. This applies to members of his or her immediate household as well.

Regardless of background and functional expertise, each NERC trustee must possess a keen interest in multi-faceted problem solving, have a strong desire to serve the public interest, and be comfortable discussing "big picture" strategy issues along with "nitty-gritty" technical jargon. Furthermore, he/she must exhibit a willingness and desire to bring out the best in fellow board members, foster a spirit of teamwork, and proactively address the myriad of economic, social, political, and regulatory issues that

will impact NERC's core mission of improving the reliability and security of the bulk power system in North America.

Service as a NERC trustee requires a substantial time commitment. Based upon empirical measurement, the average trustee can spend up to 10 hours per week on NERC matters. It should be noted that the time commitment is not consistent during the year, and increases substantially in advance of the quarterly board meetings.

Compensation

Each independent board member will receive a retainer as follows as well as travel reimbursement for each meeting. The current Board compensation is:

Base retainer:	\$97,500
Committee chair retainer:	\$10,000
ESCC retainer	\$10,000
Vice Chair retainer:	\$5,000
Chair retainer:	\$35,000

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