

# **SERC Governance**

## **Exhibit B to the Amended and Restated Regional Entity Delegation Agreement between**

**North American Electric Reliability Corporation  
and  
SERC Reliability Corporation**



## Exhibit B – Governance

Exhibit B sets forth SERC Reliability Corporation's bylaws, which NERC agrees demonstrate that SERC meets the following criteria:

CRITERION 1: The Regional Entity shall be governed by an independent board, a balanced stakeholder board, or a combination independent and balanced stakeholder board. (Federal Power Act § 215(e)(4)(A), 18 C.F.R. § 39.8(c)(1), Order No. 672 at ¶ 727.)

CRITERION 2: The Regional Entity has established rules that assure its independence of the users and owners and operators of the bulk power system, while assuring fair stakeholder representation in the selection of its directors. (Federal Power Act § 215(c)(2)(A) and (e)(4), 18 C.F.R. § 39.8(c)(2), Order No. 672 at ¶¶ 699, 700.)

CRITERION 3: If the Regional Entity has members, the Regional Entity has established rules that assure that its membership is open, that it charges no more than a nominal membership fee and agrees to waive the fee for good cause shown, and that membership is not a condition for participating in the development of or voting on proposed Regional Reliability Standards. (Federal Power Act § 215(c)(2)(A) and (e)(4), 18 C.F.R. § 39.8(c)(2), Order No. 672 at ¶¶ 170-173.)

CRITERION 4: The Regional Entity has established rules that assure balance in its decision-making committees and subordinate organizational structures and assure no two industry sectors can control any action and no one industry sector can veto any action. (Federal Power Act § 215(c)(2)(A) and (e)(4), 18 C.F.R. § 39.8(c)(2), Order No. 672 at ¶ 728.)

CRITERION 5: The Regional Entity has established rules that provide reasonable notice and opportunity for public comment, due process, openness, and balance of interests in exercising its duties. (Federal Power Act § 215(c)(2)(D) and (e)(4), 18 C.F.R. § 39.8(c)(2).)

**AMENDED AND RESTATED**

**BYLAWS**

**OF**

**SERC RELIABILITY CORPORATION**

**An Alabama Nonprofit Corporation**

**Effective January 3, 2009**

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**AMENDED AND RESTATED**  
**BYLAWS**  
**OF**  
**SERC RELIABILITY CORPORATION**  
**[Hereinafter referred to as the "Corporation"]**  
**An Alabama Nonprofit Corporation**

**ARTICLE I**  
**OFFICES**

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

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

**ARTICLE II**  
**SEAL**

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

**ARTICLE III**  
**MEMBERSHIP**

3.1 **General.** The Corporation shall be a membership corporation. Members shall hereinafter be referred to collectively as "Members" or "Member Systems."

3.2 **Eligibility.** Membership in the Corporation is open to any entity that is a user, owner or operator of the Bulk-Power System and subject to the jurisdiction of the Federal Energy Regulatory Commission for the purpose of complying with Reliability Standards established under Section 215 of the Federal Power Act and all amendments thereto. Membership in the Corporation is voluntary; however, membership is predicated on mandatory acceptance of the responsibility to promote, support, and comply with Reliability Standards of the Corporation and the North American Electric Reliability Corporation ("NERC"), and to assist the Corporation in its compliance with the terms and provisions of a Delegation Agreement (a "Delegation Agreement") with NERC, by which NERC delegates authority to propose and enforce Reliability Standards, pursuant to 16 U.S.C. § 824n. For purposes of these Bylaws, the terms "Bulk-Power System," "Reliability Standards" and "Regional Entity" shall be as defined in 16 U.S.C. § 824n.

3.3 **Termination.** Members may cease to be a member of the Corporation by giving the Board of Directors at least 30 days written notice of their intention to cease such membership (such members shall hereinafter be referred to as "Terminated Members"). Terminated Members shall nevertheless continue to be liable for any and all obligations they may have had to pay of a share of the expenses of the Corporation incurred prior to the end of the calendar year in which such notice is given. In addition to termination of membership by the Member, the Board of Directors, following notice to the Member, may terminate the membership of a Member if in the judgment of the Board of Directors that Member has violated its obligations and responsibilities to the Corporation. This termination shall require a Bicameral Supermajority vote.

3.4 **Sectors.** Each Member and the Customer Representatives shall be classified by the Executive Committee in one of the following seven Sectors (each a "Sector", and collectively, the "Sectors"):

- (a) Investor-Owned Utility Sector – This Sector includes any investor-owned entity with substantial business interest in ownership and/or operation in any of the asset categories of generation, transmission or distribution.
- (b) Federal/State Sector – This Sector includes any U.S. federal entity that owns and/or operates electric facilities and/or provides balancing authority services, in any of the asset categories of generation, transmission, or distribution; or any entity that is owned by or subject to the governmental authority of a state and that is engaged in the generation, delivery, and/or sale of electric power to end use customers primarily with the political boundaries of the state.

- (c) Cooperative Sector – This Sector includes any non-governmental entity that is incorporated under the laws of the state in which it operates, is owned by and provides electric service to end-use customers at cost, and is governed by a board of directors that is elected by the membership of the entity; and any non-governmental entity owned by and which provides generation and/or transmission service to such entities.
- (d) Municipal Sector – This Sector includes any entity owned by or subject to the governmental authority of a municipality, that is engaged in the generation, delivery, and/or sale of electric power to end-use customers primarily within the political boundaries of the municipality; and any entity, whose members are municipalities, formed under state law for the purpose of generating or purchasing electricity for sale at wholesale to their members.
- (e) Marketer Sector– This Sector includes any entity that is engaged in the activity of buying and selling of wholesale electric power in the Region on a physical or financial basis.
- (f) Merchant Electricity Generator Sector – This Sector includes any entity that owns or operates an electricity generating facility or provides balancing authority services for such entities. This includes, but is not limited to, small power producers and all other non-utility producers such as exempt wholesale generators who sell electricity at wholesale.
- (g) ISO-RTO/Customer Sector– This Sector includes (i) any entity that operates a FERC approved ISO or RTO and (ii) the Customer Representatives.

The Executive Committee's classification of a Member in a particular Sector may only be changed by the Executive Committee. For purposes of these bylaws, the term "Customer Representative" shall mean a person who represents an entity that receives service at retail and does not otherwise sell, purchase, or transmit power over the Bulk-Power System or own, operate or maintain, control or operate facilities or systems that are part of the Bulk-Power System.

3.5 **Transfer of Membership.** A Member may not give or otherwise transfer its membership, except to a successor that becomes a Member, and provided that the successor continues to meet its predecessor's obligations.

## ARTICLE IV

### PURPOSES

4.1 **General Purposes.** The purpose of the Corporation is to promote effective and efficient administration of Bulk-Power System reliability in the areas serviced by its Member Systems. In pursuant of this goal, the Corporation will:

- (a) enter into a Delegation Agreement to serve as a Regional Entity pursuant to 16 U.S.C. § 824n;
- (b) promote the development of reliability and adequacy arrangements among the systems within the Region;
- (c) participate in the establishment of Reliability Standards;
- (d) participate in the measurement of performance relative to these Reliability Standards;
- (e) promote conformance to and compliance with these Reliability Standards;
- (f) develop and exchange information with respect to planning and operating matters relating to the reliability and adequacy of the Bulk-Power System;
- (g) review as necessary activities within the Region on reliability and adequacy in order to meet Reliability Standards;
- (h) provide a mechanism to resolve disputes on reliability issues in a manner that meets the needs of the parties and the Region;
- (i) provide information with respect to matters considered by the Corporation, where appropriate, to the Federal Energy Regulatory Commission ("FERC") and to other federal and state agencies concerned with reliability and adequacy; and

4.2 **Geographic Area.** The Corporation accomplishes its purposes in a geographic area of approximately 560,000 square miles in a sixteen state area in the southeastern and central United States (the "Region"). The Region is currently geographically divided into five subregions that are identified as Southeastern, Central, VACAR, Delta, and Gateway. The number of subregions and the geographic area are subject to change upon approval of the Board of Directors.

## ARTICLE V

### BOARD OF DIRECTORS

5.1 **General Powers.** The affairs of the Corporation shall be managed by its Board of Directors. Directors need not be residents of the State of Alabama.

5.2 **Number.** The Board of Directors shall consist of the principal officer or other authorized representative from each Member and shall also include two (2) Board of Director positions for Customer Representatives. The Board shall consist of no fewer than three (3) directors and no more than one hundred (100) directors. The current number of directors shall be fifty-four (54). Each Director shall serve until otherwise replaced by the applicable Member.

5.3 **Regular Meetings of the Board.** Unless otherwise determined by the Chairman, a regular meeting of the Board of Directors shall be held without other notice than this bylaw on the fourth Wednesday in the months of April and October in each year, beginning with the year 2005. Notwithstanding the foregoing, the Chairman may elect to hold a regular semi-annual meeting of the Board of Directors on another date provided that the Board receives at least the (10) days' advance notice. If the day fixed for the meeting shall be a legal holiday in the State of Alabama, the meeting shall be held on the next succeeding business day. The Board of Directors may designate any place, either within or outside of the State of Alabama, as the place of meeting for any meeting. The Board of Directors may provide by resolution the time and place, either within or outside of the State of Alabama, for the holding of additional regular meetings of the Board without other notice than the resolution. Members of the Board of Directors or any committee designated thereby may participate in a meeting of such Board or committee by means of a telephone conference, webcast or any other communication by means of which all persons participating in the meeting can hear each other at the same time, and participation by such means shall constitute presence in person at such meeting.

5.4 **Special Meetings of the Board.** Special meetings of the Board of Directors may be called by or at the request of the Chairman, or by directors holding (20%) or more of the Individual Votes. The Chairman may fix any place, either within or outside of the State of Alabama, as the place for holding any special meeting of the Board.

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

5.6 **Election of Officers and Executive Committee.** Biennially, at the April meeting, the Board of Directors shall elect one of their directors to serve as Chairman, one as Vice Chairman, and one as Secretary-Treasurer, each for a term of two years. The Chairman shall conduct all meetings and shall be responsible for the preparation of the agenda. In the Chairman's absence, the Vice Chairman shall serve as Chairman. In the event that an officer cannot complete a term, a special election may be held. At the same time, the Board shall also approve members to the Executive Committee elected by the Sectors to serve for a period of two years. Each Sector may also elect alternate members to the Executive Committee, and, if a Sector has more than one member on the Executive Committee, such Sector shall designate the priority of succession by such alternates.

5.7 **Agenda.** As far in advance of each regular and special meeting as practical, an agenda shall be distributed to each Board member and representative.

5.8 **Certain Definitions.**

(a) "Adjusted Weighted Vote" shall mean the number of votes of each director determined in the manner set forth in Section 5.9 hereof.

(b) "Bicameral Simple Majority" shall require the presence of a quorum and the (i) concurrence of directors whose combined Individual Votes are greater than fifty (50) percent of the total Individual Votes of all directors present at the meeting and entitled to vote on the issue (the "Individual Vote Test"), (ii) concurrence of directors whose combined Adjusted Weighted Votes are greater than fifty (50) percent of the total Adjusted Weighted Vote of all directors at the meeting and entitled to vote on the issue (the "Adjusted Weighted Vote Test"), and (iii) for at least one of the Individual Vote Test or the Adjusted Weighted Vote Test, on an individual Sector basis, the positive vote must outweigh the negative vote for at least three Sectors.

(c) "Bicameral Supermajority" shall require the presence of a quorum and the concurrence of (i) directors whose combined Individual Votes equal or exceed two-thirds of the total Individual Votes of all directors present at the meeting and entitled to vote on the issue, provided that a quorum is present, and (ii) directors whose combined Adjusted Weighted Votes are greater than two-thirds of the total Adjusted Weighted Vote of all directors present at the meeting and entitled to vote on the issue.

(d) "Individual Vote" shall mean a single vote accorded to each director.

(e) "Given Year" shall mean the applicable fiscal year for which the Adjusted Weighted Votes are calculated.

(f) "Reporting Year" shall mean the fiscal year immediately preceding the Given Year.

(g) "Previous Year" shall mean the fiscal year immediately preceding the Reporting Year.

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

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

V = % of Adjusted Weighted Vote

N = total number of Members

B = Member's Previous Year internal peak demand

C = total of factor B for all Members

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

E = total of factor D for all Members

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

G = total of factor F for all Members

5.10 **Voting; Manner of Acting; Voting Rights; Quorum; Proxies.**

(a) Except for amendments to these Bylaws, which require approval by a Bicameral Supermajority, all other actions require approval by a Bicameral Simple Majority.

(b) Notwithstanding anything else in these Bylaws, a motion is still deemed to have passed if either (but not both) the Individual Vote Test or the Adjusted Weighted Vote Test is satisfied (such test that is not satisfied is referred to as the "Failed Test"), and, for purposes of the Failed Test, on an individual Sector basis, the positive votes outweigh the negative votes in every Sector but one.

(c) Members holding two-thirds of the Individual Votes shall constitute a quorum for action by the Board; but if directors holding less than two-thirds of the Individual Votes are present at the meeting, a majority of the directors present may adjourn the meeting from time to time without further notice.

(d) Any director may designate an alternate from that Member to represent the director at any meeting by written notification to the Corporation's office; however, directors may not otherwise use proxy votes.

(e) The intent of Section 5.8(b)(iii) and Section 5.10(b) is to ensure that no two Sectors should be able to control any decision and that a single Sector should not be able to veto any matter, respectively (other than amendments to these Bylaws). In the event that either of the foregoing shall nevertheless occur, the Members will promptly revise the provisions of these Bylaws so that no two Sectors will be able to control any decision and no single Sector will be able to veto any matter.

5.11 **Customer Representative Vacancies.** Should the Board of Directors, at any time, not include two Customer Representatives, the Board of Directors shall elect (or designate the Executive Committee to elect) additional representatives to fill such vacancies. The term of these Customer Representatives shall be for a two-year period.

5.12 **Compensation.** Directors as such shall not receive any stated salaries for their services.

5.13 **Informal Action by Directors.** Any action required by law to be taken at a meeting of directors, or any action which may be taken at a meeting of directors, may be taken without a meeting if a consent in writing, setting out the action so taken, shall be signed by all of the directors.

5.14 **Duties.** The duties of the Board of Directors shall include:

- (a) Periodically review the Reliability Standards with respect to matters affecting the reliability and adequacy of the Bulk-Power System power supply within the Region;
- (b) Manage the business and affairs of the Corporation;
- (c) Adopt rules, regulations and policies to implement and accomplish the purposes and provisions of these Bylaws, as necessary;
- (d) Recommend and approve any amendments to these Bylaws;
- (e) Exercise general supervision over such committees as may be established in accordance with Article VII and Article VIII of these Bylaws;
- (f) Consider any matters relating to the general administration of the Corporation proposed by any Member;
- (g) Form or dissolve committees, subcommittees, or task forces as it deems necessary to carry out the business of the Corporation;
- (h) Delegate appropriate duties or responsibilities to any committee established pursuant to these Bylaws;
- (i) Periodically establish and approve an annual budget and any revisions thereto;
- (j) Require that adequate bond be provided covering all officers, agents, employees charged by the Corporation with responsibility for the custody of any of its funds and property;
- (k) Have power to select one or more banks or other financial institutions to act as depositories of the funds of the Corporation;
- (l) Provide for the coordination of planning activities within the Corporation;
- (m) Provide for the coordination of interconnected system operations within the Corporation;
- (n) Provide for the coordination of critical infrastructure protection activities within the Corporation;
- (o) Provide for the Corporation's membership certification;
- (p) If the membership authorizes the use of the Corporation's employees, other than contract personnel, to conduct the administrative affairs of the Corporation, the Board shall set policies for selecting, compensating and reviewing the performance of the employees; and
- (q) Resolve any disputes regarding the Members and the Corporation, if those issues cannot be resolved by the standing

committees/subcommittees of the Corporation and are not otherwise subject to NERC's dispute provisions for non-compliance with Reliability Standards.

5.15 **Vacancies**. Any vacancy occurring in the Board of Directors shall be filled by the applicable Member, except for Customer Representative vacancies which shall be filled in accordance with Section 5.11.

## ARTICLE VI

### EXECUTIVE COMMITTEE / CORPORATE OFFICERS

6.1 **Executive Committee Voting Members**. The Executive Committee shall consist of the following twelve (12) voting members:

- (a) The Investor-Owned Utility Sector shall have three (3) representatives;
- (b) The Federal/State Sector shall have two (2) representatives;
- (c) The Cooperative Sector shall have two (2) representatives;
- (d) The Municipal Sector shall have two (2) representatives;
- (e) The Marketer Sector shall have one (1) representative;
- (f) The Merchant Electricity Generator Sector shall have one (1) representative; and
- (g) The ISO-RTO/Customer Sector shall have one (1) representative.

It is the desire of the Board of Directors that the Cooperative and Municipal sectors have representation from both transmission dependent and transmission owning Members. Each Sector will be responsible for nominating their representative(s) and alternates from among Board Members. The Chairman, Vice Chairman, and Secretary-Treasurer shall also be ex officio members of the Executive Committee, but shall not have voting rights (unless such Board officer is also elected by a Sector to the Executive Committee pursuant to Section 6.1(a)-6.1(g)). The Chairman will serve as chairman of the Executive Committee and shall conduct all meetings and shall be responsible for the preparation of the agenda. In the event that a member of the Executive Committee is unable to complete a term, the Sector's alternate representative will replace such member.

6.2 **Authority of Executive Committee**. Except as limited by Section 10-3A-38 of the Alabama Nonprofit Corporation Act, the Executive Committee is empowered to make such decisions and take such actions as are deemed to be required between meetings of the Board of Directors to include reviewing and acting upon applications for membership in and resignations from the Corporation.

6.3 **Action.** Each voting member of the Executive Committee shall have one vote. The presence of three quarters of the members of the Executive Committee shall constitute a quorum. The positive vote of two-thirds of Executive Committee voting members present and voting is necessary to pass a particular action.

6.4 **Nominating Committee.** Biennially, the Executive Committee will appoint a Nominating Committee for the purpose of recommending individuals to serve as Officers of the Corporation. The Nominating Committee will report to the Board at the Board's April meeting.

6.5 **Corporate Officers.** The Executive Committee shall arrange for the services of a President/Chief Executive Officer, Vice President, Secretary and Treasurer of the Corporation. Two or more of such offices may be held by the same person, except for the offices of President/Chief Executive Officer and Secretary.

6.6 **President/Chief Executive Officer.** Under general direction, the President shall be the Chief Executive Officer of the Corporation and shall manage the operations of the Corporation to the end that its purposes will be accomplished. The Board Officers shall determine the compensation and benefits for the President and Chief Executive Officer. The President shall:

- (a) Attend all Board of Directors and standing committee meetings of the Corporation and NERC Stakeholder, Board of Trustees, and Standing Committee meetings, as these committees may change from time to time and as appropriate;
- (b) Assist and coordinate the preparation of testimony and reports;
- (c) Coordinate subregional activities and interregional affairs, to include data collection;
- (d) Install and maintain an adequate system of accounts and records;
- (e) Arrange for meetings as directed;
- (f) Assist the Corporation Committee Chairmen as appropriate;
- (g) Manage the business affairs of the Corporation, including the Corporation staff;
- (h) Maintain minutes of all the Corporation-related meetings; and
- (i) Provide other assistance to the Corporation and NERC, as appropriate.

6.7 **Vice President.** The Vice President shall perform such duties and exercise such powers as may be assigned to him from time to time by the Board of Directors, the Executive Committee or the President. In the absence of the President, or in the case of the President's inability to act, the Vice President shall perform the duties and exercise the powers of the President, but subject to the control of the Board of Directors and the Executive Committee. The Board Officers shall determine the compensation and benefits of the Vice President.

6.8 **Secretary.** The Secretary shall be custodian of the records and of the seal of the Corporation and in general shall perform all duties incident to the office of Secretary and such other duties as may, from time to time, be assigned to him by the Board of Directors, the Executive Committee or the President.

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

## ARTICLE VII

### COMPLIANCE COMMITTEE

7.1 **Authority of Committee.** The Corporation's Compliance Committee will be vested with the authority for the Corporation Compliance Program and granted the ability to impose penalties and sanctions on behalf of NERC. The Compliance Committee shall review violations known to the Corporation's Compliance Staff discovered from audits, compliance documentation, or any other source whether self-reported, alleged, or confirmed, for the most recent period. The Compliance Committee shall review and advise the Board on the progress of the Corporation and its members in mitigating confirmed violations, and the progress of the Corporation in dealing with all unconfirmed violations. The Compliance Committee shall review the progress of the Corporation and its Members in implementing recommendations, as appropriate. The Compliance Committee shall report to the Board at each regularly scheduled meeting of the Board, and shall recommend to the Board such actions (i) as may further the purposes of the Delegation Agreement; or (ii) that extend beyond the scope of authority delegated to a Hearing Body in Section 7.3. Additionally, the Compliance Committee shall perform such other functions as may be delegated from time to time by the Board.

7.2 **Composition of Committee.** The Compliance Committee shall be composed of not more than twelve (12) members of the Corporation's Board of Directors. The members of the Compliance Committee shall be appointed by the Board of Directors at its April biennial meeting. The Compliance Committee shall consist of the following members:

- (a) The Investor-Owned Utility Sector shall have three (3) representatives;
- (b) The Federal/State Sector shall have two (2) representatives;
- (c) The Cooperative Sector shall have two (2) representatives;
- (d) The Municipal Sector shall have two (2) representatives;
- (e) The Marketer Sector shall have one (1) representative;

- (f) The Merchant Electricity Generator Sector shall have one (1) representative;
- (g) The ISO-RTO/Customer Sector shall have one (1) representative.

The Chairman of the Board of Directors shall appoint a chair from among the Compliance Committee members. The Chairman shall conduct all meetings of the Compliance Committee and shall be responsible for the preparation of the agenda. The Corporation Compliance Manager shall serve as the non-voting secretary. Each Sector will be responsible for nominating their representative(s) and alternates from among Board Members. In the event that a member of the Compliance Committee is unable to complete a term, the Sector's alternate representative will replace such member.

The Compliance Committee shall meet as determined by the members of the Compliance Committee and, except when acting as a Hearing Body as described in Article 7.3, shall use the same meeting and voting procedures as established for the Executive Committee. Each member of the Compliance Committee shall have one (1) vote. The presence of three quarters of the members of the Compliance Committee shall constitute a quorum. The positive vote of two-thirds of voting members of the Compliance Committee present and voting is necessary to pass a particular action.

**7.3 Hearings.** The Compliance Committee shall conduct hearings in accordance with Hearing Procedures approved by the Federal Energy Regulatory Commission (Hearing Procedures). In compliance hearings in which an entity may contest a finding of alleged violation, proposed penalty or sanction, a proposed mitigation plan, a remedial directive, or other such matters as allowed by the Hearing Procedures, the Compliance Committee shall establish and maintain a hearing body with authority to conduct and render decisions on the matter.

In accordance with the NERC Compliance Monitoring and Enforcement Program Hearing Procedures ("Hearing Procedures"), a quorum for the purpose of constituting a hearing body shall be (after any recusals or disqualifications and including any alternates) fifty (50) percent of the Compliance Committee. In addition to a quorum, the chair of the Compliance Committee shall declare the Hearing Body duly constituted only if no two sectors can control and no one sector can veto the actions of the Hearing Body (the "Sector Control Requirements"). Approval of all actions before a duly constituted Hearing Body shall require a simple majority of the votes cast, which number of members voting shall not be less than a quorum, with each member of the Hearing Body having one vote.

To ensure that the Sector Control Requirements are met in the formation of a Hearing Body, the Chair shall adhere to the following in declaring the Hearing Body duly constituted:

- If the Hearing Body is made up of six (6) members of the Compliance Committee, then each sector shall have no more than one (1) representative on the Hearing Body.
- If the Hearing Body is made up of seven (7) or eight (8) members of the Compliance Committee, then only one sector can have two (2) representatives on the Hearing Body, and each other sector can have only one (1) representative on the Hearing Body.

- If the Hearing Body is made up of nine (9) or ten (10) members of the Compliance Committee, then no sector can have more than two (2) representatives on the Hearing Body.
- If the Hearing Body is made up of eleven (11) or twelve (12) members of the Compliance Committee, then the Sector Control Requirements are met, as no two sectors would have enough votes to control, and no one sector would have the ability to veto.

The chair, in his or her sole discretion, shall have the authority to determine whether the Hearing Body meets the quorum requirements and Sector Control requirements and is therefore duly constituted.

The decision of any duly constituted Hearing Body pursuant to these requirements shall be final and binding on the Corporation, without requiring either the Compliance Committee or the Corporation to ratify the Hearing Body's actions.

7.4 **Conflicts of Interest.** Compliance Committee members shall comply with the Corporation's Standards of Conduct policy that prohibits conflicts of interest associated with the compliance program, as such conflicts could cast doubt on the ability of the Compliance Committee members to act with total objectivity with regard to the overall interests of the compliance program.

7.5 **Ad-Hoc Support Committees.** The Compliance Committee may, from time to time, appoint ad-hoc committees of technical experts to research and/or advise it on compliance or technical issues or matters, among other things. Such ad-hoc committees of technical experts may be formed on an as-needed basis and may vary in makeup depending on the needs of the Compliance Committee. Each member (or another entity) that requests that the Compliance Committee review a compliance finding against it may request that an ad-hoc committee be formed to assist the Compliance Committee in its review.

## ARTICLE VIII

### OTHER COMMITTEES

8.1 **Designation by Board.** The Board of Directors, by resolution adopted by a Bicameral Simple Majority, may designate standing and special (ad hoc) committees, as shall be necessary to address the purposes of the Corporation. Such committees shall include, but are not limited to the following:

- (a) Engineering Committee -- The purpose of this committee shall be to promote the reliability and adequacy of the Bulk-Power System, as related to the planning and engineering of electric systems. The committee shall provide a mechanism for the coordination of activities in the areas of planning and engineering.
- (b) Operating Committee -- The purpose of this committee shall be to promote the reliability and adequacy of the Bulk-Power System, as related to the operation of electric systems. The committee shall provide a mechanism for the coordination of activities in the area of operations.

- (c) **Critical Infrastructure Protection Committee** -- The purpose of this committee shall be to promote the advancement of the physical and cyber security of the Bulk-Power System. It serves as an expert advisory panel in the areas of physical and cyber security, establishes and maintains an information reporting procedure, provides a liaison with state government agencies, and conducts forums and workshops related to Critical Infrastructure Protection.

Each Member is entitled, but not required, to name both a representative and alternate to the committees designated in this Section 8.1.

8.2 **Voting Rights for Committees.** Except as otherwise provided for in these Bylaws, voting rights for the Committees established pursuant to Section 8.1 shall be based on the same method as adopted by the Board of Directors of the Corporation. Operating procedures, definitions for quorum, and votes for approval are contained in the Organization and Procedures Manual for the Corporation's Standing Committees.

8.3 **Dispute Resolution Process.** The Standing Committees shall have a Dispute Resolution process in place to accommodate disputes (other than disputes regarding Reliability Standards that are handled between the applicable Member and NERC, as more fully described in Article XII). The Members are encouraged to utilize these dispute processes prior to seeking legal action. More specific details of these Committees are outlined in their respective Handbooks.

8.4 **Rules.** Each committee will adopt rules for its own governance not inconsistent with these Bylaws or with rules adopted by the Board of Directors.

- 8.5 **Reliability Standards Development.** While the development of Reliability Standards shall be administered by the Corporation's Standing Committees, a registered ballot body of interested stakeholders will vote to approve Reliability Standards, in accordance with the Corporation's Regional Reliability Standards Development Procedure.

## ARTICLE IX

### MISCELLANEOUS

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

9.2 **Checks, Drafts, etc.** All checks, drafts, or orders for the payment of money, notes or other evidences of indebtedness issued in the name of the Corporation, shall be signed by such officer or officers, agent or agents of the Corporation and in such manner as shall from time to time be determined by resolution of the Board of Directors. In the absence of such

determination by the Board of Directors, such instruments shall be signed by the Secretary-Treasurer, President, or Finance Director, as stipulated by the Executive Committee. The Secretary-Treasurer shall arrange audits of financial records, sign appropriate documents, and perform such duties normally performed by Secretary-Treasurer, except duties assigned to the President or Finance Director.

9.3 **Deposits**. All funds of the Corporation shall be deposited from time to time to the credit of the Corporation in such banks, trust companies or other depositories as the Board of Directors may select.

9.4 **Gifts**. The Board of Directors may accept on behalf of the Corporation any contribution, gift, bequest or devise for the general purpose or for any special purpose of the Corporation.

## ARTICLE X

### BOOKS AND RECORDS

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

## ARTICLE XI

### FISCAL YEAR

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

## ARTICLE XII

### EXPENSES

12.1 **Allocation of Specific Expenses**. The expenses of directors and officers of the Board shall be borne by that person's regular employer.

12.2 **Statutory Functions**. The Corporation anticipates that as a general rule all of

its expenses will be incurred in the furtherance of statutory activities pursuant to FPA Section 215, and that all such expenses will be funded by NERC, subject to FERC approval.

12.3 **Non-Statutory Functions.** Notwithstanding Section 12.2, the Board of Directors may from time to time authorize the Corporation to participate in non-statutory activities (i.e., activities not described in FPA Section 215). In the event that the Corporation proposes to engage in non-statutory activities, such activities will be identified in the Corporation's annual business plan that is submitted to NERC and, if approved by NERC, will be submitted to FERC for approval in advance of engaging in such non-statutory activities. The expenses incurred by the Corporation for any such approved non-statutory activities will be allocated by the Board of Directors among the Members of the Corporation who have participated in such non-statutory activities on a basis proposed in the business plan submitted for NERC and FERC approval. All participation in non-statutory activities by Members of the Corporation shall be voluntary.

## ARTICLE XIII

### DISPUTE RESOLUTION PROCESS

13.1 **General.** All disputes regarding non-compliance with Reliability Standards shall be handled between the applicable Member and NERC. The organizational units of the Corporation will deal with all other disputes within the framework of their respective organizations. For such other disputes, Members of the Corporation are encouraged to utilize the appropriate Dispute Resolution Process within the Corporation prior to seeking resolution at NERC, FERC, or with legal counsel.

13.2 **Terms of Process.** Details of the Corporation Dispute Resolution Process are provided to each Member and are available at the Corporation's offices.

## ARTICLE XIV

### DISSOLUTION

14.1 **Dissolution.** The Corporation may be voluntarily dissolved upon unanimous consent of Members, and in accordance with Section 10-3A-140 of the Alabama Nonprofit Corporation Act, as amended from time to time.

14.2 **Distribution of Assets.** Upon dissolution of the Corporation as provided in Section 14.1, the residual assets, after payment of all just obligations, shall be distributed exclusively for the common business interest of its Members or to organizations which are exempt from federal income tax under the Internal Revenue Code of 1986, or corresponding provisions of any subsequent federal tax laws.

## ARTICLE XV

### REGULATORY COMMISSION PARTICIPATION

15.1 **Terms of Participation** To implement the purpose of this organization, the Chairman of FERC and the Chairman or President of any State Utility Commission in a state in which electric service is provided by a Member of the Corporation shall be invited to designate a representative to attend meetings of the Board as observers.

## ARTICLE XVI

### WAIVER OF NOTICE

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

## ARTICLE XVII

### INDEMNIFICATION

17.1 **Indemnification of Directors, Officers, Employees and Agents.** Every person who is, or has been, a director, officer, employee or agent of the Corporation shall be indemnified by the Corporation in the manner and to the extent authorized by the Alabama Nonprofit Corporation Act. The foregoing rights of indemnification shall be without prejudice to any other rights to which any such director, officer, employee or agent may be entitled as a matter of law.