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NERC related to Enforcement's findings and recommendations arising out of its 2012 performance audit of NERC. One of the provisions of the Settlement Agreement related to the method of NERC Board of Trustee (the "Board") compensation. This provision contemplated an independent study to analyze the Board's compensation structure, and an opportunity for the Board to adopt any recommendations set forth in the study.

Specifically, Section II.11(a) of the Settlement Agreement stated:

NERC agrees that (i) within ninety days of its receipt of the independent study that NERC has commissioned of Board of Trustees compensation, it will file a copy of the study for Commission review; and (ii) within thirty days after any final decision by the NERC Board with respect to the implementation of any recommendations set forth in the study, file with the Commission an explanation of the Board's decision with respect to Board compensation. The Parties agree that this resolves their dispute regarding Recommendation No. 25.⁵

Consistent with the Settlement Agreement, its past practice and the requirements of its mandate, the Board's Corporate Governance and Human Resources Committee⁶ ("CGHRC") engaged an independent compensation consultant, Towers Watson, to conduct a study and prepare a report to assist it in formulating its recommendations to the Board. The CGHRC received and accepted that report on August 14, 2013 (the "Compensation Report"), and thereafter made certain findings and recommendations to the Board with respect to Board compensation. On August 15, 2014, the Board accepted the report of the CGHRC and approved recommendations to the Board compensation

⁵ See January 16 Order.

⁶ The NERC CGHRC is required to review the compensation plan for independent Trustees at the beginning of each budget cycle pursuant to an official corporate policy adopted by the Board on November 13, 2008. Available at: <http://www.nerc.com/gov/Annual%20Reports/Process%20for%20Determining%20Annual%20Compensation.pdf>.

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structure. Attachment A of this filing includes a public copy of the Compensation Report. Attachment B includes a copy of the resolution passed by the Board implementing the studies' recommendations. Attachment C contains a non-public copy of the Compensation Report. This filing and its attachments are submitted pursuant to the 90-day and 30-day time frames specified in Section II.11(a) of the Settlement Agreement described above.

Request for Confidential Treatment

Information in Attachment C to the instant filing includes confidential information as defined by the Commission's regulations at 18 C.F.R. Part 388 and orders. In particular, the material includes sensitive business and confidential information of Towers Watson. In accordance with the Commission's Rules of Practice and Procedure, 18 C.F.R. Part 388.112, a non-public version of the information redacted from the public filing is being provided under a separate cover.

Because certain of the attached documents are deemed confidential by NERC, NERC requests that the confidential, non-public information be provided special treatment in accordance with the above regulation.

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I. NOTICES AND COMMUNICATIONS

Notices and communications with respect to this filing may be addressed to:⁷

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and Administrative Officer
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*Persons to be included on the
Commission’s official service list

⁷ Persons to be included on the Commission’s service list are identified by an asterisk. NERC respectfully requests a waiver of Rule 203 of the Commission’s regulations, 18 C.F.R. § 385.203 (2012), to allow the inclusion of more than two persons on the service list in this proceeding.

II. STUDY OF BOARD OF TRUSTEES COMPENSATION

The CGHRC commissioned Towers Watson, an independent consultant with extensive national expertise in analysis of board compensation, to conduct a market study of board compensation and to provide a report to the CGHRC summarizing that study to aid it in its review of the Board's compensation structure. As set forth in the Compensation Report, Towers Watson interviewed each NERC Trustee, considered the appropriate market perspectives for Board compensation and compared current Board compensation and the Board's current compensation structure to those market perspectives.

The report includes: (i) comparing the "typical Trustee's" compensation to the "typical Director's" compensation; (ii) comparing the NERC Board Chair's compensation to the market perspectives for non-executive chairs (*i.e.*, independent chairs of boards where the Chief Executive Officer of the organization is not also the board chair); (iii) comparing the NERC Board's committee chair compensation to the market perspectives; (iv) comparing the workload of NERC Trustees to the market perspectives; and (v) reviewing trends in director compensation.

The key findings of Towers Watson as set forth in the Compensation Report include:

1. The appropriate market perspectives for the Board to consider are Regional Entities, RTOs/ISOs, smaller investor owned utilities ("IOUs") and a general industry group of companies with comparable characteristics to NERC.
2. The total remuneration of a "typical trustee," based on available 2011 data, was above the median value at Regional Entities, slightly above the median value at RTOs/ISOs and significantly below the median value at IOUs and general industry peers.

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3. The total compensation of NERC's Board Chair was above the average value at Regional Entities, approximately the median value at RTOs/ISOs and significantly below the median value at IOUs and general industry companies.

4. The additional compensation for Board committee chairs is comparable to or above the median provided to committee chairs at the three most common types of committees at both IOUs and general industry companies. There are no Compliance Committee or Standards Oversight Committee comparisons.

5. The workload of NERC Trustees has increased in recent years and is among the highest at each of the market perspectives.

6. In terms of trends in director compensation (i) a majority of for-profit companies have increased their director compensation to compensate for the growing demands and accountability of directors; (ii) companies continue to eliminate per-meeting fees and shift to the use of annual retainers, with 62 percent of Fortune 500 companies using retainers only; and (iii) a majority of companies continue to provide additional retainers to non-executive board chairs and committee chairs.

Based on its findings, Towers Watson recommended that NERC consider maintaining the current retainer compensation approach (rather than per meeting fees), but simplify it to include the following:

1. Trustee annual retainer
2. A retainer for each committee chair
3. A retainer for the non-executive chair

Towers Watson further noted that given the increased workload of Trustees and the fact that Trustee compensation has not been adjusted since the beginning of 2011, an increase in Trustee compensation is warranted. It suggested that the Board use a guideline for establishing compensation targeting levels of between the market 50th percentile of RTOs/ISOs and the market 25th percentile for IOUs (noting the lower market position reflects NERC's nonprofit status). Based on the above, the target ranges for the three elements of NERC Board compensation would be:

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Trustee Annual Retainer	\$80,000 to \$115,000
Committee Chair Retainer	\$5,000 to \$10,000
Non-Executive Chair Retainer	\$105,000 to \$180,000

Towers Watson also noted that one common theme in the interviews it conducted with all Trustees was the sentiment that the workloads of NERC Board committees have equalized over time and that the additional compensation currently received by Compliance Committee members may no longer be warranted. Trustees also noted that the Board reduced by one the number of independent trustees on the Board in fiscal 2013, with concomitant budget savings for NERC and some impact on workload/outreach for the remaining Trustees.

**III. BOARD OF TRUSTEES DECISION ON COMPENSATION REPORT
RECOMENDATIONS**

Upon receipt of the Compensation Report, the CGHRC analyzed the findings and drafted a proposal for consideration by the Board. There were several key considerations the CGHRC used in formulating its recommendations to the Board, which were outlined in the CGHRC's report to the Board:

1. The findings and recommendations contained in the Towers Watson report.
2. The fact that the Board has not adjusted compensation since 2011. The IOU and industry data in the report is from 2011, it is now two years later, and it is reasonable to assume from the trends shown in the report that compensation has continued to increase.
3. The need to consider any compensation adjustment in light of NERC's overall budget.
4. That the workload for all Trustees has continued to increase, but that it is no longer necessary to provide additional compensation to the members of the Compliance Committee as the workload across committees has begun to equalize.

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5. The Board Chair, Vice Chair, committee chairs and the Trustee assigned to the ESCC have substantial additional responsibilities and time commitments. There is consensus among the Trustees that the Vice Chair's position, in consideration of its increased responsibility and workload, should also receive additional compensation.
6. That the current compensation structure, utilizing fixed retainers, is consistent with best practice trends in director compensation.
7. That it remains important for NERC to be able to recruit and retain qualified and quality individuals to board service, and that NERC competes directly with Regional Entities, ISOs and RTOs, IOUs, and even private sector companies in attempting to attract such individuals to NERC.
8. That the conflict of interest requirements at NERC for Trustees, which include financial interest and investment prohibitions, employment/consulting prohibitions, and industry board service prohibitions, and the fact that NERC is non-profit and offers no stock options or benefits, reinforce the need for NERC to offer competitive compensation to Trustees, understanding the limits NERC places on what might be other opportunities for financial reward.

On August 14, 2013, the CGHRC approved recommendations to the Board modifying certain aspects of NERC's Board compensation structure. The recommendations were consistent with the findings in the Compensation Report, in particular maintaining the retainer compensation approach and establishing compensation levels that are consistent with the target ranges recommended by Towers Watson. On August 15, 2013, the Board accepted the recommendations of the CGHRC, as set forth in the Board resolution included as Attachment B to this filing. Specifically, the Board approved the following Board compensation model.

1. The Board established a target annual retainer for each Trustee of \$97,500. The new retainer will be implemented, for all Trustees who are not members of the Compliance Committee, beginning effective third quarter 2013 and phased in over 2013, 2014 and 2015 (for Compliance Committee members, the phase in will begin January 1, 2014) such that the target amount would be reached January 1, 2015, as follows:

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- a. 2013 increase of \$3,750 (for all Trustees other than Compliance Committee members).
 - b. 2014 increases of \$11,250 (\$15,000 for Trustees serving on the Compliance Committee during 2013), such that the annual retainer for all Trustees shall be \$90,000.
 - c. 2015 increase of \$7,500, such that the annual retainer for all Trustees shall be \$97,500
2. The Board retained the current committee chairs and ESCC Trustee annual retainer of \$10,000.
 3. The Board eliminated, effective January 1, 2014, the additional annual retainer for Compliance Committee members.
 4. The Board established, effective third quarter 2013, an annual retainer of \$5,000 for the Board Vice Chair.
 5. The Board retained the annual retainer of \$35,000 for the Board Chair.

The Board noted that the total additional financial impact of this compensation adjustment by the Board by 2015 (when it will be fully implemented) will be \$180,000. The phased-in approach described above will result in \$21,250 in additional expenditures during 2013, which will be offset by reduced expenditures in the relevant budget category, while the 2014 impact will be \$105,000 (including the impact of the 2013 increase).

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IV. CONCLUSION

NERC respectfully requests that the Commission accept this filing as compliant with Section II.11(a) of the Settlement Agreement and the Commission's January 16 Order in Docket No. FA11-21-000.

Respectfully submitted,

/s/ Rebecca J. Michael

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*Counsel for North American Electric
Reliability Corporation*

Dated: August 23, 2013

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CERTIFICATE OF SERVICE

I hereby certify that I have served a copy of the foregoing document upon all parties listed on the official service list compiled by the Secretary in this proceeding.

Dated at Washington, D.C. this 23rd day of August, 2013.

/s/ Rebecca J. Michael

Rebecca J. Michael
Counsel for North American
Electric Reliability Corporation

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ATTACHMENT A



North American Electric Reliability Corporation

Board of Trustee Remuneration Review Summary

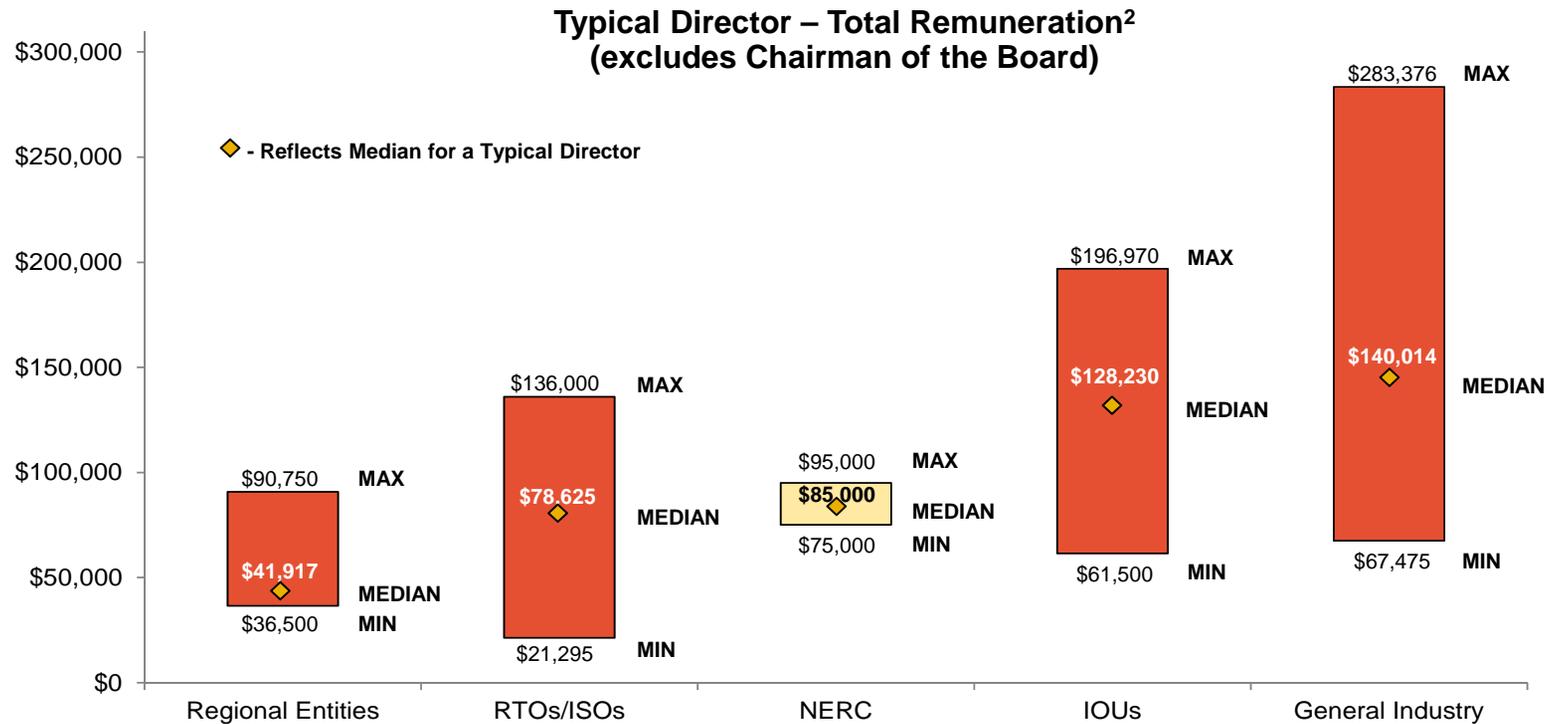
August 14, 2013

Background

- The North American Electric Reliability Corporation (NERC) engaged Towers Watson to conduct a Board of Trustees' (or Directors') compensation and structure assessment
 - The prior Board compensation study for NERC was conducted in May 2010
- This analysis compares the compensation and structure of NERC's Trustees against the following market perspectives:
 - Regional Entities (analysis includes data for 5 of 8 companies)
 - RTOs/ISOs (analysis includes data for 7 of 10 companies)
 - Investor Owned Utilities (IOUs) (analysis includes data for 15 companies)
 - General Industry (analysis includes data for 17 companies)
 - Companies included in the market perspectives listed above can be found in Appendix
- The remainder of the report presents the key study findings

Typical Director Total Remuneration

- The chart below presents the range (minimum to maximum) and median of total remuneration provided a “typical Director¹” for each market perspective
- NERC’s total remuneration to a “typical Trustee¹” of \$85,000 falls above the median value provided by Regional Entities and RTOs/ISOs but below the median value at IOUs and general industry peers

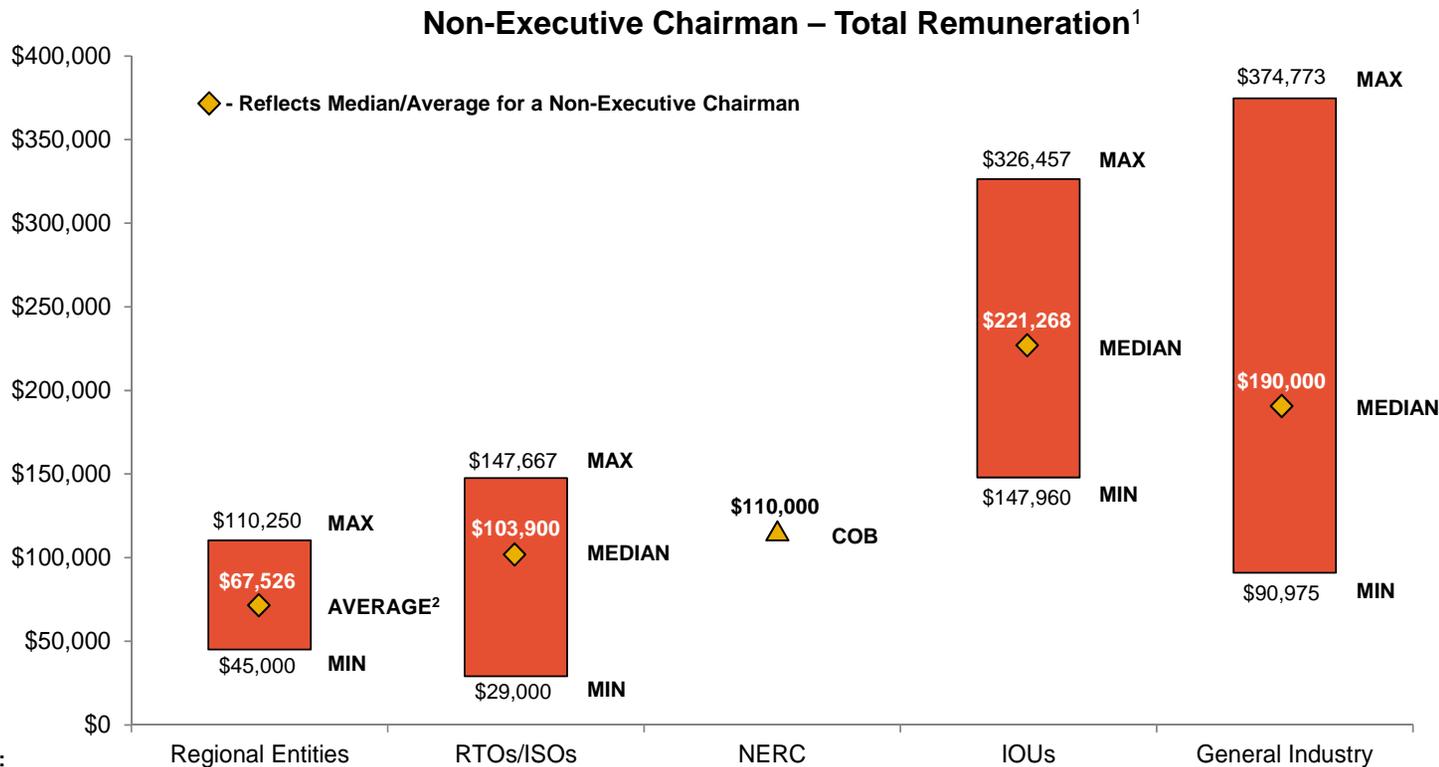


Notes:

- (1) A “typical Director” cannot be in a Board leadership position, an employee of the company or serve as a Director for less than a full year.
- (2) Compensation for Regional Entities, RTOs/ISOs and NERC includes Committee Chair compensation while it has been excluded from IOUs and the general industry market perspectives, given applicable disclosure. Min and Max values reflect only those companies paying outside directors. Some Regional Entities (FRCC, NPCC and SERC) do not report compensation for their Board of Directors due to all directors being stakeholder board members.

Non-Executive Chairman Total Remuneration

- The chart below presents the range (minimum to maximum) and median of total remuneration provided a Non-Executive Chairman for each market perspective
- NERC’s total remuneration to the Chairman of the Board of \$110,000 falls above the average value provided at Regional Entities, approximates the median value provided at RTOs/ISOs but is below the median value at IOUs and General Industry peers



(1) Min and Max values reflect only those companies paying outside directors. Some Regional Entities (FRCC and SERC) do not report compensation for their Board of Directors due to all directors being stakeholder board members.

(2) Average data was provided due to insufficient sample size to calculate the median.

Committee Chair Additional Compensation

- NERC provides an annual cash amount of \$10,000 to Committee Chairs, Compliance Committee members and the independent Trustee serving on the Electricity Sub-Sector Coordinating Council
- The additional compensation provided to NERC Committee Chairs is comparable to or above the median (50th percentile) provided to Committee Chairs of the three most common types of committees at both the IOU and General Industry market perspectives

Committee Chair – Additional Retainer

Committee Chair Additional Pay Element	NERC	Investor Owned Utilities			General Industry		
		25th Percentile	50th Percentile	75th Percentile	25th Percentile	50th Percentile	75th Percentile
<i>Finance & Audit Committee</i>							
Additional Total Compensation	\$10,000	\$10,000	\$10,000	\$12,250	\$10,000	\$11,750	\$15,000
<i>Corporate Governance / Compensation Committee¹</i>							
Additional Total Compensation	\$10,000	\$5,000	\$7,500	\$8,750	\$5,750	\$10,000	\$11,250
<i>Nominating Committee²</i>							
Additional Total Compensation	\$10,000	\$5,000	\$6,000	\$7,500	\$5,000	\$5,000	\$8,750
<i>Compliance Committee</i>							
Additional Total Compensation	\$10,000	N/A	N/A	N/A	N/A	N/A	N/A
<i>Standards Oversight and Technology Committee</i>							
Additional Total Compensation	\$10,000	N/A	N/A	N/A	N/A	N/A	N/A

Notes:

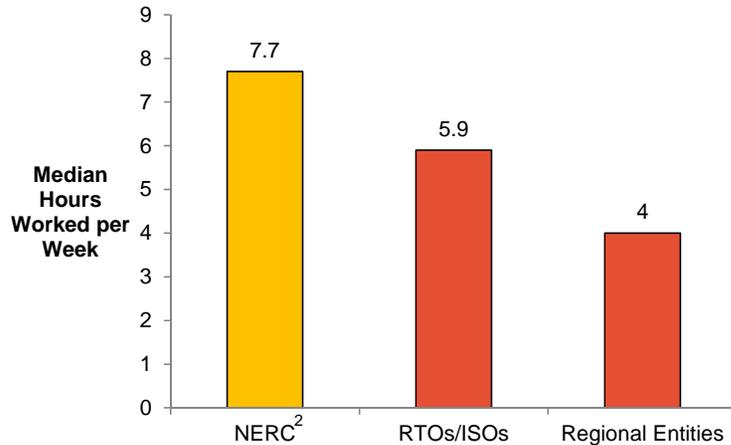
(1) Market data for IOUs and General Industry is reflective of Compensation Committee Chairs.

(2) Market data for IOUs and General Industry is reflective of Corporate Governance and Nominating Committee Chairs.

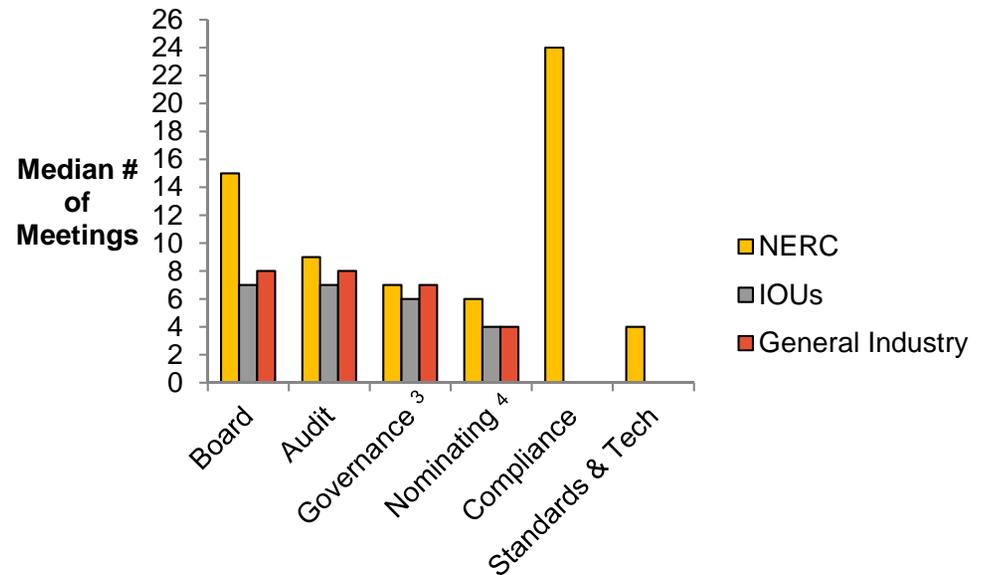
Workload

- NERC’s workload levels have increased in recent years and are among the highest for each of the market perspectives examined based on comparisons of average hours worked or number of meetings held (both Board and Committees)

**NERC vs. RTOs/ISOs & Regional Entities¹
(Fiscal 2011 Data)**



**NERC vs. General Industry & IOUs
(Fiscal 2011/2012 Data)**



Notes:

- (1) Hours disclosed excludes the Chairman of the Board.
- (2) NERC’s 2012 average hours increased to 9.3 but 2012 market data is currently unavailable
- (3) Market data for IOUs and General Industry is reflective of Compensation Committees.
- (4) Market data for IOUs and General Industry is reflective of Corporate Governance and Nominating Committees.

Trends in Director Compensation¹

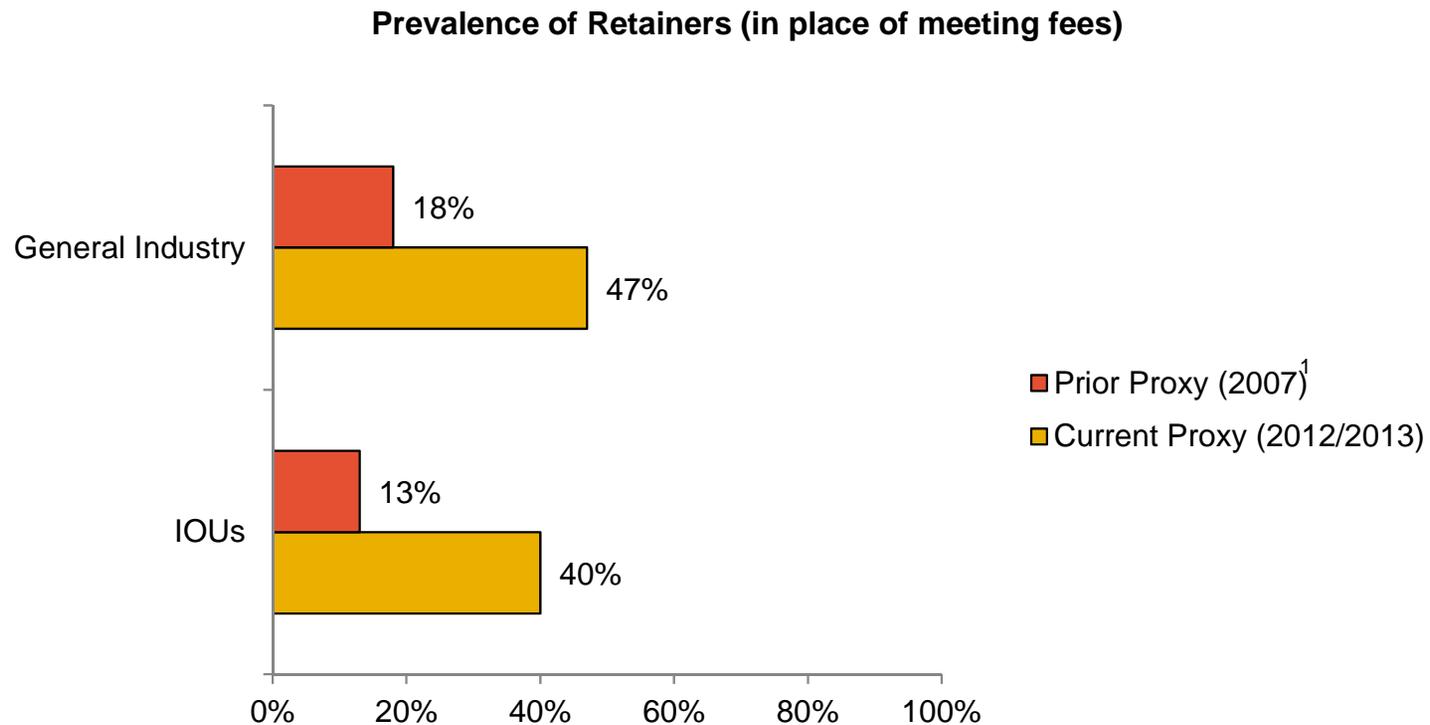
- While Director compensation remained flat for several years following the financial crisis, since 2010 a majority of for-profit companies have increased Director pay to compensate for the growing demands and accountability of Directors
- Fortune 500 remuneration experienced a slight increase of 5% from 2010 – 2011 at the median, which is consistent with the 6% median increase observed from 2009 – 2010
 - This provides further evidence that markets continue to stabilize following the 2008 financial crisis, which led many companies to freeze or reduce pay for their Directors
- Companies continue to eliminate board and committee meeting fees and shift to the use of annual retainers
 - In 2011, 30 of 468 Fortune 500 companies eliminated per-meeting fees while increasing their annual cash retainer to offset the loss of meeting fees
 - Including the companies that eliminated per-meeting fees, 62% of the Fortune 500 in 2011 now use a retainer only approach
- Majority of companies continue to provide additional retainers to the Non-Executive Chairman of the Board and committee Chairs, especially Audit, Compensation and Governance Committee Chairs

Notes:

(1) Source: Based on year-over-year analysis of 468 Fortune 500 proxy filings reflecting fiscal 2011 (based on 2012 filings) as 2012 data (based on 2013 filings) are not available for all companies.

Pay Structure

- NERC's practice of paying retainers (in lieu of board of committee meeting fees) is consistent with IOU and General Industry peer practices trends and aligns with broader market best practice (62% of Fortune 500 use retainers only)



Note:

(1) Past proxies (2007 – 2012) were examined to identify change in pay structure to an all retainer approach

Compensation Program Design Considerations

Structure

- Given alignment with current market best practice, NERC should consider maintaining the current cash retainer approach, but simplify it to include the following:
 - Trustee annual cash retainer,
 - Committee chair annual cash retainer, and
 - Non-Executive Chairman annual cash retainer

Compensation Program Design Considerations (cont'd)

Target Compensation Levels

- Given an increase in the Board's workload, below market positioning of pay relative to market and the fact that compensation has not been adjusted since 2011, we believe a pay adjustment is warranted
- The Board has articulated a need for Trustees with relevant industry experience, as such Towers Watson would suggest as a guideline targeting pay levels between the market 50th percentile of RTO/ISOs and market 25th percentile of IOUs (lower market positioning to reflect NERC's not for profit status). Targeted compensation ranges are presented below for each pay component:

Pay Component	Competitive Pay Range
Trustee Annual Cash Retainer	\$80,000 - \$115,000
Committee Chair Annual Cash Retainer	\$5,000 - \$10,000*
Non-Executive Chairman Annual Cash Retainer	\$105,000 - \$180,000

*Reflects IOU market data reference points only, as ISO/RTO data are not available.

Appendix

Appendix: Peer Group Financial Data – Regional Entities

Organization	Operating Budget (millions)	Form 990 Report Year
Florida Reliability Coordinating Council (FRCC) ¹	\$11	2011
Midwest Reliability Organization (MRO)	\$8	2011
Northeast Power Coordinating Council (NPCC) ¹	\$13	2011
ReliabilityFirst Corporation (RFC)	\$16	2011
SERC Reliability Corporation (SERC) ¹	\$12	2011
Southwest Power Pool RE (SPP RE) ²	\$129	2011
Texas Reliability Entity (Texas RE)	\$10	2011
Western Electricity Coordinating Council (WECC) ³	\$61	2011

n = 8

25th %ile	\$11
50th %ile	\$13
Average	\$33
75th %ile	\$27

North American Electric Reliability Corporation ⁴	\$250
Percent Rank	Highest

Notes:

Data based on most recent Forms 990 available

- (1) The organization did not publicly report compensation levels for its Board. NPCC does provide compensation to the Chairman which has been included in our analysis.
- (2) Operating budget amount represents the total budget for Southwest Power Pool RE & Southwest Power Pool Inc.
- (3) Operating budget represents the total operating area which includes the provinces of Alberta and British Columbia, the northern portion of Baja California, Mexico, and all or portions of the 14 Western states between.
- (4) The data was provided by NERC, reflects total ERO operating budget and is current as of 2012.

Appendix: Peer Group Financial Data – RTOs/ISOs

Organization	Operating Budget (millions)	Form 990 Report Year
Alberta Electric System Operator ^{1,2}	\$1,448	2011
California ISO (CAISO)	\$192	2011
Electric Reliability Council of Texas (ERCOT)	\$280	2011
ISO New England (ISO - NE)	\$140	2011
Midwest ISO (MISO)	\$323	2011
New Brunswick System Operator ³	N/A	N/A
New York ISO (NYISO)	\$155	2011
Ontario Independent Electricity System Operator ³	N/A	N/A
PJM Interconnection (PJM) ³	N/A	N/A
Southwest Power Pool (SPP)	\$129	2011

n = 10

25th %ile	\$147
50th %ile	\$192
Average	\$381
75th %ile	\$301

North American Electric Reliability Corporation⁴	\$250
Percent Rank	61%

Notes:

Data based on most recent Forms 990 available

N/A = Data is not available

(1) Data was based on its 2011 Annual Report as the organization is not required to file a Form 990.

(2) Data was converted from Canadian dollars to US dollars with a conversion rate of 1 Canadian dollar = .986 USD as of 6/14/2013, according to www.xe.com.

(3) This organization is not required to publicly disclose Board of Trustees compensation levels and therefore no compensation has been included for these organizations in the analysis.

(4) The data was provided by NERC, reflects total ERO operating budget and is current as of 2012.

Appendix: Peer Group Financial Data – Investor Owned Utilities

Company	Revenues (millions)	Proxy Filing Date
Allele, Inc.	\$928	3/20/2012
Cleco Corporation	\$1,117	3/15/2013
El Paso Electric Co.	\$918	4/20/2012
Empire District Electric Co.	\$557	3/13/2013
Great Plains Energy Incorporated	\$2,318	3/21/2012
IDACORP, Inc.	\$1,027	4/6/2012
ITC Holdings Corp.	\$757	4/12/2012
MGE Energy Inc.	\$546	3/30/2012
NorthWestern Corporation	\$1,117	3/8/2013
NV Energy, Inc.	\$2,943	3/27/2012
Otter Tail Corporation	\$1,078	2/27/2013
PNM Resources, Inc.	\$1,701	4/5/2012
Portland General Electric Company	\$1,813	4/6/2012
UNS Energy Corporation	\$1,510	3/21/2013
Westar Energy, Inc.	\$2,171	3/30/2012

n = 15

25th %ile	\$923
50th %ile	\$1,117
Average	\$1,367
75th %ile	\$1,757

North American Electric Reliability Corporation¹	\$250
Percent Rank	Lowest

Notes:

Financial data based on Standard & Poor's Capital IQ. Market data based on most recent proxies available. Some companies had yet to file 2013 proxy information

(1) The data was provided by NERC, reflects total ERO operating budget and is current as of 2012.

Appendix: Peer Group Financial Data – General Industry

Company	Revenues (millions)	Assets (millions)	Proxy Filing Date
ACI Worldwide, Inc.	\$465	\$665	4/25/2012
AeroVironment, Inc.	\$325	\$369	8/24/2012
Auxilium Pharmaceuticals Inc.	\$264	\$301	4/27/2012
Badger Meter, Inc.	\$320	\$290	3/18/2013
Cogent Communications Group Inc.	\$317	\$607	2/28/2013
Dendreon Corp.	\$342	\$1,001	4/27/2012
Digital River Inc.	\$386	\$1,052	4/18/2012
Emergent BioSolutions, Inc.	\$273	\$547	4/6/2012
FormFactor Inc.	\$179	\$396	3/8/2012
Hancock Holding Co.	\$910	\$19,464	3/11/2013
Iridium Communications Inc.	\$384	\$1,374	4/10/2012
Kaydon Corporation	\$460	\$792	4/5/2012
Lydall Inc.	\$379	\$252	3/12/2013
Medicines Company	\$485	\$693	4/27/2012
NASDAQ OMX Group Inc.	\$3,119	\$9,132	4/12/2012
Premiere Global Services, Inc.	\$474	\$543	4/23/2012
Wintrust Financial Corporation	\$662	\$17,520	4/24/2012

n = 17

25th %ile	\$320	\$396
50th %ile	\$384	\$665
Average	\$573	\$3,235
75th %ile	\$474	\$1,052

North American Electric Reliability Corporation¹	\$250	N/A
Percent Rank	5%	N/A

Notes:

Financial data based on Standard & Poor's Capital IQ. Market data based on most recent proxies available. Some companies had yet to file 2013 proxy information

(1) The data was provided by NERC, reflects total ERO operating budget and is current as of 2012.

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ATTACHMENT B

NORTH AMERICAN ELECTRIC RELIABILITY CORPORATION

Board of Trustees Meeting

August 15, 2013

WHEREAS, the Board's Corporate Governance and Human Resources Committee (the "CGHRC") is required to review annually the compensation program for independent Trustees and to make recommendations to the Board, as appropriate.

WHEREAS, the CGHRC engaged the compensation consulting firm of Towers Watson, to conduct a market study of Board compensation, to aid in its determination of whether to recommend any changes to the Board's compensation program.

WHEREAS, Towers Watson interviewed each Trustee, considered the appropriate market perspectives for Board compensation, and compared current Trustee compensation and the structure of the Board's current compensation structure to those market perspectives, and prepared a report which has been reviewed and accepted by the CGHRC.

WHEREAS, the CGHRC considered the findings and recommendations in the Towers Watson report, as well as (i) the fact that the Board has not adjusted compensation since 2011, (ii) the IOU and industry data in the report is from 2011, it is now two years later, and it is reasonable to assume from the trends shown in the report, that board compensation has continued to increase, (iii) the need to consider any compensation adjustment in light of NERC's overall budget, (iv) the workload for all Trustees has continued to increase, but that it is no longer necessary to provide additional compensation to the members of the Compliance Committee as the workload across committees has begun to equalize, (v) the Board Chair, Vice Chair, committee chairs and the Trustee assigned to the ESCC have substantial additional responsibilities and time commitments, and there is consensus among the Trustees that the Vice Chair's position, in consideration of its increased responsibility and workload, should also receive additional compensation, (vi) that the current compensation structure, utilizing fixed retainers, is consistent with best practice trends in director compensation, (vii) that it remains important for NERC to be able to recruit and retain qualified and quality individuals to board service, and that NERC competes directly with regional entities, ISOs and RTOs, IOUs, and private sector companies in attempting to attract such individuals to NERC and (viii) the conflict of interest requirements at NERC for Trustees, which include financial interest and investment prohibitions, employment/consulting prohibitions, and industry board service prohibitions, and the fact that NERC is non profit and offers no stock options or benefits, reinforce the need for NERC to offer competitive compensation to trustees, understanding the limits NERC places on what might be other opportunities for financial reward.

WHEREAS, based on its review of the Towers Watson report and its deliberations in open session, the CGHRC has recommended modifications to the Trustee compensation program, which recommendations the Board has determined to accept.

NOW, THEREFORE, BE IT RESOLVED, that the Board hereby approves the following compensation program for independent Trustees:

1. Annual Retainer: The Board hereby establishes a target annual retainer for each Trustee of \$97,500. The new retainer will be implemented, for all Trustees who are not members of the Compliance Committee, beginning effective third quarter 2013 and phased in over 2013, 2014 and 2015 (for Compliance Committee members, the phase in will begin January 1, 2014) such that the target amount would be reached January 1, 2015, as follows:
 - a. 2013 increase of \$3,750 (for all Trustees other than Compliance Committee members)
 - b. 2014 increase of \$11,250 (\$15,000 for Trustees serving on the Compliance Committee during 2013), such that the annual retainer for all Trustees shall be \$90,000
 - c. 2015 increase of \$7,500, such that the annual retainer for all Trustees shall be \$97,500
2. Committee Chair/ESCC Retainer: The Board hereby retains the current committee chairs and ESCC Trustee annual retainer of \$10,000.
3. Compliance Committee retainer: The Board hereby eliminates, effective January 1, 2014, the additional annual retainer for Compliance Committee members.
4. Vice Chair Retainer: The Board hereby establishes, effective third quarter 2013, an annual retainer of \$5,000 for the Board Vice Chair.
5. Chair Retainer: The Board hereby retains the annual retainer of \$35,000 for the Board Chair.

**PRIVILEGED AND CONFIDENTIAL ATTACHMENT C
HAS BEEN REMOVED FROM THE PUBLIC FILING**

ATTACHMENT C

OMITTED