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### ATTACHMENTS

**Attachment 1:** Amended Delegation Agreement Between North American Electric Reliability Corporation and Northeast Power Coordinating Council, Inc. – Clean version

**Attachment 2:** Amended Delegation Agreement Between North American Electric Reliability Corporation and Northeast Power Coordinating Council, Inc. – Redlined version

**Attachment 3:** Resolution of the NERC Board of Trustees approving the amendments to the NPCC Bylaws, the NPCC Regional Reliability Standards Development Procedure and Exhibit D to the NPCC Delegation Agreement

## **I. INTRODUCTION**

The North American Electric Reliability Corporation (“NERC”) provides notice of amendments to the Amended and Restated Delegation Agreement between NERC and Northeast Power Coordinating Council, Inc. (“NPCC”), one of the NERC Regional Entities (the “NPCC RDA”). The proposed amendments include amendments to NPCC’s Bylaws and Regional Reliability Standards Development Procedure (“RSDP”), which are included in Exhibits C and D, respectively, to the NPCC RSDP. The proposed amendments also include amendments to Exhibit D to the NPCC RDA.

The principal purposes of the proposed amendments to the NPCC Bylaws are to (1) establish a hybrid Board of Directors comprised of stakeholder directors and, for the first time, independent directors; (2) to reduce the total number of stakeholder directors; (3) to reduce the number of stakeholder membership sectors by combining two existing sectors; (4) to establish procedures for electing the stakeholder directors and the independent directors; and (5) to revise the composition of the NPCC Hearing Body for compliance matters. The proposed amendments to the NPCC RSDP are conforming changes in light of the Bylaws amendments. The proposed amendments to Exhibit D to the NPCC RDA reflect the revised composition of the NPCC Hearing Body for compliance matters, as defined in the amended Bylaws. **Attachments 1 and 2** to this Petition are clean and redlined versions, respectively, of the proposed amended NPCC RDA. **Attachment 2** shows the proposed amendments to the NPCC Bylaws (included in Exhibit B of the NPCC RDA), the NPCC RSDP (included in Exhibit C of the NPCC RDA), and Exhibit D to the NPCC RDA, with the proposed amendments shown in legislative style. **Attachment 3** is the resolution of the NERC Board of Trustees approving the proposed amendments to the NPCC RDA, including the amendments to the NPCC Bylaws and the NPCC RSDP.

## **II. NOTICES AND COMMUNICATIONS**

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## **III. PROPOSED AMENDMENTS TO NPCC DELEGATION AGREEMENT**

Sections A, B and C below describe the proposed amendments to, respectively, the NPCC Bylaws (included in Exhibit B to the NPCC RDA), the NPCC RSDP (included in Exhibit C to the NPCC RDA), and Exhibit D to the NPCC RDA. All of the proposed amendments are shown in legislative style in **Attachment 2**.<sup>1</sup>

### **A. Amendments to NPCC Bylaws**

The following discussion provides an Article-by-Article description of the proposed amendments to the NPCC Bylaws. In addition, there are amendments throughout the Bylaws for the following purposes: (1) The amendments adopt a new organizational scheme with major topical sections captioned as “Articles” I, II, etc; and sections within each Article numbered

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<sup>1</sup> **Attachments 1** and **2** are based on the NPCC RDA filed with FERC on February 18, 2011 as Attachments 4A and 4B to the *Compliance Filing of the North American Electric Reliability Corporation in Response to October 21, 2010 Commission Order* (Docket No. RR10-11-003), with the additional amendments proposed in this Petition.

using the format X.1, X.2, X.3 etc. (replacing the former convention of A, B, C. etc.). (2) Defined terms are now capitalized; as a result, there are numerous amendments throughout the Bylaws to capitalized terms that are now defined terms. (3) Correspondingly, there are amendments to change terms that are not defined terms from capitalized to lower case.

**Article I - Definitions** provides definitions of terms that are used in the remainder of the Bylaws. Former Article III, Terms, which contained a more limited set of defined terms, has been deleted. The defined terms, which are capitalized, are in turn used throughout the amended Bylaws. The new definitions include the following definitions of “Hearing Body,” “Independent Director” and “Stakeholder Director”:

“*Hearing Body*” means a group comprising the Hearing Officer and two (2) Independent Directors (excluding the Board Chair) which has been authorized by NPCC to conduct and render decisions in a formal compliance hearing of any entity registered in the NERC compliance registry who is the subject of a notice of alleged violation, proposed penalty or sanction, contested mitigation plan or contested remedial action directive.

“*Independent Director*” means a director who satisfies the “independence” criteria in Section 6.7(b) and serves in Sector 8 (*Independent Directors*) of the Board.

“*Stakeholder Director*” means a director who serves in one of the seven (7) stakeholder sectors of the Board described in Section 4.4.

In addition, §1.2, Additional Defined Terms, provides that:

Terms not defined in these Bylaws shall have the definitions set forth in the Federal Power Act, Part 39 of the regulations of the FERC, as further clarified in FERC’s April 19, 2007 Order 119 FERC ¶ 61,060, and if not defined in any of those sources, shall be defined in accordance with their commonly understood and used technical meanings in the electric power industry, including applicable codes and standards.

The last clause of §1.2 is consistent with §201 of the NERC Rules of Procedure.

**Article II - Offices** establishes that the principal office of NPCC shall be located in New York County, State of New York.

In **Article III - Purpose**, new §3.1 specifies that NPCC is operated as a New York not-for-profit corporation organized pursuant to the New York Not-for-Profit Corporation Law. Section 3.2, which states the purpose of NPCC, has been amended principally to incorporate the use of defined terms.

In **Article IV - Membership**, §4.2, Eligibility, modifies the criteria for the categories of “General Membership” and “Full Membership.” The amendments to §4.2(1) provide that General Members that are also registered entities within the NPCC Region are subject to compliance with reliability standards, consistent with their registration, and are also entitled to receive additional services from the Regional Entity division of NPCC. The amendments to §4.2(2) provide that Full Members are subject to compliance with regionally-specific “more stringent reliability criteria for their generation and transmission facilities on which faults or disturbances can have a significant adverse impact outside of the local area and which are identified utilizing a reliability impact-based methodology.” Additionally, the amendments specify that Full Members are also subject to compliance with reliability standards and are entitled to receive additional services from the Criteria Services division of NPCC.

In §4.3, Application as a Member, subsection (a) is amended to change a cross-reference consistent with the new numbering organization of the amended Bylaws, and to reorganize a sentence with no substantive change in meaning. Subsection (b) is amended to specify that NPCC will send written notice to a Member of its removal from the roster of Members.

Section 4.4, Voting, has been amended to reduce the number of stakeholder voting sectors from eight to seven. Specifically, the “Customers” voting sector has been eliminated, and the voting sector formerly comprised of Sub-Regional Reliability Councils, Regional Entities and Interested Entities has been expanded to include the entities formerly included in the

“Customers” sector. (The expanded sector is now referred to as “Sub-Regional Reliability Councils, Customers, Other Regional Entities and Interested Entities.”)

Section 4.5, Assignment to Voting Sectors, which provides the procedures for assigning an applicant for membership in NPCC to a sector, has been amended to replace the term “Voting Sector” with “stakeholder voting sector.” Consistent with the purpose of this section, the term “Member” has been changed to “applicant” in several places. The section has also been amended to clarify that multiple memberships of the separate business functions of an entity are permitted, with each business function assigned to the appropriate sector; and to specify that while each such business function may designate its own representative and alternate, “no representative and alternate can represent more than one business function of an entity in a stakeholder voting sector.” Finally, this section has been amended to specify that an entity may “request” (rather than “elect”) to change its stakeholder voting designation, during an Annual Meeting of Members of NPCC and subject to Board approval.

Section 4.6, Term of Membership, is amended to correct a grammatical error.

In **Article V - Organization of NPCC**, §5.1, Member Representatives (formerly §V.A), is amended to specify that each Member shall designate a senior executive level representative. Former §V.B, which provided for a Chair, two Vice Chairs, and other officers of the Board is deleted, and provisions concerning these positions are distributed to other sections.

New §5.2, Board of Directors, specifies that the business and affairs of NPCC shall be managed under the direction of the Board.

Sections 5.3, Officers and 5.4, President and CEO (formerly §V.C and V.D) are amended to reflect the change of the title of the position of President to President and Chief Executive

Officer (CEO). In addition, the following sentence is added in §5.4: “The authority and responsibilities of the President and CEO shall be defined by the Board.”

Section 5.5, Vacancies, has been amended to change references to the “Chair” to “Board Chair” and to change references to “Voting Sector” to “stakeholder voting sector.” (These revisions also appear elsewhere throughout the amended Bylaws.) The section has also been amended to provide that in the event of vacancies in the Board or in the offices of Co-Vice Chair, Secretary or Treasurer occurring between Annual Meetings of Members, the Board Chair may designate a person from the same stakeholder voting sector to fill the vacancy, with the approval of a majority vote of the Directors (rather than a majority vote of Members from the applicable Sector), or, “in the case of a vacancy in the office of the Secretary or Treasurer, from outside of NPCC to fill such vacancy with the approval of a majority vote of the Directors.” Finally, this section has been amended to provide that the authority and responsibilities of the Board Chair, which are defined by the Board, shall be “set forth in a separate agreement approved by the Board.”

Former §V.G has been deleted and its subject matter included in new §5.6, NPCC Activities, which states: “NPCC engages in (i) Regional Entity activities which are conducted by its Regional Entity division, and (ii) Criteria Services activities which are conducted by its Criteria Services division.”

In **Article VI - Board of Directors**, former §VI.A has been deleted and its subject matter included in new §6.1, Hybrid Board. Section 6.1 states the composition of the Board:

6.1 Hybrid Board.

- (a) The Board shall consist of fourteen (14) Stakeholder Directors, two (2) Independent Directors, an independent Board Chair and the President and CEO.



(b) While serving on the Board, the President and CEO shall not be entitled to vote on any Board matters.

(c) Two (2) Co-Vice Chairs from different voting sectors on the Board shall be selected by the Directors and approved by a vote of the entire membership. In the temporary absence of the Board Chair, a Vice Chair designated by a two-thirds (2/3) vote of the Directors shall perform the duties of the Board Chair. The Co-Vice Chairs shall retain the voting rights that they otherwise held by virtue of serving as a Director.

In §6.2, Term and Compensation (formerly §VI.B), amendments have been adopted to distinguish between the Stakeholder Directors and the new Independent Directors. Stakeholder Directors will serve terms of two years (formerly three years). The initial terms of Stakeholder Directors will be staggered so that these Board members serve initial terms of one or two years (formerly one, two or three years). Independent Directors will serve terms of office of two years. There is no limit on the number of terms a Stakeholder Director may serve, while an Independent Director may serve up to three terms for a maximum of six years. Stakeholder Directors will receive no compensation, while Independent Directors “shall be entitled to receive compensation as the Board may from time to time determine in its sole discretion.” Additionally, subsection (c) specifies that the term of the office of the Board Chair shall be two years with no limit on the number of terms, and that compensation arrangements of the Board Chair shall be contained in a separate written agreement approved by the Board.

Section 6.3, Powers and Duties (formerly §VI.C) has been amended to incorporate revised terminology used in the amended Bylaws, and to correct grammatical errors. This section has been amended to state explicitly that the Board shall approve any amendments to the Regional Delegation Agreement. A reference to the “NPCC Compliance Enforcement Program” has been changed to “NPCC Compliance Monitoring and Enforcement Program.” This section has also been amended to state that the Board will “oversee” (rather than “approve”) the

assessment and enforcement of mandatory compliance with Reliability Standards. Further, references to “regionally-specific reliability criteria” have been changed to “regionally-specific more stringent reliability criteria.”

Section 6.4, Board Composition (formerly §VI.D) has been amended to set forth the modified composition of the Board of Directors. The NPCC Board shall consist of an independent Board Chair, the President and CEO, such officers as shall from time to time be determined by the Board, and Directors in seven stakeholder sectors and one independent sector. The seven stakeholder sectors shall each be comprised of a maximum of two members (formerly three members); additionally, the two Directors from the Transmission Owners sector must come from different Balancing Authority Areas. The new Independent Directors sector shall also have a maximum of two Directors. As a result of these amendments, the NPCC Board will consist of 16 Directors plus the independent Board Chair and the President and CEO. Under the current Bylaws, the NPCC Board has a total of up to 24 stakeholder Directors (maximum of three Directors from each of eight sectors).

Section 6.5, Quorum and Voting Requirements for the Board (formerly §VI.E), has been amended to reflect the revised composition of the Board. A quorum shall consist of attendance, in person or by proxy, of at least one-half of the Stakeholder Directors in at least sixty percent of the stakeholders sectors, plus at least one Independent Director. Except as otherwise provided in NPCC’s Certificate of Incorporation, the Bylaws or applicable law, actions by the Board shall be approved upon receipt of two-thirds affirmative majority of the weighted sector votes, with each Director casting one vote within his or her sector, at a meeting at which a quorum is present. (The procedure for determining the number of affirmative votes has not been changed, although the text has been amended to incorporate revised terminology used in the amended Bylaws.) In

addition, §6.5 has been amended to provide that the Board Chair shall be entitled to cast one vote, during any meeting at which a quorum is present, to prevent a deadlock. (Under the current Bylaws, the Board Chair does not have a vote.)

Section 6.6, Board Action Without Meeting (formerly §VI.F) has not been substantively amended.

In §6.7, Election and Removal of Directors (formerly §VI.G), subsection (a) has been amended to incorporate revised terminology used in the amended Bylaws. Subsection (a) addresses the election of Stakeholder Directors, and provides that no stakeholder sector shall elect more than two Stakeholder Directors, with no Member or Affiliate of a Member allowed to designate more than one Stakeholder Director to represent it. Subsection (a) also refers to Schedule B to the Bylaws, which sets forth the procedure for selection of Stakeholder Directors (described below).

Subsections 6.7(b) and (c), which are new provisions in the NPCC Bylaws, address the qualifications for nomination of Independent Directors:

(b) Individual Members may nominate an Independent Director candidate by petition. Each petition shall present only one Independent Director candidate who has met requirements in the Rules of Procedure set forth in Schedule B. Petitions shall be received by the Corporate Governance and Nominating Committee on a date set by the committee. The names on the petition shall reflect at least ten percent (10%) of the Members of NPCC as of January 1 of the year in which the election is to be held. Upon receipt of a valid petition, the Corporate Governance and Nominating Committee shall add the petitioned candidate's name to the slate of director nominees to be presented to the Members for approval at the Annual Meeting of Members.

(c) Independent Directors shall be nominated in accordance with the Rules of Procedures set forth in Schedule B and recommended by the Board to the Members for consideration and approval. In order to contribute to the effective functioning of the Board and NPCC, Independent Directors will be drawn from diverse backgrounds and will possess a broad range of industry expertise, perspectives, experiences, skill sets and knowledge. An individual is eligible to serve as an Independent Director if such individual (i) is not an officer, director or

employee of a Member, (ii) is not an officer or employee of NPCC, (iii) is not an officer, director or employee of any entity that would reasonably be perceived as having a direct financial interest in the outcome of Board decisions, and (iv) does not have a relationship that would interfere with the exercise of independent judgment in performing the responsibilities of a director. Independent Directors shall be elected by an affirmative vote of the majority of the Members present at a meeting where a quorum exists.

The “independence” qualifications for an Independent Director candidate are similar to the “independence” requirements for members of the NERC Board of Trustees, as specified in Article III, section 3 of the NERC Bylaws.

Subsections 6.7(d), (e) and (f) contain provisions for the removal of Stakeholder Directors and Independent Directors for cause. Subsection 6.7(d) provides that a Stakeholder Director may be removed for cause by two-thirds vote of the Members in that sector at a regular or special meeting at which a quorum of that sector’s Members are present, based on recommendation of the Directors made at a meeting at which a quorum is present. Stakeholder Directors may not be removed by action of the Directors. Subsection 6.7(e) provides that an Independent Director may be removed for cause by affirmative vote of at least two-thirds of the Directors present at a meeting called for that purpose at which there is a quorum of not less than ten Directors present. Subsection 6.7(f) specifies the grounds for removal for cause:

(f) For purposes of Section 6.7(d) and (e), grounds for removal “for cause” include, but are not limited to, failure to adequately perform Board duties and committee responsibilities, a felony conviction, misappropriation of funds, mental incapacity, and misconduct. In accordance with the N-PCL, an action to procure a judgment removing any Director for cause may also be brought by the Attorney-General of the State of New York.<sup>2</sup>

Sections 6.8, Indemnification, and 6.9, Limitation on Indemnification, have been amended to incorporate revised terminology and cross-references used in the amended Bylaws, with no substantive changes to these provisions.

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<sup>2</sup> “N-PCL” refers to the Not-for-Profit Corporation Law of the State of New York.

**Article VII - Committees and Hearing Body** has been amended to create sections, add acronyms for committee names, and change the name of the Finance Committee to Finance and Audit Committee. Subsection 7.2 has been amended to specify that the Finance and Audit Committee shall include one Director who shall be designated a finance and audit financial expert by the Board. Section 7.4, Hearing Body, is a new provision stating that “The Hearing Body shall conduct all compliance proceedings in accordance with the hearing procedures set forth in the NERC Hearing Procedure.”

**Article VIII - Members’ Voting Rights** has not been substantively amended, with one exception. The one exception is the addition of the following sentence to §8.5, Electronic Voting: “In the event that quorum has not been achieved for purposes of an electronic vote, NPCC may continue to solicit electronic ballots, including abstentions, to obtain quorum and resolve the matter.” Other amendments have been made to Article VIII to incorporate revised terminology and numbering used in the amended Bylaws.

**Article IX - Members’ Rights and Obligations, and Organizational Process** has been amended to incorporate revised terminology and numbering used in the amended Bylaws. In addition, a number of substantive amendments have been made, as described below.

In subsection 9.1(1)(e), a reference to NPCC regionally-specific reliability criteria has been changed to “NPCC’s regionally-specific more stringent reliability criteria.” A similar amendment has been made in subsection 9.1(2)(d)(iii).

Subsection 9.1(2)(b) has been amended to state that

Each Member acknowledges that it has the responsibility to plan and design its bulk power system and conduct its operations, consistent with its registration, in compliance with ERO Reliability Standards, Regional Reliability Standards and Regional Variances consistent with applicable laws, regulations, permits and licenses.

In subsection 9.1(2)(d)(i), text has been added to specify that each Full Member shall plan and design its ~~bulk power system in compliance with Criteria, Guides, and Procedures~~ generation and transmission facilities on which faults or disturbances can have a significant adverse impact outside of the local area, as identified utilizing a reliability impact-based methodology, in compliance with criteria, guides and procedures established by NPCC and applicable ERO Standards.”

In subsection 9.1(2)(d)(v), text has been added to specify that each Full Member shall promptly notify NPCC and all other Members in writing or electronically if its ~~bulk power system is~~ generation and transmission facilities on which faults or disturbances can have a significant adverse impact outside of the local area, as identified utilizing a reliability impact-based methodology, are not being designed or operated, or its operations are not being conducted, in compliance with criteria, guides, and procedures established by NPCC, stating its reasons, and providing its plan and schedule to achieve compliance.

In Section 9.3, Procedures for Enforcing Compliance with Reliability Standards (formerly §IX.C), provisions relating to the determination of violations of reliability standards have been amended:

Where regulatory approval has been obtained or governmental authority has been provided, upon the determination of ~~the NPCC Board~~ NPCC compliance staff and verification by the President and CEO that a user, owner or operator of the ~~bulk power system~~ Bulk Power System has violated a reliability standard, NPCC shall enforce compliance for such ~~violations~~ violation, pursuant to procedures and processes that shall be specified in the ~~NPCC~~ NERC Compliance Monitoring and Enforcement Program.

In addition, in this section two references to Canadian regulatory and/or governmental authorities have been changed to “Canadian Provincial regulatory and/or governmental authorities.”

In **Article X - Full Members: Enforcement of Mandatory Compliance with Regionally-Specific Criteria**, non-substantive amendments have been made for clarity and to incorporate revised terminology used in the amended Bylaws.

In **Article XI - Meetings**, §11.1 and §11.2 have been amended for clarity and to incorporate revised terminology used in the amended Bylaws. In addition, a reference has been

added to §19.1, Amendment of Bylaws, as an exception to the general notice of meetings provisions in §11.1. Finally, a new provision on Action by Remote Communication has been added as §11.3:

A meeting among the Members or the Board by means of a communication through which the participants may simultaneously hear each other during the conference shall constitute a meeting of the Members or the Board, as the case may be, if the same notice is given of the conference as would be required for a meeting and if the number of persons participating in such conference constitute a quorum. Participation in any meeting by this means shall constitute personal presence at such meeting.

**Article XII - Budget** has been amended to incorporate numbering and revised terminology used in the amended Bylaws, to add section titles, and to correct a scrivener's error in the current NPCC Bylaws.

**Article XIII - Funding** has been amended to incorporate revised terminology used in the amended Bylaws.

**Article XIV - Termination of Membership and Cessation of Criteria Services Division Reliability Activities** has been amended to incorporate numbering and revised terminology used in the amended Bylaws. In addition, §14.2 (formerly §XIV.B), which currently states that the Full Members of NPCC may elect by majority vote to cease non-statutory criteria services, has been amended to provide that "The Full Members of NPCC may elect by a majority vote to cease Criteria Services division reliability activities."

**Article XV - Conflicts of Interest** has been amended to incorporate revised terminology used in the amended Bylaws. In addition, the title of §15.1 has been changed from "Conflicts of Interest" to "Conflicts of Interest Policy."

**Article XVI - General** has been amended to incorporate section numbering used in the amended Bylaws, to add section titles, and to change the date of the Bylaws to the effective date of the amended Bylaws.

**Article XVII - Contracts, Checks, Deposits** is a new Article that adds to the NPCC Bylaws typical corporate bylaws provisions on authority to enter into contracts; checks, drafts or orders for the payment of money; and bank deposits.

**Article XVIII – Dissolution** is a new Article that provides that, upon dissolution of the corporation, its remaining assets shall be distributed as determined by the Board, with the proviso that no part of the assets shall be distributed to any Director, and the distribution of assets shall be consistent with the requirements of §501(c)(6) of the Internal Revenue Code. These provisions are relevant to preservation of NPCC’s status as a tax-exempt organization for federal income tax purposes.

**Article XIX – Amendment of Bylaws** is a new Article which specifies the procedure for amendment of the Bylaws:

These Bylaws may be modified, amended or repealed by an affirmative vote of two-thirds (2/3) of the Members entitled to vote at a meeting at which quorum is present, or by electronic voting in accordance with Section 8.5. Written notice of the subject matter of the proposed changes to the Bylaws shall be provided, as appropriate, to the Members no less than fourteen (14) nor more than sixty (60) days prior to the date of the meeting of the Members at which the vote is to be taken. Any modification, amendment or repeal of these Bylaws shall be subject to any applicable requirements for filing with or approval by NERC and FERC and other applicable governmental authority.

**Article XX – Effective Date** is a new Article which states the effective date of the amended Bylaws.

**Schedule A** to the Bylaws will list the current Members of NPCC as of the effective date of the amended Bylaws.



**Schedule B – Rules of Procedure (Selection of NPCC Directors)** sets forth procedures concerning the identification of candidates for, and selection of, Stakeholder Directors and Independent Directors. Section 1, Selection of Director Candidates specifies that the NPCC Corporate Governance and Nominating Committee (“CGNC”) is responsible for screening director candidates, establishing criteria for nominees, and recommending a slate of nominees to the Board for consideration, with the slate of nominees to be presented to the Members for approval at the Annual Meeting of Members. This section also lists the desired characteristics of Director candidates.

Section 2, Criteria for Board Service, states that the CGNC will consider and recruit candidates for Director nominees based on recommendations from Members, current directors, NPCC management, outside consultants or search firms retained for this purpose, and other sources. This section also sets forth criteria on which candidates will be evaluated for nomination. Stakeholder Directors must reflect the geographic diversity of the NPCC Region and must be officers or senior-level executives of NPCC Members. An Independent Director must not be an officer or employee of NPCC, an officer, director or employee of a NPCC Member, or an officer, director or employee of any entity that would reasonably be perceived as having a direct financial interest in the outcome of Board decisions, and must not have any relationship that would interfere with the exercise of independent judgment in performing the responsibilities of a Director. All Directors must possess corporate and business experience at the senior executive level or equivalent. Finally, Directors must have no actual or potential conflicts of interest that would or could interfere with diligent performance of the responsibilities of a Board member in the best interests of NPCC.

**B. Amendments to NPCC Regional Reliability Standards Development Procedure**

Three amendments are proposed to the NPCC RSDP, which is included in Exhibit C to the NPCC RDA. Two of the amendments are conforming changes in light of the Bylaws amendments, while the third amendment corrects a scrivener's error in the current Bylaws. Specifically, in (i) §II(1), Characteristics Attributes, of the RSDP, in the statement of the "Balanced" attribute, and (ii) §II(4), Procedure Description, in the description of Steps 12, 13 and 14, references to "eight" sectors have been changed to "seven" sectors, as specified in the amended NPCC Bylaws, to be consistent with the number of stakeholder sectors provided for in the amended Bylaws. Additionally, in §II(3), Terms and Functions, in the description of the Regional Standards Committee, the word "Inc." has been deleted from "NPCC Inc. Bylaws."

**C. Amendments to Exhibit D to NPCC Delegation Agreement**

Section 2.0, Regional Hearing of Compliance Matters, of Exhibit D to the NPCC RDA has been amended to implement a revision to the composition of the NPCC Hearing Body for compliance matters. Currently, §2.0 specifies that the Hearing Body will consist of five voting members of the NPCC Compliance Committee plus two alternatives, with all members of the Hearing Body to be from different voting sectors. With the proposed amendments to §2.0, the Hearing Body will be comprised of an independent Hearing Officer and two Independent Directors. As a result of the amendments, the Hearing Body will always be comprised of independent members and will not have stakeholder members. The specific proposed amendments to §2.0 of Exhibit D are as follows:

NPCC shall establish and maintain a hearing body with authority to render decisions in compliance hearings in which a Registered Entity may contest a finding of alleged violation, proposed penalty or sanction, or a proposed mitigation plan. The NPCC Compliance Committee, reporting to the NPCC Board, will be responsible for impaneling a Hearing Body, when required. The Hearing Body will consist of ~~five voting members of the NPCC Compliance~~

~~Committee plus two alternates and business will always be conducted by five voting members as described in the *NPCC Hearing Procedures* (each member of the Hearing Body will be from a different voting sector) an independent Hearing Officer and two (2) Independent Directors. An independent~~ The Hearing Officer, who is not a member of the Compliance Committee, the NPCC Board, or NPCC Staff, will conduct the hearing. ~~Committee members who represent the Registered Entity involved in the Hearing cannot participate on the Hearing Body.~~ The Hearing Body will utilize a simple majority vote to resolve issues. This voting rule, along with the structure of the Hearing Body, fully supports the requirement that no two stakeholder sectors may control, and no single stakeholder sector may veto, a matter before the Hearing Body.

#### **IV. NPCC AND NERC APPROVALS**

On March 15, 2011, the NPCC Board of Directors unanimously recommended to the NPCC Membership adoption of the proposed Amended and Restated Bylaws. The proposed Amended and Restated Bylaws and a summary of the revisions were presented to the NPCC Members via Webinar and teleconference on March 23, 2011. On April 12, 2011, the NPCC Members approved the Amended and restated Bylaws by electronic voting.

Additionally, on May 3, 2011, the NPCC Board of Directors approved the amendments to the NPCC RSDP and to Exhibit D to the NPCC RDA. NPCC membership approval of these amendments was not required.

At its meeting held on May 11, 2011, the NERC Board of Trustees approved the proposed amendments to the NPCC RDA, including the amended NPCC Bylaws, the amended NPCC RSDP, and the amendments to Exhibit D to the NPCC RDA. In reviewing the proposed amended NPCC Bylaws, NERC determined that the amended Bylaws (in conjunction with the NPCC RSDP) would continue to satisfy the five Governance criteria specified in Exhibit B to the NPCC RDA. In addition, with the minor amendments to the NPCC RSDP (described in §III.B above), the RSDP continues to satisfy the 34 common attributes of an acceptable regional reliability standards development procedure specified in Exhibit C to the NPCC RDA.

**Attachment 3** to this Petition is a copy of the resolution of the NERC Board approving the amendments to the NPCC Bylaws, the NERC RSDP and Exhibit D to the NPCC RDA.

Respectfully submitted,

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## **ATTACHMENTS 1 – 3**

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