Call to Order

Introductions and Chair’s Remarks

NERC Antitrust Compliance Guidelines

Agenda Items

1. Minutes* — Approve
   a. October 22, 2015 Conference Call


3. Proposed 2016 Board Committee and Vice Chair Appointments* — Review and Recommend Board of Trustees Approval

4. Appointment of Officers — Review and Recommend Board of Trustees Approval

5. Mandates: Standards Oversight and Technology, Finance and Audit, and Enterprise-wide Risk Committees* — Review and Recommend Board of Trustees Approval

6. 2015 Year-End Performance Report* — Review

7. Board and Board Committees’ Self-Assessments and MRC Assessment of Board of Trustees Effectiveness Results* — Review

8. NERC Savings and Investment and 457(b) Plan Committees - Appointment of Additional Committee Member* — Approve

9. Staffing and Recruiting Update* — Review

10. Adjournment

*Background materials included.
Antitrust Compliance Guidelines

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

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

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

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

- Discussions involving pricing information, especially margin (profit) and internal cost information and participants’ expectations as to their future prices or internal costs.
- Discussions of a participant’s marketing strategies.
- Discussions regarding how customers and geographical areas are to be divided among competitors.
- Discussions concerning the exclusion of competitors from markets.
- Discussions concerning boycotting or group refusals to deal with competitors, vendors or suppliers.
• Any other matters that do not clearly fall within these guidelines should be reviewed with NERC’s General Counsel before being discussed.

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

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

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

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

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

• Reliability matters relating to the bulk power system, including operation and planning matters such as establishing or revising reliability standards, special operating procedures, operating transfer capabilities, and plans for new facilities.

• Matters relating to the impact of reliability standards for the bulk power system on electricity markets, and the impact of electricity market operations on the reliability of the bulk power system.

• Proposed filings or other communications with state or federal regulatory authorities or other governmental entities.

• Matters relating to the internal governance, management and operation of NERC, such as nominations for vacant committee positions, budgeting and assessments, and employment matters; and procedural matters such as planning and scheduling meetings.
Jan Schori, Chair, called to order a duly noticed open meeting of the Corporate Governance and Human Resources Committee (the “Committee”) of the Board of Trustees of the North American Electric Reliability Corporation (“NERC”) on October 22, 2015, at 1:00 p.m. Eastern, and a quorum was declared present. The agenda is attached as Exhibit A.

Present at the meeting were:

**Committee Members**
- Jan Schori, Chair
- Robert Clarke
- Fred Gorbet
- George Hawkins
- Ken Peterson

**Board of Trustees Members**
- Gerry Cauley, President and CEO
- David Goulding
- Roy Thilly

**NERC Staff**
- Charles A. Berardesco, Senior Vice President, General Counsel, and Corporate Secretary
- Tina Buzzard, Administrative Associate Director
- Damon Epperson, Director of Human Resources
- Scott Jones, Senior Director of Finance
- Mark G. Lauby, Senior Vice President and Chief Reliability Officer
- Janet Sena, Senior Vice President and Director of Policy and External Affairs
- Michael Walker, Senior Vice President, Chief Financial and Administrative Officer and Treasurer

**NERC Antitrust Compliance Guidelines**
Ms. Schori directed the participants’ attention to the NERC Antitrust Compliance Guidelines included with the agenda materials.

**Minutes**
Upon motion duly made and seconded, the Committee approved the minutes of the August 12, 2015 meeting as presented at the meeting.

**Board of Trustees Effectiveness Survey and Board Committees’ Self-Assessment Surveys**
Ms. Schori summarized the background to the development of this year’s surveys, including the input from a joint working group of the MRC and Board. Mr. Berardesco summarized the changes made to the surveys since the August meeting and the schedule for distribution, which were included in the advance Committee materials. Mr. Gorbet expressed his appreciation for the efforts of the working group to improve the surveys. Upon motion duly made and seconded, the proposed surveys were approved.

**ERO Enterprise and Corporate Metrics Q3 2015 Report**

Mr. Lauby, referencing the report included in the advance Committee materials, reported that as of the end of the third first quarter of 2015, the company is on target for the vast majority of its goals. He noted areas were performance was below target and summarized efforts to meet target by year end or where attainment of threshold was more likely. Mr. Alan Mosher commented on stakeholder comments in the ERO Effectiveness survey addressing the cost-effectiveness of reliability standards and suggested that understanding the background of those comments should be a future focus. Mr. Cauley indicated that would be a future focus area for management.

**Independent Trustee Compensation Philosophy**

Ms. Schori summarized the background to the development of the proposed trustee compensation philosophy, which had been included in the advance Committee materials, including discussions with the MRC leadership about the advantages of developing such a philosophy. Mr. Berardesco summarized the proposed philosophy, noting it would be included as a part of the NERC Governance Guidelines. Mr. Nabil Hitti, MRC Vice Chair, indicated that the proposed philosophy was consistent with the suggestions from the MRC leadership. Upon motion duly made and seconded, the Committee recommended Board approval of the proposed amendments to the NERC Governance Guidelines to include the trustee compensation philosophy as presented to the Committee at this meeting.

**Annual 401(k) Audit**

Mr. Jones provided a review of the purpose and results of the audit of the company’s 401(k) plan, which had been included in the advance Committee materials, and answered the Committee member’s questions.

**Corporate Governance and Human Resources Mandate**

Mr. Berardesco referenced the proposed amendments to the Committee’s mandate, which had been included in the advance Committee materials. He noted that the recommendations were the result of a Legal Department review, utilizing the approach that had been developed for amendments to the mandate for the Compliance Committee. Mr. Berardesco noted there were relatively few changes to the mandate other than organization and modernization of language. He summarized the only significant proposed changes to the mandate, which included (i) deletion of the requirement for Committee approval of changes to the company’s employee handbook, in light of the Committee’s role in approving major company policies, (ii) consolidation of references to various policies that were now included in the Governance Guidelines and (iii) adding the ability of the Committee to engage, consistent with the Board’s Finance and Audit Committee, independent advisors, particularly in light of its potential role in investigations. After discussion, and upon motion duly made and seconded, the proposed revisions to the Committee’s mandate were recommended for Board approval.
Staffing and Recruiting Update
Mr. Epperson summarized the staffing and recruiting update, which had been included in the advance Committee materials.

Adjournment
There being no further business, and upon motion duly made and seconded, the meeting was adjourned.

Submitted by,

[Signature]

Charles A. Berardesco
Secretary
Proposed 2016 Board Committee and Vice Chair Appointments

**Action**
Review and recommend Board of Trustees approval.

**Vice Chair and Chair-Elect** – Roy Thilly

**ESCC Observers** – Paul Barber and George Hawkins

**Corporate Governance and Human Resources**
Bob Clarke, Chair
Ken DeFontes
Fred Gorbet, *ex officio*
Ken Peterson
Roy Thilly

**Enterprise-wide Risk**
Dave Goulding, Chair
Bob Clarke
Fred Gorbet, *ex officio*
George Hawkins
Jan Schori

**Compliance**
Janice Case, Chair
Fred Gorbet, *ex officio*
Dave Goulding
Jan Schori
Roy Thilly

**Finance and Audit**
Jan Schori, Chair
Janice Case
Bob Clarke
Ken DeFontes
Fred Gorbet, *ex officio*
Ken Peterson

**Nominating**
Ken Peterson, Chair
Janice Case
Bob Clarke
Ken DeFontes
Dave Goulding
George Hawkins
Jan Schori

**Standards Oversight and Technology**
Ken Peterson, Chair
Paul Barber
Ken DeFontes
Fred Gorbet
Dave Goulding
George Hawkins
Mandates: Standards Oversight and Technology, Finance and Audit, and Enterprise-wide Risk Committees

Action
Approve and recommend Board of Trustees approval.

Background
As part of the regular review of all Board committee mandates, the NERC legal department has reviewed the mandates for the Enterprise-wide Risk Committee, Finance and Audit Committee, and Standards Oversight and Technology Committee. It has suggested several organization and clarification changes, including updating of language, which are reflected in the attached and also align the mandate with the other Board committee mandates. The proposed changes have been endorsed by each of the Committees, which request approval and recommendation by the CGHRC.
DRAFT Board of Trustees
Finance and Audit Committee Mandate
Approved by the Board of Trustees: _______________

Committee Membership
The Board of Trustees Finance and Audit Committee (FAC or the Committee) of the North American Electric Reliability Corporation (NERC) shall be composed of not less than three and not more than six of the Independent members of the Board of Trustees (Board). The members of the FAC shall be appointed or reappointed by the Board at the regular meeting of the Board following each Annual Meeting of the Member Representatives Committee. Each member of the FAC shall continue to be a member thereof until a successor is appointed, unless a member resigns, is removed, or ceases to be a member of the Board of the Corporation. When a vacancy occurs at any time in the membership of the FAC, it may be filled by the Board.

Purpose
The purpose of the FAC is to assist the Board in fulfilling its oversight responsibilities for NERC’s financial results and reporting process, system of internal financial and accounting controls and financial audit process and its oversight of the NERC, Regional Entities and WIRAB business plans and budgets, as well as performing such other responsibilities as directed by the Board or this Mandate.

Committee Authority and Responsibilities
To carry out its purpose, the FAC shall have the following authority and responsibilities:

Business Plan and Budgets
Review and make recommendations to the Board with respect to (i) the annual NERC and Regional Entities’ and WIRAB business plan and budget preparation and approval, including associated assessments, (ii) any other special budget and assessments of the corporation or a Regional Entity, and (iii) such other matters as are deemed necessary and advisable by the FAC in connection with the preparation and approval thereof, in each case consistent with applicable requirements of the NERC Rules of Procedure (ROP) or any applicable laws, rules, regulations, or directives of governmental and regulatory authorities with that jurisdiction.

Review and make recommendations to the Board regarding the authorization for NERC management to enter into loan agreements, including, but not limited to, lines of credit. Provide oversight of NERC management’s compliance with the corporation’s working capital and operating reserve policy and make recommendations to the Board regarding expenditures or transfers of working capital and operating reserves which require Board authorization as set forth in such policy.
Financial Reports and Reporting

1. Oversee NERC management's maintenance of the quality, credibility, and objectivity of the corporation's financial reports.

2. Review the adequacy and integrity of the corporation's internal accounting and financial controls.

3. Appoint, receive reports from, and monitor the independent external auditor (independent auditor), which shall report to the FAC on behalf of the Board for purposes of the annual independent audit and such other matters that may be assigned to the independent auditor from time to time, and conduct reviews of the performance of such independent auditor.

4. Review and recommend for Board approval the corporation's audited annual financial statements. This review shall include:
   a. Discussing with NERC management and the auditor the adequacy and effectiveness of the internal accounting and financial controls, including the corporation's system for monitoring and managing business risk;
   b. Reviewing and discussing the audited financial statements of the corporation with management and the independent auditor, including their judgment about the accounting principles, the reasonableness of significant judgments, and the clarity of the disclosures in the financial statements;
   c. Reviewing with NERC management, the auditor, and legal counsel the corporation's procedures to comply with applicable laws, regulations, and any significant litigation, claim, or other contingency, including tax assessments, that would have a material effect upon the financial position or operating results of the corporation, as well as the disclosure or impact on the results of any such matters in the annual financial statements;
   d. Discussing the results of the annual audit, any matters required to be communicated to the FAC by the auditor under generally accepted auditing standards, and any other matters that the independent auditor feels should be communicated to the FAC;
   e. Reviewing with the independent auditor any significant emerging accounting and reporting issues and their potential impact on the corporation’s financial statements; and
   f. Meeting with the independent auditor, with and without management present, to discuss the annual audit.

5. Review and approve the independent auditor’s estimated annual audit fees and expenses.

6. Review with NERC management all interim and unaudited financial statements prepared for external distribution, including reports summarizing any variances from the business plan and budget, and recommend acceptance of any such statements to the Board.

7. Review the results of the company's annual savings and investment plan audit and, if necessary, make recommendations to the Corporate Governance and Human Resources Committee and management in connection with any audit findings or recommendations.
Other Matters

1. Review the financial aspects of the corporation’s Form 990 prior to it being filed with the Internal Revenue Service.

2. Review and recommend approval by the Board of an investment policy governing the investment of funds held by the corporation.

3. Review policies for the approval of NERC senior management expenses, including those of the CEO of the corporation.

4. Whenever it may be appropriate to do so, retain and receive advice from experts, including independent legal counsel and independent public accountants, and conduct or authorize the conduct of investigations into any matters within the scope of the responsibility of the FAC as the FAC may consider appropriate.

5. Perform such other functions as may be delegated from time to time by the Board.

Committee Meetings
The FAC shall meet at least quarterly by conference call or in person. Meetings may occur at the same place in conjunction with the regular Board meetings of the corporation, or as determined by the members of the FAC, using the same meeting procedures established for the Board. Meetings may be held in either open or closed session as set forth in the Bylaws of the corporation. A majority of the Committee members shall constitute a quorum. Except where prescribed differently by law: (a) any action or decision of the FAC requires a vote of a majority of the Committee members then in attendance at any Committee meeting provided a quorum is present; and (b) participation may be telephonic or by Action without a Meeting. The Committee may hold special meetings as circumstances require. Minutes of each Committee meeting shall be maintained as part of the Committee’s record.

Governance
The Board, or in the event of their failure to do so, the members of the FAC, shall appoint a chair from among their members. The FAC Chair shall be responsible for leadership of the Committee, including scheduling of meetings, setting agendas, presiding over Committee meetings, and making reports to the Board. A member(s) of the NERC staff shall assist the Chair and shall serve as the non-voting secretary.

Review
The FAC shall review this mandate annually and recommend to the Board Corporate Governance and Human Resources Committee any changes it considers advisable. Any changes must be approved by the full Board. The FAC shall complete a self-assessment annually to determine its effectiveness.
Committee Membership
The Board of Trustees Standards Oversight and Technology Committee (SOTC or the Committee) of the North American Electric Reliability Corporation (NERC) shall be composed of not less than three and not more than six of the independent members of the Board of Trustees (Board). The members of the SOTC shall be appointed or reappointed by the Board at the regular meeting of the Board immediately following each Annual Meeting of the Members Representative Committee. Each member of the SOTC shall continue to be a member thereof until a successor is appointed, unless a member resigns, is removed, or ceases to be a trustee of the corporation. When a vacancy occurs at any time in the membership of the SOTC, it may be filled by the Board.

Purpose
The purpose of the SOTC is to assist the Board by providing oversight to the corporation’s standards development processes and the overall strategic focus and progress of the standards development program, and to provide oversight to the corporation’s information technology program, as well as performing such other responsibilities as directed by the Board or this Mandate.

Committee Authority and Responsibilities
To carry out its purpose, the SOTC shall have the following authority and responsibilities:

Technology:
1. As part of the annual business plan and budgeting process, provide the Finance and Audit Committee and the Board with recommendations regarding management proposed resource requirements and funding for (i) the design, procurement, installation, operation, and maintenance of information technology hardware, software and applications, including hardware, software, and applications hosted by third parties, supporting NERC’s operations and program area initiatives; and, (ii) investments in, or supporting, the development of new technology to improve and ensure the reliability of the bulk power system in North America, historic examples of which included funding for the development of transmission system awareness tools, synchrophaser technology, technology used to monitor and manage transmission congestion, and data reporting tools providing information regarding generator, transmission system, and demand side resource availability and performance.

2. Review with NERC management the corporation’s overall computer systems environment, including procedures to keep the systems secure and contingency plans developed to deal with
possible computer failures.

3. Respond to the Board’s requests to the Committee for advice and recommendations on any technology-related issues;

**Standards:**

1. In collaboration with the NERC Reliability Issues Steering Committee (RISC), work with NERC management to identify strategic priorities for reliability standards development and provide feedback to NERC Standards Committee, the Board, and NERC management on the annual standards development work plan.

2. Monitor overall results of the standards development process, including quality and timeliness of standards development work, and make recommendations to the NERC Standards Committee, the Board, and NERC management regarding potential improvements to the standards development process.

3. In collaboration with the RISC and management, assess emerging reliability risks affecting standards and make recommendations to the Board as appropriate.

4. Monitor progress in addressing regulatory mandates and directives related to standards.

5. Serve as the Level 2 Appeals Panel as set forth in the NERC Standards Process Manual, which is an Appendix to the NERC Rules of Procedure.

6. Periodically review NERC’s status with the American National Standards Institute.

7. Respond to the Board’s requests for advice and recommendations on any standards-related referred to it by the Board.

**Additional Responsibilities:**

1. In connection with NERC’s Reliability Standard Audit Worksheet Revision Process (RSAW Revision Process), take any actions contemplated by the RSAW Revision Process, as such Process is amended from time to time.

2. Perform such other functions as may be delegated from time to time by the Board.

**Committee Meetings**

The SOTC shall meet at least twice a year by conference call or in person. Meetings may occur at the same place in conjunction with the regular Board meetings of the corporation, or as determined by the members of the SOTC, using the same meeting procedures established for the Board. Meetings may be held in either open or closed session as set forth in the Bylaws of the corporation.

A majority of the Committee members shall constitute a quorum. Except where prescribed differently by law: (a) any action or decision of the SOTC requires a vote of a majority of the Committee members then in attendance at any Committee meeting provided a quorum is present; and (b) participation may
be telephonic or by Action without a Meeting. The Committee may hold special meetings as circumstances require. Minutes of each Committee meeting shall be maintained as part of the Committee’s record.

**Governance**
The Board, or in the event of their failure to do so, the members of the SOTC, shall appoint a chair from among their members. The SOTC Chair shall be responsible for leadership of the Committee, including scheduling of meetings, setting agendas, presiding over Committee meetings, and making reports to the Board. A member(s) of the NERC staff shall assist the Chair and shall serve as the non-voting secretary.

**Review**
The SOTC shall review this mandate annually and recommend to the Board Corporate Governance and Human Resources Committee any changes it considers advisable. Any changes must be approved by the full Board. The SOTC shall complete a self-assessment annually to determine its effectiveness.
Committee Membership
The Board of Trustees Enterprise-wide Risk Committee (EWRC or the Committee) of the North American Electric Reliability Corporation (NERC or the Corporation) shall be composed of not less than three and not more than six of the independent members of the Board of Trustees (Board), one of whom shall be the chair of the Finance and Audit Committee. In addition, the members of the EWRC shall include the chair of NERC’s Compliance and Certification Committee (CCC) and the chair of the Regional Entity Management Group (REMG). In the event that the chair of the CCC and/or REMG are unavailable to attend a meeting, they may designate an alternate member of the CCC Executive Committee (Chair, Vice Chair, and Subcommittee Chairs) or REMG, respectively, to attend and participate in EWRC meetings in their absence.

The members of the EWRC shall be appointed or reappointed by the Board at the regular meeting of the Board immediately following each Annual Meeting of the Member Representatives Committee. Each member of the EWRC shall continue to be a member thereof until a successor is appointed, unless the member resigns, is removed, or, for the chairs of the CCC or REMG, ceases to be chair of the CCC or REMG, respectively. When a vacancy occurs at any time in the membership of the EWRC, it may be filled by the Board.

Given the sensitive and confidential nature of the material reviewed and discussed by the EWRC, any non-trustee member (or permitted attendee in lieu of a member) shall be required to enter into confidentiality agreements with the corporation in a form approved by the EWRC.

Purpose
The purpose of the EWRC is to assist the Board in the oversight of (i) the corporation’s risk management program, internal controls processes and ethics related policies and procedures, (ii) compliance by NERC and each of the Regional Entities with the NERC Rules of Procedure (ROP) and governmental authorizations, regulations and orders, and (iii) coordinating with the CCC with respect to the CCC’s execution of its responsibilities under applicable orders, the ROP and the CCC’s Charter, as well as performing such other responsibilities as directed by the Board or this Mandate.
Committee Authority and Responsibilities

To carry out its purpose, the EWRC shall have the following authority and responsibilities:

1. Review, make recommendations to the Board, and oversee the development and implementation of internal risk management and internal control strategies, policies, procedures, and mitigation programs.

2. Provide oversight and direction to guide the design and implementation of risk management practices which ensure that:
   a. Best practices are incorporated;
   b. Management of the corporation understands and accepts its responsibility for identifying, assessing, and managing risk;
   c. Risk assessments are performed periodically and completely; and,
   d. Adequate and effective risk mitigation strategies are in place.

3. Monitor and assess the adequacy of:
   a. The corporation’s compliance with internal operating procedures and controls, as well as corporate ethics policies, codes of conduct, and conflicts of interest;
   b. The corporation’s and the eight Regional Entities’ compliance with the ROP, as well as applicable regulations, orders, or other authorizations by the Federal Energy Regulatory Commission (FERC) and any other applicable governmental entities;
   c. Regional Entities’ performance of obligations under the delegation agreements between the Regional Entities and the corporation; and,
   d. Risk mitigation practices adopted by the corporation.

4. Coordinate with the CCC with respect to the CCC’s execution of its responsibilities under applicable FERC orders, the ROP, and CCC Charter, including:
   a. Monitoring NERC’s compliance with any Reliability Standards that apply to NERC;
   b. Establishing procedures for monitoring NERC’s compliance with the ROP in the design and execution of NERC’s standards development, compliance monitoring and enforcement, and organization registration and certification program;
   c. Overseeing NERC’s performance of an independent audit of its compliance monitoring and enforcement program and its organization registration and certification programs;
   d. Sharing information in order to leverage EWRC and CCC activities to maximize the benefits of both internal review and independent review perspective; and,
   e. Overseeing the establishment and implementation of internal audit and risk management capability to ensure that risks are being systematically identified and that appropriate control procedures are established and implemented.

5. Provide recommendations regarding resource requirements in connection with the annual business plan and budget process.
6. Prepare reports to the Board no less than annually and at such other times as deemed necessary in the judgment of the chair of the EWRC regarding:
   a. The magnitude of all material risks to the corporation;
   b. The processes, procedures, and controls in place to manage material risks; and
   c. The overall effectiveness of the risk management and internal controls processes.

7. Conduct an annual executive session meeting with each of the corporation’s general counsel and head of internal audit, and such external parties utilized by the corporation in the performance of internal audit functions as the Committee shall elect.

8. Perform such other functions as may, from time to time, be delegated or assigned by the Board.

Committee Meetings
The EWRC shall meet at least quarterly by conference call or in person. Meetings may occur at the same place in conjunction with the regular Board meetings of the corporation, or as determined by the members of the BOTCC, using the same meeting procedures established for the Board. The EWRC shall meet in closed session given the sensitive nature of the materials discussed.

Attendees at the meeting may include the Chief Executive Officer of the corporation, the Chief Financial and Administrative officer of the corporation, and such other employees of the corporation or other individuals as the Chair of the EWRC deems advisable. The EWRC may, at the discretion of the Chair and with notice to the EWRC members, meet in special session with only Board members present.

A majority of the EWRC members shall constitute a quorum. Except where prescribed differently by law: (a) any action or decision of the EWRC requires a vote of a majority of the Committee members then in attendance at any Committee meeting provided a quorum is present; and (b) participation may be telephonic or by Action without a Meeting. The Committee may hold special meetings as circumstances require. Minutes of each Committee meeting shall be maintained as part of the Committee’s record.

Governance
The Board, or in the event of their failure to do so, the members of the EWRC, shall appoint a chair from among their members. The EWRC Chair shall be responsible for leadership of the Committee, including scheduling of meetings, setting agendas, presiding over Committee meetings, and making reports to the Board. A member(s) of the NERC staff shall assist the Chair and shall serve as the non-voting secretary.

Review
The EWRC shall review this mandate annually and recommend to the Board Corporate Governance and Human Resources Committee any changes it considers advisable. Any changes must be approved by the full Board. The EWRC shall complete a self-assessment annually to determine its effectiveness.
2015 NERC Performance Report

Mark Lauby, Senior Vice President and Chief Reliability Officer
Corporate Governance and Human Resources Committee Meeting
February 10, 2016
Many 2015 Metrics Achieved Target

• *All 2015 Metrics Achieved Threshold*

**Metric 1: Reliability Results**

• *Achieved Target (100% credit)*
  - No Category 4 or 5 events

**Metric 2: Assurance Effectiveness**

• *Achieved Target (100% credit)*
  - Only one Category 3 event in 2015
  - Gap analysis not due until 2016
Metric 3: Risk Mitigation Effectiveness

• *Achieved Target (100% credit)*
  - 3.1- Changing Resource Mix
  - 3.2- Extreme Physical Events
  - 3.3- Cybersecurity Preparedness
  - 3.4- Protection System Misoperations
  - 3.5- Extreme Weather Preparedness and Resiliency Efforts
  - 3.6- Right-of-Way Clearances
Metric 4: Program Execution Effectiveness

• **Achieved Target (100% credit)**
  - Sub-metric B: Quality, up-to-date guidance developed for Standards
  - Sub-metric C: Registration
  - Sub-metric I: Quality of planning models
  - Sub-metric L: BES Security Metrics Framework
Metric 4: Program Execution Effectiveness

- **Threshold or Partial Credit**
  - Sub-metric A: Standards- 11 out of 13 Standards completed = 95.38%
  - Sub-metric G: Implementation of risk-based Compliance Monitoring and Enforcement = 85%
  - Sub-metric H: Increase ES-ISAC participation = 70%
  - Sub-metric J: ERO Operating Model Transition = 85%
  - Sub-metric K: Stakeholder survey = 70%
Summary of 2015 Board and Board Committees’ Self-Assessments and MRC Assessment of Board of Trustees Effectiveness

February 10, 2016
NERC engaged TalentQuest to conduct the annual Board of Trustees (Board) and Member Representatives Committee (MRC) surveys through an online methodology.

The surveys were administered from November 10 to December 18, 2015, to a total of 36 Board and MRC members.

Across all surveys, response rates ranged from 93% to 100%.

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<thead>
<tr>
<th>Survey</th>
<th>Respondents</th>
<th>Response Rate</th>
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<tbody>
<tr>
<td>Board of Trustees</td>
<td>9 of 9</td>
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<tr>
<td>Member Representatives Committee</td>
<td>25 of 27</td>
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<tr>
<td>Compliance Committee</td>
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<td>Corporate Governance and Human Resources Committee</td>
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<td>Finance and Audit Committee</td>
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<tr>
<td>Nominating Committee</td>
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<tr>
<td>Standards Oversight and Technology Committee</td>
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<td>100%</td>
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<tr>
<td>Enterprise-Wide Risk Committee</td>
<td>5 of 5</td>
<td>100%</td>
</tr>
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Respondents were asked to rate items on a 1 to 5 point scale to indicate their evaluation for each rated item

- 1 = Needs Prompt Attention (“unacceptable performance”)
- 2 = Below Expectations (“performance area with opportunity for improvement”)
- 3 = Meets Expectations (“meets the required standard of performance”)
- 4 = Exceeds Expectations (“exceeds the required standard of performance”)
- 5 = Outstanding (“far exceeds the required standard of performance”)

Above scale is a change from 2014 survey, which used a 3 point scale where “2” was “meets expectations”

Additional items were evaluated by selection of “Yes” or “No” to indicate agreement or disagreement.

For any item rated “1” (Needs Prompt Attention), “2” (Below Expectations), or “No”, mandatory comments were required to explain the rationale for the rating or selection.
Board Self-Assessment Summary
• Of the 27 rated items, the Board’s overall item average rating was 4.13, with item averages ranging from 3.33 to 4.67

• **Lowest Rated Item (3.33):**
  ▪ The number of Committee meetings is appropriate.

• **Of the Board’s five lowest rated items:**
  ▪ Two are also in the MRC’s lowest rated items (number of committee meetings; consideration of costs and benefits of new standards)

• **Highest Rated Item (4.67):**
  ▪ The Board effectively works with the MRC and other stakeholders to seek and consider stakeholder input when establishing ERO priorities and considering key policy issues.
  ▪ MRC rating was 3.44.

• **Of the Board’s seven highest rated items:**
  ▪ Three are also in the MRC’s highest rated items (effectiveness of Board Chair; effectiveness of Trustee participation)
<table>
<thead>
<tr>
<th>Item</th>
<th>Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Board effectively works with the MRC and other stakeholders to seek and consider stakeholder input when establishing ERO priorities and considering key policy issues.</td>
<td>4.67</td>
</tr>
<tr>
<td>The Chair of the Board effectively oversees and facilitates Board activities and direction.</td>
<td>4.56</td>
</tr>
<tr>
<td>The Board's decision making process is sufficiently transparent and open.</td>
<td>4.44</td>
</tr>
<tr>
<td>Board members reflect broad diversity of competency strengths and professional experience.</td>
<td>4.44</td>
</tr>
<tr>
<td>The Chair manages meetings efficiently to allow for sufficient discussion and constructive input on important issues and provides appropriate allocation of time to agenda items. Board goals, expectations, and concerns are effectively communicated with the CEO and other senior management through sufficient, meaningful dialog during Board meetings or...</td>
<td>4.44</td>
</tr>
<tr>
<td>Board members participate as equals and communicate openly.</td>
<td>4.44</td>
</tr>
</tbody>
</table>
The number of Committee meetings is appropriate.

The Board sufficiently ensures that standards development and approval process considers the costs and benefits of new reliability standards.

The Board has established procedures that ensure Board members receive written meeting notices, agendas and appropriate background material in time to prepare in advance of meetings, are presented meaningful information during...

The Board avoids excessive involvement in detail and day-to-day management.

The Board's Committees have suitable mandates and membership.
MRC Assessment Summary
MRC Assessment Summary

• Of 21 rated items, the MRC overall item average rating was 3.43, with item averages ranging from 2.68 to 4.00

• **Lowest Rated Item (2.68):**
  - The Board sufficiently ensures that standards development and approval process considers the costs and benefits of new reliability standards.

• **Of the MRC’s five lowest rated items:**
  - Two are also in the BOT’s lowest rated items (number of committee meetings; consideration of costs and benefits of new standards)

• **Highest Rated Item (4.00):**
  - The Board takes appropriate account of the international charter of the North American bulk power system.

• **Of the MRC’s six highest rated items:**
  - Three are also in the BOT’s highest rated items (effectiveness of Board Chair; effectiveness of Trustee participation)
## MRC Highest Rated Items

<table>
<thead>
<tr>
<th>Item</th>
<th>Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Board takes appropriate account of the international charter of the North American bulk power system.</td>
<td>4.00</td>
</tr>
<tr>
<td>The Chair manages meetings efficiently to allow for sufficient discussion and constructive input on important issues and provides appropriate allocation of time to agenda items.</td>
<td>3.76</td>
</tr>
<tr>
<td>The Chair of the Board effectively oversees and facilitates Board activities and direction.</td>
<td>3.72</td>
</tr>
<tr>
<td>The Board has knowledge of and familiarity with NERC’s corporate values, mission, vision, strategic plan, and business plan and reflects this understanding in evaluating key issues.</td>
<td>3.60</td>
</tr>
<tr>
<td>Board members participate as equals and communicate openly.</td>
<td>3.56</td>
</tr>
<tr>
<td>The Board is sufficiently involved in the ERO Enterprise (NERC and the Regional Entities) annual business planning and budgeting process.</td>
<td>3.56</td>
</tr>
<tr>
<td>Statement</td>
<td>Rating</td>
</tr>
<tr>
<td>--------------------------------------------------------------------------</td>
<td>--------</td>
</tr>
<tr>
<td>The Board sufficiently ensures that standards development and approval process considers the costs and benefits of new reliability standards.</td>
<td>2.68</td>
</tr>
<tr>
<td>The Board sufficiently ensures that the ERO Enterprise's compliance and enforcement processes are efficient and cost effective.</td>
<td>3.00</td>
</tr>
<tr>
<td>The Board's decision making process is not inappropriately influenced by either management or the stakeholders.</td>
<td>3.08</td>
</tr>
<tr>
<td>The number of Committee meetings is appropriate.</td>
<td>3.24</td>
</tr>
<tr>
<td>The Board establishes a positive and cooperative dialogue with U.S. federal and state regulators.</td>
<td>3.28</td>
</tr>
</tbody>
</table>
### MRC Most Favorably Rated Items

<table>
<thead>
<tr>
<th>Requirement</th>
<th>Favorable</th>
<th>Neutral</th>
<th>Unfavorable</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Board takes appropriate account of the international charter of the North American bulk power system.</td>
<td>17</td>
<td>8</td>
<td></td>
</tr>
<tr>
<td>Board members stay abreast of issues and trends affecting NERC and the industry and use this information to assess and guide NERC performance.</td>
<td>15</td>
<td>7</td>
<td>3</td>
</tr>
<tr>
<td>The Board effectively works with management to establish NERC’s strategic and business plans.</td>
<td>14</td>
<td>9</td>
<td>2</td>
</tr>
<tr>
<td>The Chair manages meetings efficiently to allow for sufficient discussion and constructive input on important issues and provides appropriate allocation of time to agenda items.</td>
<td>13</td>
<td>12</td>
<td></td>
</tr>
<tr>
<td>The Board effectively sets priorities through the strategic and annual business plans.</td>
<td>12</td>
<td>10</td>
<td>3</td>
</tr>
<tr>
<td>The Board's decision making process is sufficiently transparent and open.</td>
<td>12</td>
<td>11</td>
<td>2</td>
</tr>
</tbody>
</table>

- **Favorable (Exceeds Expectations or Outstanding)**
- **Neutral (Meets Expectations)**
- **Unfavorable (Needs Prompt Attention or Below Expectations)**
The Board sufficiently ensures that the ERO Enterprise's compliance and enforcement processes are efficient and cost effective.

The number of Committee meetings is appropriate.

The Board sufficiently ensures that standards development and approval process considers the costs and benefits of new reliability standards.

The Board's size is appropriate and effective.

The Board's decision making process is not inappropriately influenced by either management or the stakeholders.
The Board sufficiently ensures that standards development and approval process considers the costs and benefits of new reliability standards.

The Board sufficiently ensures that the ERO Enterprise's compliance and enforcement processes are efficient and cost effective.

The Board's decision making process is not inappropriately influenced by either management or the stakeholders.

The number of Committee meetings is appropriate.

The Board establishes a positive and cooperative dialogue with U.S. federal and state regulators.
Board of Trustees and MRC
• For those items that were rated by both the Board of Trustees and the MRC, the average difference in scores was .73 with the BOT average rating of 4.16 and the MRC average rating of 3.43
• For all items, the Board rated more favorably than the MRC with net item differences ranging from .09 to 1.25
• Board and MRC rated Board at 3.0 or above on every item except for MRC rating of 2.86 on consideration of costs and benefits of new standards
**BOT-MRC Topic Area Comparison**

*Statistically significant difference (p<.05)*

Note: Only items included in both the BOT and MRC surveys were considered for comparison analysis (the MRC survey only contains a subset of the BOT survey items).
*The Board’s decision making process is not inappropriately influenced by either management or the stakeholders.

*The Board effectively works with the MRC and other stakeholders to seek and consider stakeholder input when establishing ERO priorities and considering key policy issues.

*The Board sufficiently ensures that the ERO Enterprise’s compliance and enforcement processes are efficient and cost effective.

*The Board’s decision making process is sufficiently transparent and open.

*Board members reflect broad diversity of competency strengths and professional experience.

*Board members participate as equals and communicate openly.

*Statistically significant difference (p<.05)

Note: Only items included in both the BOT and MRC surveys were considered for comparison analysis (the MRC survey only contains a subset of the BOT survey items).
*Board members participate as equals and communicate openly.

*Board members stay abreast of issues and trends affecting NERC and the industry and use this information to assess and guide NERC performance.

*The Chair of the Board effectively oversees and facilitates Board activities and direction.

*The Board has knowledge of and familiarity with NERC’s corporate values, mission, vision, strategic plan, and business plan and reflects this understanding in evaluating key issues.

*The Board sufficiently ensures that standards development and approval process considers the costs and benefits of new reliability standards.

The Board’s size is appropriate and effective.

*Statistically significant difference (p<.05)

Note: Only items included in both the BOT and MRC surveys were considered for comparison analysis (the MRC survey only contains a subset of the BOT survey items).
*The Board sufficiently ensures that standards development and approval process considers the costs and benefits of new reliability standards.

*The Board sufficiently ensures that the ERO Enterprise's compliance and enforcement processes are efficient and cost effective.

*The Board's decision making process is not inappropriately influenced by either management or the stakeholders.

The number of Committee meetings is appropriate.

The Board establishes a positive and cooperative dialogue with U.S. federal and state regulators.

*Statistically significant difference (p<.05)

Note: Only items included in both the BOT and MRC surveys were considered for comparison analysis (the MRC survey only contains a subset of the BOT survey items).
Other Factors
For Board self-assessment, both “Yes/No” items received a 100% response of “Yes”:

- I feel I am personally making a meaningful contribution to the corporation by my attendance and participation at the Board, committee meetings, and other activities.
- I feel my peers are personally making a meaningful contribution to the corporation by their attendance and participation at the Board, committee meetings, and other activities.
Potential Areas for Board Focus
Potential Areas for Board Focus

• Based on the Board self-assessments and MRC assessments, the following areas could be considered for Board focus:
  - Continue work on consideration of costs in the development of new reliability standards in development and approval processes
  - Continue work on transparency of input from stakeholders and management in Board decision making
  - Continue work on enhancing the strategic planning process
Year-Over-Year Analysis
2014-2015
A comparative analysis of year-over-year results was conducted. Changes in the survey composition (items and rating scale) should be carefully considered when interpreting results.

This analysis provides additional insight to 2015 findings.

Analyses outline:
- Comparison of response rates
- Comparisons of certain items from 2014 and 2015 Board and MRC Surveys
- Overall comparison by Committee surveys
<table>
<thead>
<tr>
<th>Survey</th>
<th>2014 Response Rate</th>
<th>2015 Response Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Board of Trustees</td>
<td>10 of 10 (100%)</td>
<td>9 of 9 (100%)</td>
</tr>
<tr>
<td>Member Representatives Committee</td>
<td>24 of 27 (89%)</td>
<td>25 of 27 (93%)</td>
</tr>
<tr>
<td>Compliance Committee</td>
<td>6 of 6 (100%)</td>
<td>5 of 5 (100%)</td>
</tr>
<tr>
<td>Corporate Governance and Human Resources Committee</td>
<td>5 of 5 (100%)</td>
<td>5 of 5 (100%)</td>
</tr>
<tr>
<td>Finance and Audit Committee</td>
<td>6 of 6 (100%)</td>
<td>6 of 6 (100%)</td>
</tr>
<tr>
<td>Nominating Committee</td>
<td>12 of 14 (86%)</td>
<td>7 of 7 (100%)</td>
</tr>
<tr>
<td>Standards Oversight and technology Committee</td>
<td>6 of 6 (100%)</td>
<td>4 of 4 (100%)</td>
</tr>
<tr>
<td>Enterprise-Wide Risk Committee</td>
<td>7 of 8 (88%)</td>
<td>5 of 5 (100%)</td>
</tr>
</tbody>
</table>
• Board item resulting in a significant positive shift between 2014 and 2015:
  ▪ “Board members reflect broad diversity of competency strengths and professional experience.” Ranked among the lowest rated items in 2014 (2.44) and among the highest rated items in 2015 (4.44).

• MRC item resulting in a slight positive shift between 2014 and 2015:
  ▪ “The Board sufficiently ensures that the ERO Enterprise (NERC and the Regional Entities) business plan and budget provides for the efficient and cost-effective operation of the ERO Enterprise.” Ranked among the lowest rated items in 2014 (1.96), rated 3.36 in 2015.
• Board items ranked as lowest rated items in both 2014 and 2015
  ▪ “The number of Committee meetings is appropriate.” (3.33, 2015; 2.40, 2014)
  ▪ “The Board avoids excessive involvement in detail and day-to-day management.” (3.78, 2015; 2.20, 2014)
  ▪ “The Board has established procedures that ensure Board members receive written meeting notices, agendas and appropriate background material in time to prepare in advance of meetings, are presented meaningful information during meetings, and receive timely and accurate minutes.” (3.78, 2015; 2.50, 2014)
  ▪ “The Board’s Committees have suitable mandates and membership.” (3.89, 2015; 2.40, 2014)
• MRC items did not reflect any significant negative shifts between 2014 and 2015
Overview

Overall Averages by Committee Surveys

<table>
<thead>
<tr>
<th>Committee</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Board of Trustees</td>
<td>2.62</td>
<td>4.16</td>
</tr>
<tr>
<td>Member Representatives Committee</td>
<td>2.24</td>
<td>3.43</td>
</tr>
<tr>
<td>Corporate Governance and Human Resources Committee</td>
<td>2.30</td>
<td>3.84</td>
</tr>
<tr>
<td>Compliance Committee</td>
<td>2.22</td>
<td>3.59</td>
</tr>
<tr>
<td>Finance and Audit Committee</td>
<td>2.31</td>
<td>3.92</td>
</tr>
<tr>
<td>Standards Oversight and Technology Committee</td>
<td>2.32</td>
<td>3.77</td>
</tr>
<tr>
<td>Nominating Committee</td>
<td>2.63</td>
<td>4.13</td>
</tr>
<tr>
<td>Enterprise-Wide Risk Committee</td>
<td>2.24</td>
<td>3.53</td>
</tr>
</tbody>
</table>

Note: Perceived differences in averages are misleading due to significant change in the survey rating scale.
Questions and Answers
Summary of 2015 Board of Trustees Corporate Governance and Human Resources Committee Survey
• NERC engaged TalentQuest to conduct its annual Board of Trustees Corporate Governance and Human Resources Committee (CGHRC) Survey through an online methodology

• The CGHRC survey was administered from November 10 to December 18, 2015, to a total of 5 Committee members

• 5 Committee members responded to the survey
  ▪ 100% response rate
• Respondents were asked to rate items on a 1 to 5 point scale to indicate their evaluation for each rated item
  - 1 = Needs Prompt Attention (“unacceptable performance”)
  - 2 = Below Expectations (“performance area with opportunity for improvement”)
  - 3 = Meets Expectations (“meets the required standard of performance”)
  - 4 = Exceeds Expectations (“exceeds the required standard of performance”)
  - 5 = Outstanding (“far exceeds the required standard of performance”)
• Additional items were evaluated by selection of “Yes” or “No” to indicate agreement or disagreement
• For any item rated “1” (Needs Prompt Attention), “2” (Below Expectations), or “No”, mandatory comments were required to explain the rationale for the rating or selection
• The overall CGHR survey average was 3.84, with item averages ranging from 3.40 to 4.60
• Given the lowest item averages are well above 3.00, the CGHR is seen to be operating at expectations or higher
The Committee reviews the CEO's performance, recommends to the Board the compensation, including salary and bonus, and provides feedback, as appropriate.

The Committee reviews annually the compensation plan for members of the Board.

The Committee coordinates an annual effectiveness evaluation of the Board and Committees.
The Committee works with management to assure that new Board member orientation and education is comprehensive and meaningful.
Committee Functioning

• Across all Committee surveys, 4 “Yes/No” items were asked in regard to committee functioning. Each committee, including the Corporate Governance and Human Resources Committee, rated these items with a 100% response of “Yes”:
  ▪ The number of Committee meetings is appropriate.
  ▪ The size of the Committee is appropriate.
  ▪ The information provided in support of the agenda is appropriate and available in a timely manner in advance of Committee meetings.
  ▪ The Committee Chair manages meetings efficiently to allow for open, equal, and sufficient discussion and construction input on important issues.
Questions and Answers
Summary of 2015 Board of Trustees Standards Oversight and Technology Committee Survey
• NERC engaged TalentQuest to conduct its annual Board of Trustees Standards Oversight and Technology Committee Survey through an online methodology

• The Standards Oversight and Technology Committee survey was administered from November 10 to December 18, 2015, to a total of 4 Committee members

• 4 Committee members responded to the survey
  ▪ 100% response rate
• Respondents were asked to rate items on a 1 to 5 point scale to indicate their evaluation for each rated item
  ▪ 1 = Needs Prompt Attention (“unacceptable performance”)
  ▪ 2 = Below Expectations (“performance area with opportunity for improvement”)
  ▪ 3 = Meets Expectations (“meets the required standard of performance”)
  ▪ 4 = Exceeds Expectations (“exceeds the required standard of performance”)
  ▪ 5 = Outstanding (“far exceeds the required standard of performance”)
• Additional items were evaluated by selection of “Yes” or “No” to indicate agreement or disagreement
• For any item rated “1” (Needs Prompt Attention), “2” (Below Expectations), or “No”, mandatory comments were required to explain the rationale for the rating or selection
The overall Standards Oversight and Technology Committee survey average was 3.77, with item averages ranging from 3.25 to 4.25. Given the lowest item averages are well above 3.00, the Standards Oversight and Technology Committee is seen to be operating at expectations or higher.

In collaboration with the Reliability Issues Steering Committee, the Committee works with management to identify strategic priorities for reliability standards development and provides feedback to the Standards Committee, Board and management on the annua

The Committee monitors overall results of the standards development process, and makes recommendations to the NERC Standards Committee, Board and management regarding potential improvements.

In collaboration with the Reliability Issues Steering Committee, the Committee assesses emerging reliability risks affecting standards, making recommendations as appropriate.
The Committee reviews periodically NERC’s status with the American National Standards Institute.

The Committee reviews with management company computer systems environment, security procedures, and contingency plans.
• Across all Committee surveys, 4 “Yes/No” items were asked in regard to committee functioning. Each committee, including the Standards Oversight and Technology Committee, rated these items with a 100% response of “Yes”:
  ▪ The number of Committee meetings is appropriate.
  ▪ The size of the Committee is appropriate.
  ▪ The information provided in support of the agenda is appropriate and available in a timely manner in advance of Committee meetings.
  ▪ The Committee Chair manages meetings efficiently to allow for open, equal, and sufficient discussion and construction input on important issues.
Questions and Answers
Summary of 2015 Board of Trustees Compliance Committee Survey
• NERC engaged TalentQuest to conduct its annual Board of Trustees Compliance Committee Survey through an online methodology.

• The Compliance Committee survey was administered from November 10 to December 18, 2015, to a total of five Committee members.

• Five Committee members responded to the survey.
  - 100% response rate
• Respondents were asked to rate items on scale of 1 to 5 to indicate their evaluation for each rated item.
  ▪ 1 = Needs Prompt Attention ("unacceptable performance")
  ▪ 2 = Below Expectations ("performance area with opportunity for improvement")
  ▪ 3 = Meets Expectations ("meets the required standard of performance")
  ▪ 4 = Exceeds Expectations ("exceeds the required standard of performance")
  ▪ 5 = Outstanding ("far exceeds the required standard of performance")
• Additional items were evaluated by selection of “Yes” or “No” to indicate agreement or disagreement.
• For any item rated “1” (Needs Prompt Attention), “2” (Below Expectations), or “No”, mandatory comments were required to explain the rationale for the rating or selection.
Results Summary

- The overall Compliance Committee survey average was 3.59, with item averages ranging from 3.40 to 3.80.
- Given the lowest item averages are well above 3.00, the Compliance Committee is seen to be operating at expectations or higher.
The Committee oversees CMEP and ORCP strategies and approaches developed and implemented by management to assure the reliability of the bulk electric system.

The Committee oversees and reviews implementation of CMEP and ORCP programs by management and the Regional Entities to ensure the programs are operated in a consistent manner and conform to all regulatory requirements, Rules of Procedure and other practices.

The Committee oversees and reviews penalties/sanctions and mitigation of non-compliance to ensure such actions effective in maintaining and improving bulk electric system reliability.

The Committee approves or delegates approval of Notices of Penalty or Sanction and other enforcement actions.

<table>
<thead>
<tr>
<th>Item Description</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Committee oversees CMEP and ORCP strategies and approaches developed and</td>
<td>3.80</td>
</tr>
<tr>
<td>implemented by management to assure the reliability of the bulk electric system.</td>
<td></td>
</tr>
<tr>
<td>The Committee oversees and reviews implementation of CMEP and ORCP programs by</td>
<td>3.80</td>
</tr>
<tr>
<td>management and the Regional Entities to ensure the programs are operated in a</td>
<td></td>
</tr>
<tr>
<td>consistent manner and conform to all regulatory requirements, Rules of Procedure</td>
<td></td>
</tr>
<tr>
<td>and other practices.</td>
<td></td>
</tr>
<tr>
<td>The Committee oversees and reviews penalties/sanctions and mitigation of</td>
<td>3.80</td>
</tr>
<tr>
<td>non-compliance to ensure such actions effective in maintaining and improving</td>
<td></td>
</tr>
<tr>
<td>bulk electric system reliability.</td>
<td></td>
</tr>
<tr>
<td>The Committee approves or delegates approval of Notices of Penalty or Sanction</td>
<td>3.80</td>
</tr>
<tr>
<td>and other enforcement actions.</td>
<td></td>
</tr>
<tr>
<td>Item</td>
<td>Rating</td>
</tr>
<tr>
<td>----------------------------------------------------------------------</td>
<td>--------</td>
</tr>
<tr>
<td>The Committee serves as an appeal body for any findings from audits of the regional implementation of the CMEP heard by the NERC Compliance and Certification Committee.</td>
<td>3.40</td>
</tr>
<tr>
<td>The Committee hears and addresses challenges by candidates for inclusion on the compliance registry.</td>
<td>3.40</td>
</tr>
<tr>
<td>When appropriate, the Committee provides supplementary explanation for its decisions due to issues raised or to provide future guidance.</td>
<td>3.40</td>
</tr>
<tr>
<td>The Committee performs such other functions as are delegated to it by the Board.</td>
<td>3.40</td>
</tr>
</tbody>
</table>
Across all Committee surveys, four “Yes/No” items were asked in regards to Committee functioning. Each Committee, including the Compliance Committee, rated these items with a 100% response of “Yes”:

- The number of Committee meetings is appropriate.
- The size of the Committee is appropriate.
- The information provided in support of the agenda is appropriate and available in a timely manner in advance of Committee meetings.
- The Committee Chair manages meetings efficiently to allow for open, equal, and sufficient discussion and construction input on important issues.
Questions and Answers
Summary of 2015 Board of Trustees Finance and Audit Committee Survey
• NERC engaged TalentQuest to conduct its annual Board of Trustees Finance and Audit Committee Survey through an online methodology
• The Compliance Committee survey was administered from November 10 to December 18, 2015, to a total of 6 Committee members
• 6 Committee members responded to the survey
  ▪ 100% response rate
• Respondents were asked to rate items on a 1 to 5 point scale to indicate their evaluation for each rated item
  ▪ 1 = Needs Prompt Attention ("unacceptable performance")
  ▪ 2 = Below Expectations ("performance area with opportunity for improvement")
  ▪ 3 = Meets Expectations ("meets the required standard of performance")
  ▪ 4 = Exceeds Expectations ("exceeds the required standard of performance")
  ▪ 5 = Outstanding ("far exceeds the required standard of performance")
• Additional items were evaluated by selection of “Yes” or “No” to indicate agreement or disagreement
• For any item rated “1” (Needs Prompt Attention), “2” (Below Expectations), or “No”, mandatory comments were required to explain the rationale for the rating or selection
• The overall Finance and Audit Committee survey average was 3.92, with item averages ranging from 3.50 to 4.33

• Given the lowest item averages are well above 3.00, the Finance and Audit Committee is seen to be operating at expectations or higher
The Committee reviews the annual ERO (NERC and the Regional Entities) Business Plan and Budget preparation and approval, including associated assessments, as well as any other special budget and assessments of the corporation or a...

The Committee reviews with the external auditor any significant emerging accounting and reporting issues and their potential impact on the corporation's financial statements.

The Committee determines, based on its review and discussion thereof with management and the external auditor, whether to recommend the acceptance by the Board of the audited financial statements.

The Committee evaluates the performance of the external auditor and the auditor's estimated annual audit fees and reappoints, or, if necessary, takes steps to replace the external auditor.

The Committee meets privately with the external auditor to ascertain the level of access and cooperation received from management during the course of the audit.
### FAC Lowest Rated Items

<table>
<thead>
<tr>
<th>Description</th>
<th>Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Committee reviews and approves changes in accounting policies after considering the appropriateness of such selections and changes.</td>
<td>3.50</td>
</tr>
<tr>
<td>The Committee reviews the policies for approval of senior management expenses, including those of the chief executive officer.</td>
<td>3.50</td>
</tr>
<tr>
<td>The Committee reviews the financial aspects of the corporation's Form 990 prior to it being filed with the Internal Revenue Service.</td>
<td>3.50</td>
</tr>
<tr>
<td>The Committee reviews the investment policy governing the investment of funds held by the corporation.</td>
<td>3.50</td>
</tr>
</tbody>
</table>

*Note: "Lowest" item averages are well above 3.00*
Across all Committee surveys, 4 “Yes/No” items were asked in regard to committee functioning. Each committee, including the Finance and Audit Committee, rated these items with a 100% response of “Yes”:

- The number of Committee meetings is appropriate.
- The size of the Committee is appropriate.
- The information provided in support of the agenda is appropriate and available in a timely manner in advance of Committee meetings.
- The Committee Chair manages meetings efficiently to allow for open, equal, and sufficient discussion and construction input on important issues.
Questions and Answers
Summary of 2015 Board of Trustees Enterprise-Wide Risk Committee
• NERC engaged TalentQuest to conduct its annual Board of Trustees Enterprise-Wide Risk Committee Survey through an online methodology

• The Enterprise-Wide Risk Committee survey was administered from November 10 to December 18, 2015, to a total of 5 Committee members

• 5 Committee members responded to the survey
  ▪ 100% response rate
• Respondents were asked to rate items on a 1 to 5 point scale to indicate their evaluation for each rated item
  ▪ 1 = Needs Prompt Attention (“unacceptable performance”)
  ▪ 2 = Below Expectations (“performance area with opportunity for improvement”)
  ▪ 3 = Meets Expectations (“meets the required standard of performance”)
  ▪ 4 = Exceeds Expectations (“exceeds the required standard of performance”)
  ▪ 5 = Outstanding (“far exceeds the required standard of performance”)
• Additional items were evaluated by selection of “Yes” or “No” to indicate agreement or disagreement
• For any item rated “1” (Needs Prompt Attention), “2” (Below Expectations), or “No”, mandatory comments were required to explain the rationale for the rating or selection
Results Summary

• The overall Enterprise-Wide Risk Committee survey average was 3.53, with item averages ranging from 3.00 to 4.40
• Given the lowest item average is 3.00, the Enterprise-Wide Risk Committee is seen to be operating at expectations or higher
The Committee coordinates with the Compliance and Certification Committee (CCC) with respect to the CCC’s execution of its responsibilities as contemplated in applicable FERC orders, the ROP, and CCC Charter.

The Committee reviews and makes recommendations to the Board regarding the development and implementation of internal risk management and internal control strategies, policies, procedures, and mitigation programs as...

The Committee monitors and assesses the adequacy of NERC’s compliance with internal operating procedures and controls as well as corporate ethics policies, codes of conduct, and conflicts of interest.

The Committee monitors and assesses the adequacy of NERC’s and the Regional Entities’ compliance with the Rules of Procedure (ROP), as well as with applicable FERC and other governmental authorizations, regulations, and orders.

The Committee reviews its mandate annually and recommends to the Board’s Corporate Governance and Human Resources Committee such changes that the EWRC considers advisable.
The Committee monitors and assesses the adequacy of the Regional Entities' performance of obligations under the delegation agreements between NERC and the Regional Entities as contemplated by the Committee mandate.
Committee Functioning

• Across all Committee surveys, 4 “Yes/No” items were asked in regard to committee functioning. Each committee, including the Nominating Committee, rated these items with a 100% response of “Yes”:
  ▪ The number of Committee meetings is appropriate.
  ▪ The size of the Committee is appropriate.
  ▪ The information provided in support of the agenda is appropriate and available in a timely manner in advance of meetings.
  ▪ The Committee Chair manages meetings efficiently to allow for open, equal, and sufficient discussion and construction input on important issues.
Savings and Investment and 457(b) Plan Committees
Appointment of Additional Committee Member

Action
Approve

Summary
NERC’s Savings and Investment Plan and 457(b) Plan Committees (“Plan Committees”) are currently comprised of the chief financial and administrative officer, controller, and director of human resources. A fourth position on the Plan Committees is currently vacate.

The NERC Savings and Investment Plan 401(k) and 457(b) Investment Policy Statements permit the appointment of additional members to the Plan Committees subject to approval of the Corporate Governance and Human Resources Committee. Given the amount of assets currently invested in the company’s retirement plans, the members of the Plan Committees believe the appointment of an additional senior staff member to the Plan Committees would beneficial to providing an additional perspective and support to the Plan Committees’ oversight of the company’s retirement plans and otherwise furthering the purpose and intent of the plan policy statements and objectives.

Scott Jones joined NERC in December 2014 as Senior Director of Finance with responsibility over NERC’s accounting and finance, meeting planning and facility services departments. Since joining NERC, Scott has also been supporting the administration and oversight of NERC’s retirement and benefit plans. Prior to joining NERC, Scott was employed by the Municipal Electric Authority of Georgia (MEAG), where he most recently served as Senior Vice President and Chief Administrative Officer. Previous positions Scott held at MEAG included Vice President of Audit & Risk Management and Controller. While at MEAG, Scott also served on MEAG’s retirement committees, with oversight over MEAG’s defined benefit and defined contribution plans, and was a designated internal trustee plans. He also previously held positions as Controller of Virginia Gas Company and Senior Auditor at Coopers & Lybrand/PWC. Scott is a licensed CPA and holds a BA and Masters from the University of Tennessee.

Based on his background, experience and scope of responsibilities at NERC, the Plan Committees’ recommend that Scott Jones be appointed as an additional member of the Plan Committees.
Staffing and Recruiting Update

Action
Review

Background
Talent acquisition remains a core priority, and management continues to evaluate hiring practices, strategies and attrition in an effort to narrow the ongoing gap between actual and budgeted full time equivalent employees.

Seven (7) employees were hired through the period of October 1 through December 31, 2015, descriptions of which are below.

Senior Performance Analysis Advisor
Donna Pratt joined NERC on October 19, 2015. Donna was with the New York Independent System Operator in Albany, NY as the Manager of Demand Response Product Design. Donna has 25 years of experience in the electric utility industry, first as a consultant to utilities in the US, Canada, and Mexico to design and implement dynamic pricing systems, followed by fifteen years working in organized wholesale electricity markets on the design, implementation, and evaluation of demand response programs. Donna holds an A.O.S. degree in computer programming/accounting.

Senior Watch Officer
Charlotte de Sibert joined NERC October 19, 2015. Charlotte previously worked as a Cyber Exercise Consultant for Applied Integrity Consulting at USCYBERCOMAND J7. Prior, Charlotte served in the United States Army as an Intelligence Analyst/Cryptologic Linguist at the 704th Military Intelligence BDE at Fort Meade, MD. Charlotte has worked at the NSA, CIA, and SOCOM in a variety of analyst and liaison positions across the intelligence community. Charlotte attended the George Washington University in DC and the Defense Language Institute in Monterey, CA.

Office Coordinator
Chris Taylor joined NERC November 2, 2015. Prior, Chris worked for Department of Homeland Security as an Administrative Staff Specialist, where he provided both technical and administrative assistance to the Contracting Technical Representatives within the Information Resources Management Division. Chris has a Bachelor’s Degree in Computing Information Systems Science and an Associates in Business Technology from the University of the District of Columbia.

Senior Watch Officer
Joseph Januszewski joined NERC November 9. Prior, Joseph worked as a Software Engineer for Cisco Systems and a Consultant for Pacific Northwest National Lab, the Department of Homeland Security, the Department of Energy and the National Institute of Standards and Technology. Prior to this, he was an Information System Security Specialist with the National
Institutes of Health. He holds CISSP and Certified HIPAA Security Professional certifications, and is a senior member of the IEEE. While at Cisco, Joseph also completed work toward a Blue Belt in the Cisco Security Ninja program. Joseph is currently pursuing a Bachelor’s of Science in Electrical Engineering from Capitol College in Laurel, MD.

**Senior Engineer of System Analysis**

**Mohamed Osman** joined NERC November 30, 2015. Mohamed was with Emirates Nuclear Energy Corporation, Abu Dhabi-UAE, where he was a Senior Engineer in their Barakah Nuclear Power Plant. His prior experience was with Tractebel Engineering as a Senior Consultant and PJM Interconnection as Planning Engineer/Senior Engineer. Mohamed has his Bachelor’s of Science in Electrical Engineering from University of Khartoum-Sudan and Master of Engineering in System/Control Engineering from The Pennsylvania State University. Mohamed is a registered professional engineer in the state of Virginia.

**Principal Critical Infrastructure Physical Advisor**

**Carl Herron** joined NERC November 23, 2015 having retired after twenty seven (27) years as a Supervisory Special Agent of the FBI, working in the Augusta, Atlanta, Washington HQ and the London offices. Carl also served two years as the Security Manager at the Georgia Dome. Carl received his Bachelor’s of Science degree in Communications/Broadcasting from Jackson State University and is currently enrolled at Columbus State University, Command College to obtain his Master of Public Safety (MPSA) degree.

**Executive Assistant**

**Tess Bonnette** joined NERC October 26, 2015. Tess has over 25 years of administrative experience. Prior, Tess served with the National Rural Electric Cooperative Association as the Executive Assistant to the Vice President and Executive Director. She was also the Program Coordinator for MultiSpeak and the Transmission and Distribution Engineering Committee. In her role as Program Coordinator, her main focus was meeting and event planning.