

March 10, 2010

VIA ELECTRONIC FILING

Ms. Kimberly D. Bose, Secretary
Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, D.C. 20426

**Re: North American Electric Reliability Corporation
Docket No. RR010-__ -000
Petition for Approval of Compliance Monitoring and Enforcement Agreements
Between SERC Reliability Corporation and Florida Reliability Coordinating
Council and Southwest Power Pool Regional Entity and Related Amendments to
Delegation Agreements**

Dear Ms. Bose:

The North American Electric Reliability Corporation (NERC) hereby submits the “Petition of the North American Electric Reliability Corporation for Approval of Compliance Monitoring and Enforcement Agreements Between SERC Reliability Corporation and Florida Reliability Coordinating Council and Southwest Power Pool Regional Entity and Related Amendments to Delegation Agreements.” Pursuant to these agreements, SERC would become the Compliance Enforcement Authority with respect to registered entity functions performed (i) by Florida Reliability Coordinating Council and (ii) by SPP, Inc. within the SPP region.

For the reasons discussed in the petition, NERC respectfully requests that the Commission issue an order granting the approvals sought herein by on or about June 17, 2010.

This filing consists of (1) this transmittal letter, (2) the narrative text of the petition, which follows this transmittal letter, and (3) Attachments 1 through 9 to the petition. All of these documents are transmitted in a single pdf file.

Please contact the undersigned if you have any questions concerning this filing.

Respectfully submitted,

/s/ Owen E. MacBride
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Attorney for North American Electric
Reliability Corporation

UNITED STATES OF AMERICA
Before the
FEDERAL ENERGY REGULATORY COMMISSION

NORTH AMERICAN ELECTRIC)
RELIABILITY CORPORATION) **Docket No. RR10-__-000**

PETITION OF THE
NORTH AMERICAN ELECTRIC RELIABILITY CORPORATION
FOR APPROVAL OF
COMPLIANCE MONITORING AND ENFORCEMENT AGREEMENTS
BETWEEN SERC RELIABILITY CORPORATION AND
FLORIDA RELIABILITY COORDINATING COUNCIL AND
SOUTHWEST POWER POOL REGIONAL ENTITY
AND RELATED AMENDMENTS TO DELEGATION AGREEMENTS

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ATTACHMENTS

Attachment 1: Proposed Agreement Between SERC Reliability Corporation and Florida Reliability Coordinating Council Concerning Compliance Monitoring and Enforcement of FRCC Registered Functions

Attachment 2: Proposed Agreement Between Agreement Between SERC Reliability Corporation and Southwest Power Pool Regional Entity Concerning Compliance Monitoring and Enforcement of SPP, Inc. Registered Functions

Attachment 3: Proposed revised Amended and Restated Delegation Agreement between NERC and SERC Reliability Corporation (including amended SERC Bylaws) – Clean version

Attachment 4: Proposed revised Amended and Restated Delegation Agreement between NERC and SERC Reliability Corporation (including amended SERC Bylaws) – Redlined version

Attachment 5: Proposed revised Amended and Restated Delegation Agreement between NERC and Florida Reliability Coordinating Council – Clean version

Attachment 6: Proposed revised Amended and Restated Delegation Agreement between NERC and Florida Reliability Coordinating Council – Redlined version

Attachment 7: Proposed revised Amended and Restated Delegation Agreement between NERC and Southwest Power Pool Regional Entity – Clean version

Attachment 8: Proposed revised Amended and Restated Delegation Agreement between NERC and Southwest Power Pool Regional Entity – Redlined version

Attachment 9: Resolution of NERC Board of Trustees approving (i) amendments to the Amended and Restated Delegation Agreement between NERC and SERC Reliability Corporation, (ii) amendments to the Amended and Restated Delegation Agreement between NERC and Florida Reliability Coordinating Council (iii) amendments to the Amended and Restated Delegation Agreement between NERC and Southwest Power Pool Regional Entity, (iv) the amendment to the Bylaws of SERC Reliability Corporation, (v) the Agreement Between SERC Reliability Corporation and Florida Reliability Coordinating Council Concerning Compliance Monitoring and Enforcement of FRCC Registered Functions, and (vi) the Agreement Between SERC Reliability Corporation and Southwest Power Pool Regional Entity Concerning Compliance Monitoring and Enforcement of SPP, Inc. Registered Functions

I. INTRODUCTION

In accordance with §215(e)(4) of the Federal Power Act¹ (“FPA”) and 18 C.F.R. §39.8 and §39.10, the North American Electric Reliability Corporation (“NERC”) requests the Commission’s approval of

- (1) Amendments to the Amended and Restated Delegation Agreement between NERC and SERC Reliability Corporation (“SERC”; such Agreement, the “SERC RDA”);
- (2) Amendments to the Amended and Restated Delegation Agreement between NERC and Florida Reliability Coordinating Council (“FRCC”; such Agreement, the “FRCC RDA”);
- (3) Amendments to the Amended and Restated Delegation Agreement between NERC and Southwest Power Pool Regional Entity, a division of Southwest Power Pool, Inc. (“SPP RE”; such Agreement, the “SPP RE RDA”);
- (4) An amendment to the SERC Bylaws²;
- (5) An “Agreement Between SERC Reliability Corporation and Florida Reliability Coordinating Council Concerning Compliance Monitoring and Enforcement of FRCC Registered Functions” (the “SERC-FRCC CMEP Agreement”); and
- (6) An “Agreement Between SERC Reliability Corporation and Southwest Power Pool Regional Entity Concerning Compliance Monitoring and Enforcement of SPP, Inc. Registered Functions” (the “SERC-SPP RE CMEP Agreement”)

The purpose of the SERC-FRCC CMEP Agreement, the SERC-SPP RE CMEP Agreement, the amendments to the SERC RDA, FRCC RDA, and SPP RE RDA, and the amendment to the SERC Bylaws, is to provide for SERC to assume responsibility for performing Regional Entity compliance monitoring and enforcement (“CMEP”) functions with respect to those reliability functions for which FRCC is the registered entity within the FRCC Region and SPP, Inc. is the registered entity within the SPP RE Region.³ Implementation of these agreements will eliminate structural concerns that may exist about lack of independence with

¹ 16 U.S.C. §824o (2005).

² The SERC Bylaws are included in Exhibit B to the SERC RDA.

³ The “FRCC Region” is the geographic area described in Exhibit A to the FRCC RDA. The “SPP RE Region” is the geographic area described in Exhibit A to the SPP RE RDA.

respect to FRCC monitoring compliance with reliability standards by its own registered entity functions and with respect to SPP RE performing CMEP responsibilities over the registered entity functions of SPP, Inc. within the SPP RE Region. Implementation of these agreements will also eliminate the need for direct NERC involvement in performance of the CMEP responsibilities with respect to the FRCC registered entity functions and the SPP, Inc. registered entity functions within the SPP RE Region.

In addition to the amendments to the SERC RDA, FRCC RDA and SPP RE RDA to accommodate the SERC-FRCC and SERC-SPP RE CMEP Agreements, NERC and FRCC are requesting approval of an unrelated amendment to Exhibit D to the FRCC RDA to provide for FRCC to adopt the NERC uniform CMEP and Hearing Procedures.

This petition includes the following attachments:

Attachment 1 is the proposed SERC-FRCC CMEP Agreement.

Attachment 2 is the proposed SERC-SPP RE CMEP Agreement.

Attachments 3 and 4 are clean and redlined versions of the amended SERC RDA.

Attachments 5 and 6 are clean and redlined versions of the amended FRCC RDA.

Attachments 7 and 8 are clean and redlined versions of the amended SPP RE RDA.

Attachment 9 is the resolution of the NERC Board of Trustees approving the amendments to the SERC RDA, the FRCC RDA and the SPP RE RDA; the amendment to the SERC Bylaws; and the SERC-FRCC CMEP Agreement and the SERC-SPP RE CMEP Agreement.

NERC is requesting expeditious consideration and approval by the Commission of the agreements and amendments that are the subject of this petition, by on or about June 17, 2010. In addition to the importance of placing the SERC-FRCC CMEP Agreement and the SERC-SPP RE CMEP Agreement into operation promptly in order to eliminate any continuing concerns generally about lack of independence and separation in the monitoring and enforcement of compliance with reliability standards by the FRCC registered entity functions and the SPP, Inc.

registered entity functions within the SPP RE Region, a specific need for expeditious consideration and approval is a planned compliance audit of the SPP, Inc. registered entity functions within the SPP RE Region. The on-site portion of this compliance audit was originally scheduled to take place May 10-14, 2010, led by NERC. NERC has formally initiated the compliance audit process by issuing the audit notification letter and related materials to SPP, Inc., in accordance with the NERC Compliance Monitoring and Enforcement Program. However, NERC has also notified SPP, Inc. that the compliance audit activities (including the on-site portion scheduled for May 10-14) will be postponed in anticipation of Commission approval of the SERC-SPP RE CMEP Agreement and the related delegation agreement amendments. This will enable SERC, as the Compliance Enforcement Authority (“CEA”), to conduct the compliance audit of the SPP, Inc. registered entity functions within the SPP RE Region following Commission approval of the SERC-SPP RE CMEP Agreement and the delegation agreement amendments.

II. NOTICES AND COMMUNICATIONS

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

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III. DISCUSSION OF PROPOSED CMEP AGREEMENTS AND DELEGATION AGREEMENT AMENDMENTS

A. SERC-FRCC CMEP Agreement and SERC-SPP RE CMEP Agreement

1. Reasons for the Proposed Agreements

Pursuant to the FRCC RDA, FRCC is the Regional Entity for the FRCC Region.⁴ In addition, FRCC, through its Member Services Division, is registered as and performs the Reliability Coordinator and Planning Authority registered entity functions for the FRCC Region. The Commission has previously ruled that FRCC's performance of the CMEP responsibilities with respect to FRCC's registered entity functions results in a lack of independence in compliance monitoring and enforcement for FRCC's registered entity functions, and directed NERC and FRCC to address this situation.⁵ The Commission suggested that FRCC could engage NERC to oversee the CMEP functions with respect to FRCC's compliance with the reliability standards in its registered entity functions.⁶ As a result, NERC has performed the CMEP responsibilities for the FRCC registered entity functions. Section 3.0 of Exhibit D to the FRCC RDA currently provides that "The FRCC has engaged NERC to oversee the compliance monitoring and enforcement responsibility as related to FRCC's compliance with Reliability

⁴ The Commission originally approved delegation agreements between NERC and FRCC, NERC and SERC and NERC and SPP RE (and between NERC and the other five Regional Entities) in an Order issued April 19, 2007. *Order Accepting ERO Compliance Filing, Accepting ERO/Regional Entity Delegation Agreements, and Accepting Regional Entity 2007 Business Plans*, 119 FERC ¶ 61,060 (2007), *Order on Rehearing*, 120 FERC ¶ 61,260 (2007) ("Delegation Agreements Order"). In subsequent Orders, the Commission has approved revisions to the FRCC RDA, SERC RDA and SPP RE RDA. *Order Addressing Revised Delegation Agreements*, 122 FERC ¶ 61,245 (2008) ("Second Delegation Agreements Order"); *Order Accepting Compliance Filings, Subject to Conditions*, 125 FERC ¶ 61,330 (2008); *Order on Compliance Filing*, 127 FERC ¶ 61,209 (2009) (the 2009 Order did not involve any revisions to the SERC RDA or the SPP RE RDA).

⁵ Delegation Agreements Order at P 551.

⁶ Delegation Agreements Order at P 551.

Standards requirements that are applicable to the functions for which FRCC is a Registered Entity.”

Pursuant to the SPP RE RDA, SPP RE is the Regional Entity for the SPP RE Region. SPP RE is a division of Southwest Power Pool (“SPP”), Inc., which is a Regional Transmission Organization (“RTO”). The SPP RTO is registered for the following registered entity functions in the SPP RE Region: Reliability Coordinator, Planning Authority, Interchange Authority, Reserve Sharing Group, Transmission Planner and Transmission Service Provider.⁷ The Commission has previously expressed concerns regarding the lack of independence and lack of a strong separation of functions between SPP RE and the SPP RTO, including specifically with respect to administration of the SPP RE CMEP within the SPP RE Region.⁸

To address these concerns about lack of independence, FRCC and SPP RE have, with NERC’s approval and participation, negotiated agreements with SERC by which SERC will perform the CMEP responsibilities with respect to the FRCC registered entity functions and with respect to the registered entity functions of the SPP RTO within the SPP RE Region. The SERC-FRCC CMEP Agreement and the SERC-SPP RE CMEP Agreement are described in greater detail in §III.A.2 and §III.A.3, respectively, of this petition.

⁷ SPP RTO is also registered for certain reliability functions within the SERC Region and within the Midwest Reliability Organization (“MRO”) Region (as described in Exhibit A to the delegation agreement between NERC and MRO (“MRO RDA”). The SERC-SPP RE CMEP Agreement pertains to the compliance monitoring and enforcement activities over the SPP RTO registered entity functions only within the SPP RE Region. SERC will continue to act as the CEA for SPP RTO registered entity functions within the SERC Region, pursuant to the SERC RDA; and MRO will continue to act as the CEA for SPP RTO registered entity functions within the MRO Region, pursuant to the MRO RDA.

⁸ See Second Delegation Agreements Order at P 212; *Southwest Power Pool, Inc., Order Approving Audit report, Determining Separation of Functions, and Directing Compliance and Other Corrective Actions*, 126 FERC ¶ 61,045 (2009) (“SPP Audit Order”) and the accompanying Office of Enforcement Audit Report.

In addition to reviewing and commenting on, and approving, the proposed agreements, NERC has also reviewed the proposed resources, plans and operations of SERC to serve as the CEA for the FRCC and for the SPP RTO registered entity functions within the SPP RE Region, and has concluded that SERC will satisfy the requirements for serving as the CEA for the FRCC registered entity functions and for the SPP RTO registered entity functions within the SPP RE Region, as specified in §215(e)(4) of the FPA, the Commission's regulations pertaining to delegation of CMEP authority to Regional Entities (18 C.F.R. §39.8), applicable Orders of the Commission, and applicable provisions of NERC's Rules of Procedure. SERC is the Regional Entity for the geographic region described in Exhibit A to the SERC RDA (the "SERC Region"), and performs the CMEP responsibilities with respect to registered entities within the SERC Region. As a result of acting as the CEA for the SERC Region, SERC has developed organizational expertise, staffing, resources and experience in Regional Entity CMEP functions which it can utilize effectively to perform the CMEP responsibilities for the FRCC registered entity functions and for the SPP RTO registered entity functions within the SPP RE Region.⁹

NERC gave consideration as to whether it should continue to perform the responsibility for the CMEP with respect to the FRCC registered entity functions, and should formally take responsibility for the CMEP with respect to the SPP RTO registered entity functions, rather than approving the SERC-FRCC CMEP Agreement and the SERC-SPP RE CMEP Agreement. However, NERC concluded that SERC, as the CEA for the SERC Region that has developed staffing, resources and processes to carry out day-to-day CMEP activities as a Regional Entity, was better suited than NERC to carry out the day-to-day CMEP activities with respect to the

⁹ In the remainder of this petition, the term "SPP RTO registered entity functions" is used to refer only to the reliability functions for which SPP, Inc. is a registered entity within the SPP RE Region, and not to reliability functions for which SPP, Inc. is a registered entity within the SERC Region or the MRO Region. See footnote 7 above.

FRCC registered entity functions and the SPP RTO registered entity functions. Further, specifically with respect to SPP, it is also registered for several reliability functions in the SERC Region; therefore, additional efficiencies will be realized if SERC acts as the CEA with respect to SPP in both the SERC Region and the SPP RE Region. Additionally, the SERC Region is geographically contiguous to both the FRCC and SPP RE Regions, which should facilitate travel and other contacts more readily and efficiently than would be the case if NERC were to perform the CMEP responsibilities for the FRCC registered entity functions and the SPP RTO registered entity functions from NERC's headquarters in Princeton, New Jersey. For these reasons, NERC concluded that SERC would be a more efficient CEA in these two circumstances.

2. SERC-FRCC CMEP Agreement

The SERC-FRCC CMEP Agreement is modeled in significant respects on the "Agreement Between North American Electric Reliability Corporation and Western Electric Coordinating Council Concerning Compliance Monitoring and Enforcement for WECC Registered Functions," ("NERC-WECC CMEP Agreement"), pursuant to which NERC performs the CMEP responsibilities with respect to the Western Electricity Coordinating Council's ("WECC") registered entity functions of Reliability Coordinator and Interchange Authority in the WECC region.¹⁰

¹⁰ The NERC-WECC CMEP Agreement was filed with the Commission on November 21, 2008. See *Further Status Report of the North American Electric Reliability Corporation and Western Electricity Coordinating Council in Response to Paragraph 226 of March 21, 2008 Commission Order*, filed November 21, 2008 in Dockets Nos. RR06-1-018 and RR07-7-006. The Commission approved the NERC-WECC CMEP Agreement by letter order issued February 17, 2009.

The Initial Term of the SERC-FRCC CMEP Agreement, as specified in §6(a), is from the Effective Date to December 31, 2012.¹¹ The agreement will automatically renew, at the end of the Initial Term and each Renewal Term, for an additional Renewal Term of three years, unless either party gives written notice, at least one year prior to the end of the Initial Term or a Renewal Term, of intent to terminate the agreement.

Section 1 of the SERC-FRCC CMEP Agreement sets forth SERC's CMEP responsibilities with respect to the FRCC registered entity functions:

1. Responsibilities of SERC

(a) Beginning on the Effective Date, SERC will perform all responsibilities of the Compliance Enforcement Authority ("CEA") as specified in the NERC uniform CMEP, Appendix 4C to the NERC Rules of Procedure ("ROP"), as amended from time to time (the "NERC Uniform CMEP"), with respect to the FRCC Registered Functions.

(b) Without limiting the scope of SERC's responsibilities as stated in Subsection 1(a), SERC agrees to perform the following activities:

(1) Administer all compliance processes in Section 3.0 of the NERC Uniform CMEP with respect to the FRCC Registered Functions, in accordance with the NERC Annual CMEP Implementation Plan required by Section 4.1 of the NERC Uniform CMEP for each year. If at any time, FRCC's registration status changes, SERC will monitor the Registered Functions in effect at that time.

(2) Lead all compliance audits and compliance violation investigations ("CVI") of the FRCC Registered Functions.

(i) SERC shall conduct a scheduled compliance audit of the FRCC Registered Functions in accordance with the frequency established by NERC in the CMEP. As FRCC is currently registered, SERC will audit the RC function at least once every three (3) years and shall conduct a scheduled compliance audit of the PA function, at least once every six (6) years.

¹¹ The Effective Date is left blank in the agreement (*see Attachment 1*) but of course will be a date subsequent to Commission approval. The Commission may, in its Order, specify the Effective Date.

(ii) Scheduled compliance audits of the FRCC Registered Functions shall include all actively-monitored standards in accordance with the NERC Annual CMEP Implementation Plan.

(iii) As required by the NERC ROP, all compliance audits of the FRCC RC function shall be conducted on site. Spot checks or other compliance monitoring methods may be completed off site.

(3) Determine if notices of Alleged Violations and proposed penalties or sanctions should be issued to FRCC Member Services Division with respect to the FRCC Registered Functions, and calculate or determine any proposed penalties or sanctions in accordance with the NERC *Sanction Guidelines*.

(4) Administer processes as specified in Section 5.0 of the NERC Uniform CMEP with respect to any notices of Alleged Violations and proposed penalties or sanctions issued with respect to the FRCC Registered Functions.

(5) Review and approve proposed Mitigation Plans submitted by a FRCC Registered Function, and monitor implementation and completion of approved Mitigation Plans, in accordance with Section 6.0 of the NERC Uniform CMEP.

(6) Determine if Remedial Action Directives should be issued to FRCC Member Services Division with respect to a FRCC Registered Function, and issue such Remedial Action Directives if determined to be necessary, in accordance with Section 7.0 of the NERC Uniform CMEP.

(7) Conduct settlement negotiations for any violations of Reliability Standards discovered by SERC per this agreement, if requested by FRCC Member Services Division, in accordance with Section 5.4 of the NERC Uniform CMEP.

(8) Provide due process hearings for the FRCC Registered Functions with respect to notices of Alleged Violations, proposed penalties and sanctions, disputed Mitigation Plans, and disputed Remedial Action Directives, as requested by FRCC Member Services Division, in accordance with Attachment 2, Hearing Procedures, to the NERC Uniform CMEP.

(c) Compliance audit teams, CVI teams, and review teams for self-certifications, spot check responses, periodic data submittals, self-reports, exception reports and complaints submitted by or relating to a FRCC Registered Function shall not include any employees of FRCC, but may include employees of other Regional Entities, NERC and Commission staff members. Provided, that

in accordance with Section 2(c) of this Agreement, SERC may request and obtain technical advice and assistance from FRCC employees, acting in a consulting or advisory capacity, who are not employed in a FRCC Registered Function.

Section 4 of the SERC-FRCC CMEP Agreement provides for the transfer to SERC of responsibilities for CMEP activities with respect to the FRCC registered entity functions that are in progress on the Effective Date of the agreement¹²:

SERC shall assume full responsibility, as the CEA, for completion of all compliance processes with respect to the FRCC Registered Functions that are in progress as of the Effective Date, including without limiting the foregoing, (i) completion and issuance of reports of compliance audits and CVI of the FRCC Registered Functions, (ii) completion of review of, and issuance of any findings or reports concerning, any self-certifications, spot-checks, periodic data submittals, self-reports, exception reports or complaints, submitted by or pertaining to a FRCC Registered Function, (iii) determination of whether any notice of Alleged Violations and/or proposed penalties or sanctions should be issued to a FRCC Registered Function as a result of any such compliance processes, (iv) processing of any notices of Alleged Violations and/or proposed penalties or sanctions that were issued before the Effective Date, or are issued after the Effective Date as the result of compliance processes conducted before the Effective Date, and (v) review, approval and monitoring of implementation and completion of any Mitigation Plans required of a FRCC Registered Function as the result of compliance processes conducted before the Effective Date.

Section 2(c) of the SERC-FRCC CMEP Agreement specifies that SERC may request, and FRCC shall provide, subject-matter experts (“SMEs”) to provide technical advice and assistance to SERC, in SERC’s discretion, in carrying out the CMEP responsibilities with respect to the FRCC registered entity functions. However, no SME provided by FRCC may be employed in a FRCC registered entity function:

(c) FRCC shall provide subject-matter experts (“SME”) as requested by SERC to provide technical advice and assistance to SERC, in SERC’s discretion, in carrying out the CMEP with respect to the FRCC Registered Functions. A SME provided by FRCC may be an employee of FRCC or an industry volunteer, provided, that no SME provided by FRCC may be employed

¹² NERC, SERC and FRCC may, by separate agreement, exclude certain specific pending matters being handled by NERC, on which significant resources have already been expended, from the operation of this provision.

by FRCC in a FRCC Registered Function. The Parties agree that SMEs provided by FRCC shall only be used by SERC in a consulting or advisory capacity to provide expertise and advice on technical matters pertaining to the FRCC Registered Functions, shall have no decision-making responsibilities with respect to any compliance processes or compliance enforcement matters, and shall not be a member of any compliance audit team, CVI team, or review team for self-certifications, spot check responses, periodic data submittals, self-reports, exception reports or complaints submitted by or relating to a FRCC Registered Function.

Sections 2(d) and 5 specify the means by which SERC will be compensated by FRCC for performing the CMEP responsibilities for the FRCC registered entity functions. SERC is to be compensated for both its direct costs and an appropriate allocation of its General and Administrative costs. Section 2(d) states that FRCC “shall reimburse SERC the actual, reasonable costs of SERC’s performance of the CMEP with respect to the FRCC Registered Functions, including an appropriate allocation of SERC’s General and Administrative costs, in accordance with Section 5 of this Agreement.” Sections 5(a)-(c) specify the means by which SERC’s compensation will be determined for 2010 and for subsequent years. For 2010, SERC and FRCC agreed on a compensation of \$5000 per quarter, to be pro-rated for any partial quarter. For years subsequent to 2010, the annual compensation is to be determined as specified in § 5(b). The determination of the annual compensation is integrated with the annual NERC and Regional Entity business planning and budgeting process (including approval by NERC and by the Commission); and is intended to result in SERC’s costs (including allocated General and Administrative costs) for performing CMEP responsibilities with respect to the FRCC registered entity functions (i) being excluded from the calculation of SERC’s assessments to load-serving entities (“LSE”) in the SERC Region and (ii) being included in FRCC’s assessments to LSE in the FRCC Region. Section 5(b) states as follows:

(b) Compensation for Years Subsequent to 2010.

(i) In its annual Business Plans and Budgets submitted to NERC and the Commission for the year 2011 and subsequent years within the term of this Agreement, SERC shall identify a portion of its CMEP budget, including an appropriate allocation of SERC's General and Administrative Costs (the "FRCC Registered Functions CMEP Budget"), that is attributable to the performance of the CMEP with respect to the FRCC Registered Functions. SERC's allocation of resources to the performance of its obligations under this Agreement and the corresponding budgeted amount shall be subject to approval by NERC and by the Commission as part of their overall approval of SERC's business plan and budget. The amount of SERC's proposed FRCC Registered Functions CMEP Budget shall also be included in FRCC's business plan and budget that is submitted to NERC and to the Commission for approval. The amount of the FRCC Registered Functions CMEP Budget for each year, as approved by the Commission, (i) shall be excluded from the calculation of SERC's assessments to LSEs in the SERC Region for each such year, and (ii) shall be included in the calculation of FRCC's assessments to LSEs in the FRCC Region for each such year. SERC shall invoice FRCC Regional Entity Division for the amount of the FRCC Registered Functions CMEP Budget in four equal quarterly amounts during each year, with the invoices to be issued by SERC to FRCC on or about January 1, April 1, July 1 and October 1 and to be paid by FRCC by check or electronic funds transfer to SERC within twenty (20) business days following the date of the invoice.

In addition, §5(c) of the SERC-FRCC CMEP Agreement provides for an annual reconciliation of SERC's budgeted to actual costs (including allocated General and Administrative costs) and a billing adjustment to FRCC to reflect any difference:

(c) Reconciliation of Costs.

No later than 90 days after the end of a budget-year, SERC shall provide to FRCC a statement of actual expenses incurred by SERC in the fulfillment of SERC's responsibilities under this agreement for that budget-year. The statement shall disclose the actual costs of labor, travel and meetings, and all other direct costs, as well as SERC's allocation of its actual General and Administrative Costs. The statement shall summarize the reasons for any variances as compared to the budget amount. SERC shall provide supporting documentation for the final statement upon request by FRCC. The total variance for the concluded budget year shall be incorporated as a compensating adjustment in both the SERC and FRCC budgets in the second year following the budget-year and, as approved by NERC and the Commission, reflected in the quarterly invoices from SERC to FRCC and quarterly payments by FRCC to SERC in such year.

Finally with respect to compensation, §5(d) provides for the possibility for SERC to issue a supplemental invoice to FRCC during the year should SERC's actual costs of performing its CMEP responsibilities under the agreement exceed the budgeted funding by an amount greater than ten percent of SERC's budgeted cash reserve:

(d) Supplemental Invoice.

If during any budget-year, including 2010, the actual cost of performing SERC's responsibilities under this agreement exceeds the budgeted funding by more than ten (10) percent of SERC's budgeted cash reserve (for example as may be necessitated by the conduct of a compliance violation investigation or hearing), SERC shall have the right to issue supplemental invoices to FRCC to recover in full all actual costs incurred above the budgeted funding. Upon receipt of such a supplemental invoice, FRCC shall pay the full amount of the invoice by check or electronic funds transfer to SERC within sixty (60) days.

Section 3 of the SERC-FRCC CMEP Agreement addresses the disposition of any penalties paid by FRCC with respect to a FRCC registered entity function as a result of SERC's CMEP activities:

Any penalties to be paid by FRCC Member Services Division for violations of Reliability Standards by a FRCC Registered Function, shall reduce the portion of the FRCC ERO Assessment paid by load-serving entities and designees ("LSE") in the FRCC Region for the subsequent fiscal year, in accordance with the *NERC Accounting, Financial Statement and Budgetary Treatment of Penalties Imposed and Received for Violations of Reliability Standards*.

The Commission has previously directed that NERC's delegation agreement with Regional Entities should provide that penalties incurred by a Regional Entity or its operational division or affiliate for violations of reliability standards should be paid to NERC, to be used as a general offset to NERC's budget in a future year. However, in the circumstances of the SERC-FRCC CMEP Agreement, NERC, FRCC and SERC believe it is appropriate for the LSEs in the FRCC Region to receive the benefit, in terms of reduced assessments in a future year, of any penalties paid by FRCC as a registered entity, in light of the fact that (pursuant to §5(b) of the agreement),

the LSEs in the FRCC Region will be paying, through the annual assessments, SERC's costs to perform the CMEP responsibilities with respect to the FRCC registered entity functions.

Finally, Sections 7 through 17 of the SERC-FRCC CMEP Agreement are commercial terms and conditions that have been taken from, or adapted from comparable provisions in, the NERC-WECC CMEP Agreement.¹³

3. SERC-SPP RE CMEP Agreement

The SERC-SPP RE CMEP Agreement, like the SERC-FRCC CMEP Agreement, is modeled in significant respects on the NERC-WECC CMEP Agreement.

The Initial Term of the SERC-SPP RE CMEP Agreement, as specified in §6(a), is from the Effective Date to December 31, 2012.¹⁴ The agreement will automatically renew, at the end of the Initial Term and each Renewal Term, for an additional Renewal Term of three years, unless either party gives written notice, at least one year prior to the end of the Initial Term or a Renewal Term, of intent to terminate the agreement.

Section 1 of the SERC-SPP RE CMEP Agreement sets forth SERC's CMEP responsibilities with respect to the SPP RTO registered entity functions within the SPP RE Region:

1. Responsibilities of SERC

(a) Beginning on the Effective Date, SERC will perform all responsibilities of the Compliance Enforcement Authority ("CEA") as specified in the NERC uniform CMEP, Appendix 4C to the NERC Rules of Procedure

¹³ These terms in the NERC-WECC CMEP Agreement were in turn taken directly from, or adapted from comparable provisions in, the delegation agreement between NERC and WECC and which are also found in the NERC *pro forma* delegation agreement.

¹⁴ As in the SERC-FRCC CMEP Agreement, the Effective Date is left blank in the SERC-SPP RE CMEP Agreement (*see Attachment 2*) but of course will be a date subsequent to Commission approval. The Commission may, in its Order, specify the Effective Date.

(“ROP”), as amended from time to time (the “NERC Uniform CMEP”), within the SPP RE Region respect to the SPP Registered Functions.

(b) Without limiting the scope of SERC’s responsibilities as stated in Subsection 1(a), SERC agrees to perform the following activities within the SPP RE Region:

(1) Administer all compliance processes in Section 3.0 of the NERC Uniform CMEP with respect to the SPP Registered Functions, in accordance with the NERC Annual CMEP Implementation Plan required by Section 4.1 of the NERC Uniform CMEP for each year. If at any time, SPP Registered Functions changes, SERC will monitor the Registered Functions in effect at that time.

(2) Lead all compliance audits and compliance violation investigations (“CVI”) of the SPP Registered Functions.

(i) SERC shall conduct a scheduled compliance audit of the SPP Registered Functions in accordance with the frequency established by NERC in the CMEP. As SPP is currently registered, SERC will audit the RC function at least once every three (3) years and shall conduct a scheduled compliance audit of the remaining functions, at least once every six (6) years.

(ii) Scheduled compliance audits of the SPP Registered Functions shall include all actively-monitored standards in accordance with the NERC Annual CMEP Implementation Plan.

(iii) As required by the NERC ROP, all compliance audits of the SPP RC function shall be conducted on site. Spot checks or other compliance monitoring methods may be completed off site.

(3) Determine if notices of Alleged Violations and proposed penalties or sanctions should be issued to SPP with respect to the SPP Registered Functions, and calculate or determine any proposed penalties or sanctions in accordance with the NERC *Sanction Guidelines*.

(4) Administer processes as specified in Section 5.0 of the NERC Uniform CMEP with respect to any notices of Alleged Violations and proposed penalties or sanctions issued with respect to the SPP Registered Functions.

(5) Review and approve proposed Mitigation Plans submitted by a SPP Registered Function, and monitor implementation and completion of approved Mitigation Plans, in accordance with Section 6.0 of the NERC Uniform CMEP.

(6) Determine if Remedial Action Directives should be issued to a SPP Registered Function, and issue such Remedial Action Directives if determined to be necessary, in accordance with Section 7.0 of the NERC Uniform CMEP.

(7) Conduct settlement negotiations for any violations of Reliability Standards discovered by SERC per this agreement, if requested by SPP, in accordance with Section 5.4 of the NERC Uniform CMEP.

(8) Provide due process hearings for the SPP Registered Functions with respect to notices of Alleged Violations, proposed penalties and sanctions, disputed Mitigation Plans, and disputed Remedial Action Directives, as requested by SPP, in accordance with Attachment 2, Hearing Procedures, to the NERC Uniform CMEP.

(c) Compliance audit teams, CVI teams, and review teams for self-certifications, spot check responses, periodic data submittals, self-reports, exception reports and complaints submitted by or relating to a SPP Registered Function shall not include any employees of SPP, but may include employees of other Regional Entities, NERC and Commission staff members. Provided, that in accordance with Section 2(c) of this Agreement, SERC may request and obtain technical advice and assistance from SPP employees, acting in a consulting or advisory capacity, who are not employed in a SPP Registered Function.

Section 4 of the SERC-SPP RE CMEP Agreement provides for the transfer to SERC of responsibilities for CMEP activities with respect to the SPP RTO registered entity functions that are in progress on the Effective Date of the agreement:

SERC shall assume full responsibility, as the CEA, for completion of all compliance processes with respect to the SPP Registered Functions within the SPP RE Region that are in progress as of the Effective Date, including without limiting the foregoing, (i) completion and issuance of reports of compliance audits and CVI of the SPP Registered Functions, (ii) completion of review of, and issuance of any findings or reports concerning, any self-certifications, spot-checks, periodic data submittals, self-reports, exception reports or complaints, submitted by or pertaining to a SPP Registered Function, (iii) determination of whether any notice of Alleged Violations and/or proposed penalties or sanctions should be issued to a SPP Registered Function as a result of any such compliance processes, (iv) processing of any notices of Alleged Violations and/or proposed penalties or sanctions that were issued before the Effective Date, or are issued after the Effective Date as the result of compliance processes conducted before the Effective Date, and (v) review, approval and monitoring of implementation and completion of any Mitigation Plans required of a SPP Registered Function as the result of compliance processes conducted before the Effective Date.

Section 2(c) of the SERC-SPP RE CMEP Agreement specifies that SERC may request, and SPP RE shall provide, SMEs to provide technical advice and assistance to SERC, in SERC's discretion, in carrying out the CMEP responsibilities with respect to the SPP RTO registered entity functions. However, no SME provided by SPP RE may be employed in a SPP RTO registered entity function:

(c) SPP RE shall provide subject-matter experts ("SME") as requested by SERC to provide technical advice and assistance to SERC, in SERC's discretion, in carrying out the CMEP with respect to the SPP Registered Functions. A SME provided by SPP RE may be an employee of SPP or an industry volunteer, provided, that no SME provided by SPP RE may be employed by SPP in a SPP Registered Function. The Parties agree that SMEs provided by SPP RE shall only be used by SERC in a consulting or advisory capacity to provide expertise and advice on technical matters pertaining to the SPP Registered Functions, shall have no decision-making responsibilities with respect to any compliance processes or compliance enforcement matters, and shall not be a member of any compliance audit team, CVI team, or review team for self-certifications, spot check responses, periodic data submittals, self-reports, exception reports or complaints submitted by or relating to a SPP Registered Function.

Sections 2(d) and 5 specify the means by which SERC will be compensated by SPP RE for performing the CMEP responsibilities for the SPP RTO registered entity functions. SERC is to be compensated for both its direct costs and an appropriate allocation of its General and Administrative costs. Section 2(d) states that SPP RE "shall reimburse SERC the actual, reasonable costs of SERC's performance of the CMEP with respect to the SPP Registered Functions, including an appropriate allocation of SERC's General and Administrative costs, in accordance with Section 5 of this Agreement." Sections 5(a)-(c) specify the means by which SERC's compensation will be determined for 2010 and for subsequent years. For 2010, SERC and SPP RE agreed on a compensation of \$40,000 in four invoices of \$10,000 each.¹⁵ For years

¹⁵ Unlike the SERC-FRCC CMEP Agreement, which provides for a fixed compensation amount per quarter in 2010 with the amount being pro-rated for any partial quarter, the SERC-SPP RE

subsequent to 2010, the annual compensation is to be determined as specified in § 5(b). The determination of the annual compensation is integrated with the annual NERC and Regional Entity business planning and budgeting process (including approval by NERC and by the Commission); and is intended to result in SERC's costs (including allocated General and Administrative costs) for performing CMEP responsibilities with respect to the SPP RTO registered entity functions (i) being excluded from the calculation of SERC's assessments to LSE in the SERC Region and (ii) being included in SPP RE's assessments to LSE in the SPP RE Region. Section 5(b) states as follows:

(b) Compensation for Years Subsequent to 2010.

(i) In its annual Business Plans and Budgets submitted to NERC and the Commission for the year 2011 and subsequent years within the term of this Agreement, SERC shall identify a portion of its CMEP budget, including an appropriate allocation of SERC's General and Administrative Costs (the "SPP Registered Functions CMEP Budget"), that is attributable to the performance of the CMEP with respect to the SPP Registered Functions. SERC's allocation of resources to the performance of its obligations under this Agreement and the corresponding budgeted amount shall be subject to approval by NERC and by the Commission as part of their overall approval of SERC's business plan and budget. The amount of SERC's SPP Registered Functions CMEP Budget shall also be included in SPP RE's business plan and budget that is submitted to NERC and to the Commission for approval. The amount of the SPP Registered Functions CMEP Budget for each year, as approved by the Commission, (i) shall be excluded from the calculation of SERC's assessments to LSEs in the SERC region for each such year, and (ii) shall be included in the calculation of SPP's assessments to LSEs in the SPP Region for each such year. SERC shall invoice SPP RE for the amount of the SPP Registered Functions CMEP Budget in four equal quarterly amounts during each year, with the invoices to be issued by SERC to SPP RE on or about January 1, April 1, July 1 and October 1 and to be paid by SPP RE by check or electronic funds transfer to SERC within twenty (20) business days following the date of the invoice.

CMEP Agreement provides for a fixed compensation amount for 2010 regardless of the Effective Date of the agreement. This is because SERC expects its major CMEP activity in 2010 with respect to the SPP RTO registered entity functions will be performing a compliance audit of the SPP RTO registered entity functions, which will not take place until after the Effective Date (*see* §VI below).

In addition, §5(c) of the SERC-SPP RE CMEP Agreement provides for an annual reconciliation of SERC's budgeted to actual costs (including allocated General and Administrative costs) and a billing adjustment to SPP RE reflecting any difference:

(c) Reconciliation of Costs.

No later than 90 days after the end of a budget-year, SERC shall provide to SPP RE a statement of actual expenses incurred by SERC in the fulfillment of SERC's responsibilities under this agreement for that budget-year. The statement shall disclose the actual costs of labor, travel and meetings, and all other direct costs, as well as SERC's allocation of its actual General and Administrative Costs. The statement shall summarize the reasons for any variances as compared to the budget amount. SERC shall provide supporting documentation for the final statement upon request by SPP RE. The total variance for the concluded budget year shall be incorporated as a compensating adjustment in both the SERC and SPP RE budgets in the second year following the budget-year and, as approved by NERC and the Commission, reflected in the quarterly invoices from SERC to SPP RE and quarterly payments by SPP RE to SERC in such year.

Finally with respect to compensation, §5(d) provides for the possibility for SERC to issue a supplemental invoice to SPP RE during the year should SERC's actual costs of performing its CMEP responsibilities under the agreement exceed the budgeted funding by an amount greater than ten percent of SERC's budgeted cash reserve:

(d) Supplemental Invoice.

If during any budget-year, including the initial budget year, the actual cost of performing SERC's responsibilities under this agreement exceeds the budgeted funding by more than ten (10) percent of SERC's budgeted cash reserve (for example as may be necessitated by the conduct of a compliance violation investigation or hearing), SERC shall have the right to issue supplemental invoices to SPP RE to recover in full all actual costs incurred above the budgeted funding. Upon receipt of such a supplemental invoice, SPP RE shall pay the full amount of the invoice by check or electronic funds transfer to SERC within sixty (60) days.

Section 3 of the SERC-SPP RE CMEP Agreement addresses the disposition of any penalties paid by SPP RE with respect to a SPP RTO registered entity function within the SPP RE Region as a result of SERC's CMEP activities:

Any penalties to be paid by SPP for violations of Reliability Standards by a SPP Registered Function, shall reduce the portion of the SPP RE ERO Assessment paid by load-serving entities and designees (“LSE”) in the SPP Region for the subsequent fiscal year, in accordance with the *NERC Accounting, Financial Statement and Budgetary Treatment of Penalties Imposed and Received for Violations of Reliability Standards*.

As with the SERC-FRCC CMEP Agreement, discussed above, in the circumstances of the SERC-SPP RE CMEP Agreement, NERC, SPP RE and SERC believe it is appropriate for the LSEs in the SPP RE Region to receive the benefit, in terms of reduced assessments in a future year, of any penalties paid by SPP as a registered entity, in light of the fact that (pursuant to §5(b) of the agreement), the LSEs in the SPP RE Region will be paying, through their annual assessments, SERC’s costs to perform the CMEP responsibilities with respect to the SPP RTO’s registered entity functions in the SPP RE Region.

Finally, Sections 7 through 17 of the SERC-SPP RE CMEP Agreement are commercial terms and conditions that have been taken from, or adapted from comparable provisions in, the NERC-WECC CMEP Agreement.¹⁶

B. Amendments to the SERC RDA, FRCC RDA and SPP RE RDA and to the SERC Bylaws Associated with the SERC-FRCC and SERC-SPP RE CMEP Agreements

Performance of CMEP responsibilities by a Regional Entity is a delegated function that must be approved by both NERC and the Commission. The scope of the delegated functions of FRCC, SERC and SPP RE is specified in their respective delegation agreements with NERC. The amendments to the SERC RDA, FRCC RDA and SPP RE RDA are necessary so that the delegation of authority to perform the CMEP responsibilities with respect to the FRCC registered entity functions and the SPP RTO registered entity functions is transferred from FRCC and SPP

¹⁶ As noted above, these terms in the NERC-WECC CMEP Agreement were in turn taken directly from, or adapted from comparable provisions in, the delegation agreement between NERC and WECC and which are also found in the NERC *pro forma* delegation agreement.

RE, respectively, to SERC.¹⁷ In addition, SERC has added §4.3 to its Bylaws to provide corporate authority for SERC to perform CMEP responsibilities outside the SERC Region.

1. Amendments to the SERC RDA and the SERC Bylaws

In the SERC RDA, a new §6(k) is being added, and Exhibit A is being amended, to provide SERC authority to perform CMEP responsibilities outside the SERC Region:

New §6(k) of the SERC RDA:

(k) Cross Regional Compliance Monitoring. SERC may also perform compliance monitoring and enforcement activities outside of the Region shown on **Exhibit A**, on behalf of NERC and/or other Regional Entities, such activities to be undertaken pursuant to a contract between SERC and each such other Regional Entity that is approved by NERC and by the Commission.

Amendatory statement in Exhibit A to the SERC RDA:

SERC may also perform compliance monitoring and enforcement activities outside of the Region, on behalf of NERC and/or other Regional Entities, such activities to be undertaken pursuant to a contract between the Regional Entities that is approved by the Board Executive Committee, NERC and the Federal Energy Regulatory Commission.

In addition, the following new §6 is being added to Exhibit E, Funding, to the SERC RDA to address the treatment of costs incurred by SERC in the performance of CMEP responsibilities outside the SERC Region:

6. Costs associated with Cross-Regional Compliance Monitoring. The costs associated with any Cross-Regional Compliance Monitoring performed by SERC pursuant to section 6(k) of this Agreement with respect to registered functions of another Regional Entity are to be funded by payments from the Regional Entity contracting with SERC for such services, in accordance with the contract between SERC and the other Regional Entity. Where such a contract has been entered into, SERC will include a description of the resources it has budgeted to perform such services, and its estimated costs (including an appropriate allocation of SERC's General and Administrative costs) to perform such services, in each

¹⁷ In the redlined versions of the SERC RDA, FRCC RDA and SPP RE RDA in **Attachments 4, 6 and 8**, the current date of the agreements shown in the footers is January 14, 2010, which was the date of the Commission's order in Docket No. RR10-2-000 approving proposed amendments to extend the initial terms of the delegation agreements by one year, to May 2, 2011.

budget year, in SERC's annual business plan and budget that is submitted to NERC and to the Commission for approval.

This provision is consistent with §5(c) of the SERC-FRCC CMEP Agreement and the SERC-SPP RE CMEP Agreement.

Finally, the following new §4.3 is being added to the SERC Bylaws (the SERC Bylaws are included in Exhibit B to the SERC RDA) to provide the internal corporate authority for NERC to engage in CMEP functions outside the SERC Region¹⁸:

4.3 Other Statutory Activities. The Corporation may also perform statutory functions outside of the Region, on behalf of NERC or other Regional Entities, such activities to be undertaken pursuant to a contract that is approved by the Board Executive Committee.

2. Amendments to the FRCC RDA

In Exhibit A to the FRCC RDA, the following statement is being added to reflect that SERC, not FRCC, will have the CMEP authority within the FRCC Region respect to the FRCC registered entity functions:

Within the FRCC Region, compliance monitoring and enforcement functions with respect to reliability functions for which the FRCC is a registered entity are performed by SERC Reliability Corporation (SERC) pursuant to a contract between FRCC and SERC dated as of (date).¹⁹

In Exhibit D to the FRCC RDA, §3.0 is being amended as follows to reflect that SERC will be responsible for the CMEP functions in the FRCC Region with respect to the FRCC registered entity functions:

The FRCC has engaged ~~NERC~~ the SERC Reliability Corporation (SERC) to oversee the compliance monitoring and enforcement responsibility as related to

¹⁸ The SERC Bylaws are "regional entity rules" for purposes of 18 C.F.R. §39.1 and §39.10, and therefore amendments to the Bylaws must be approved by NERC and by the Commission. Delegation Agreements Order at P 366.

¹⁹ The "(date)" will be the Effective Date of the SERC-FRCC CMEP Agreement.

FRCC's compliance with Reliability Standards requirements that are applicable to the functions for which FRCC is a Registered Entity.

Finally, §8(k) of the FRCC RDA, and §4 of Exhibit E to the FRCC RDA, are being amended to reflect the disposition of penalties paid by an FRCC registered entity function provided for in §3 of the SERC-FRCC CMEP Agreement:

Amendment to §8(k):

(k) **Exhibit E** to this Agreement sets forth the mechanism through which FRCC shall offset penalty monies it receives (~~other than penalty monies received from an operational function or division or affiliated entity~~) against its next year's annual budget for carrying out functions under this Agreement, ~~and the mechanism by which FRCC shall transmit to NERC any penalty monies received from an operational function or division or affiliated entity of FRCC.~~

Amendment to Exhibit E, §4, Application of Penalties:

All penalty monies received by FRCC ~~other than penalty monies received from an operational function or division or affiliated entity of FRCC~~ shall be applied as a general offset to the entity's budget requirements for U.S. related activities under this Agreement for the subsequent fiscal year. Funds from financial penalties shall not be directly applied to any program maintained by the investigating entity. ~~Any penalty monies received from an operational function or division of affiliated entity of FRCC shall be transmitted to or retained by NERC as a general offset to NERC's budget for its activities as the ERO under the Act for the following year.~~

3. Amendments to the SPP RE RDA

In Exhibit A to the SPP RE RDA, the following statement is being added to reflect that SERC, not SPP RE, will have the CMEP authority within the SPP RE Region respect to the SPP RTO registered entity functions:

Within the SPP Region, compliance monitoring and enforcement functions with respect to reliability functions for which SPP is the registered entity are performed by SERC Reliability Corporation (SERC) pursuant to a contract between SPP and SERC dated as of (date).²⁰

²⁰ The "(date)" will be the Effective Date of the SERC-SPP RE CMEP Agreement.

In §3.0 of Exhibit D to the SPP RE RDA, the current text (“SPP does not use any other decision-making bodies for its Compliance Monitoring and Enforcement Program.”) is being deleted and replaced with:

SPP RE has engaged the SERC Reliability Corporation (SERC) to oversee the compliance monitoring and enforcement responsibility within the SPP RE Region as related to SPP’s compliance with Reliability Standards requirements that are applicable to the functions for which SPP is a Registered Entity.

Finally, §8(k) of the SPP RE RDA and §4 of Exhibit E to the SPP RE RDA are being amended to reflect the disposition of penalties paid by an SPP RTO registered entity function provided for in §3 of the SERC-SPP RE CMEP Agreement:

Amendment to §8(k):

(k) **Exhibit E** to this Agreement sets forth the mechanism through which SPP RE shall offset penalty monies it receives (~~other than penalty monies received from an operational function or division or affiliated entity~~) against its next year’s annual budget for carrying out functions under this Agreement, ~~and the mechanism by which SPP RE shall transmit to NERC any penalty monies received from an operational function or division or affiliated entity of SPP RE.~~

Amendment to Exhibit E, §4, Application of Penalties:

All penalty monies received by SPP RE ~~other than penalty monies received from an operational function or division or affiliated entity of SPP~~ shall be applied as a general offset to the entity’s budget requirements for U.S.-related activities under this Agreement for the subsequent fiscal year. Funds from financial penalties shall not be directly applied to any program maintained by the investigating entity. ~~Any penalty monies received from an operational function or division of affiliated entity of SPP RE shall be transmitted to or retained by NERC as a general offset to NERC’s budget for its activities as the ERO under the Act for the following year.~~

IV. UNRELATED AMENDMENT TO THE FRCC RDA

NERC is also requesting Commission approval for an amendment to the FRCC RDA unrelated to the SERC-FRCC CMEP Agreement. Specifically, §1.2, “Deviations from the NERC Compliance Monitoring and Enforcement Program,” of Exhibit D to the FRCC RDA is

being amended to provide for FRCC to use the NERC uniform CMEP and Hearing Procedures, with no FRCC-specific deviations as is currently the case. By this amendment, FRCC will achieve greater consistency and uniformity with other Regional Entities by using the NERC uniform CMEP and Hearing Procedures. The specific amendment is the deletion of the existing text of §1.2 (which describes numerous deviations in the FRCC CMEP and Hearing Procedures from the NERC uniform CMEP and Hearing Procedures), and replacement with the following text: “Florida Reliability Coordinating Council has no deviations.” Additionally, there will no longer be an FRCC-specific CMEP included as an attachment to Exhibit D to the FRCC RDA.

V. REGIONAL ENTITY AND NERC APPROVALS

The SERC Board of Directors approved the amendment to the SERC Bylaws on October 28, 2009 and the amendments to the SERC RDA on March 2, 2010. The FRCC Board of Directors approved the amendments to the FRCC RDA in June 2009 and on December 15, 2009 and February 10, 2010.²¹ The SPP Regional Entity Trustees approved the amendments to the SPP RE RDA on February 3, 2010. The NERC Board of Trustees approved the amendments to the SERC RDA, the FRCC RDA and the SPP RE RDA, the amendment to the SERC Bylaws, and the SERC-FRCC CMEP Agreement and the SERC-SPP RE CMEP Agreement, at its meeting held on February 16, 2010.²²

²¹ The amendment to §3.0 of Exhibit D to the FRCC RDA to identify SERC as having CMEP responsibilities with respect to the FRCC registered entity functions was approved by the Board in June 2009. The unrelated amendment to §1.2 of Exhibit D to the FRCC RDA, to provide for FRCC to adopt the NERC uniform CMEP and Hearing Procedures (*see* §IV above) was approved by the FRCC Board on December 15, 2009.

²² The NERC Board approved the amendments to the SERC RDA with the understanding that approval of the SERC Board was still needed and would be obtained before the amendments to the SERC RDA could be filed with FERC for approval. As noted, that approval was obtained on March 2, 2010.

Pursuant to new §4.3 of the SERC Bylaws (*see* §III.B.1 above), the SERC-FRCC and SERC-SPP RE CMEP Agreements were approved by the SERC Board Executive Committee; approval by the full Board was not required. FRCC and SPP RE both believe that their respective CMEP Agreements with SERC are the type of “ordinary course of business” agreement that their respective officers and management are authorized to negotiate and enter into on behalf of the entity, without the necessity of obtaining approval of the agreements by their respective boards.

VI. REQUEST FOR EXPEDITIOUS CONSIDERATION AND APPROVAL

NERC is requesting expeditious consideration and approval by the Commission of the agreements and amendments that are the subject of this petition, by on or about June 17, 2010. As noted earlier in this petition, the Commission has raised concerns about the possible lack of independence and lack of strong separation where FRCC, the Regional Entity responsible for monitoring and enforcing compliance with reliability standards in the FRCC Region, also performs registered entity functions (the Commission has specifically directed NERC and FRCC to address this situation); and about SPP RE’s performance of Regional Entity CMEP functions with respect to the SPP RTO registered entity functions.²³ In light of these previously-expressed concerns, expeditious review and approval of the agreements and amendments for which approval is requested in this petition is appropriate, in order that the SERC-FRCC and SERC-SPP RE CMEP Agreements may be put into effect as soon as reasonably possible.

In addition to the importance of placing the SERC-FRCC and SERC-SPP RE CMEP Agreements into operation promptly in order to eliminate any concerns generally about lack of independence and separation in the monitoring and enforcement of compliance with reliability

²³ *See, e.g.* Delegation Agreements Order at P 551; Second Delegation Agreements Order at P 212; SPP Audit Order.

standards by the FRCC and SPP RTO registered entity functions, a specific need for expeditious consideration and approval is a scheduled 2010 compliance audit of the SPP RTO registered entity functions within the SPP RE Region. The on-site portion of this compliance audit was originally scheduled to take place May 10-14, 2010, led by NERC. NERC has formally initiated the compliance audit process by issuing the audit notification letter and related materials to SPP, Inc., in accordance with the NERC Compliance Monitoring and Enforcement Program. However, NERC has also notified SPP, Inc. that the compliance audit activities (including the on-site portion scheduled for May 10-14) will be postponed in anticipation of Commission approval of the SERC-SPP RE CMEP Agreement and the related delegation agreement amendments. This will enable SERC, as the CEA, to conduct the compliance audit of the SPP RTO registered entity functions within the SPP RE Region following Commission approval of the SERC-SPP RE CMEP Agreement and the delegation agreement amendments.

VII. CONCLUSION

For the reasons set forth herein, NERC requests Commission approval of (i) the SERC-FRCC CMEP Agreement (**Attachment 1**), (ii) the SERC-SPP RE CMEP Agreement (**Attachment 2**), (iii) the amendments to the SERC RDA shown in **Attachments 3 and 4** (including the amendment to the SERC Bylaws in Exhibit B to the SERC RDA), (iv) the amendments to the FRCC RDA shown in **Attachments 5 and 6**, and (v) the amendments to the SPP RE RDA shown in **Attachments 7 and 8**.

Respectfully submitted,

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ATTACHMENT 1

PROPOSED AGREEMENT BETWEEN

SERC RELIABILITY CORPORATION AND

FLORIDA RELIABILITY COORDINATING COUNCIL

CONCERNING COMPLIANCE MONITORING AND ENFORCEMENT

OF FRCC REGISTERED FUNCTIONS

**AGREEMENT BETWEEN
SERC RELIABILITY CORPORATION and
FLORIDA RELIABILITY COORDINATING COUNCIL
CONCERNING COMPLIANCE MONITORING AND ENFORCEMENT
OF FRCC REGISTERED FUNCTIONS**

THIS AGREEMENT (“Agreement”) made effective as of _____ (the “Effective Date”), between the SERC Reliability Corporation (“SERC”), an organization established to develop and enforce Reliability Standards, and Florida Reliability Coordinating Council (“FRCC”), an organization established to develop and enforce Reliability Standards within the geographic boundaries identified on **Exhibit A** to the “Amended and Restated Delegation Agreement Between the North American Electric Reliability Corporation and Florida Reliability Coordinating Council, Inc.” (referred to herein as the “FRCC Region”), and for other purposes. SERC and FRCC may be individually referred to herein as “Party” or collectively as “Parties.”

RECITALS

I. SERC is a party to a certain “Amended and Restated Delegation Agreement Between the North American Electric Reliability Corporation and SERC Reliability Corporation” (the “NERC-SERC Delegation Agreement”), which has been approved by the Federal Energy Regulatory Commission (“Commission”) and which states in Section 6 thereof, in pertinent part, that SERC shall enforce Reliability Standards (including Regional Reliability Standards) through a compliance enforcement program set forth in Exhibit D to the NERC-SERC Delegation Agreement.

II. FRCC is a party to a certain “Amended and Restated Delegation Agreement Between the North American Electric Reliability Corporation and Florida Reliability Coordinating Council, Inc.” (the “NERC-FRCC Delegation Agreement”), which has been approved by the Commission and which states in Section 6 thereof, in pertinent part, that FRCC shall enforce Reliability Standards (including Regional Reliability Standards) within the FRCC Region through

a compliance enforcement program set forth in Exhibit D to the NERC-FRCC Delegation Agreement.

III. FRCC, through its Member Services Division (“FRCC Member Services Division”), currently performs the Reliability Coordinator (“RC”) and Planning Authority (“PA”) functions (as “Reliability Coordinator” and “Planning Authority” are defined in the NERC *Glossary of Terms Used in Reliability Standards*) for the FRCC Region, and is registered on the NERC *Compliance Registry* as the RC and PA for the FRCC Region. In this Agreement, the RC and PA functions are sometimes referred to as the “FRCC Registered Functions,” and FRCC Member Services Division is referred to as the “Registered Entity” with respect to its performance of the FRCC Registered Functions.

IV. Notwithstanding the provisions of Section 6 of the NERC-FRCC Delegation Agreement, the Commission has ruled that FRCC’s performance of compliance monitoring and enforcement functions with respect to compliance with Reliability Standards by FRCC’s registered reliability functions results in a lack of independence in compliance monitoring and enforcement for FRCC operational functions. The Commission therefore directed NERC and FRCC to remedy this deficiency.

V. In light of the Commission’s directive, SERC and FRCC agree, subject to approval by NERC and the Commission, that SERC should assume responsibility for the Compliance Monitoring and Enforcement Program (“CMEP”) with respect to the FRCC Registered Functions, and that the terms on which responsibility for the CMEP with respect to the FRCC Registered Functions shall be transferred to and performed by SERC should be memorialized in this Agreement.

NOW, THEREFORE, in consideration of the mutual covenants and agreements contained herein, the Parties, intending to be bound, agree as follows:

1. Responsibilities of SERC.

(a) Beginning on the Effective Date, SERC will perform all responsibilities of the Compliance Enforcement Authority (“CEA”) as specified in the NERC uniform CMEP, Appendix 4C to the NERC Rules of Procedure (“ROP”), as amended from time to time (the “NERC Uniform CMEP”), with respect to the FRCC Registered Functions.

(b) Without limiting the scope of SERC’s responsibilities as stated in Subsection 1(a), SERC agrees to perform the following activities:

(1) Administer all compliance processes in Section 3.0 of the NERC Uniform CMEP with respect to the FRCC Registered Functions, in accordance with the NERC Annual CMEP Implementation Plan required by Section 4.1 of the NERC Uniform CMEP for each year. If at any time, FRCC’s registration status changes, SERC will monitor the Registered Functions in effect at that time.

(2) Lead all compliance audits and compliance violation investigations (“CVI”) of the FRCC Registered Functions.

(i) SERC shall conduct a scheduled compliance audit of the FRCC Registered Functions in accordance with the frequency established by NERC in the CMEP. As FRCC is currently registered, SERC will audit the RC function at least once every three (3) years and shall conduct a scheduled compliance audit of the PA function, at least once every six (6) years.

(ii) Scheduled compliance audits of the FRCC Registered Functions shall include all actively-monitored standards in accordance with the NERC Annual CMEP Implementation Plan.

(iii) As required by the NERC ROP, all compliance audits of the FRCC RC function shall be conducted on site. Spot checks or other compliance monitoring methods may be completed off site.

(3) Determine if notices of Alleged Violations and proposed penalties or sanctions should be issued to FRCC Member Services Division with respect to the FRCC Registered Functions, and calculate or determine any proposed penalties or sanctions in accordance with the NERC *Sanction Guidelines*.

(4) Administer processes as specified in Section 5.0 of the NERC Uniform CMEP with respect to any notices of Alleged Violations and proposed penalties or sanctions issued with respect to the FRCC Registered Functions.

(5) Review and approve proposed Mitigation Plans submitted by a FRCC Registered Function, and monitor implementation and completion of approved Mitigation Plans, in accordance with Section 6.0 of the NERC Uniform CMEP.

(6) Determine if Remedial Action Directives should be issued to FRCC Member Services Division with respect to a FRCC Registered Function, and issue such Remedial Action Directives if determined to be necessary, in accordance with Section 7.0 of the NERC Uniform CMEP.

(7) Conduct settlement negotiations for any violations of Reliability Standards discovered by SERC per this agreement, if requested by FRCC Member Services Division, in accordance with Section 5.4 of the NERC Uniform CMEP.

(8) Provide due process hearings for the FRCC Registered Functions with respect to notices of Alleged Violations, proposed penalties and sanctions, disputed Mitigation Plans, and disputed Remedial Action Directives, as requested by FRCC Member Services Division, in accordance with Attachment 2, Hearing Procedures, to the NERC Uniform CMEP.

(c) Compliance audit teams, CVI teams, and review teams for self-certifications, spot check responses, periodic data submittals, self-reports, exception reports and complaints submitted by or relating to a FRCC Registered Function shall not include any employees of FRCC, but may include employees of other Regional Entities, NERC and Commission staff

members. Provided, that in accordance with Section 2(c) of this Agreement, SERC may request and obtain technical advice and assistance from FRCC employees, acting in a consulting or advisory capacity, who are not employed in a FRCC Registered Function.

2. Responsibilities of FRCC.

(a) As the Registered Entity for the FRCC Registered Functions, FRCC Member Services Division shall establish and designate to SERC a primary compliance contact for each FRCC Registered Function, in accordance with Section 2.0 of the NERC Uniform CMEP.

(b) As the Registered Entity for the FRCC Registered Functions, FRCC Member Services Division shall timely respond to and comply with all notices, requests for information and schedules issued by SERC as the CEA pursuant to the NERC Uniform CMEP.

(c) FRCC shall provide subject-matter experts (“SME”) as requested by SERC to provide technical advice and assistance to SERC, in SERC’s discretion, in carrying out the CMEP with respect to the FRCC Registered Functions. A SME provided by FRCC may be an employee of FRCC or an industry volunteer, provided, that no SME provided by FRCC may be employed by FRCC in a FRCC Registered Function. The Parties agree that SMEs provided by FRCC shall only be used by SERC in a consulting or advisory capacity to provide expertise and advice on technical matters pertaining to the FRCC Registered Functions, shall have no decision-making responsibilities with respect to any compliance processes or compliance enforcement matters, and shall not be a member of any compliance audit team, CVI team, or review team for self-certifications, spot check responses, periodic data submittals, self-reports, exception reports or complaints submitted by or relating to a FRCC Registered Function.

(d) FRCC Regional Entity Division shall reimburse SERC the actual, reasonable costs of SERC’s performance of the CMEP with respect to the FRCC Registered Functions, including an appropriate allocation of SERC’s General and Administrative costs, in accordance with Section 5 of this Agreement.

(e) Except as provided in this Agreement, FRCC Regional Entity Division shall continue to perform all CMEP responsibilities in the FRCC Region in accordance with the NERC-FRCC Delegation Agreement.

3. Disposition of Penalties Paid by FRCC with respect to a FRCC Registered Function.

Any penalties to be paid by FRCC Member Services Division for violations of Reliability Standards by a FRCC Registered Function, shall reduce the portion of the FRCC ERO Assessment paid by load-serving entities and designees ("LSE") in the FRCC Region for the subsequent fiscal year, in accordance with the *NERC Accounting, Financial Statement and Budgetary Treatment of Penalties Imposed and Received for Violations of Reliability Standards*.

4. Transfer of Responsibilities for CMEP Activities With Respect To FRCC Registered Functions That Are In Progress on the Effective Date.

SERC shall assume full responsibility, as the CEA, for completion of all compliance processes with respect to the FRCC Registered Functions that are in progress as of the Effective Date, including without limiting the foregoing, (i) completion and issuance of reports of compliance audits and CVI of the FRCC Registered Functions, (ii) completion of review of, and issuance of any findings or reports concerning, any self-certifications, spot-checks, periodic data submittals, self-reports, exception reports or complaints, submitted by or pertaining to a FRCC Registered Function, (iii) determination of whether any notice of Alleged Violations and/or proposed penalties or sanctions should be issued to a FRCC Registered Function as a result of any such compliance processes, (iv) processing of any notices of Alleged Violations and/or proposed penalties or sanctions that were issued before the Effective Date, or are issued after the Effective Date as the result of compliance processes conducted before the Effective Date, and (v) review, approval and monitoring of implementation and completion of any Mitigation Plans required of a FRCC Registered Function as the result of compliance processes conducted before the Effective Date.

5. Compensation to SERC for Performance of CMEP With Respect to the FRCC Registered Functions.

(a) Compensation for 2010.

For the period between the Effective Date of this Agreement and December 31, 2010, SERC shall invoice FRCC the amount of \$5000 per quarter (pro-rated for any partial quarter) on or about the first day of each calendar quarter. The first invoice shall also include the amount for the partial quarter, if any between the Effective Date and the date of the first invoice. FRCC shall remit to SERC the amount of each invoice by check or electronic funds transfer to SERC within twenty (20) business days following the date of each invoice.

(b) Compensation for Years Subsequent to 2010.

(i) In its annual Business Plans and Budgets submitted to NERC and the Commission for the year 2011 and subsequent years within the term of this Agreement, SERC shall identify a portion of its CMEP budget, including an appropriate allocation of SERC's General and Administrative Costs (the "FRCC Registered Functions CMEP Budget"), that is attributable to the performance of the CMEP with respect to the FRCC Registered Functions. SERC's allocation of resources to the performance of its obligations under this Agreement and the corresponding budgeted amount shall be subject to approval by NERC and by the Commission as part of their overall approval of SERC's business plan and budget. The amount of SERC's proposed FRCC Registered Functions CMEP Budget shall also be included in FRCC's business plan and budget that is submitted to NERC and to the Commission for approval. The amount of the FRCC Registered Functions CMEP Budget for each year, as approved by the Commission, (i) shall be excluded from the calculation of SERC's assessments to LSEs in the SERC Region for each such year, and (ii) shall be included in the calculation of FRCC's assessments to LSEs in the FRCC Region for each such year. SERC shall invoice

FRCC Regional Entity Division for the amount of the FRCC Registered Functions CMEP Budget in four equal quarterly amounts during each year, with the invoices to be issued by SERC to FRCC on or about January 1, April 1, July 1 and October 1 and to be paid by FRCC by check or electronic funds transfer to SERC within twenty (20) business days following the date of the invoice.

(c) Reconciliation of Costs.

No later than 90 days after the end of a budget-year, SERC shall provide to FRCC a statement of actual expenses incurred by SERC in the fulfillment of SERC's responsibilities under this agreement for that budget-year. The statement shall disclose the actual costs of labor, travel and meetings, and all other direct costs, as well as SERC's allocation of its actual General and Administrative Costs. The statement shall summarize the reasons for any variances as compared to the budget amount. SERC shall provide supporting documentation for the final statement upon request by FRCC. The total variance for the concluded budget year shall be incorporated as a compensating adjustment in both the SERC and FRCC budgets in the second year following the budget-year and, as approved by NERC and the Commission, reflected in the quarterly invoices from SERC to FRCC and quarterly payments by FRCC to SERC in such year.

(d) Supplemental Invoice.

If during any budget-year, including 2010, the actual cost of performing SERC's responsibilities under this agreement exceeds the budgeted funding by more than ten (10) percent of SERC's budgeted cash reserve (for example as may be necessitated by the conduct of a compliance violation investigation or hearing), SERC shall have the right to issue supplemental invoices to FRCC to recover in full all actual costs incurred above the budgeted funding. Upon receipt of such a supplemental invoice, FRCC shall

pay the full amount of the invoice by check or electronic funds transfer to SERC within sixty (60) days.

6. Term and Termination.

(a) Initial Term. The Initial Term of this Agreement shall be from the Effective Date of this Agreement to December 31, 2012.

(b) Renewal Terms. This Agreement shall automatically renew, without any notice or other action by either Party, at the end of the Initial Term and each Renewal Term, for an additional Renewal Term of three (3) years, unless either Party gives written notice to the other Party, at least one (1) year prior to the end of the Initial Term or Renewal Term, of intent to terminate this Agreement; provided, however, that in the event of such termination, SERC will work with FRCC to transfer responsibility for any compliance activities in progress to the entity that will be the CEA for the FRCC Member Services Division.

(c) Early Termination. Notwithstanding the provisions of subsections 6(a) and 6(b), Early Termination of this Agreement shall occur in the following events:

(i) If FRCC ceases to be a Regional Entity, this Agreement shall terminate as of the end of the calendar year that FRCC ceases to be a Regional Entity.

(ii) If FRCC ceases to be a Registered Entity in the FRCC Region, this Agreement shall terminate as of the last date that FRCC ceases to be a Registered Entity for any FRCC Registered Function.

(iii) If both parties agree in writing to terminate this Agreement at any time.

(iv) If any provision of this Agreement, or the application thereof to any person, entity or circumstance, is held by a court or regulatory authority of competent jurisdiction to be invalid, void, or unenforceable, or if a modification or condition to this Agreement is imposed by the Commission, the Parties shall endeavor in good faith to negotiate such amendment or amendments to this Agreement as will restore the relative benefits and obligations of the signatories under this Agreement immediately prior to

such holding, modification or condition. If either Party finds such holding, modification or condition unacceptable and the Parties are unable to renegotiate a mutually acceptable resolution, either Party may unilaterally terminate this Agreement. Such termination shall be effective as of one year following written notice by either Party to the other Party, or at such other time as may be mutually agreed by SERC and FRCC.

(v) Provided, that in the event of the termination of this Agreement, SERC will transfer responsibility for completion of all compliance processes that are in progress as of the date of Early Termination, or within a reasonable time after as mutually agreed to by the parties, to the entity that will be the CEA for FRCC Member Services Division.

(d) In the event of termination, the costs associated with the wind-down of this Agreement and transfer of any compliance processes in progress to the new CEA are payable by FRCC to SERC in accordance with Section 5 of this Agreement.

7. Representations of the Parties.

(a) Representations of FRCC. FRCC represents and warrants to SERC that (i) FRCC is and shall remain during the term of this Agreement validly existing and in good standing pursuant to all applicable laws relative to this Agreement, (ii) no applicable law, contract or other legal obligation prevents FRCC from executing this Agreement and fulfilling its obligations hereunder, (iii) entry into this Agreement by FRCC is duly authorized under its governing corporate documents, and (iv) the person or persons executing this Agreement on behalf of FRCC are duly authorized to do so.

(b) Representations of SERC. SERC represents and warrants to FRCC that (i) SERC is and shall remain during the term of this Agreement validly existing and in good standing pursuant to all applicable laws relative to this Agreement, (ii) no applicable law, contract or other legal obligation prevents SERC from executing this Agreement and fulfilling its obligations hereunder, (iii) entry into this Agreement by SERC is duly authorized under its

governing corporate documents, and (iv) the person or persons executing this Agreement on behalf of SERC are duly authorized to do so.

8. Limitation of Liability.

SERC and FRCC agree not to sue each other or their directors, officers, employees, and persons serving on their committees and subgroups based on any act or omission of any of the foregoing in the performance of duties pursuant to this Agreement or in conducting activities under the authority of Section 215 of the Act, other than seeking a review of such action or inaction by the Commission. SERC and FRCC shall not be liable to one another for any damages whatsoever, other than for non-payment of or failure to remit compensation due pursuant to Section 5 of this Agreement, including without limitation, direct, indirect, incidental, special, multiple, consequential (including attorneys' fees and litigation costs), exemplary, or punitive damages arising out of or resulting from any act or omission associated with the performance of SERC's or FRCC's responsibilities under this Agreement or in conducting activities under the authority of Section 215 of the Act, except to the extent that SERC or FRCC is found liable for gross negligence or intentional misconduct, in which case SERC or FRCC shall not be liable for any indirect, incidental, special, multiple, consequential (including without limitation attorneys' fees and litigation costs), exemplary, or punitive damages.

9. No Third Party Beneficiaries.

Nothing in this Agreement shall be construed to create any duty to, any standard of care with reference to, or any liability to any third party.

10. Confidentiality.

During the course of the Parties' performance under this Agreement, a Party may receive Confidential Information, as defined in Section 1500 of the NERC ROP. Except as set forth herein, the Parties agree to keep in confidence and not to copy, disclose, or distribute any Confidential Information or any part thereof, without the prior written permission of the issuing

Party, unless disclosure is required by subpoena, law, or other directive of a court, administrative agency, or arbitration panel, in which event the recipient hereby agrees to provide the Party that provided the Confidential Information with prompt notice of such request or requirement in order to enable such issuing Party to (a) seek an appropriate protective order or other remedy, (b) consult with the recipient with respect to taking steps to resist or narrow the scope of such request or legal process, or (c) waive compliance, in whole or in part, with the terms of this Section 10. In the event a protective order or other remedy is not obtained or the issuing Party waives compliance with the provisions, the recipient agrees to furnish only that portion of the Confidential Information which the recipient's counsel advises is legally required and to exercise best efforts to obtain assurance that confidential treatment will be accorded to such Confidential Information. In addition, each Party shall ensure that its officers, trustees, directors, employees, subcontractors and subcontractors' employees, and agents to whom Confidential Information is exposed are under obligations of confidentiality that are at least as restrictive as those contained herein. This confidentiality provision does not prohibit reporting and disclosure by SERC, as the CEA with respect to the FRCC Registered Functions, in accordance with Section 8.0 and other provisions of the NERC Uniform CMEP.

11. Amendment.

Neither this Agreement nor any of the terms hereof, may be amended unless such amendment is made in writing and signed by the Parties.

12. Dispute Resolution.

In the event a dispute arises under this Agreement between SERC and FRCC, representatives of the Parties with authority to settle the dispute shall meet and confer in good faith in an effort to resolve the dispute in a timely manner. In the event the designated representatives are unable to resolve the dispute within thirty (30) days or such other period as the Parties may agree upon, each Party shall have all rights to pursue all remedies, except as

expressly limited by the terms of this Agreement. Neither Party shall have the right to pursue other remedies until the Dispute Resolution procedures of this Section 12 have been exhausted. This Section 12 shall not apply to enforcement actions or Remedial Action Directives by SERC, as the CEA, against a FRCC Registered Function, or hearings conducted at the request of FRCC as the Registered Entity for a FRCC Registered Function, pursuant to the NERC Uniform CMEP.

13. Notices.

Whether expressly so stated or not, all notices, demands, requests, and other communications required or permitted by or provided for in this Agreement shall be given in writing to a Party at the address set forth below, or at such other address as a Party shall designate for itself in writing in accordance with this Section, and shall be delivered by hand or reputable overnight courier:

If to SERC:

SERC Reliability Corporation
2815 Coliseum Centre Drive
Suite 500
Charlotte, NC 28217
Attn: Marisa Sifontes
Facsimile: 704-357-7914

If to FRCC:

Florida Reliability Coordinating Council
1408 N Westshore Blvd
Suite 1002
Tampa, FL 33607
Attn: Reva Maskewitz
Facsimile: 813-289-5646

Provided, that the foregoing notice provision shall not be applicable to notices and other communications between SERC, as the CEA, and FRCC as the Registered Entity for a FRCC Registered Function, which notices and other communications shall instead be provided or transmitted in accordance with the NERC Uniform CMEP.

14. Governing Law.

When not in conflict with or preempted by federal law, this Agreement will be governed by and construed in accordance with the laws of Delaware without giving effect to the conflict of law principles thereof. The Parties recognize and agree not to contest the exclusive or primary

jurisdiction of the Commission to interpret and apply this Agreement; provided however, that if the Commission declines to exercise or is precluded from exercising jurisdiction of any action arising out of or concerning this Agreement, such action shall be brought in any state or federal court of competent jurisdiction in Delaware. All Parties hereby consent to the jurisdiction of any state or federal court of competent jurisdiction in Delaware for the purpose of hearing and determining any action not heard and determined by the Commission.

15. Headings.

The headings and captions in this Agreement are for convenience of reference only and shall not define, limit, or otherwise affect any of the terms or provisions hereof.

16. Entire Agreement.

This Agreement constitutes the entire agreement, and supersedes all prior agreements and understandings, both written and oral, among the Parties with respect to the subject matter of this Agreement.

17. Execution of Counterparts.

This Agreement may be executed in counterparts and each counterpart shall have the same force and effect as the original.

NOW, THEREFORE, the Parties have caused this Agreement to be executed by their duly authorized representatives, to be effective as of the Effective Date.

SERC RELIABILITY CORPORATION

FLORIDA RELIABILITY
COORDINATING COUNCIL

By: _____

By: _____

Name: _____

Name: Sarah Rogers

Title: President and CEO

Title: President and CEO

Date: _____

Date: _____

ATTACHMENT 2

PROPOSED AGREEMENT BETWEEN

SERC RELIABILITY CORPORATION AND

SOUTHWEST POWER POOL REGIONAL ENTITY

CONCERNING COMPLIANCE MONITORING AND ENFORCEMENT

OF SPP, INC. REGISTERED FUNCTIONS

**AGREEMENT BETWEEN
SERC RELIABILITY CORPORATION and
SOUTHWEST POWER POOL REGIONAL ENTITY
CONCERNING COMPLIANCE MONITORING AND ENFORCEMENT
OF SPP, INC. REGISTERED FUNCTIONS**

THIS AGREEMENT (“Agreement”) made effective as of _____ (the “Effective Date”), between the SERC Reliability Corporation (“SERC”), an organization established to develop and enforce Reliability Standards, and Southwest Power Pool Regional Entity (SPP RE) a division of SPP, Inc. (“SPP”), an organization established to develop and enforce Reliability Standards within the geographic boundaries identified on **Exhibit A** to the “Amended and Restated Delegation Agreement between the North American Electric Reliability Corporation and Southwest Power Pool, Inc.” (referred to herein as the “SPP Region”), and for other purposes. SERC and SPP RE may be individually referred to herein as “Party” or collectively as “Parties.”

RECITALS

I. SERC is a party to a certain “Amended and Restated Delegation Agreement Between the North American Electric Reliability Corporation and SERC Reliability Corporation” (the “NERC-SERC Delegation Agreement”), which has been approved by the Federal Energy Regulatory Commission (“Commission”) and which states in Section 6 thereof, in pertinent part, that SERC shall enforce Reliability Standards (including Regional Reliability Standards) through a compliance enforcement program set forth in Exhibit D to the NERC-SERC Delegation Agreement.

II. SPP is a party to a certain “Amended and Restated Delegation Agreement Between the North American Electric Reliability Corporation and Southwest Power Pool, Inc.” (the “NERC-SPP Delegation Agreement”), which has been approved by the Commission and which states in Section 6 thereof, in pertinent part, that SPP RE shall enforce Reliability Standards (including Regional Reliability Standards) within the geographic boundaries set forth

in Exhibit A to the NERC-SPP Delegation Agreement through a compliance enforcement program set forth in Exhibit D to the NERC-SPP Delegation Agreement.

III. SPP serves as a Regional Transmission Organization and is currently registered as an Interchange Authority (IA), Planning Authority (PA), Reliability Coordinator (RC), Reserve Sharing Group (RSG), Transmission Planner (TP), and Transmission Service Provider (TSP) in the SPP RE Region. In this Agreement, the RC, IA, PA, RSG, TP and TSP functions are sometimes referred to as the “SPP Registered Functions,” and SPP is referred to as the “Registered Entity” with respect to its performance of the SPP Registered Functions.

IV. To avoid any appearance of a lack of independence in compliance monitoring and enforcement for SPP Registered Functions, SERC and SPP RE hereby agree, subject to approval by NERC and by the Commission, that SERC should assume responsibility for the Compliance Monitoring and Enforcement Program (“CMEP”) with respect to the SPP Registered Functions within the SPP RE Region, and that the terms on which responsibility for the CMEP with respect to the SPP Registered Functions shall be transferred to and performed by SERC should be memorialized in this Agreement.

NOW, THEREFORE, in consideration of the mutual covenants and agreements contained herein, the Parties, intending to be bound, agree as follows:

1. Responsibilities of SERC.

(a) Beginning on the Effective Date, SERC will perform all responsibilities of the Compliance Enforcement Authority (“CEA”) as specified in the NERC uniform CMEP, Appendix 4C to the NERC Rules of Procedure (“ROP”), as amended from time to time (the “NERC Uniform CMEP”), within the SPP RE Region with respect to the SPP Registered Functions.

(b) Without limiting the scope of SERC’s responsibilities as stated in Subsection 1(a), SERC agrees to perform the following activities within the SPP RE Region:

(1) Administer all compliance processes in Section 3.0 of the NERC Uniform CMEP with respect to the SPP Registered Functions, in accordance with the NERC

Annual CMEP Implementation Plan required by Section 4.1 of the NERC Uniform CMEP for each year. If at any time, SPP Registered Functions change, SERC will monitor the Registered Functions in effect at that time.

(2) Lead all compliance audits and compliance violation investigations (“CVI”) of the SPP Registered Functions.

(i) SERC shall conduct a scheduled compliance audit of the SPP Registered Functions in accordance with the frequency established by NERC in the CMEP. As SPP is currently registered, SERC will audit the RC function at least once every three (3) years and shall conduct a scheduled compliance audit of the remaining functions, at least once every six (6) years.

(ii) Scheduled compliance audits of the SPP Registered Functions shall include all actively-monitored standards in accordance with the NERC Annual CMEP Implementation Plan.

(iii) As required by the NERC ROP, all compliance audits of the SPP RC function shall be conducted on site. Spot checks or other compliance monitoring methods may be completed off site.

(3) Determine if notices of Alleged Violations and proposed penalties or sanctions should be issued to SPP with respect to the SPP Registered Functions, and calculate or determine any proposed penalties or sanctions in accordance with the NERC *Sanction Guidelines*.

(4) Administer processes as specified in Section 5.0 of the NERC Uniform CMEP with respect to any notices of Alleged Violations and proposed penalties or sanctions issued with respect to the SPP Registered Functions.

(5) Review and approve proposed Mitigation Plans submitted by a SPP Registered Function, and monitor implementation and completion of approved Mitigation Plans, in accordance with Section 6.0 of the NERC Uniform CMEP.

(6) Determine if Remedial Action Directives should be issued to SPP with respect to a SPP Registered Function, and issue such Remedial Action Directives if determined to be necessary, in accordance with Section 7.0 of the NERC Uniform CMEP.

(7) Conduct settlement negotiations for any violations of Reliability Standards discovered by SERC per this agreement, if requested by SPP, in accordance with Section 5.4 of the NERC Uniform CMEP.

(8) Provide due process hearings for the SPP Registered Functions with respect to notices of Alleged Violations, proposed penalties and sanctions, disputed Mitigation Plans, and disputed Remedial Action Directives, as requested by SPP, in accordance with Attachment 2, Hearing Procedures, to the NERC Uniform CMEP.

(c) Compliance audit teams, CVI teams, and review teams for self-certifications, spot check responses, periodic data submittals, self-reports, exception reports and complaints submitted by or relating to a SPP Registered Function shall not include any employees of SPP, but may include employees of other Regional Entities, NERC and Commission staff members. Provided, that in accordance with Section 2(c) of this Agreement, SERC may request and obtain technical advice and assistance from SPP employees, acting in a consulting or advisory capacity, who are not employed in a SPP Registered Function.

2. Responsibilities of SPP.

(a) As the Registered Entity for the SPP Registered Functions, SPP shall establish and designate to SERC a primary compliance contact for each SPP Registered Function, in accordance with Section 2.0 of the NERC Uniform CMEP.

(b) As the Registered Entity for the SPP Registered Functions, SPP shall timely respond to and comply with all notices, requests for information and schedules issued by SERC as the CEA pursuant to the NERC Uniform CMEP.

(c) SPP RE shall provide subject-matter experts (“SME”) as requested by SERC to provide technical advice and assistance to SERC, in SERC’s discretion, in carrying out the CMEP with respect to the SPP Registered Functions. A SME provided by SPP RE may be an employee of SPP or an industry volunteer, provided, that no SME provided by SPP RE may be employed by SPP in a SPP Registered Function. The Parties agree that SMEs provided by SPP RE shall only be used by SERC in a consulting or advisory capacity to provide expertise and advice on technical matters pertaining to the SPP Registered Functions, shall have no decision-making responsibilities with respect to any compliance processes or compliance enforcement matters, and shall not be a member of any compliance audit team, CVI team, or review team for self-certifications, spot check responses, periodic data submittals, self-reports, exception reports or complaints submitted by or relating to a SPP Registered Function.

(d) SPP RE shall reimburse SERC the actual costs of SERC’s performance of the CMEP with respect to the SPP Registered Functions, including an appropriate allocation of SERC’s General and Administrative costs, in accordance with Section 5 of this Agreement.

(e) Except as provided in this Agreement, SPP RE shall continue to perform all CMEP responsibilities in the SPP RE Region in accordance with the NERC-SPP Delegation Agreement.

3. Disposition of Penalties Paid by SPP with respect to a SPP Registered Function.

Any penalties to be paid by SPP for violations of Reliability Standards by a SPP Registered Function, shall reduce the portion of the SPP RE ERO Assessment paid by load-serving entities and designees (“LSE”) in the SPP region for the subsequent fiscal year, in accordance with the *NERC Accounting, Financial Statement and Budgetary Treatment of Penalties Imposed and Received for Violations of Reliability Standards*.

4. Transfer of Responsibilities for CMEP Activities With Respect To SPP Registered Functions That Are In Progress on the Effective Date.

SERC shall assume full responsibility, as the CEA, for completion of all compliance processes with respect to the SPP Registered Functions within the SPP RE Region that are in progress as of the Effective Date, including without limiting the foregoing, (i) completion and issuance of reports of compliance audits and CVI of the SPP Registered Functions, (ii) completion of review of, and issuance of any findings or reports concerning, any self-certifications, spot-checks, periodic data submittals, self-reports, exception reports or complaints, submitted by or pertaining to a SPP Registered Function, (iii) determination of whether any notice of Alleged Violations and/or proposed penalties or sanctions should be issued to a SPP Registered Function as a result of any such compliance processes, (iv) processing of any notices of Alleged Violations and/or proposed penalties or sanctions that were issued before the Effective Date, or are issued after the Effective Date as the result of compliance processes conducted before the Effective Date, and (v) review, approval and monitoring of implementation and completion of any Mitigation Plans required of a SPP Registered Function as the result of compliance processes conducted before the Effective Date.

5. Compensation to SERC for Performance of CMEP With Respect to the SPP Registered Functions.

(a) Compensation for 2010.

For the period between the Effective Date of this Agreement and December 31, 2010, SERC shall invoice SPP RE the amount of \$40,000 in four invoices of \$10,000 each. The first such invoice will be issued on or about the Effective Date and the remaining three invoices shall be issued at approximately equal intervals between the Effective Date and December 31, 2010. SPP RE shall remit to SERC the amount of each invoice by check or electronic funds transfer to SERC within twenty (20) business days following the date of each invoice.

(b) Compensation for Years Subsequent to 2010.

(i) In its annual Business Plans and Budgets submitted to NERC and the Commission for the year 2011 and subsequent years within the term of this Agreement, SERC shall identify a portion of its CMEP budget, including an appropriate allocation of SERC's General and Administrative costs (the "SPP Registered Functions CMEP Budget"), that is attributable to the performance of the CMEP with respect to the SPP Registered Functions. SERC's allocation of resources to the performance of its obligations under this Agreement and the corresponding budgeted amount shall be subject to approval by NERC and by the Commission as part of their overall approval of SERC's business plan and budget. The amount of SERC's SPP Registered Functions CMEP Budget shall also be included in SPP RE's business plan and budget that is submitted to NERC and to the Commission for approval. The amount of the SPP Registered Functions CMEP Budget for each year, as approved by the Commission, (i) shall be excluded from the calculation of SERC's assessments to LSEs in the SERC region for each such year, and (ii) shall be included in the calculation of SPP's assessments to LSEs in the SPP Region for each such year. SERC shall invoice SPP RE for the amount of the SPP Registered Functions CMEP Budget in four equal quarterly amounts during each year, with the invoices to be issued by SERC to SPP RE on or about January 1, April 1, July 1 and October 1 and to be paid by SPP RE by check or electronic funds transfer to SERC within twenty (20) business days following the date of the invoice.

(c) Reconciliation of Costs.

No later than 90 days after the end of a budget-year, SERC shall provide to SPP RE a statement of actual expenses incurred by SERC in the fulfillment of SERC's responsibilities under this agreement for that budget-year. The statement shall disclose the actual costs of labor, travel and meetings, and all other direct costs, as well as

SERC's allocation of its actual General and Administrative costs. The statement shall summarize the reasons for any variances as compared to the budget amount. SERC shall provide supporting documentation for the final statement upon request by SPP RE. The total variance for the concluded budget year shall be incorporated as a compensating adjustment in both the SERC and SPP RE budgets in the second year following the budget-year and, as approved by NERC and the Commission, reflected in the quarterly invoices from SERC to SPP RE and quarterly payments by SPP RE to SERC in such year.

(d) Supplemental Invoice.

If during any budget-year, including the initial budget-year, the actual cost of performing SERC's responsibilities under this agreement exceeds the budgeted funding by more than ten (10) percent of SERC's budgeted cash reserve (for example as may be necessitated by the conduct of a compliance violation investigation or hearing), SERC shall have the right to issue supplemental invoices to SPP RE to recover in full all actual costs incurred above the budgeted funding. Upon receipt of such a supplemental invoice, SPP RE shall pay the full amount of the invoice by check or electronic funds transfer to SERC within sixty (60) days.

6. Term and Termination.

(a) Initial Term. The Initial Term of this Agreement shall be from the Effective Date through December 31, 2012.

(b) Renewal Terms. This Agreement shall automatically renew, without any notice or other action by either Party, at the end of the Initial Term and each Renewal Term, for an additional Renewal Term of three (3) years, unless either Party gives written notice to the other Party, at least one (1) year prior to the end of the Initial Term or Renewal Term, of intent to terminate this Agreement; provided, however, that in the event of such termination, SERC will

work with SPP RE to transfer responsibility for any compliance activities in progress to the entity that will be the CEA for SPP.

(c) Early Termination. Notwithstanding the provisions of subsections 6(a) and 6(b), Early Termination of this Agreement shall occur in the following events:

(i) If SPP ceases to be a Regional Entity, this Agreement shall terminate as of the end of the calendar year that SPP ceases to be a Regional Entity.

(ii) If SPP ceases to be a Registered Entity in the SPP RE Region, this Agreement shall terminate as of the last date that SPP ceases to be a Registered Entity for any SPP Registered Function.

(iii) If both parties agree in writing to terminate this Agreement at any time.

(iv) If any provision of this Agreement, or the application thereof to any person, entity or circumstance, is held by a court or regulatory authority of competent jurisdiction to be invalid, void, or unenforceable, or if a modification or condition to this Agreement is imposed by the Commission, the Parties shall endeavor in good faith to negotiate such amendment or amendments to this Agreement as will restore the relative benefits and obligations of the signatories under this Agreement immediately prior to such holding, modification or condition. If either Party finds such holding, modification or condition unacceptable and the Parties are unable to renegotiate a mutually acceptable resolution, either Party may unilaterally terminate this Agreement. Such termination shall be effective as of one (1) year following written notice by either Party to the other Party, or at such other time as may be mutually agreed by SERC and SPP RE.

(v) Provided, that in the event of the termination of this Agreement, SERC will transfer responsibility for completion of all compliance processes that are in progress as of the date of Early Termination, or within a reasonable time after as mutually agreed to by the parties, to the entity that will be the CEA for SPP.

(d) In the event of termination, the costs associated with the wind-down of this Agreement and transfer of any compliance processes in progress to the new CEA are payable by SPP RE to SERC in accordance with Section 5 of this Agreement.

7. Representations of the Parties.

(a) Representations of SPP RE. SPP RE represents and warrants to SERC that (i) SPP RE is and shall remain during the term of this Agreement validly existing and in good standing pursuant to all applicable laws relative to this Agreement, (ii) no applicable law, contract or other legal obligation prevents SPP RE from executing this Agreement and fulfilling its obligations hereunder, (iii) entry into this Agreement by SPP RE is duly authorized under its governing corporate documents, and (iv) the person or persons executing this Agreement on behalf of SPP RE are duly authorized to do so.

(b) Representations of SERC. SERC represents and warrants to SPP that (i) SERC is and shall remain during the term of this Agreement validly existing and in good standing pursuant to all applicable laws relative to this Agreement, (ii) no applicable law, contract or other legal obligation prevents SERC from executing this Agreement and fulfilling its obligations hereunder, (iii) entry into this Agreement by SERC is duly authorized under its governing corporate documents, and (iv) the person or persons executing this Agreement on behalf of SERC are duly authorized to do so.

8. Limitation of Liability.

SERC and SPP RE agree not to sue each other or their directors, officers, employees, and persons serving on their committees and subgroups based on any act or omission of any of the foregoing in the performance of duties pursuant to this Agreement or in conducting activities under the authority of Section 215 of the Act, other than seeking a review of such action or inaction by the Commission. SERC and SPP RE shall not be liable to one another for any damages whatsoever, other than for non-payment of or failure to remit compensation due

pursuant to Section 5 of this Agreement, including without limitation, direct, indirect, incidental, special, multiple, consequential (including attorneys' fees and litigation costs), exemplary, or punitive damages arising out of or resulting from any act or omission associated with the performance of SERC's or SPP RE's responsibilities under this Agreement or in conducting activities under the authority of Section 215 of the Act, except to the extent that SERC or SPP is found liable for gross negligence or intentional misconduct, in which case SERC or SPP RE shall not be liable for any indirect, incidental, special, multiple, consequential (including without limitation attorneys' fees and litigation costs), exemplary, or punitive damages.

9. No Third Party Beneficiaries.

Nothing in this Agreement shall be construed to create any duty to, any standard of care with reference to, or any liability to any third party.

10. Confidentiality.

During the course of the Parties' performance under this Agreement, a Party may receive Confidential Information, as defined in Section 1500 of the NERC ROP. Except as set forth herein, the Parties agree to keep in confidence and not to copy, disclose, or distribute any Confidential Information or any part thereof, without the prior written permission of the issuing Party, unless disclosure is required by subpoena, law, or other directive of a court, administrative agency, or arbitration panel, in which event the recipient hereby agrees to provide the Party that provided the Confidential Information with prompt notice of such request or requirement in order to enable such issuing Party to (a) seek an appropriate protective order or other remedy, (b) consult with the recipient with respect to taking steps to resist or narrow the scope of such request or legal process, or (c) waive compliance, in whole or in part, with the terms of this Section 10. In the event a protective order or other remedy is not obtained or the issuing Party waives compliance with the provisions, the recipient agrees to furnish only that portion of the Confidential Information which the recipient's counsel advises is legally required

and to exercise best efforts to obtain assurance that confidential treatment will be accorded to such Confidential Information. In addition, each Party shall ensure that its officers, trustees, directors, employees, subcontractors and subcontractors' employees, and agents to whom Confidential Information is exposed are under obligations of confidentiality that are at least as restrictive as those contained herein. This confidentiality provision does not prohibit reporting and disclosure by SERC, as the CEA with respect to the SPP Registered Functions, in accordance with Section 8.0 and other provisions of the NERC Uniform CMEP.

11. Amendment.

Neither this Agreement nor any of the terms hereof, may be amended unless such amendment is made in writing and signed by the Parties.

12. Dispute Resolution.

In the event a dispute arises under this Agreement between SERC and SPP RE, representatives of the Parties with authority to settle the dispute shall meet and confer in good faith in an effort to resolve the dispute in a timely manner. In the event the designated representatives are unable to resolve the dispute within thirty (30) days or such other period as the Parties may agree upon, each Party shall have all rights to pursue all remedies, except as expressly limited by the terms of this Agreement. Neither Party shall have the right to pursue other remedies until the Dispute Resolution procedures of this Section 12 have been exhausted. This Section 12 shall not apply to enforcement actions or Remedial Action Directives by SERC, as the CEA, against a SPP Registered Function, or hearings conducted at the request of SPP as the Registered Entity for a SPP Registered Function, pursuant to the NERC Uniform CMEP.

13. Notices.

Whether expressly so stated or not, all notices, demands, requests, and other communications required or permitted by or provided for in this Agreement shall be given in writing to a Party at the address set forth below, or at such other address as a Party shall

designate for itself in writing in accordance with this Section, and shall be delivered by hand or reputable overnight courier:

If to SERC:

SERC Reliability Corporation
2815 Coliseum Centre Drive
Suite 500
Charlotte, NC 28219
Attn: Marisa Sifontes
Facsimile: 704-357-7914

If to SPP:

Southwest Power Pool Regional Entity.
16101 La Grande
Suite 103
Little Rock, AR 72223
Attn: Alison Hayes, Legal Counsel
Facsimile: 501-821-8726

Provided, that the foregoing notice provision shall not be applicable to notices and other communications between SERC, as the CEA, and SPP as the Registered Entity for a SPP Registered Function, which notices and other communications shall instead be provided or transmitted in accordance with the NERC Uniform CMEP.

14. Governing Law.

When not in conflict with or preempted by federal law, this Agreement will be governed by and construed in accordance with the laws of Delaware without giving effect to the conflict of law principles thereof. The Parties recognize and agree not to contest the exclusive or primary jurisdiction of the Commission to interpret and apply this Agreement; provided however, that if the Commission declines to exercise or is precluded from exercising jurisdiction of any action arising out of or concerning this Agreement, such action shall be brought in any state or federal court of competent jurisdiction in Delaware. All Parties hereby consent to the jurisdiction of any state or federal court of competent jurisdiction in Delaware for the purpose of hearing and determining any action not heard and determined by the Commission.

15. Headings.

The headings and captions in this Agreement are for convenience of reference only and shall not define, limit, or otherwise affect any of the terms or provisions hereof.

16. Entire Agreement.

This Agreement constitutes the entire agreement, and supersedes all prior agreements and understandings, both written and oral, among the Parties with respect to the subject matter of this Agreement.

17. Execution of Counterparts.

This Agreement may be executed in counterparts and each counterpart shall have the same force and effect as the original.

NOW, THEREFORE, the Parties have caused this Agreement to be executed by their duly authorized representatives, to be effective as of the Effective Date.

SERC RELIABILITY CORPORATION

SOUTHWEST POWER POOL, INC.

By: _____

By: _____

Name: _____

Name: Stacy Dochoda

Title: President and CEO

Title: General Manager
SPP Regional Entity

Date: _____

Date: _____

ATTACHMENT 3

PROPOSED REVISED

AMENDED AND RESTATED DELEGATION AGREEMENT

BETWEEN NERC AND

SERC RELIABILITY CORPORATION

(INCLUDING AMENDED SERC BYLAWS)

CLEAN VERSION

**Amended and Restated
Regional Entity Delegation Agreement
between**

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



**AMENDED AND RESTATED DELEGATION AGREEMENT BETWEEN
NORTH AMERICAN ELECTRIC RELIABILITY CORPORATION
AND SERC RELIABILITY CORPORATION**

AMENDED AND RESTATED DELEGATION AGREEMENT (“Agreement”) made as of [DATE], between the North American Electric Reliability Corporation (“NERC”), an organization certified by the Federal Energy Regulatory Commission (“Commission”) pursuant to Section 215(c) of the Federal Power Act to establish and enforce Reliability Standards for the bulk power system, and SERC Reliability Corporation (“SERC”), an organization established to develop and enforce Reliability Standards within the geographic boundaries identified on **Exhibit A** to this Agreement, and for other purposes. NERC and SERC may be individually referred to herein as “Party” or collectively as “Parties.”

WITNESSETH

WHEREAS, Subtitle A of the Electricity Modernization Act of 2005 added Section 215 to the Federal Power Act (16 U.S.C. § 824n) (hereafter “the Act”) and, among other things, provides for the establishment of an electric reliability organization (“ERO”) to develop and enforce Reliability Standards applicable to all owners, operators, and users of the bulk power system;

WHEREAS, the Commission has adopted regulations for the implementation of the Act set forth at Chapter I, Title 18, Code of Federal Regulations, Part 39, as adopted by Commission Order No. 672 in Docket No. RM05-30-000 on February 3, 2006; (114 FERC ¶ 61, 104; hereafter “Order 672”);

WHEREAS, the Commission has certified NERC as the ERO that will, in accordance with the Act, establish and enforce Reliability Standards for the bulk power system, subject to certain delegation provisions described below;

WHEREAS, the Act recognizes the international interdependency of electric reliability within North America and envisions the ERO and such applicable Regional Entities as international organizations;

WHEREAS, the Act and Section 39.8 of the Commission's regulations provide for the delegation by the ERO of authority to propose and enforce Reliability Standards to regional entities such as SERC provided that:

(A) The Regional Entity is governed by —

(i) an independent board;

(ii) a balanced stakeholder board; or

(iii) a combination independent and balanced stakeholder board.

(B) The Regional Entity otherwise satisfies the provisions of Section 215(c)(1) and (2) of the Act; and

(C) The agreement promotes effective and efficient administration of bulk power system reliability;

WHEREAS, certain Regional Entities are organized on an Interconnection-wide basis and are therefore entitled to the presumption set forth in the Act that: “[t]he ERO and the Commission shall rebuttably presume that a proposal for delegation to a Regional Entity organized on an Interconnection-wide basis promotes effective and efficient administration of bulk power system reliability and should be approved”;

WHEREAS, the Act further provides that the ERO shall rebuttably presume that a proposal from a Regional Entity organized on an Interconnection-wide basis for a Reliability Standard or modification to a Reliability Standard to be applicable on an Interconnection-wide basis is just, reasonable, and not unduly discriminatory or preferential, and in the public interest;

WHEREAS, SERC is not organized on an Interconnection-wide basis and therefore is not entitled to the rebuttable presumptions accorded such an entity;

WHEREAS, NERC will work through SERC to carry out certain of its activities in furtherance of its responsibilities as the electric reliability organization under the Act; and

WHEREAS, NERC has concluded that SERC meets all requirements of the Act, the Commission's regulations, and the NERC Rules of Procedure as approved by the Commission ("NERC Rules") necessary to qualify for delegation;

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained, NERC and SERC, agree as follows:

1. **Definitions**. The capitalized terms used in this Agreement shall be defined as set forth in the Act, the Commission's regulations, or the NERC Rules or, if not so defined, shall be defined as follows:

(a) **Breach** means (i) the failure of a Party to perform or observe any material term, condition or covenant of the Agreement or (ii) a representation in Section 2 of the Agreement shall have become materially untrue.

(b) **Cross-Border Regional Entity** means a Regional Entity that encompasses a part of the United States and a part of Canada or Mexico.

(c) **Delegated Authority** means the authority delegated by NERC to SERC to propose and enforce Reliability Standards pursuant to the Act.

(d) **SERC Rules** means the bylaws, a rule of procedure or other organizational rule or protocol of SERC.

(e) **Reliability Standard** means a requirement approved by the Commission under Section 215 of the Federal Power Act to provide for reliable operation of the bulk power system. The term includes requirements for the operation of existing bulk power system facilities, including cyber security protection, and the design of planned additions or modifications to such facilities to the extent necessary for reliable operation of the bulk power system; but the term does not include any requirement to enlarge such facilities or to construct new transmission capacity or generation capacity.

2. Representations.

(a) For purposes of its Delegated Authority, SERC hereby represents and warrants to NERC that:

(i) SERC is and shall remain during the term of this Agreement validly existing and in good standing pursuant all applicable laws relevant to this Agreement and that no applicable law, contract or other legal obligation prevents it from executing this Agreement and fulfilling its obligations hereunder. SERC is governed in accordance with its bylaws by a balanced stakeholder board. Pursuant to these bylaws, no two industry sectors can control any SERC decision and no single industry sector can veto any SERC decision. The relevant portions of such bylaws are attached hereto as **Exhibit B**, and as so attached are in full force and effect. No other such corporate governance documents are binding upon SERC.

(ii) As set forth in **Exhibit C** hereto, SERC has developed a standards development procedure, which provides the process that SERC may use to develop Regional Reliability Standards and Regional Variances, if the regional entity is organized on an Interconnection-wide basis, that are proposed to NERC for adoption.

(iii) As set forth in **Exhibit D** hereto, SERC has adopted the NERC Compliance Monitoring and Enforcement Program which provides for the enforcement of Reliability Standards within its geographic boundaries.

(b) NERC hereby represents and warrants to SERC that:

(i) It is and shall remain during the term of this Agreement validly existing and in good standing pursuant all applicable laws relevant to this Agreement and that no applicable law, contract or other legal obligation prevents it from executing this Agreement and fulfilling its obligations hereunder; and

(ii) It has been certified as the ERO by the Commission pursuant to the Act.

3. Covenants.

(a) During the term of this Agreement, SERC shall maintain and preserve its qualifications for delegation pursuant to the Act and shall not amend the SERC Rules

without NERC's approval, which shall not be unreasonably withheld or delayed and which shall, in the case of a Regional Entity organized on an Interconnection-wide basis, be governed by the presumptions provided for in Section 215(d)(2) and (e)(4)(C) of the Act, and be subject to any required Commission approval.

(b) During the term of this agreement, NERC shall maintain its qualification and status as the ERO pursuant to the Act and, subject to the provisions of Sections 16 and 17 of this Agreement, NERC shall not adopt amendments to the NERC Rules that conflict with the rights, obligations or programs of SERC under this Agreement without first obtaining the consent of SERC, which consent shall not be unreasonably withheld or delayed.

(c) During the term of this agreement, NERC and SERC shall adhere to and require that all participants in their respective activities under this Agreement follow and comply with the NERC Antitrust Compliance Guidelines.

4. Delegation of Authority.

(a) Based upon the representations, warranties and covenants of SERC in Sections 2 and 3 above, the corporate governance documents set forth in **Exhibit B**, the standards development process set forth in **Exhibit C**, and the regional compliance enforcement program set forth in **Exhibit D**, NERC hereby delegates authority, pursuant to Section 215(e)(4) of the Act, to SERC for the purpose of proposing Reliability Standards to NERC, as set forth in Section 5 of this Agreement, and enforcing Reliability Standards, as set forth in Section 6 of this Agreement, within the geographic boundaries set forth on **Exhibit A**. No further redelegation of authority or responsibility, in total or in part, under this Agreement is allowed without NERC's express consent.

(b) For Cross-Border Regional Entities, the authority delegated by this Agreement shall extend only to the portion of the region identified on **Exhibit A** that is within the United States. Any delegation of authority by governmental authorities in Canada or Mexico shall be governed by a separate agreement and is outside the scope of this Agreement; provided, however, that both SERC and NERC shall

endeavor to ensure that this Agreement and such separate agreements are compatible.

(c) As a condition to this delegation of authority and subject to the provisions of section 16 of this Agreement, SERC shall comply with the applicable provisions of NERC's Certificate of Incorporation, Bylaws, Rules of Procedure, and Reliability Standards, as from time to time adopted, approved, or amended.

5. Reliability Standards.

- (a) In connection with its Delegated Authority, SERC shall be entitled to:
- (i) propose Reliability Standards, Regional Variances, or modifications thereof to NERC, which shall be considered by NERC through an open and inclusive process for proposing and adopting Reliability Standards that affords SERC reasonable notice and opportunity to be heard; and
 - (ii) develop Regional Reliability Standards and Regional Variances, if the regional entity is organized on an Interconnection-wide basis, through SERC's process as set forth in **Exhibit C**. Proposals approved through SERC's process shall be reviewed by the NERC Board of Trustees after NERC provides notice and an opportunity for interested persons to comment. In the case of a proposal from a Regional Entity organized on an Interconnection-wide basis, comments shall be limited to the factors identified in NERC Rule 313, section 3.1 as it may be amended from time to time. The NERC board of trustees shall promptly thereafter consider such proposed Regional Reliability Standard or Regional Variance, applying the rebuttable presumption described in subsection 5(b) if the proposed Regional Reliability Standard or Regional Variance is from a Regional Entity organized on an Interconnection-wide basis, and either approve the proposed standard and submit it to the Commission for approval, or disapprove it in writing setting forth its reasons. SERC may appeal any disapproval of a proposed Regional Reliability Standard or Regional Variance to the Commission.
- (b) Pursuant to Section 215(d)(3) of the Act, NERC shall rebuttably presume that a proposal from a Regional Entity organized on an Interconnection-wide basis for a Regional Reliability Standard or Regional Variance or modification thereof to be

applicable on an Interconnection-wide basis is just, reasonable, and not unduly discriminatory or preferential, and in the public interest. Any person challenging such proposal from the Interconnection-wide Regional Entity shall have the burden of proof. NERC shall not find that this presumption has been rebutted except based upon substantial evidence that has been disclosed to, and been subject to comment by, the Interconnection-wide Regional Entity during NERC's review of the proposal.

6. **Enforcement.**

(a) In connection with its delegated authority pursuant to this Agreement, SERC shall enforce Reliability Standards (including Regional Reliability Standards and Regional Variances) within the geographic boundaries set forth in **Exhibit A** through the compliance enforcement program set forth in **Exhibit D**. NERC and SERC agree that this program meets all applicable requirements of the Act, Order 672 and the Commission's regulations, including, *inter alia*, the requirement for an audit program pursuant to Section 39.7(a) of the Commission's regulations, the assessment of penalties pursuant to Section 39.7(c) through 39.7(g) of the Commission's regulations and the requirements for due process. SERC may not change its compliance enforcement program set forth in **Exhibit D** absent NERC's approval, which shall not be unreasonably withheld or delayed. Subject to the rights and limitations of Sections 16 and 17 of this Agreement, SERC agrees to comply with the NERC Rules in implementing this program.

(b) SERC shall report promptly to NERC any self-reported violation or investigation of a violation or an alleged violation of a Reliability Standard and its eventual disposition. Such report shall include the owner's, operator's, or user's name, which Reliability Standard or Reliability Standards were violated or allegedly violated, when the violation or alleged violation occurred, other pertinent facts about the violation including circumstances surrounding the violation with any known risk to the bulk power system, when the violation was or will be mitigated, the name of a person knowledgeable about the violation or alleged violation to serve as a point of contact with the Commission, and any other information required by NERC compliance program procedures. NERC shall promptly forward such report to the Commission.

NERC and SERC shall cooperate in filing such periodic summary reports as the Commission shall from time to time direct on violations of Reliability Standards and summary analyses of such violations.

(c) Each violation or alleged violation shall be treated as nonpublic until the matter is filed with the Commission as a notice of penalty or resolved by an admission that the owner, operator, or user of the bulk power system violated a Reliability Standard or by a settlement or other negotiated disposition. The disposition of each violation or alleged violation that relates to a Cybersecurity Incident or that would jeopardize the security of the bulk power system if publicly disclosed shall be nonpublic unless the Commission directs otherwise.

(d) All appeals of penalties imposed by SERC shall be filed with NERC, in accordance with the NERC Rules.

(e) SERC shall maintain the capability to conduct investigations of potential violations of Reliability Standards and to conduct such investigations in a confidential manner.

(f) SERC shall maintain a program of proactive enforcement audits including procedures for spot-checks of self-reported compliance and periodic audits of all responsible entities.

(g) As part of its compliance enforcement program, SERC shall maintain a conflict of interest policy that assures the integrity of such program and the independence of the compliance program staff from those subject to enforcement actions.

(h) As often as NERC deems necessary, but no less than every three years, NERC shall review SERC's compliance enforcement program to ensure that: (i) the program meets all applicable legal requirements; (ii) actual practices reflect the requirements; and (iii) the program administered pursuant to the Delegated Authority promotes consistent interpretations across North America of Reliability Standards and comparable levels of sanctions and penalties to violations of Reliability Standards constituting comparable levels of threat to reliability of the bulk power system.

(i) SERC shall modify its compliance enforcement program as needed to reflect additions to, deletions from, or modifications of Reliability Standards and,

subject to the rights and limitations of Sections 16 and 17 of this Agreement, shall modify its compliance enforcement program as needed: (i) to reflect amendments to the NERC Rules; (ii) to comply with NERC directives resulting from the review of compliance enforcement programs as provided in Section 6(h) of this Agreement; or (iii) to resolve a conflict with a function, rule, order, tariff, rate schedule, or agreement accepted, approved, or ordered by the Commission.

(j) NERC shall conduct a review with the Regional Entities that provides for the exchange of information on practices, experiences, and lessons learned in the implementation of compliance enforcement programs.

(k) SERC may also perform compliance monitoring and enforcement activities outside of the Region shown on **Exhibit A**, on behalf of NERC and/or other Regional Entities, such activities to be undertaken pursuant to a contract between SERC and each such other Regional Entity that is approved by NERC and by the Commission.

7. Delegation-Related Services. NERC will engage SERC on its behalf to carry out certain of its activities that are in furtherance of its responsibilities as the ERO under the Act or in support of delegated functions, as specified in the NERC Rules and listed on **Exhibit E**.

8. Funding. SERC and NERC shall ensure that the delegated functions and related activities listed on **Exhibit E** have reasonable and adequate funding and resources by undertaking the following:

(a) NERC shall fund SERC activities necessary for SERC to carry out its Delegated Authority under this Agreement, including the functions listed on **Exhibit E**, and shall not impose any obligation or requirement regarding Delegated Authority upon SERC without providing appropriate funding to carry out such mandates;

(b) SERC and NERC agree that costs of carrying out SERC's responsibilities under the Delegation Agreement will be equitably allocated among end users within the geographic boundaries described in **Exhibit A** and recovered through a formula based on net energy for load, or through such other formula as is proposed by SERC and

approved by NERC and the Commission. If SERC proposes to use a formula other than net energy for load beginning in the following year, SERC shall submit the proposed formula to NERC in sufficient time that NERC may review and approve the proposed formula and file it with the Commission for approval by May 15, and the proposed formula shall be effective for the following year if approved by the Commission on or before the date the Commission approves the annual business plan and budget submitted by NERC and SERC to the Commission pursuant to 18 C.F.R. §39.4 for such year;

(c) NERC will ensure that the costs for its responsibilities are first allocated fairly among the interconnections and regions according to the applicability of this work to those interconnections and regions, and then equitably among the end users of the applicable interconnections and regions as appropriate. Allocation on a net energy for load basis will be presumed to satisfy this equitability requirement.

(d) NERC shall provide SERC with the form for budget submittal no later than April 30 of the prior year.

(e) SERC shall submit its annual budget for carrying out its Delegated Authority functions and related activities listed on **Exhibit E**, as well as all other SERC activities and funding to NERC no later than June 1 of the prior fiscal year such that NERC may submit its budget to the Commission 130 days in advance of the beginning of each fiscal year. The SERC budget submission shall include supporting materials, including SERC's complete business plan and organization chart, explaining the proposed collection of all dues, fees and charges, and the proposed expenditure of funds collected in sufficient detail to justify the requested funding collection and budget expenditures. NERC shall develop, in consultation with the Regional Entities, a reasonable and consistent system of accounts, with a level of detail and record keeping comparable to the Commission's Uniform System of Accounts and sufficient to allow the Commission to compare each Commission-approved NERC fiscal year budget with the actual results at the NERC and Regional Entity level. SERC shall follow NERC's prescribed system of accounts except to the extent that NERC permits a departure from the prescribed system of accounts. NERC shall make an informational filing with

the Commission describing any such waiver it permits and providing an explanation supporting the permitted departure.

(f) SERC's funding system shall include reasonable reserve funding for unforeseen and extraordinary expenses and other contingencies, consistent with generally accepted accounting principles.

(g) NERC shall review and approve SERC's budget for meeting its responsibilities under the Delegation Agreement.

(h) SERC shall submit unaudited quarterly interim financial statements in form provided by NERC no later than 20 days after the end of the fiscal quarter (March 31, June 30, September 30, and December 31).

(i) SERC shall submit audited financial statements annually including supporting materials in a form provided by NERC no later than 150 days after the end of the fiscal year.

(j) NERC shall have the right to review from time to time, in reasonable intervals but no less than every three years, the financial records of SERC in order to ensure that the documentation fairly represents in all material respects appropriate funding under this Agreement.

(k) **Exhibit E** to this Agreement sets forth the mechanism through which SERC shall offset penalty monies it receives (other than penalty monies received from an operational function or division or affiliated entity) against its next year's annual budget for carrying out functions under this Agreement, and the mechanism by which SERC shall transmit to NERC any penalty monies received from an operational function or division or affiliated entity of SERC.

9. Assignment. This Agreement may be assigned by either Party only with the prior written consent of the other, which consent shall be granted or withheld in such non-assigning Party's sole discretion, subject to approval by the Commission. Any assignment under this Agreement shall not relieve a Party of its obligations, nor shall a Party's obligations be enlarged, in whole or in part, by reason thereof. SERC may not delegate in whole or in part its Delegated Authority to any other entity; provided, however, that nothing in this provision shall prohibit SERC from contracting with other

entities to assist it in carrying out its Delegated Authority, provided SERC retains control and responsibility for such Delegated Authority.

10. Default and Cure. Upon a Breach, the non-breaching Party shall give written notice of such Breach to the breaching Party (the "Default Notice"). Subject to a suspension of the following deadlines as specified below, the breaching Party shall have thirty (30) calendar days from receipt of the Default Notice within which to cure such Breach; provided however, that if such Breach is not capable of cure within thirty (30) calendar days, the breaching Party shall commence such cure within thirty (30) calendar days after notice and continuously and diligently complete such cure within ninety (90) calendar days from receipt of the Default Notice; and, if cured within such time, the Breach specified in such notice shall cease to exist. Subject to the limitation specified in the following sentence, if a Breach is not cured as provided in this article, or if a Breach is not capable of being cured within the period provided for herein, the nonbreaching Party shall have the right to declare a default and terminate this Agreement by written notice at any time until cure occurs, and be relieved of any further obligation hereunder. The deadlines for cure and the right to declare a default and terminate this Agreement shall be suspended during the pendency of any efforts or proceedings in accordance with Section 17 of this Agreement to resolve a dispute as to whether a Breach has occurred. The provisions of this article will survive termination of this Agreement.

11. Term and Termination.

(a) This Agreement is effective as of January 3, 2009, pursuant to the December 19, 2008 order of the Federal Energy Regulatory Commission (125 FERC ¶61,330).

(b) The initial term of the Agreement shall be four (4) years from the original effective date of May 2, 2007, prior to which time NERC shall conduct an audit pursuant to subsections 6(e) and 7(i) to ensure that SERC continues to meet all applicable statutory and regulatory requirements necessary to maintain its eligibility for delegation. If SERC meets such requirements, this Agreement may be renewed for

another five (5) year term. If this Agreement is not renewed or becomes subject to termination for any reason, the Parties shall work to ensure a transition of SERC's Delegated Authority to NERC or to another eligible entity. The termination of this Agreement shall not take effect until such transition has been effected, unless the transition period exceeds one year, at which time SERC may unilaterally terminate.

(c) If any provision of this Agreement, or the application thereof to any person, entity or circumstance, is held by a court or regulatory authority of competent jurisdiction to be invalid, void, or unenforceable, or if a modification or condition to this Agreement is imposed by a regulatory authority exercising jurisdiction over this Agreement, the Parties shall endeavor in good faith to negotiate such amendment or amendments to this Agreement as will restore the relative benefits and obligations of the signatories under this Agreement immediately prior to such holding, modification or condition. If either Party finds such holding, modification or condition unacceptable and the Parties are unable to renegotiate a mutually acceptable resolution, either Party may unilaterally terminate this Agreement. Such termination shall be effective one year following written notice by either Party to the other Party and to the Commission, or at such other time as may be mutually agreed by SERC and NERC.

(d) Notwithstanding any termination of this Agreement, provisions contained in Limitation of Liability (Section 12), No Third Party Beneficiaries (Section 13) and Confidentiality (Section 14) shall survive this Agreement in accordance with their terms until sixty (60) days following the expiration of any applicable statute of limitations.

12. Limitation of Liability. SERC and NERC agree not to sue each other or their directors, officers, employees, and persons serving on their committees and subgroups based on any act or omission of any of the foregoing in the performance of duties pursuant to this Agreement or in conducting activities under the authority of Section 215 of the Act, other than seeking a review of such action or inaction by the Commission. NERC and SERC shall not be liable to one another for any damages whatsoever, including without limitation, direct, indirect, incidental, special, multiple, consequential (including attorneys' fees and litigation costs), exemplary, or punitive damages arising out of or resulting from any act or omission associated with the

performance of the SERC's or NERC's responsibilities under this Agreement or in conducting activities under the authority of Section 215 of the Act, except to the extent that the SERC or NERC is found liable for gross negligence or intentional misconduct, in which case SERC or NERC shall not be liable for any indirect, incidental, special, multiple, consequential (including without limitation attorneys' fees and litigation costs), exemplary, or punitive damages.

13. No Third Party Beneficiaries. Nothing in this Agreement shall be construed to create any duty to, any standard of care with reference to, or any liability to any third party.

14. Confidentiality. During the course of the Parties' performance under this Agreement, a Party may receive Confidential Information, as defined in Rule 1500 of NERC's Rules of Procedure. Except as set forth herein, the Parties agree to keep in confidence and not to copy, disclose, or distribute any Confidential Information or any part thereof, without the prior written permission of the issuing Party, unless disclosure is required by subpoena, law, or other directive of a court, administrative agency, or arbitration panel, in which event the recipient hereby agrees to provide the Party that provided the Confidential Information with prompt notice of such request or requirement in order to enable such issuing Party to (a) seek an appropriate protective order or other remedy, (b) consult with the recipient with respect to taking steps to resist or narrow the scope of such request or legal process, or (c) waive compliance, in whole or in part, with the terms of this Section. In the event a protective order or other remedy is not obtained or that issuing Party waives compliance with the provisions, the recipient agrees to furnish only that portion of the Confidential Information which the recipient's counsel advises is legally required and to exercise best efforts to obtain assurance that confidential treatment will be accorded to such Confidential Information. In addition, each Party shall ensure that its officers, trustees directors, employees, subcontractors and subcontractors' employees, and agents to whom Confidential Information is exposed are under obligations of confidentiality that are at least as restrictive as those

contained herein. This confidentiality provision does not prohibit reporting and disclosure as directed by NERC, as set forth in Section 6 of this Agreement.

15. Amendment. Neither this Agreement nor any of the terms hereof, may be amended unless such amendment is made in writing, signed by the Parties, and filed with and approved by the Commission.

16. Amendments to the NERC Rules. NERC shall not adopt amendments to the NERC Rules that conflict with the rights, obligations, or programs of SERC under this Agreement without first obtaining the consent of SERC, which consent shall not be unreasonably withheld or delayed. To the extent SERC does not consent, NERC shall have the right to invoke the dispute resolution provisions of Section 17 and, if such effort fails to resolve the dispute, to petition the Commission to adopt the amendment to the NERC Rules. To the extent that the Commission issues an order amending or materially affecting the rights or obligations of SERC under this Agreement, SERC shall have the option, exercisable no later than 60 days after issuance of such order, to terminate this Agreement. Such termination shall be effective one year following written notice by SERC to NERC and the Commission, or at such other time as may be mutually agreed by SERC and NERC.

17. Dispute Resolution. In the event a dispute arises under this Agreement between NERC and SERC, representatives of the Parties with authority to settle the dispute shall meet and confer in good faith in an effort to resolve the dispute in a timely manner. In the event the designated representatives are unable to resolve the dispute within thirty (30) days or such other period as the Parties may agree upon, each Party shall have all rights to pursue all remedies, except as expressly limited by the terms of this Agreement. Neither Party shall have the right to pursue other remedies until the Dispute Resolution procedures of this Section 17 have been exhausted. This Section 17 shall not apply to enforcement actions against individual entities.

18. Notice. Whether expressly so stated or not, all notices, demands, requests, and other communications required or permitted by or provided for in this Agreement shall be given in writing to a Party at the address set forth below, or at such other address as a Party shall designate for itself in writing in accordance with this Section, and shall be delivered by hand or reputable overnight courier:

If to NERC:
David Nevius, Senior Vice President
and Director of Reliability Assessment &
Performance Analysis
North American Electric Reliability
Corporation
116-390 Village Blvd.
Princeton, NJ 08540-5721
Facsimile: (609) 452-9550

If to SERC:
Gerald W. Cauley, President and CEO
SERC Reliability Corporation
Six Coliseum Centre, Suite 500
2815 Coliseum Centre Drive
Charlotte, NC 28217
Facsimile: (704) 357-7914

19. Governing Law. When not in conflict with or preempted by federal law, this Agreement will be governed by and construed in accordance with the laws of New Jersey without giving effect to the conflict of law principles thereof. The Parties recognize and agree not to contest the exclusive or primary jurisdiction of the Commission to interpret and apply this Agreement; provided however that if the Commission declines to exercise or is precluded from exercising jurisdiction of any action arising out of or concerning this Agreement, such action shall be brought in any state or federal court of competent jurisdiction in New Jersey. All Parties hereby consent to the jurisdiction of any state or federal court of competent jurisdiction in New Jersey for the purpose of hearing and determining any action not heard and determined by the Commission.

20. Headings. The headings and captions in this Agreement are for convenience of reference only and shall not define, limit, or otherwise affect any of the terms or provisions hereof.

21. Savings Clause. Nothing in this Agreement shall be construed to preempt or limit any authority that SERC may have to adopt reliability requirements or take other actions to ensure reliability of the bulk power system within the geographic boundaries described in **Exhibit A** that are outside the authority delegated from NERC, as long as

such reliability requirements and actions are not inconsistent with Reliability Standards applicable to the region described in **Exhibit A** and do not result in a lessening of reliability outside the region described in **Exhibit A**.

22. Entire Agreement. This Agreement constitutes the entire agreement, and supersedes all prior agreements and understandings, both written and oral, among the parties with respect to the subject matter of this Agreement.

24. Execution of Counterparts. This Agreement may be executed in counterparts and each shall have the same force and effect as the original.

NOW THEREFORE, the parties have caused this Agreement to be executed by its duly authorized representatives, effective as of the date first above written.

**NORTH AMERICAN ELECTRIC
RELIABILITY CORPORATION**

SERC RELIABILITY CORPORATION

By: _____

By: _____

Name: David A. Whiteley

Name: Gerald W. Cauley

Title: Executive Vice President

Title: President and CEO

Date: _____

Date: _____

SERC Regional Boundaries

Exhibit A to the Amended and Restated Regional Entity Delegation Agreement between

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



1.0 Regional Boundaries

The geographic boundaries of SERC Reliability Corporation (SERC) are determined by the service areas of its membership, comprised of investor-owned utilities, municipal, cooperative, state and federal systems, merchant electricity generators and power marketers.

SERC covers an area of approximately 560,000 square miles in sixteen states: all of Alabama, Georgia, Mississippi, North Carolina and South Carolina, and portions of Arkansas, Florida, Illinois, Iowa, Kentucky, Louisiana, Missouri, Oklahoma, Tennessee, Texas and Virginia.

Service provided by SERC members in areas which overlap with neighboring regions:

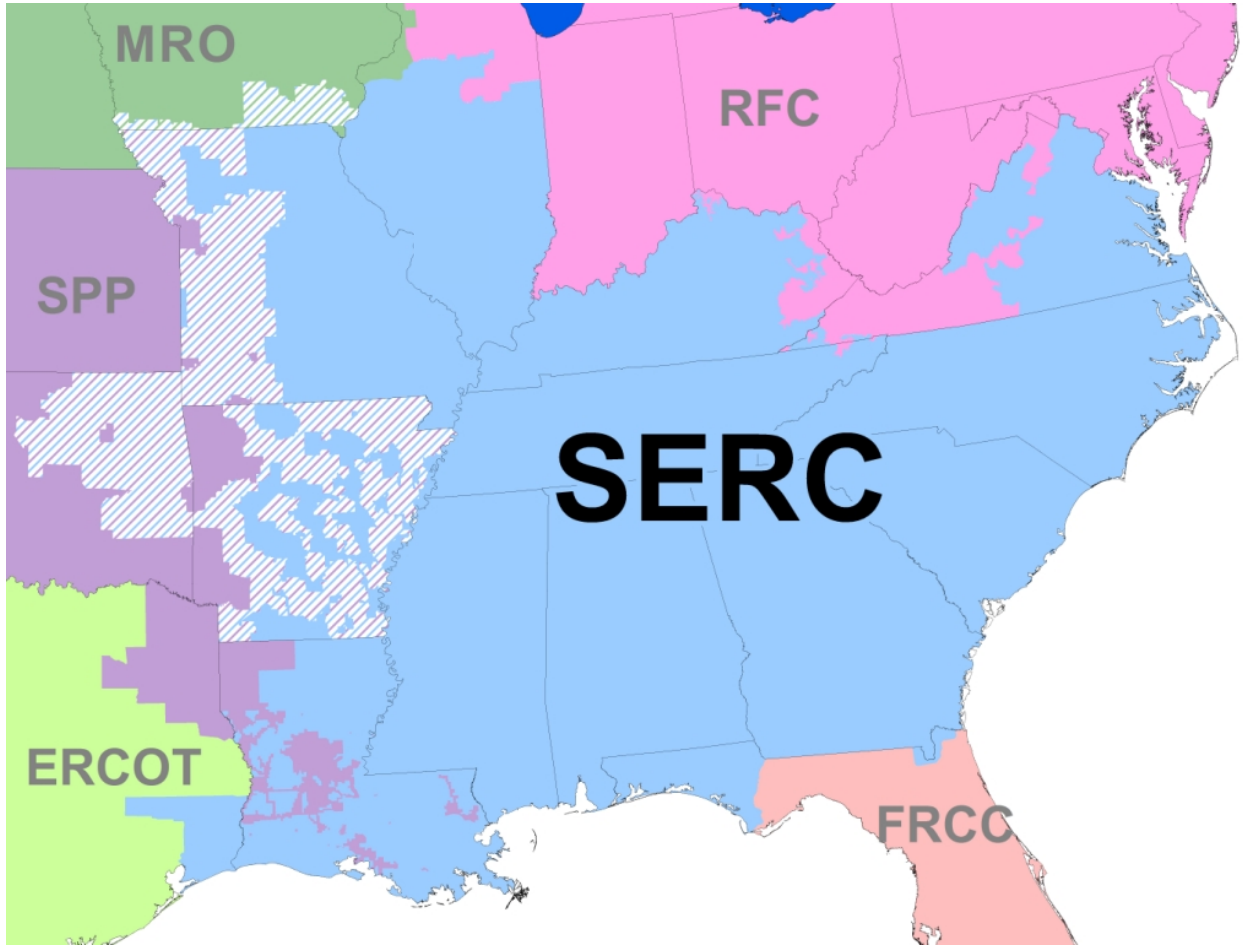
- The area in southern Iowa is served by N.E. Missouri Electric Power Cooperative, a member of Associated Electric Cooperative, Inc., and N.W. Electric Power Cooperative, a member of Associated Electric Cooperative, Inc.
- The area in eastern Oklahoma is served by KAMO Electric Cooperative, Inc., a member of Associated Electric Cooperative, Inc.
- The area in Arkansas is served by Entergy Arkansas.
- The area in western Missouri is served by N.W. Electric Power Cooperative, a member of Associated Electric Cooperative, Inc., and KAMO Electric Cooperative, Inc., a member of Associated Electric Cooperative, Inc.
- The area in N.E. Florida (part of Baker and Nassau counties) is served by Okefenokee Rural Electric Membership Corporation (OREMC), a member of Georgia System Operations Corporation, and is therefore part of the SERC Region and not the FRCC Region.

A regional map is shown in Section 1.1.

SERC may also perform compliance and enforcement activities outside of the Region, on behalf of NERC and/or other Regional Entities, such activities to be undertaken pursuant to a contract between the Regional Entities that is approved by the Board Executive Committee, NERC and the Federal Energy Regulatory Commission.

Regional Boundaries

1.1 SERC Regional Map



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 [DATE]

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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.

4.3 **Other Statutory Activities.** The Corporation may also perform statutory functions outside of the Region, on behalf of NERC or other Regional Entities, such activities to be undertaken pursuant to a contract that is approved by the Board Executive Committee.

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 a 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 on (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.

SERC Regional Standards Development Procedure

Exhibit C to the Amended and Restated Regional Entity Delegation Agreement between

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



Exhibit C – Regional Standard Development Procedure

Exhibit C sets forth SERC Reliability Corporation's standards development procedure, which NERC agrees meets the following common attributes:

COMMON ATTRIBUTE 1

Proposed regional reliability standards shall be subject to approval by NERC, as the electric reliability organization, and by FERC before becoming mandatory and enforceable under Section 215 of the FPA [add reference to any applicable authorities in Canada and Mexico]. No regional reliability standard shall be effective within the [Regional Entity Name] area unless filed by NERC with FERC [and applicable authorities in Canada and Mexico] and approved by FERC [and applicable authorities in Canada and Mexico].

COMMON ATTRIBUTE 2

[Regional Entity Name] regional reliability standards shall provide for as much uniformity as possible with reliability standards across the interconnected bulk power system of the North American continent. A [Regional Entity Name] reliability standard shall be more stringent than a continent-wide reliability standard, including a regional difference that addresses matters that the continent-wide reliability standard does not, or shall be a regional difference necessitated by a physical difference in the bulk power system. A regional reliability standard that satisfies the statutory and regulatory criteria for approval of proposed North American reliability standards, and that is more stringent than a continent-wide reliability standard, would generally be acceptable.

COMMON ATTRIBUTE 3

[Regional Entity Name] regional reliability standards, when approved by FERC [add applicable authorities in Canada], shall be made part of the body of NERC reliability standards and shall be enforced upon all applicable bulk power system owners, operators, and users within the [Regional Entity Name] area, regardless of membership in the region.

COMMON ATTRIBUTE 4

Requester — The requester is the sponsor of the regional reliability standard request may assist in the development of the standard. Any member of [Regional Entity Name], or group within [Regional Entity Name] shall be allowed to request that a regional reliability standard be developed, modified, or withdrawn. Additionally, any entity (person, organization, company, government agency, individual, etc.) that is directly and materially affected by the reliability of

the bulk power system in the [Regional Entity Name] area shall be allowed to request a regional reliability standard be developed, modified, or withdrawn.

COMMON ATTRIBUTE 5

[Standards or other named] committee — The [Regional Entity Name] [standards] committee manages the standards development process. The [standards] committee will consider which requests for new or revised standards shall be assigned for development (or existing standards considered for deletion). The [standards] committee will advise the [Regional Entity Name] board on standards presented for adoption.

COMMON ATTRIBUTE 6A [REGISTERED BALLOT BODY APPROACH]

The registered ballot body comprises all entities or individuals that qualify for one of the stakeholder segments; are registered with [Regional Entity Name] as potential ballot participants in the voting on standards; and are current with any designated fees. Each member of the registered ballot body is eligible to vote on standards. [Each standard action has its own ballot pool formed of interested members of the registered ballot body. Each ballot pool comprises those members of the registered ballot body that respond to a pre-ballot survey for that particular standard action indicating their desire to participate in such a ballot pool.] The representation model of the registered ballot body is provided in Appendix A.]

COMMON ATTRIBUTE 7

[Regional Entity Name] will coordinate with NERC such that the acknowledgement of receipt of a standard request identified in step 1, notice of comment posting period identified in step 4, and notice for vote identified in step 5 below are concurrently posted on both the [Regional Entity Name] and NERC websites.

COMMON ATTRIBUTE 8

An acceptable standard request shall contain a description of the proposed regional reliability standard subject matter containing sufficiently descriptive detail to clearly define the purpose, scope, impacted parties, and other relevant information of the proposed standard.

COMMON ATTRIBUTE 9

Within [no greater than 60] days of receipt of a completed standard request, the [standards] committee shall determine the disposition of the standard request.

COMMON ATTRIBUTE 10

The [standards] committee may take one of the following actions:

- Accept the standard request as a candidate for development of a new standard, revision of an existing standard, or deletion of an existing standard. The [standards] committee may, at its discretion, expand or narrow the scope of the standard request under consideration. The [standards] committee shall prioritize the development of standard in relation to other proposed standards, as may be required based on the volume of requests and resources.
- Reject the standard request. If the [standards] committee rejects a standard request, a written explanation for rejection will be delivered to the requester within [no greater than 30] days of the decision.
- Remand the standard request back to the requester for additional work. The standards process manager will make reasonable efforts to assist the requester in addressing the deficiencies identified by the [standards] committee. The requester may then resubmit the modified standard request using the process above. The requester may choose to withdraw the standard request from further consideration prior to acceptance by the [standards] committee.

COMMON ATTRIBUTE 11

Any standard request that is accepted by the [standards] committee for development of a standard (or modification or deletion of an existing standard) shall be posted for public viewing on the [Regional Entity Name] website within [no greater than 30] days of acceptance by the committee.

COMMON ATTRIBUTE 12

The standards process manager shall submit the proposed members of the drafting team to the [standards] committee. The [standards] committee shall approve the drafting team membership within 60 days of accepting a standard request for development, modifying the recommendations of the standards process manager as the committee deems appropriate, and assign development of the proposed standard to the drafting team.

COMMON ATTRIBUTE 13

At the direction from the [standards] committee, the standards process manager shall facilitate the posting of the draft standard on the [Regional Entity Name] website, along with a draft implementation plan and supporting documents, for a no less than a [30]-day comment period. The standards process manager shall provide notice to [Regional Entity Name] stakeholders and other potentially interested entities, both within and outside of the [Regional Entity Name] area, of

the posting using communication procedures then currently in effect or by other means as deemed appropriate.

COMMON ATTRIBUTE 14

The drafting team shall prepare a summary of the comments received and the changes made to the proposed standard as a result of these comments. The drafting team shall summarize comments that were rejected by the drafting team and the reason(s) that these comments were rejected, in part or whole. The summary, along with a response to each comment received will be posted on the [Regional Entity Name] website no later than the next posting of the proposed standard.

COMMON ATTRIBUTE 15

Upon recommendation of the drafting team, and if the [standards] committee concurs that all of the requirements for development of the standard have been met, the standards process manager shall post the proposed standard and implementation plan for ballot and shall announce the vote to approve the standard, including when the vote will be conducted and the method for voting. Once the notice for a vote has been issued, no substantive modifications may be made to the proposed standard unless the revisions are posted and a new notice of the vote is issued.

COMMON ATTRIBUTE 16

The standards process manager shall schedule a vote by the [Regional Entity Name] [registered ballot body/[standards] committee]. The vote shall commence no sooner than [15] days and no later than [30] days following the issuance of the notice for the vote.

COMMON ATTRIBUTE 17

The [standards] committee shall give due consideration to the work of the drafting team, as well as the comments of stakeholders and minority objections, in approving a proposed regional reliability standard for submittal to the [Regional Entity Name] board. The [standards] committee may vote to approve or not approve the standard. Alternatively, the [standards] committee may remand the standard to the drafting team for further work or form a new drafting team for that purpose.

COMMON ATTRIBUTE 18

The [standards] committee may not itself modify the standard without issuing a new notice to stakeholders regarding a vote of the modified standard.

COMMON ATTRIBUTE 19

Actions by the committee shall be recorded in the regular minutes of the committee.

COMMON ATTRIBUTE 20

Under no circumstances may the board substantively modify the proposed regional reliability standard.

COMMON ATTRIBUTE 21

Once a regional reliability standard is approved by the board, the standard will be submitted to NERC for approval and filing with FERC [and applicable authorities in Canada and Mexico.]

COMMON ATTRIBUTE 22

Open - Participation in the development of a regional reliability standard shall be open to all organizations that are directly and materially affected by the [Regional Entity Name] bulk power system reliability. There shall be no undue financial barriers to participation. Participation shall not be conditioned upon membership in [Regional Entity Name], and shall not be unreasonably restricted on the basis of technical qualifications or other such requirements. Meetings of drafting teams shall be open to the [Regional Entity Name] members and others.

COMMON ATTRIBUTE 23

Balanced - The [Regional Entity Name] standards development process strives to have an appropriate balance of interests and shall not be dominated by any two interest categories and no single interest category shall be able to defeat a matter.

COMMON ATTRIBUTE 24

Inclusive — Any entity (person, organization, company, government agency, individual, etc.) with a direct and material interest in the bulk power system in the [Regional Entity Name] area shall have a right to participate by: a) expressing a position and its basis, b) having that position considered, and c) having the right to appeal.

COMMON ATTRIBUTE 25

Fair due process — The regional reliability standards development procedure shall provide for reasonable notice and opportunity for public comment. At a minimum, the procedure shall include public notice of the intent to develop a

standard, a public comment period on the proposed standard, due consideration of those public comments, and a ballot of interested stakeholders.

COMMON ATTRIBUTE 26

Transparent — All actions material to the development of regional reliability standards shall be transparent. All standards development meetings shall be open and publicly noticed on the regional entity's Web site.

COMMON ATTRIBUTE 27

Does not unnecessarily delay development of the proposed reliability standard.

COMMON ATTRIBUTE 28

Each standard shall enable or support one or more of the reliability principles, thereby ensuring that each standard serves a purpose in support of the reliability of the regional bulk power system. Each standard shall also be consistent with all of the reliability principles, thereby ensuring that no standard undermines reliability through an unintended consequence.

COMMON ATTRIBUTE 29

While reliability standards are intended to promote reliability, they must at the same time accommodate competitive electricity markets. Reliability is a necessity for electricity markets, and robust electricity markets can support reliability. Recognizing that bulk power system reliability and electricity markets are inseparable and mutually interdependent, all regional reliability standards shall be consistent with NERC's market interface principles. Consideration of the market interface principles is intended to ensure that standards are written such that they achieve their reliability objective without causing undue restrictions or adverse impacts on competitive electricity markets.

COMMON ATTRIBUTE 30

To ensure uniformity of regional reliability standards, a regional reliability standard shall consist of the elements identified in this section of the procedure. These elements are intended to apply a systematic discipline in the development and revision of standards. This discipline is necessary to achieving standards that are measurable, enforceable, and consistent.

COMMON ATTRIBUTE 31

All mandatory requirements of a regional reliability standard shall be within the standard. Supporting documents to aid in the implementation of a standard may be referenced by the standard but are not part of the standard itself.

COMMON ATTRIBUTE 32

Clear identification of the functional classes of entities responsible for complying with the standard, noting any specific additions or exceptions.

If not applicable to the entire [Regional Entity Name] area, then a clear identification of the portion of the bulk power system to which the standard applies. Any limitation on the applicability of the standard based on electric facility requirements should be described.

COMMON ATTRIBUTE 33

Each requirement shall be addressed by one or more measures. Measures are used to assess performance and outcomes for the purpose of determining compliance with the requirements stated above. Each measure will identify to whom the measure applies and the expected level of performance or outcomes required demonstrating compliance. Each measure shall be tangible, practical, and as objective as is practical. It is important to realize that measures are proxies to assess required performance or outcomes. Achieving the measure should be a necessary and sufficient indicator that the requirement was met. Each measure shall clearly refer to the requirement(s) to which it applies.

COMMON ATTRIBUTE 34

Defines for each measure:

- The specific data or information that is required to measure performance or outcomes.
- The entity that is responsible for providing the data or information for measuring performance or outcomes.
- The process that will be used to evaluate data or information for the purpose of assessing performance or outcomes.
- The entity that is responsible for evaluating data or information to assess performance or outcomes.
- The time period in which performance or outcomes is measured, evaluated, and then reset.
- Measurement data retention requirements and assignment of responsibility for data archiving.
- Violation severity levels.

SERC Regional Reliability Standard Development Procedure

Revision History

Revision	Date	Comments
0	October 25, 2006	Document Origination
1	October 10, 2007	Document revised to change to a registered ballot body approach to approve standards, changed "Manager of Reliability Services" to Manager of Reliability Standards," changed the RSS meeting notice period to 21 days, changed the review period for this procedure from five to three years, and moved from the Standing Committee Executive Committees to the Standards Committee the ability to remand a SAR back to the Requester for additional work.

Responsible SERC Group(s)

SERC Standards Committee (SC)

Review and Re-Approval Requirements

This document will be reviewed every three years or as appropriate by the SERC Standards Committee for possible revision. The existing or revised document will be re-certified and distributed to all members of SERC.

List of Appendices

- Appendix A: Stakeholder Representation
- Appendix B: Principles, Characteristics, and Special Procedures
- Appendix C: SERC Regional Reliability Standard Authorization Request Form
- Appendix D: Elements of a SERC Regional Reliability Standard
- Appendix E: Comment Form for Draft SERC Regional Reliability Standard
- Appendix F: SERC Consideration of Comments Form
- Appendix G: SERC Process Flow Diagram

Introduction

This procedure defines the process for development, revision, reaffirmation, and withdrawal of a regional reliability standard by the SERC Reliability Corporation (SERC). SERC is a regional entity authorized through an approved delegation agreement with the North American Electric Reliability Corporation (NERC) to propose regional reliability standards in accordance with Section 215 of the Federal Power Act (FPA), the U.S. Federal Energy Regulatory Commission (FERC) Order No. 672, and Title 18 § 39 of the U.S. Code of Federal Regulations (C.F.R. 18 § 39).

SERC Regional Reliability Standards apply to the planning, operation, and critical infrastructure protection of the Bulk Power System in the SERC Region. Proposed SERC Regional Reliability Standards shall be subject to approval by NERC, as the electric reliability organization, and by FERC before becoming mandatory and enforceable under Section 215 of the FPA. No SERC Regional Reliability Standard shall be effective within the SERC area unless filed by NERC with FERC and approved by FERC.

SERC Regional Reliability Standards shall provide for as much uniformity as possible with reliability standards across the interconnected bulk power system of the North American continent. A SERC Regional Reliability Standard shall be more stringent than a continent-wide reliability standard, including a regional difference that addresses matters that the continent-wide reliability standard does not, or regional difference necessitated by a physical difference in the bulk power system. A SERC Regional Reliability Standard that satisfies the statutory and regulatory criteria for approval of proposed North American reliability standards, and that is more stringent than a continent-wide reliability standard, would generally be acceptable.

SERC Regional Reliability Standards, when approved by FERC, shall be made part of the body of NERC reliability standards and shall be enforced upon all applicable bulk power system owners, operators, and users within the SERC area, regardless of membership in the region.

Process Roles

Requester: The requester is the sponsor of the SERC Regional Reliability Standard request and may assist in the development of the standard. Any member of SERC, or any group (or member of a group) within SERC (i.e., committee, subcommittee, working group, study group, task force, or SERC staff), shall be allowed to request that a SERC Regional Reliability Standard be developed, modified, or withdrawn. Additionally, any entity that is directly and materially affected by the reliability of the SERC Bulk Power System shall be allowed to request that a SERC Regional Reliability Standard be developed, modified, or withdrawn.

SERC Board of Directors: The SERC Board of Directors shall consider for adoption as SERC Regional Reliability Standards, those Standards that have been developed and approved by this procedure. Once the Board adopts a SERC Regional Reliability Standard, such Standard shall be submitted to NERC for approval. When approved by NERC, it shall be submitted to FERC for approval.

SERC Staff: The SERC Manager of Reliability Standards is responsible for forwarding a request for the development, modification or withdrawal of SERC Regional Reliability Standards to the SERC Standards Committee. The SERC Staff shall facilitate all steps in this process.

SERC Standards Committee: The SERC Regional Reliability Standard Development Procedure shall be administered by the SERC Standards Committee (SC). The SERC SC is responsible for ensuring that the development, modification or withdrawal of SERC Regional Reliability Standards is in accordance with the steps in this procedure. The SERC SC will ensure the integrity of the process and the consistency of quality and completeness of the SERC Regional Reliability Standards.

SERC Standing Committees: The SERC Standing Committees will perform a high level technical review of the SAR to determine which requests for new or revised standards shall be assigned for development (or existing standards considered for deletion). The Standing Committees will appoint the standard drafting team (Responsible SERC Subgroup).

The current SERC Standing Committees are the Engineering Committee (EC), Operating Committee (OC), and Critical Infrastructure Protection Committee (CIPC). The Standing Committees are balanced stakeholder committees, inclusive of all stakeholder interests that provide for or are materially impacted by the reliability of the bulk power system. See Appendix A for the representation model of the Standing Committees.

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Compliance Advisory Groups: The SERC Compliance Advisory Groups provide inputs and comments during the standards development process to ensure the measures will be effective and other aspects of the compliance program can be practically implemented.

Responsible SERC Subgroup (RSS): Responsible SERC Subgroups are teams, responsible for drafting the standard. The RSS may include technical experts and be based around a permanent SERC Standing Committee subgroup. An RSS is established expressly to draft the standard. Membership on an RSS will be assigned by the SERC EC, OC, and/or CIPC. The requester may act as the RSS, serve on the RSS, or otherwise assist the RSS. SERC membership is not a prerequisite for serving on an RSS. The RSS will:

- Develop the details of the SERC Regional Reliability Standard,
- Consider and respond to industry comments,
- Participate in forums to help build consensus on draft SERC Regional Reliability Standards,
- Assist in the implementation of approved SERC Regional Reliability Standards,
- Provide technical oversight in response to changing industry conditions, and
- Assist in the identification of the need for new SERC Regional Reliability Standards.

Registered Ballot Body (RBB): The registered ballot body votes to approve standards. The RBB comprises all entities or individuals that qualify for one of the SERC industry Sectors, and are registered with SERC as potential ballot participants in the voting on standards. SERC membership is not a prerequisite for registering with SERC as a potential ballot participant. Any entity that is directly and materially affected by the reliability of the SERC Bulk Power System shall be allowed to register as a potential ballot participant.

Each member of the registered ballot body is eligible to vote on standards. Each standard action has its own ballot pool formed of interested members of the registered ballot body.

Ballot Pool: Each standard action has its own ballot pool formed of interested members of the Registered Ballot Body. The ballot pool comprises those members of the Registered Ballot Body that respond to a pre-ballot survey for that particular standard action. The ballot pool will ensure, through its vote, the need for and technical merits of a proposed standard action and the appropriate consideration of views and objections received during the development process. The ballot pool votes to approve each standards action.

Process Steps

Note: The term “days” below refers to calendar days.

SERC will coordinate with NERC such that the acknowledgement of receipt of an accepted standard request identified in step 4, notice of comment posting period identified in step 7, and notice for vote identified in step 9 below are concurrently posted on both the SERC and NERC websites.

Step 1: Request for a new SERC Regional Reliability Standard or modification to, or withdrawal of an existing SERC Regional Reliability Standard

A request to develop, modify or withdraw a SERC Regional Reliability Standard shall be submitted, using the SERC Regional Reliability Standard Authorization Request (SAR) Form (see Appendix C), to the SERC Manager of Reliability Standards (via e-mail to regstd@serc1.org) by any member of SERC, or any group (or member of a group) within SERC (i.e., committee, subcommittee, working group, study group, task force, or SERC staff), or any entity that is directly and materially affected by reliability of the SERC Bulk Power System. The SERC SAR Form can be downloaded from the SERC website (www.serc1.org).

An acceptable SAR shall contain a description of the proposed regional reliability standard subject matter with sufficient descriptive detail of the proposed standard to clearly define the purpose, scope, impacted parties, and other relevant information. SERC Staff shall verify that the SAR Form has been adequately completed. Within 15 days of receiving the SAR, the SERC Manager of Reliability Standards or his designee will electronically acknowledge receipt of the SAR, and will forward the SAR to the SERC Standards Committee. The SERC Manager of Reliability Standards may offer the Requester suggestions regarding changes or improvements to enhance the clarity of the proposed standards work and to assist the SERC Standards Committee in understanding the requester’s intent and objectives. The requester is free to accept or reject these suggestions.

Step 2: Assignment of SERC Regional Reliability Standard Request

The Standards Committee will review the SAR to ensure it is not in conflict with or duplication of a current standard or a standards drafting effort already proposed or in progress. Within 15 days after receiving the SAR from the SERC Manager of Reliability Standards, the Standards Committee will take one of the two following actions:

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- Assign the SAR to the appropriate SERC Standing Committee(s). SERC Staff will forward the SAR to the appropriate SERC Standing Committee Chair(s) and Standing Committee(s) Executive Committee.
- Remand the SAR back to the Requester for additional work. The SERC Manager of Reliability Standards will make reasonable efforts to assist the Requester in addressing the deficiencies identified by the Standards Committee. The Requester may then resubmit the modified SAR using the process above. The requester may choose to withdraw the SAR from further consideration.

Step 3: Acceptance of a SERC Regional Reliability Standard Request

Within 60 days of receipt of a completed SAR, the assigned SERC Standing Committee(s) Executive Committee(s) shall determine the disposition of the SAR. The committee may take one of the two following actions:

- Accept the SAR as a candidate for development of a new standard, revision of an existing standard, or deletion of an existing standard. The committee(s) may, at its discretion, expand or narrow the scope of the SAR under consideration. The committee(s) shall prioritize the development of standard in relation to other proposed standards, as may be required based on the volume of requests and resources.
- Reject the SAR. If the committee(s) rejects a SAR, a written explanation for rejection will be delivered to the Requester within 30 days of the decision.

Deliberations and decisions of the assigned SERC Standing Committee(s) Executive Committee(s) concerning requests shall be made and documented in accordance with the SERC Standing Committee rules and procedures then in effect.

Step 4: Posting of SERC Regional Reliability Standard Request

Any SAR that is accepted by the assigned SERC Standing Committee(s) Executive Committee(s) for development of a standard (or modification or deletion of an existing standard) shall be posted for public viewing on the SERC website within 30 days of acceptance by the committee. A notice of the posting for a 30-day comment period will be sent to all SERC Standing Committees representatives and alternates. In addition, the notice will be sent (via e-mail) to NERC, the Region Managers of the Regional Entities adjoining SERC (RFC, MRO, SPP, and FRCC), individuals listed as entity contacts in the SERC Compliance Registry, and the SERC Registered Ballot Body representatives to seek input on the proposed SAR. SERC Staff will perform this

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posting on the SERC website and coordinate or send correspondences described in this and other steps of the process.

Step 5: Formation of a Responsible SERC Subgroup

Within 60 days of accepting a SAR for development, the assigned SERC Standing Committee(s) Executive Committee(s) shall assign and direct the proposal to the appropriate Responsible SERC Subgroup (RSS) to develop the draft Regional Reliability Standard. The RSS may be a permanent Standing Committee subgroup (augmented by other persons as may be appropriate to address the subject matter of the proposed standard), or a task force established expressly by the Executive Committee(s) for drafting the standard. SERC membership is not a prerequisite for serving on an RSS.

After consulting with the assigned SERC Standing Committee(s) Executive Committee(s) as necessary, the SERC Standards Committee (SC) will assign a preliminary date on which the RSS is expected to have ready a completed draft Standard and associated supporting documentation available for consideration.

Step 6: Drafting of a SERC Regional Reliability Standard

The RSS shall develop a work plan for completing the regional reliability standard, including the establishment of a milestone schedule for completing critical elements of the work in sufficient detail to ensure that the RSS will meet the objectives established by the SC. The RSS shall submit its work plan to the SC for its concurrence.

The RSS shall convene periodically, either in person or by electronic means as necessary, establish work teams (made up of members of the RSS) as necessary, and perform other activities to complete the proposed standard within the milestone date(s) agreed upon by the SC. All RSS meetings or portions of meetings associated with development of the draft standard shall be open and publicly noticed on the SERC website for a minimum of twenty-one (21) calendar days prior to the meeting. All RSS meeting attendees are required to register via the SERC website.

The RSS shall consider all comments received on the posting of the SAR and shall develop a draft SERC Regional Reliability Standard that will address the accepted SAR. The RSS shall use the SERC Regional Reliability Standards Format Template as the format for the draft standard (see Appendix D). The SERC Regional Reliability Standards Format Template can be downloaded from the SERC website (www.serc1.org).

The work product of the RSS will consist of the following:

- A draft Standard consistent with the SAR on which it was based.

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- An assessment of the impact of the standard on neighboring regions, and appropriate input from the neighboring regions if the standard is determined to impact any neighboring region.
- An implementation plan, including the nature, extent and duration of field-testing, if any.
- Identification of any existing Standard that will be deleted, in part or whole, or otherwise impacted by the implementation of the draft Standard
- Technical reports, white papers and/or work papers that provide technical support for the draft Standard under consideration.
- Documentation of the perceived reliability impact should the Standard be approved.

The RSS shall regularly inform the SC, at a frequency determined by the SC, of its progress in meeting a timely completion of the draft standard. The RSS may, with justification, request of the SC scope changes from the SAR at any point in the standard development process.

The RSS shall submit the draft SERC Regional Reliability Standard and supporting documentation to the SC for review. The RSS will send any revised SERC Regional Reliability Standard to the SC in both “Clean” and “Tracking” formats. The RSS shall also send the SC an accompanying Comments Form which may include specific questions addressing the major issues associated with the new or revised standard. In any event, the Comments Form must also allow for general comments on the standard (see Appendix E for sample form). The SC will verify that the proposed standard is consistent with the SAR on which it was based. The SERC Regional Reliability Draft Standards Comments Form can be downloaded from the SERC website (www.serc1.org).

Step 7: Posting of a Draft SERC Regional Reliability Standard

The SERC Standards Committee shall send to the SERC Manager of Reliability Standards the draft SERC Regional Reliability Standard, along with a draft implementation plan and supporting documents, for comments. SERC Staff will post these documents on the SERC website for thirty (30) calendar days. A notice of the posting for comment will be sent to all SERC Standing Committees representatives and alternates. In addition, the request will be sent (via e-mail) to NERC, the Region Managers of the Regional Entities adjoining SERC (RFC, MRO, SPP, and FRCC), individuals listed as entity contacts in the SERC Compliance Registry, and the SERC Registered Ballot Body representatives to seek input on the draft SERC Regional Reliability Standard. Comments shall be submitted electronically (via e-mail) to regstd@serc1.org. All comments are due by the close of business on the 30th calendar day of posting. If the comment due date falls on a weekend or nationally recognized holiday, the comments shall be due by the close of business on the next regularly scheduled business day.

Step 8: Standard Drafting Team Review of Comments

SERC Staff shall forward all comments received to the RSS and SC. The SC may review comments and make recommendations concerning them. Any SC recommendation will be forwarded to the RSS. The RSS shall review the comments received and revise the draft SERC Regional Reliability Standard as needed. The RSS shall develop a written response to each comment received using the Consideration of Comments Form Template (see Appendix F). The SERC Consideration of Comments Form Template can be downloaded from the SERC website (www.serc1.org). The completed Consideration of Comments Form will be posted on the SERC website.

The RSS shall summarize comments that were rejected by the RSS and the reason(s) that these comments were rejected, in part or whole. The RSS shall submit to the SC the summary of comments rejected, the completed Consideration of Comments form, and any resulting revisions to the draft SERC Regional Reliability Standard.

If needed, a second draft of the SERC Regional Reliability Standard (along with the summary of comments rejected and the Consideration of Comments from the previous posting) will be posted for another comment period. Such comment period shall be for thirty (30) calendar days. A notice of the posting for comment will be sent to all SERC Standing Committees representatives and alternates. In addition, the notice will be sent (via e-mail) to NERC, the Region Managers of the Regional Reliability Organizations adjoining SERC (RFC, MRO, SPP, and FRCC), individuals listed as entity contacts in the SERC Compliance Registry, and the SERC Registered Ballot Body representatives to seek input on the revised draft SERC Regional Reliability Standard.

Based on comments received to the posting, Step 7 will be repeated as necessary until the RSS and the SC believe the draft SERC Regional Reliability Standard is ready to submit to the SERC Ballot Body for approval.

Step 9: Notice of Vote to Approve a SERC Regional Reliability Standard

The Responsible SERC Subgroup shall submit the summary of comments rejected and the Consideration of Comments document along with the final draft of the proposed SERC Regional Reliability Standard (both "Tracking" and "Clean" versions for standard revisions) to the SERC Manager of Reliability Standards for posting on the SERC website at least 15 days prior to requesting approval of the standard.

The SERC Manager of Reliability Standards shall post the proposed standard and implementation plan for ballot and shall announce the vote to approve the standard, including when the vote will be conducted and the method for voting. Once the notice for a vote has been issued, no substantive modifications may be made to the proposed standard unless the revisions are posted and a new notice of the vote is issued.

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Ballot Pool: The SERC Manager of Reliability Standards shall establish a ballot pool for a standard action at least 15 days prior to the start of a ballot. The SERC Manager of Reliability Standards shall send a notice to every entity in the Registered Ballot Body. The purpose of this notice is to establish a ballot pool to participate in the ballot of the proposed standards action.

Any member of the Registered Ballot Body may join or drop out of a ballot pool until the ballot period begins (Step 10). No Registered Ballot Body member may join or leave the ballot pool once the first ballot starts. The SERC Manager of Reliability Standards shall coordinate changes to the membership of the ballot pool and publicly post the standard ballot pool for each standard action.

The SERC Manager of Reliability Standards shall schedule a vote by the ballot pool for approval. The vote shall commence no sooner than 15 days and no later than 30 days following the issuance of the notice for the vote.

Step 10: SERC Ballot Pool of Registered Ballot Body Approval

The Ballot Pool shall have a minimum of ten (10) days to vote on a standards action. The Ballot Pool should give due consideration to the work of the RSS, as well as the comments of stakeholders and minority objections, in approving a proposed regional reliability standard. The Ballot Pool may vote to approve or not approve the standard.

Once approved, the SERC Regional Reliability Standard along with the proposed implementation plan and supporting documentation will be submitted by the SERC President, or the President's designee, to the SERC Board of Directors for adoption.

If approval by the RBB is not obtained, the Standing Committee(s) will determine if the draft SERC Regional Reliability Standard is to be sent back to the RSS to repeat Step 8 to incorporate any RBB or SERC Standing Committee(s) comments, form a new RSS for that purpose, or to take no further action on the proposed SERC Regional Reliability Standard.

If no further action is taken, the reason for such will be posted on the SERC website. A notice of the posting will be sent to all SERC Standing Committee representatives and alternates. In addition, the notice will be sent (via e-mail) to NERC, the Region Managers of the Regional Entities adjoining SERC (RFC, MRO, SPP, and FRCC), individuals listed as entity contacts in the SERC Compliance Registry, and the SERC Registered Ballot Body representatives.

Step 11: Adoption of SERC Regional Reliability Standards by the SERC Board of Directors

The SERC Board of Directors shall consider adoption of any SERC Regional Reliability Standard that has been approved by the SERC RBB. A SERC Regional Reliability Standard submitted for adoption by the SERC Board of Directors must be posted for notification on the SERC website at least 15 days prior to action by the SERC Board of Directors. A notice of the posting will be sent to all SERC Board of Directors representatives and alternates, and to all SERC Standing Committee representatives and alternates. In addition, the notice will be sent (via e-mail) to NERC, the Region Managers of the Regional Entities adjoining SERC (RFC, MRO, SPP, and FRCC) and to any entity that is directly and materially affected by the reliability of the SERC Bulk Electric System.

The SERC Board of Directors shall consider the comments received, the responses provided, and any dissenting opinions. The SERC Board of Directors shall adopt or reject a SERC Regional Reliability Standard as submitted, but may not substantively modify the proposed SERC Regional Reliability Standard.

If the SERC Board of Directors chooses to reject a SERC Regional Reliability Standard as submitted, it shall provide its reasons for doing so. The reasons for such decision will be posted on the SERC website. A notice of the posting will be sent to all SERC Standing Committees representatives and alternates. In addition, the notice will be sent (via e-mail) to NERC, the Region Managers of the Regional Entities adjoining SERC (RFC, MRO, SPP, and FRCC), individuals listed as entity contacts in the SERC Compliance Registry, and the SERC Registered Ballot Body representatives. The assigned Standing Committee(s) will determine if the draft standard should be resubmitted with modifications. If so, the draft standard will be remanded back to the RSS in Step 8 above.

Step 12: Submission of SERC Regional Reliability Standards to NERC and FERC

Once the SERC Regional Reliability Standard is adopted by the SERC Board of Directors, the SERC President, or the President's designee shall submit the SERC Regional Reliability Standard to NERC for approval and filing with FERC. NERC will post the SERC Regional Reliability Standard for comments. The Responsible SERC Subgroup will develop a response to any comments and submit it to the Standards Committee for approval. When the Responsible SERC Subgroup response is approved by the Standards Committee, the SERC President, or the President's designee will forward the comments to NERC for consideration by the NERC Board. If the NERC Board rejects the SERC Regional Reliability Standard the SERC Board will determine if the SERC Regional Reliability Standard is to be sent back to the assigned SERC

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Standing Committee(s) to incorporate the NERC Board comments or to take no further action on the standard.

When approved by the NERC Board, NERC will submit the SERC Regional Reliability Standard to FERC for approval. If FERC rejects the SERC Regional Reliability Standard, the SERC Board will determine if the SERC Regional Reliability Standard is to be sent back to the assigned SERC Standing Committee(s) to incorporate the FERC comments or to take no further action on the standard.

Step 13: Implementation of SERC Regional Reliability Standards

A SERC Regional Reliability Standard that is adopted by the SERC Board of Directors, NERC, and FERC, shall become effective on a date designated by FERC. In developing the standard, the RSS should consider the time needed for NERC and FERC approval in the proposed implementation date.

Appendix A: Stakeholder Representation

A.1 SERC Standing Committees and Member Representation

Membership in SERC 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. SERC's membership policy permits full and fair participation of all members through their representatives, including in the development of and voting on Regional Reliability Standards. The SERC standing committees have a role in developing standards, a ballot pool of the SERC Registered Ballot Body vote to approve Regional Reliability Standards, and the SERC Board of Directors adopts all standards. Since each member is entitled to representation on both the Board and the Standing Committees, SERC's membership policy permits full and fair participation of its members.

The following are excerpts from the SERC Reliability Corporation Bylaws. Section 8.1 establishes the Standing Committees and SERC Member representation on those committees. Section 8.2 specifies committee voting rights will be based on the same method as adopted by the SERC Board of Directors, and refers to the Organization and Procedures Manual for SERC Standing Committees for more specific details.

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.

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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.

A.2 SERC Regional Reliability Standards Voting Procedures

The following are the voting procedures for the SERC Registered Ballot Body:

1. Registration Procedures

The Registered Ballot Body (RBB) comprises all organizations and entities that:

- Qualify for one of the SERC Sectors, and
- Are registered with SERC as potential ballot participants in the voting on standards.

All registrations will be done electronically. Each participant, when initially registering to join the RBB will self-select to belong to one of the Sectors and will also name their RBB representative. The Executive Committee of the Board of Directors will review all applications for joining the Registered Ballot Body, and make a determination of whether the self-selection satisfies the criteria to belong to that sector. The Sectors shall be identical to those in Section 3.4 of the SERC's Bylaws.

All registered organizations and entities that qualify for a Sector with SERC may vote on a standard. Voting is in writing with each registered stakeholder (a "stakeholder") having one vote. The stakeholder's RBB representative will have the right to register to participate in ballot pools and cast the stakeholder's vote.

2. Sector Qualification Guidelines

The sector qualification guidelines are inclusive; i.e., any entity with a legitimate interest in the reliability of the SERC bulk power system that can meet the criteria for a sector as defined in Section 3.4 of the SERC's Bylaws is entitled to belong to and vote in that sector. The general guidelines are:

- Corporations or organizations with affiliates that qualify to belong to more than one sector (e.g., Investor-Owned Utility and Merchant Electricity Generator) may belong to each of the sectors in which they qualify, provided that each sector constitutes a separate membership and is represented by a

different representative.

- At any given time, affiliated entities may collectively be registered only once within a sector.
- Any individual currently employed by an organization that is eligible to join one of the other seven sectors, shall not be qualified to join as a “customer” in the ISO-RTO/Customer sector.

3. Definitions

Individual Vote – shall mean a single vote accorded to each stakeholder.

4. Quorum

Two-thirds of the Individual Votes of the Ballot Pool shall constitute a quorum.

5. SERC Registered Ballot Body Voting Requirements

A ballot pool will be established to participate in the ballot of any proposed standards action. Approval of a reliability standard or revision to a reliability standard requires the affirmative vote of a two thirds majority of the weighted Sector votes cast. The number of votes cast in each Sector is the sum of affirmative and negative votes, excluding abstentions and non-response.

The following process is used to determine if there are sufficient affirmative votes.

- The number of affirmative votes cast in each Sector will be divided by the sum of affirmative and negative votes cast to determine the fractional affirmative vote for each Sector. Abstentions and non-responses will not be counted for the purposes of determining the fractional affirmative vote for a Sector.
- The fractional affirmative vote for a Sector is then multiplied by the Sector weight factor, to determine the weighted fractional affirmative vote for a Sector. The weight factors for the Sectors are:
 - Investor-Owned Utility Sector: weight factor is 3.
 - Federal/State Sector: weight factor is 2.
 - Cooperative Sector: weight factor is 2.
 - Municipal Sector: weight factor is 2.
 - Marketer Sector: weight factor is 1.
 - Merchant Electricity Generator Sector: weight factor is 1.
 - ISO-RTO/Customer Sector: weight factor is 1.
- The sum of the weighted fractional affirmative votes from all Sectors divided by the sum of the weights of the Sectors voting will be used to determine if a two-thirds majority has been achieved. (A Sector will be considered as “voting” if any member of the Sector in the ballot pool casts either an

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- affirmative or a negative vote.)
- A standard will be approved if the sum of weighted fractional affirmative votes from all Sectors divided by the sum of the weights of the voting Sectors is two-thirds or greater.

Appendix B: Principles, Characteristics, and Special Procedures

Principles

SERC develops regional standards with due consideration of the following principles, in accordance with the steps outlined in this procedure. This procedure has been designed to ensure that any SERC Regional Reliability Standard is technically sound and the technical specifications proposed will achieve a valuable reliability objective.

The SERC Regional Reliability Standards Development Procedure has the following characteristics:

- **Open:** Participation in the development of a SERC Regional Reliability Standard shall be open to all organizations that are directly and materially affected by the SERC bulk power system reliability. There shall be no undue financial barriers to participation. Participation shall not be conditioned upon membership in SERC, and shall not be unreasonably restricted on the basis of technical qualifications or other such requirements. Meetings of the Responsible SERC Subgroup assigned to draft a standard shall be open to the SERC members and others.
- **Balanced:** The SERC Regional Reliability Standards Development Procedure strives to have an appropriate balance of interests and shall not be dominated by any two interest categories and no single interest category shall be able to defeat a matter.
- **Inclusive:** Any entity (person, organization, company, government agency, individual, etc.) with a direct and material interest in the bulk power system in the SERC area shall have a right to participate by: a) expressing a position and its basis, b) having that position considered, c) registering as a potential ballot participant and voting on a proposed standard; and d) having the right to appeal.
- **Fair due process:** The SERC Regional Reliability Standards Development Procedure provides for reasonable notice and opportunity for public comment. This procedure includes public notice of the intent to develop a standard, a public comment period on the proposed standard, due consideration of those public comments, and a ballot of interested stakeholders.
- **Transparent:** All actions material to the development of SERC Regional Reliability Standards shall be transparent. All standards development meetings shall be open and publicly noticed on the SERC Web site.
- **Due Course:** Does not unnecessarily delay development of the proposed SERC Regional Reliability Standard.

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NERC has adopted reliability principles and market interface principles to define the purpose, scope, and nature of reliability standards. These principles are to be used to guide the development of reliability standards, including regional reliability standards. The NERC Board of Trustees may modify these principles from time to time, as necessary, to adapt its vision for reliability standards.

- Each SERC Regional Reliability Standard shall enable or support one or more of the reliability principles, thereby ensuring that each standard serves a purpose in support of the reliability of the regional bulk power system. Each standard shall also be consistent with all of the reliability principles, thereby ensuring that no standard undermines reliability through an unintended consequence.
- While reliability standards are intended to promote reliability, they must at the same time accommodate competitive electricity markets. Reliability is a necessity for electricity markets, and robust electricity markets can support reliability. Recognizing that bulk power system reliability and electricity markets are inseparable and mutually interdependent, all SERC Regional Reliability Standards shall be consistent with NERC's market interface principles. Consideration of the market interface principles is intended to ensure that standards are written such that they achieve their reliability objective without causing undue restrictions or adverse impacts on competitive electricity markets.

Regional Reliability Standard Characteristics and Elements

Characteristics of a SERC Regional Reliability Standard

The following characteristics describe objectives to be considered in the development of SERC Regional Reliability Standards:

1. **Applicability:** Each SERC Regional Reliability Standard clearly identifies the functional classes of entities responsible for complying with the standard, with any specific additions or exceptions noted. Such functional classes include: reliability coordinators, balancing authorities, transmission operators, transmission owners, generator operators, generator owners, interchange authorities, transmission service providers, market operators, planning authorities, transmission planners, resource planners, load-serving entities, purchasing-selling entities, and distribution providers. Each SERC Regional Reliability Standard identifies the geographic applicability of the standard. A standard may also identify any limitations on the applicability of the standard based on electric facility characteristics.
2. **Reliability Objectives:** Each SERC Regional Reliability Standard has a clear statement of purpose that describes how the standard contributes to the reliability of

SERC Regional Reliability Standard Development Procedure

the bulk power system.

3. **Requirement or Outcome:** Each SERC Regional Reliability Standard states one or more requirements, which if achieved by the applicable entities, will provide for a reliable bulk power system, consistent with good utility practices and the public interest.
4. **Measurability:** Each performance requirement is stated so as to be objectively measurable by a third party with knowledge or expertise in the area addressed by that requirement. Each performance requirement has one or more associated measures used to objectively evaluate compliance with the requirement. If performance can be practically measured quantitatively, metrics are provided to determine satisfactory performance.
5. **Technical Basis in Engineering and Operations:** Each regional reliability standard is based upon sound engineering and operating judgment, analysis, or experience, as determined by expert practitioners in that particular field.
6. **Completeness:** Each SERC Regional Reliability Standard is complete and self-contained. Supporting references may be provided with standards, but they are not part of the standard and do not impose mandatory requirements.
7. **Clear Language:** Each SERC Regional Reliability Standard is stated using clear and unambiguous language. Responsible entities, using reasonable judgment and in keeping with good utility practice, are able to arrive at a consistent understanding of the required performance.
8. **Practicality:** Each SERC Regional Reliability Standard establishes requirements that can be practically implemented by the assigned responsible entities within the specified effective date and thereafter.
9. **Consistent Terminology:** To the extent possible, SERC Regional Reliability Standards use a set of standard terms and definitions that are approved through the SERC Regional Reliability Standard Development Procedure.

Although regional reliability standards have a common format and process, several types of standards may exist, each with a different approach to measurement:

- Technical standards are related to the provision, maintenance, operation, or state of electric systems, and will likely contain measures of physical parameters that are technical in nature.
- Performance standards are related to the actions of entities providing for or impacting the reliability of the bulk power system, and will likely contain measures of

SERC Regional Reliability Standard Development Procedure

the results of such actions or qualities of performance of such actions.

- Preparedness standards are related to the actions of entities to be prepared for conditions that are unlikely to occur, but are nonetheless critical to reliability, and will likely contain measures of such preparations or the state of preparedness.

Elements of a SERC Regional Reliability Standard

To ensure uniformity of SERC Regional Reliability Standards, a SERC Regional Reliability Standard shall consist of the elements identified in Appendix D of this procedure. However, the most current version of the approved NERC Reliability Standard template and its associated elements posted on the NERC website will be used at the time of the development of the SERC Regional Reliability Standard if different from the elements listed in Appendix D. This is to ensure all essential elements are contained in the SERC standard to achieve consistency and uniformity and meet all statutory requirements. These elements are intended to apply a systematic discipline in the development and revision of standards. This discipline is necessary to achieving standards that are measurable, enforceable, and consistent.

All mandatory requirements of a SERC Regional Reliability Standard shall be within the standard. Supporting documents to aid in the implementation of a standard may be referenced by the standard but are not part of the standard itself.

Maintenance of the SERC Regional Reliability Standards Development Procedure

Any member of SERC, or group (or member of a group) within SERC (i.e., committee, subcommittee, working group, study group, task force, or SERC staff), or any entity that is directly and materially affected by the reliability of the SERC Bulk Power System may submit a written request to modify the SERC Regional Reliability Standard Development Procedure. The Manager of Reliability Standards shall oversee the handling of the request.

Significant changes to this procedure shall be addressed using the same procedure as a request to develop, modify, or withdraw a SERC Regional Reliability Standard.

For any minor changes to this procedure, the SERC Standards Committee shall review the request and submit recommendations to the SERC Board of Directors for consideration. The SERC Board of Directors, on its own motion, may amend the SERC Regional Reliability Standard Procedure.

Maintenance of SERC Regional Reliability Standards

Each SERC Regional Reliability Standard shall be reviewed at least once every five (5) years. The review date will be determined from the effective date or the latest revision

SERC Regional Reliability Standard Development Procedure

date, whichever is later. The review process shall be conducted in accordance with Steps 1 through 13 of the SERC Regional Reliability Standard Development Procedure. As a result of this review, a SERC Regional Reliability Standard shall be reaffirmed, revised, or withdrawn.

Interpretations of Standards

Any member of SERC, or group within SERC, or an entity that is directly and materially affected by reliability of the SERC Bulk Electric System shall be permitted to request an interpretation of a SERC Regional Reliability Standard or regional criteria documented in a SERC Standing Committee Document. Any such entity shall also be permitted to request implementation guidance regarding how the SERC compliance program will be measuring and enforcing a NERC Reliability Standard¹. The entity requesting an interpretation or implementation guidance shall send a request to regstd@serc1.org explaining the specific circumstances surrounding the request and what clarifications are required as applied to those circumstances. The request should indicate the material impact to the requesting party, or others, caused by the lack of clarity or a possible incorrect interpretation. SERC Staff will forward requests for interpretations to the appropriate SERC Standing Committee Chair(s), who will assign a Responsible SERC Subgroup with the relevant expertise to address the clarification.

As soon as practical [but not more than forty-five (45) calendar days following the receipt of the request], the assigned subgroup will draft a written interpretation of the SERC Regional Reliability Standard or regional criteria addressing the issues raised. The interpretation will be submitted to the appropriate SERC Standing Committee(s) Executive Committee for review.

As soon as practical [but not more than twenty (20) calendar days following the receipt of the written interpretation from the RSS], the SERC Standing Committee Executive Committee will develop a written recommendation to the SERC Executive Committee concerning approval of the interpretation. The SERC Standing Committee Executive Committee must recommend either that 1) the RSS written interpretation; or 2) a revision of that interpretation be approved. The recommendation, the RSS written interpretation, and any revised interpretation will be forwarded to the SERC Executive Committee.

If approved by the SERC Executive Committee, the interpretation is appended to the SERC Regional Reliability Standard or SERC regional criteria and is effective immediately. The interpretation will stand until such time as the SERC Regional Reliability Standard or SERC Standing Committee Document is revised through the normal process, at which time the SERC Regional Reliability Standard or SERC

¹ This is different than requesting an interpretation of the meaning of a NERC Reliability Standard itself, which must be addressed through the NERC process by submitting a request for interpretation to NERC.

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Standing Committee Document will be modified to incorporate the clarifications provided by the interpretation.

Requests for implementation guidance regarding how the SERC compliance program will be measuring and enforcing a NERC Reliability Standard will be forwarded to the SERC Compliance staff. The SERC Compliance staff will assign the request to the applicable compliance advisory group to develop appropriate implementation guidance. As soon as practical [but not more than forty-five (45) calendar days following the receipt of the request], the assigned compliance advisory group will draft written implementation guidance for review by the SERC Compliance staff. The SERC Compliance staff will notify the requestor of the approved implementation guidance.

Appeals

Any member of SERC or any entity that is directly and materially affected by the reliability of the SERC Bulk Electric System that believes it has been or will be adversely affected by any substantive or procedural action or inaction related to the development, approval, revision, or withdrawal of a SERC Regional Reliability Standard shall have the right to appeal. This appeals process applies only to the SERC Regional Reliability Standards Process as defined in this manual. The burden of proof to show adverse effect shall be on the appellant. Appeals shall be made within thirty (30) calendar days of the date of the action purported to cause the adverse effect. The final decisions of any appeal shall be documented in writing and posted on the SERC Member website. A notice of the posting will be sent to all SERC Board of Directors representatives and alternates, and to all SERC Standing Committees representatives and alternates. In addition, the notice will be sent (via e-mail) to the Region Managers of the Regional Entities adjoining SERC (RFC, MRO, SPP, and FRCC) and to any entity that is directly and materially affected by the reliability of the SERC Bulk Electric System.

The appeals process provides two levels, with the goal of expeditiously resolving the issue to the satisfaction of the participants:

Level 1 Appeal

Level 1 is the required first step in this appeals process. The appellant submits to the SERC President a complaint in writing that describes the substantive or procedural action associated with a SERC Regional Reliability Standard or the SERC Regional Reliability Standards Process. The appellant must describe in the complaint the actual or potential adverse impact to the appellant.

Assisted by any necessary staff and the Standards Committee, the SERC President, or the President's designee shall prepare a written response addressed to the appellant as soon as practical but not more than forty-five (45) calendar days after receipt of the complaint. If the appellant accepts the response as a satisfactory resolution of the

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issue, both the complaint and response will be made a part of the record associated with the SERC Regional Reliability Standard.

Level 2 Appeal

If after the Level 1 Appeal, the appellant remains unsatisfied with the resolution, notification shall be made in writing to the SERC President within fifteen (15) calendar days of the affected entity's Level 2 Appeal to the SERC Executive Committee. In all cases, no SERC Executive Committee members that have any direct affiliation with the participants in the appeal will participate in the Level 2 Appeal.

SERC Staff shall post on the SERC website the notice of the Level 2 appeal and other relevant materials at least fifteen (15) calendar days prior to consideration of the Level 2 appeal by the SERC Executive Committee.

In addition to the appellant, any entity that is directly and materially affected by the reliability of the SERC Bulk Electric System, and who is directly and materially affected by the substantive or procedural action referenced in the complaint shall be heard by the SERC Executive Committee. The SERC Executive Committee shall not consider any expansion of the scope of the appeal that was not presented in the Level 1 Appeal.

The Executive Committee may direct the Standards Committee to research and/or advise it on technical issues or matters related to the appeal. Each appellant, any entity that is directly and materially affected by the reliability of the SERC Bulk Electric System, and who is directly and materially affected by the substantive or procedural action referenced in the complaint may request that an ad-hoc committee be formed to assist the Executive Committee in its review.

The SERC Executive Committee may in its decision find for the appellant and remand the issue to the SERC Standards Committee for resolution with a statement of the issues and facts in regard to which fair and equitable action was not taken.

The SERC Executive Committee may find against the appellant with a specific statement of the facts that demonstrate fair and equitable treatment of the appellant and the appellant's objections.

The actions of the SERC Executive Committee shall be posted on the SERC website. A notice of the posting will be sent to the appellant, all SERC Board of Directors representatives and alternates, and all SERC Standing Committees representatives and alternates. In addition, the notice will be sent (via e-mail) to the Region Managers of the Regional Entities adjoining SERC (RFC, MRO, SPP, and FRCC) and to any entity that is directly and materially affected by the reliability of the SERC Bulk Electric System.

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Appendix C: SERC Regional Reliability Standard Authorization Request Form (Latest approved version of form is posted on the SERC website: www.serc1.org)

SERC to complete

ID
Authorized for Posting
Authorized for Development

Title of Proposed Standard:
Request Date:

SAR Originator Information

Name	SAR Type (Check box for one of these selections.)	
Company	<input type="checkbox"/>	New Standard
Telephone	<input type="checkbox"/>	Revision to Existing Standard
Fax	<input type="checkbox"/>	Withdrawal of Existing Standard
E-mail	---	-----

Purpose (Describe the purpose of the proposed Standard — what the Standard will achieve in support of reliability.)
--

Industry Need (Provide a detailed statement justifying the need for the proposed Standard, along with any supporting documentation.)

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Brief Description (Describe the proposed standard in sufficient detail to clearly define the scope in a manner that can be easily understood by others.)

Justification for Regional Variation (Provide a detailed statement justifying the need for the proposed Standard specifically identifying the need for a regional variation.)

Reliability Functions

The Standard will Apply to the Following Functions (Check box for each one that applies.)

	Reliability Authority	The entity that is the highest level of authority who is responsible for the reliable operation of the Bulk Electric System, has the Wide Area view of the Bulk Electric System, and has the operating tools, processes and procedures, including the authority to prevent or mitigate emergency operating situations in both next-day analysis and real-time operations. The Reliability Coordinator has the purview that is broad enough to enable the calculation of Interconnection Reliability Operating Limits, which may be based on the operating parameters of transmission systems beyond any Transmission Operator's vision.
	Balancing Authority	The responsible entity that integrates resource plans ahead of time, maintains load-interchange-generation balance within a Balancing Authority Area, and supports Interconnection frequency in real time.
	Interchange Authority	Authorizes valid and balanced Interchange Schedules
	Planning Authority	The responsible entity that coordinates and integrates transmission facility and service plans, resource plans, and protection systems.
	Transmission Service Provider	The entity that administers the transmission tariff and provides Transmission Service to Transmission Customers under applicable transmission service agreements.
	Transmission Owner	The entity that owns and maintains transmission facilities.

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	Transmission Operator	The entity responsible for the reliability of its "local" transmission system, and that operates or directs the operations of the transmission facilities.
	Transmission Planner	The entity that develops a long-term (generally one year and beyond) plan for the reliability (adequacy) of the interconnected bulk electric transmission systems within its portion of the Planning Authority Area.
	Resource Planner	The entity that develops a long-term (generally one year and beyond) plan for the resource adequacy of specific loads (customer demand and energy requirements) within a Planning Authority Area.
	Generator Operator	The entity that operates generating unit(s) and performs the functions of supplying energy and Interconnected Operations Services.
	Generator Owner	Entity that owns and maintains generating units.
	Purchasing-Selling Entity	The entity that purchases or sells, and takes title to, energy, capacity, and Interconnected Operations Services. Purchasing-Selling Entities may be affiliated or unaffiliated merchants and may or may not own generating facilities.
	Distribution Provider	Provides and operates the "wires" between the transmission system and the customer.
	Load-Serving Entity	Secures energy and transmission service (and related Interconnected Operations Services) to serve the electrical demand and energy requirements of its end-use customers.

NOTE: The RSS may find it necessary to modify the initial reliability function responsibility assignment as a result of the standards development and comments received.

Applicable Reliability Principles <i>(Check all boxes that apply.)</i>	
<input type="checkbox"/>	1. Interconnected bulk power systems shall be planned and operated in a coordinated manner to perform reliably under normal and abnormal conditions as defined in the NERC Standards.
<input type="checkbox"/>	2. The frequency and voltage of interconnected bulk power systems shall be controlled within defined limits through the balancing of real and reactive power supply and demand.
<input type="checkbox"/>	3. Information necessary for the planning and operation of interconnected bulk power systems shall be made available to those entities responsible for planning and operating the systems reliably.

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<input type="checkbox"/>	4. Plans for emergency operation and system restoration of interconnected bulk power systems shall be developed, coordinated, maintained, and implemented.
<input type="checkbox"/>	5. Facilities for communication, monitoring, and control shall be provided, used, and maintained for the reliability of interconnected bulk power systems.
<input type="checkbox"/>	6. Personnel responsible for planning and operating interconnected bulk power systems shall be trained, qualified, and have the responsibility and authority to implement actions.
<input type="checkbox"/>	7. The security of the interconnected bulk power systems shall be assessed, monitored, and maintained on a wide-area basis.
Does the proposed Standard comply with all of the following Market Interface Principles? (Select 'yes' or 'no' from the drop-down box.)	
Recognizing that reliability is an Common Attribute of a robust North American economy:	
1. A reliability standard shall not give any market participant an unfair competitive advantage. Yes	
2. A reliability standard shall neither mandate nor prohibit any specific market structure. Yes	
3. A reliability standard shall not preclude market solutions to achieving compliance with that standard. Yes	
4. A reliability standard shall not require the public disclosure of commercially sensitive information. All market participants shall have equal opportunity to access commercially non-sensitive information that is required for compliance with reliability standards. Yes	

<p>Detailed Description (Provide enough detail so that an independent entity familiar with the industry could draft a Standard based on this description.)</p>

Related Reliability Standards (NERC and SERC Regional)

Standard No.	Explanation

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Related SARs

<u>SAR ID</u>	<u>Explanation</u>

Implementation Plan

<p>Description <i>(Provide plans for the implementation of the proposed standard, including any known systems or training requirements. Include the reliability risk(s) associated with the violation that the standard will mitigate, and the costs associated with implementation.)</i></p>	
<p>Proposed Implementation</p> <p>on (date):</p>	<p>days after Board of Directors adoption or</p>

Appendix D: Elements of a SERC Regional Reliability Standard

Title	A brief, descriptive phrase identifying the topic of the standard.
Identification Number	A unique identification number assigned to facilitate tracking and reference to SERC Regional Reliability Standards. The identification number will be consistent with the Numbering Convention for NERC Regional Reliability Standards. The latest approved version of the convention will be posted on the SERC website (www.serc1.org).
Effective Date and Status	The effective date of the standard or, prior to adoption of the standard by the Board of Directors, the proposed effective date.
Purpose	The purpose of the standard. The purpose shall explicitly state what outcome is expected by this standard.
Applicability	Clear identification of the functional classes of entities responsible for complying with the standard, noting any specific additions or exceptions. If not applicable to the entire SERC area, then a clear identification of the portion of the bulk power system to which the standard applies. Any limitation on the applicability of the standard based on electric facility requirements should be described.
Requirement(s)	Explicitly stated technical, performance, and preparedness requirements. Each requirement identifies what entity is responsible and what action is to be performed or what outcome is to be achieved. Each statement in the requirements section shall be a statement for which compliance is mandatory.
Violation Severity Levels	Defines the degree to which compliance with a requirement was not achieved. The violation severity levels, are part of the standard and are balloted with the standard, and developed by the NERC and SERC compliance programs in coordination with the Responsible SERC Subgroup.

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Risk Factor(s)	<p>The potential reliability significance of each requirement, designated as a High, Medium, or Lower Risk Factor in accordance with the criteria listed below:</p> <p>A High Risk Factor requirement (a) is one that, if violated, could directly cause or contribute to bulk power system instability, separation, or a cascading sequence of failures, or could place the bulk power system at an unacceptable risk of instability, separation, or cascading failures; or (b) is a requirement in a planning timeframe that, if violated, could, under emergency, abnormal, or restorative conditions anticipated by the preparations, directly cause or contribute to bulk power system instability, separation, or a cascading sequence of failures, or could place the bulk power system at an unacceptable risk of instability, separation, or cascading failures, or could hinder restoration to abnormal condition.</p> <p>A Medium Risk Factor requirement (a) is a requirement that, if violated, could directly affect the electrical state or the capability of the bulk power system, or the ability to effectively monitor and control the bulk power system, but is unlikely to lead to bulk power system instability, separation, or cascading failures; or (b) is a requirement in a planning timeframe that, if violated, could, under emergency, abnormal, or restorative conditions anticipated by the preparations, directly affect the electrical state or capability of the bulk power system, or the ability to effectively monitor, control, or restore the bulk power system, but is unlikely, under emergency, abnormal, or restoration conditions anticipated by the preparations, to lead to bulk power system instability, separation, or cascading failures, nor to hinder restoration to a normal condition.</p> <p>A Lower Risk Factor requirement is administrative in nature and (a) is a requirement that, if violated, would not be expected to affect the electrical state or capability of the bulk power system, or the ability to effectively monitor and control the bulk power system; or (b) is a requirement in a planning time frame that, if violated, would not, under the emergency, abnormal, or restorative conditions anticipated by the preparations, be expected to affect the electrical state or capability of the bulk power system, or the ability to effectively monitor, control, or restore the bulk power system.</p>
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Measure(s)	Each requirement shall be addressed by one or more measurements. Measurements that will be used to assess performance and outcomes for the purpose of determining compliance with the requirements stated above. Each measurement identifies to whom the measurement applies and the expected level of performance or outcomes required demonstrating compliance. Each measurement shall be tangible, practical, and as objective as is practical. It is important to realize that measures are proxies to assess required performance or outcomes. Achieving the full compliance level of each measurement should be a necessary and sufficient indicator that the requirement was met. Each measure shall clearly refer to the requirement(s) to which it applies.
Compliance Monitoring Process	Defines for each measure: <ul style="list-style-type: none">• The specific data or information that is required to measure performance or outcomes.• The entity that is responsible for providing the data or information for measuring performance or outcomes.• The process that will be used to evaluate data or information for the purpose of assessing performance or outcomes.• The entity that is responsible for evaluating data or information to assess performance or outcomes.• The time period in which performance or outcomes is measured, evaluated, and then reset.• Measurement data retention requirements and assignment of responsibility for data archiving.• Violation severity levels.

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Attached Supporting Information Elements

Interpretations	Any interpretations of the SERC Regional Reliability Standards that were developed, and approved by the SERC Executive Committee, to expound on the application of the standard for unusual or unique situations.
Implementation Plan	Each SERC Regional Reliability Standard shall have an associated implementation plan describing the effective date of the standard or effective dates if there is a phased implementation. The implementation plan may also describe the implementation of the standard in the compliance program and other considerations in the initial use of the standard, such as necessary tools, training, etc. The implementation plan must be posted for at least one public comment period and is approved as part of the ballot of the standard.
Supporting References	This section references related documents that support reasons for, or otherwise provide additional information related to the standard. Examples include, but are not limited to: <ul style="list-style-type: none">• Glossary of Terms• Developmental history of the standard and prior versions• Responsible SERC Subgroup• Notes pertaining to implementation or compliance• Standard references• Procedures/Practices• Training and/or Technical Reference• Frequently Asked Questions Document

Appendix E: Comment Form for Draft SERC Regional Reliability Standard (Latest approved version of form is posted on the SERC website: www.serc1.org)

COMMENT FORM FOR [INSERT APPROPRIATE TITLE OF SERC REGIONAL RELIABILITY STANDARD]

Please use this form to submit comments on **[insert description]**. Comments must be submitted by **[date]**. You must submit the completed form by emailing it to **[insert appropriate contact names & e-mail addresses]** with the words **[insert appropriate subject]** in the subject line. If you have questions please contact **[insert appropriate contact names, e-mail addresses & phone numbers]**.

DO: **Do** use punctuation and capitalization as needed.
Do use more than one form if responses do not fit in the spaces provided.
Do submit any formatted text or markups in a separate WORD file.

DO NOT: **Do not** submit a response in an unprotected copy of this form.

Commenter Information

Group Name (if applicable):
Contact Name:
Organization:
Telephone:
Email:

Background:

In this section, provide background information including the reasons for the development of new SERC Regional Reliability Standard or revisions to an existing SERC Regional Reliability Standard.

Major Changes to this Revision of the SERC Regional Reliability Standard

Provide additional information that may help the reviewers better understand the need and motivation for the changes.

Include any other sections as necessary to facilitate the review process.

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Please Enter All Comments in Simple Text Format.

Insert a "check" mark in the appropriate boxes by double-clicking the gray areas.

[The following are sample questions. Revise the questions as appropriate.]

1. Do you agree with the inclusion of the following in section [xxx] of the standard?
Describe revision details.
 Yes
 No
 Comments:
2. Do you agree with the proposed definitions that were added or revised?
 Yes
 No
 Comments:
3. Do you agree with the deletion of the following section from part [xxx]?
 Yes
 No
 Comments:
4. Do you agree with the proposed changes in section [xxx] of the document?
 Yes
 No
 Comments:
5. Please identify anything you believe needs to be modified before this revision of the standard can be approved by SERC?
 Comments:
6. Please provide any other comments on this revision of the standard?
 Comments:

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Appendix F: SERC Consideration of Comments Form (Latest approved version of form is posted on the SERC website: www.serc1.org)

**SERC [INSERT RSS NAME] Consideration of Comments on
[INSERT APPROPRIATE SERC REGIONAL RELIABILITY STANDARD TITLE & REV. #]**

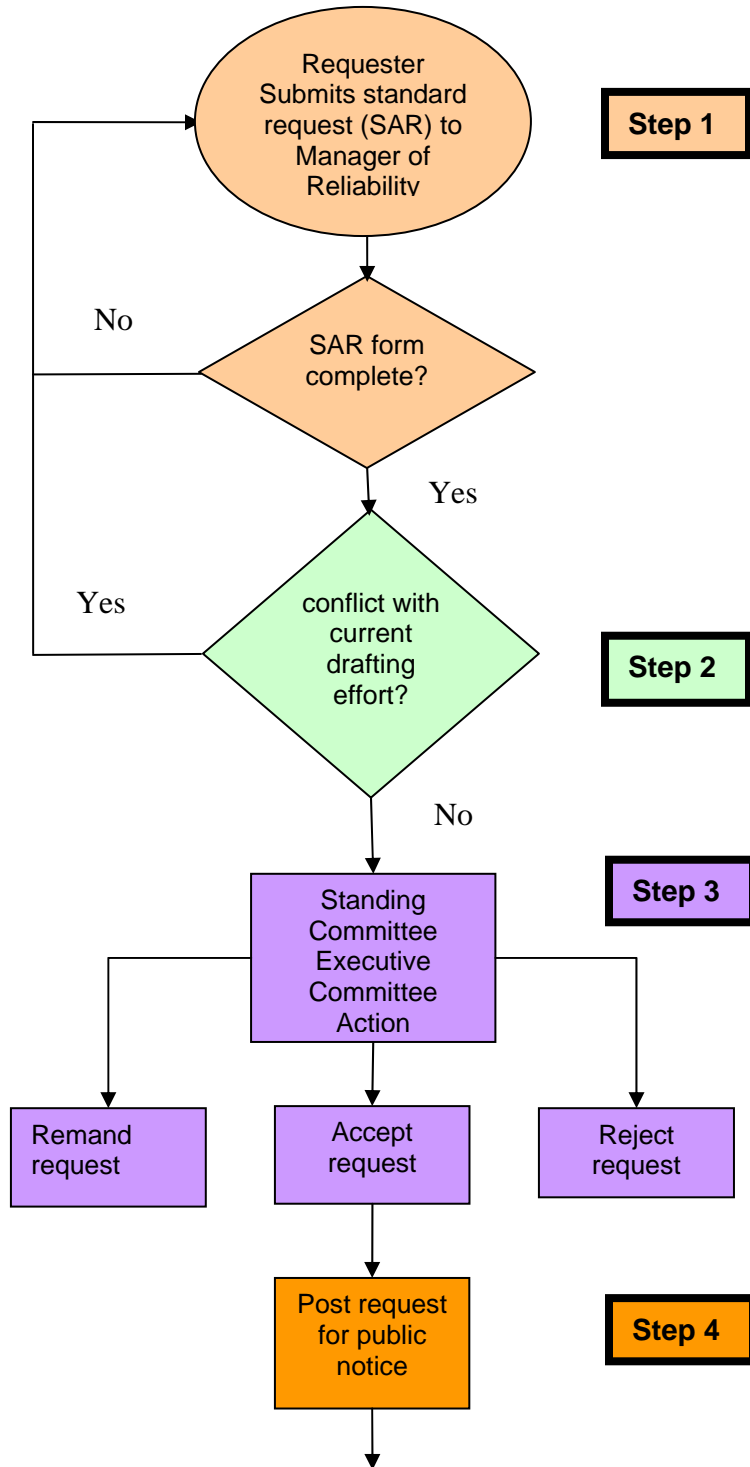
[SAMPLE LANGUAGE]

This document contains comments submitted on Revision [] of the [Standard], which was distributed for review on [Date] in accordance with the SERC Regional Reliability Standards Process Manual. Comments were received from the following.

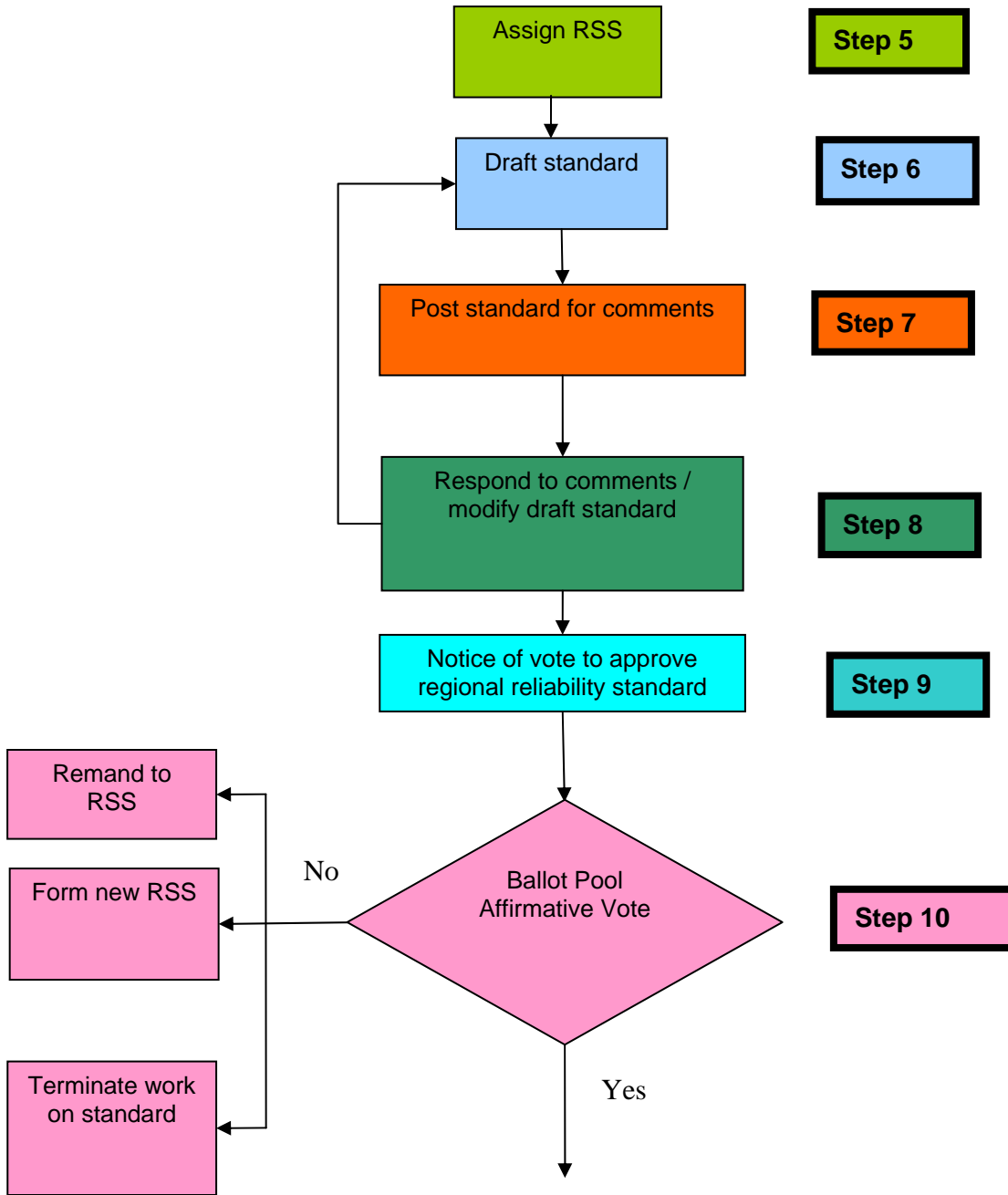
[INSERT INTRODUCTORY LANGUAGE AS APPROPRIATE]

Commenter	Comment	Response

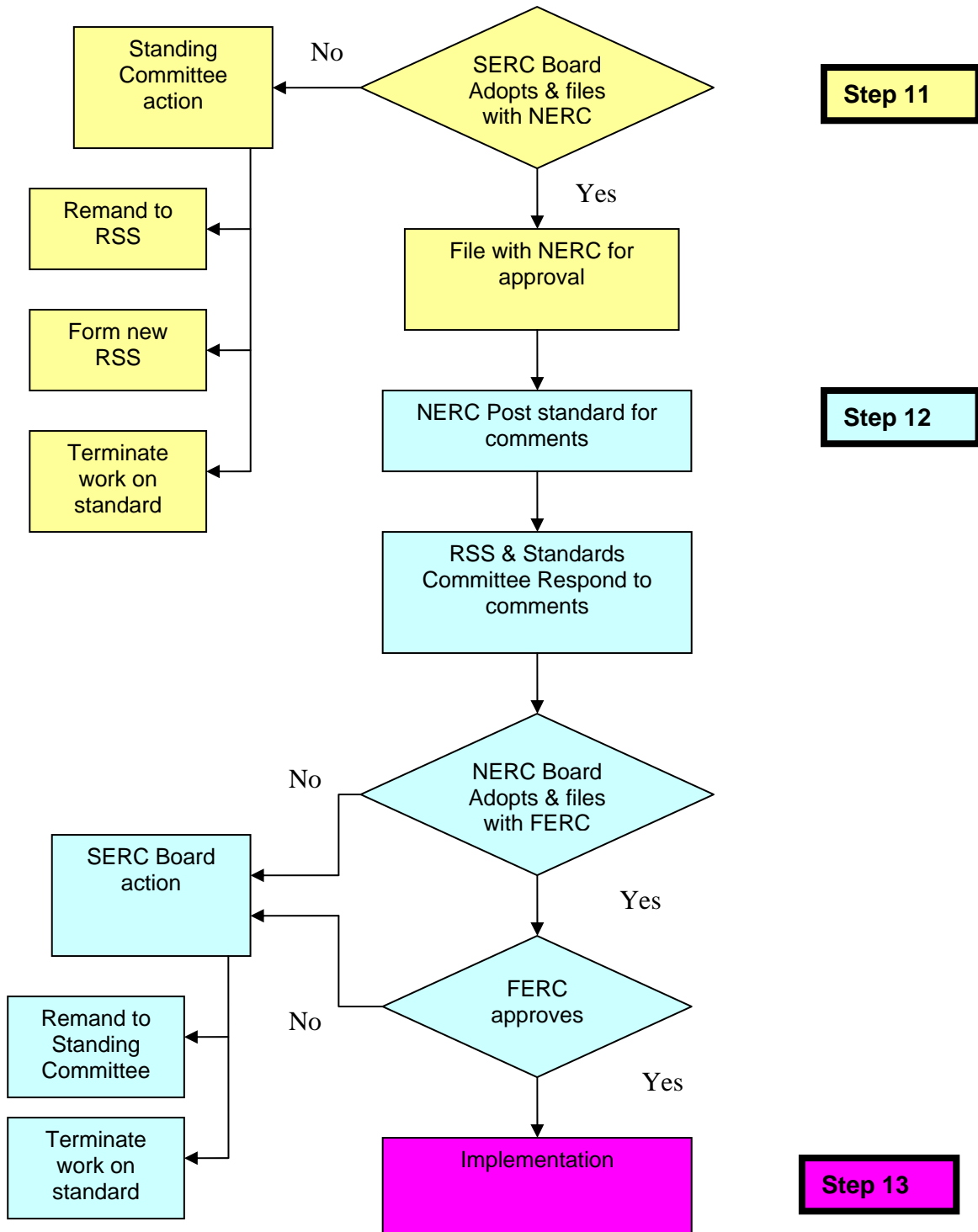
Appendix G: SERC Process Flow Diagram



SERC Regional Reliability Standard Development Procedure



SERC Regional Reliability Standard Development Procedure



SERC Compliance Monitoring and Enforcement Program

Exhibit D to the Amended and Restated Regional Entity Delegation Agreement between

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



EXHIBIT D – COMPLIANCE MONITORING AND ENFORCEMENT PROGRAM

1.0 REGIONAL COMPLIANCE MONITORING AND ENFORCEMENT PROGRAM

1.1 Obligations of SERC Reliability Corporation

SERC Reliability Corporation will implement the NERC Compliance Monitoring and Enforcement Program (Appendix 4C to the NERC Rules of Procedure) to monitor and enforce compliance with Reliability Standards by the owners, operators, and users within **SERC Reliability Corporation's** geographic boundaries set forth on **Exhibit A** of this Agreement, subject to any deviations from the NERC Compliance Monitoring and Enforcement Program described in Section 1.2 below (the "Compliance Program").

1.2 Deviations from the NERC Compliance Monitoring and Enforcement Program

SERC Reliability Corporation has no deviations.

2.0 REGIONAL HEARING OF COMPLIANCE MATTERS

SERC Reliability Corporation shall establish and maintain a hearing body with authority to conduct and 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, which shall be a balanced compliance panel reporting directly to **SERC Reliability Corporation's** board.

SERC Reliability Corporation's Hearing Body is the Board Compliance Committee, or a subset of the Board Compliance Committee. The Board Compliance Committee is comprised of SERC board members appointed by the Board of Directors. The Board Compliance Committee representation is as follows:

- The Investor-Owned Utility Sector shall have three (3) representatives;
- The Federal/State Sector shall have two (2) representatives;
- The Cooperative Sector shall have two (2) representatives;
- The Municipal Sector shall have two (2) representatives;
- The Marketer Sector shall have one (1) representative;
- The Merchant Electricity Sector shall have one (1) representative;
- The ISO-RTO/Customer Sector shall have one (1) representative

Consistent with the Hearing Procedures, a quorum for the purpose of constituting a Hearing Body shall be half of SERC's Board Compliance Committee, or six members including alternates. In addition to the quorum requirement, the chair

of the Board 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"). 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 BCC, 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 BCC, 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 BCC, 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 BCC, 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.

Approval of all actions before a duly constituted Hearing Body shall require a simple majority of the votes cast, with each member of the Hearing Body having one vote. The decision of any duly constituted Hearing Body pursuant to these requirements shall be final and binding on the Corporation, without requiring either the full Compliance Committee or the Corporation to ratify the Hearing Body's actions.

3.0 OTHER DECISIONMAKING BODIES

SERC Reliability Corporation does not use decision making bodies within its compliance program other than the Board Compliance Committee described in Section 2.0.

SERC Funding

Exhibit E to the Amended and Restated Regional Entity Delegation Agreement between

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



Exhibit E — Funding

1. Scope of activities funded through the ERO funding mechanism

SERC shall include in its annual budget submission to NERC amounts for costs it will incur in support of delegated activities and activities that are in furtherance of NERC's responsibilities as the ERO under the Act, as specified in the NERC Rules. These activities shall include:

- Reliability Standard Development (Section 300)
- Compliance Enforcement (Section 400)
- Organization Registration and Certification (Section 500)
- Reliability Readiness Evaluation and Improvement (Section 700)
- Reliability Assessment and Performance Analysis (Section 800) (including necessary data gathering activities)
- Training and Education (Section 900)
- Situational Awareness and Infrastructure Security (Section 1000)

2. Allocation of Costs

SERC shall allocate its dues, fees, and other charges for its activities pursuant to the delegation agreement among all load-serving entities on the basis of net-energy-for load, unless a different method(s) of allocating and calculating such dues, fees and charges has been submitted to and approved by NERC and the Commission in accordance with Section 8(b) of the delegation agreement. SERC shall submit to NERC annually at the same time it submits its budget request a list of the load-serving entities within its geographic boundaries and their proportionate net energy for load, and such other data and information as is necessary to allocate and calculate SERC dues, fees and charges under any such different method(s) of allocation and calculation that will be used.

3. Collection of Funding

(a) NERC shall submit invoices to the load-serving entities identified by SERC covering the NERC and SERC budgets approved for collection.

NERC shall pursue any non-payments and shall request assistance from applicable governmental authorities as necessary to secure collection.

(b) Upon approval of the annual funding requirements by applicable governmental authorities, NERC shall fund SERC's costs identified in Section 1 of this Exhibit E in four equal quarterly payments.

4. Application of Penalties

All penalty monies received by SERC, other than penalty monies received from an operational function or division or affiliated entity of SERC, shall be applied as a general offset to the entity's budget requirements for U.S.-related activities under this Agreement for the subsequent fiscal year. Funds from financial penalties shall not be directly applied to any program maintained by the investigating entity. Any penalty monies received from an operational function or division or affiliated entity of SERC shall be transmitted to or retained by NERC and shall be used by NERC as a general offset to NERC's budget for its activities as the ERO under the Act for the following year.

5. Budget and Funding for SERC's Non-Statutory Activities

In addition to its delegated activities and activities that are in furtherance of NERC's responsibilities as the ERO under the Act, as specified in Section 1 of this **Exhibit E** (such functions and activities being referred to in this Section 5 as "statutory activities"), SERC performs the following other functions and activities (such other functions and activities being referred to in this Section 5 as "non-statutory activities"): None.

SERC shall employ the following methods and procedures to (i) keep its funding mechanisms for its statutory activities separate from its funding mechanisms for its non-statutory activities, and (ii) record the costs it incurs in the performance of its non-statutory functions separately from the costs it incurs in the performance of its statutory functions: Not Applicable.

SERC shall provide its budget for such non-statutory activities to NERC at the same time that SERC submits its annual budget request to NERC pursuant to Section 1. SERC's budget for non-statutory activities that is provided to NERC shall contain a detailed list of SERC's non-statutory activities and a description of the funding sources for the non-statutory activities. SERC agrees that no costs of non-statutory activities are to be included in the calculation of SERC's dues, fees, and other charges for its statutory activities.

6. Costs associated with Cross-Regional Compliance Monitoring

The costs associated with any Cross-Regional Compliance Monitoring performed by SERC pursuant to section 6(k) of this Agreement with respect to registered functions of another Regional Entity are to be funded by payments from the Regional Entity contracting with SERC for such services, in accordance with the contract between SERC and the other Regional Entity. Where such a contract has been entered into, SERC will include a description of the resources it has budgeted to perform such services, and its estimated costs (including an appropriate allocation of SERC's General and Administrative costs) to perform such services, in each budget year, in SERC's annual business plan and budget that is submitted to NERC and to the Commission for approval.

ATTACHMENT 4

PROPOSED REVISED

AMENDED AND RESTATED DELEGATION AGREEMENT

BETWEEN NERC AND

SERC RELIABILITY CORPORATION

(INCLUDING AMENDED SERC BYLAWS)

REDLINED VERSION

**Amended and Restated
Regional Entity Delegation Agreement
between**

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



**AMENDED AND RESTATED DELEGATION AGREEMENT BETWEEN
NORTH AMERICAN ELECTRIC RELIABILITY CORPORATION
AND SERC RELIABILITY CORPORATION**

AMENDED AND RESTATED DELEGATION AGREEMENT (“Agreement”) made as of ~~January 3, 2009~~[DATE], between the North American Electric Reliability Corporation (“NERC”), an organization certified by the Federal Energy Regulatory Commission (“Commission”) pursuant to Section 215(c) of the Federal Power Act to establish and enforce Reliability Standards for the bulk power system, and SERC Reliability Corporation (“SERC”), an organization established to develop and enforce Reliability Standards within the geographic boundaries identified on **Exhibit A** to this Agreement, and for other purposes. NERC and SERC may be individually referred to herein as “Party” or collectively as “Parties.”

WITNESSETH

WHEREAS, Subtitle A of the Electricity Modernization Act of 2005 added Section 215 to the Federal Power Act (16 U.S.C. § 824n) (hereafter “the Act”) and, among other things, provides for the establishment of an electric reliability organization (“ERO”) to develop and enforce Reliability Standards applicable to all owners, operators, and users of the bulk power system;

WHEREAS, the Commission has adopted regulations for the implementation of the Act set forth at Chapter I, Title 18, Code of Federal Regulations, Part 39, as adopted by Commission Order No. 672 in Docket No. RM05-30-000 on February 3, 2006; (114 FERC ¶ 61, 104; hereafter “Order 672”);

WHEREAS, the Commission has certified NERC as the ERO that will, in accordance with the Act, establish and enforce Reliability Standards for the bulk power system, subject to certain delegation provisions described below;

WHEREAS, the Act recognizes the international interdependency of electric reliability within North America and envisions the ERO and such applicable Regional Entities as international organizations;

WHEREAS, the Act and Section 39.8 of the Commission's regulations provide for the delegation by the ERO of authority to propose and enforce Reliability Standards to regional entities such as SERC provided that:

- (A) The Regional Entity is governed by —
 - (i) an independent board;
 - (ii) a balanced stakeholder board; or
 - (iii) a combination independent and balanced stakeholder board.
- (B) The Regional Entity otherwise satisfies the provisions of Section 215(c)(1) and (2) of the Act; and
- (C) The agreement promotes effective and efficient administration of bulk power system reliability;

WHEREAS, certain Regional Entities are organized on an Interconnection-wide basis and are therefore entitled to the presumption set forth in the Act that: “[t]he ERO and the Commission shall rebuttably presume that a proposal for delegation to a Regional Entity organized on an Interconnection-wide basis promotes effective and efficient administration of bulk power system reliability and should be approved”;

WHEREAS, the Act further provides that the ERO shall rebuttably presume that a proposal from a Regional Entity organized on an Interconnection-wide basis for a Reliability Standard or modification to a Reliability Standard to be applicable on an Interconnection-wide basis is just, reasonable, and not unduly discriminatory or preferential, and in the public interest;

WHEREAS, SERC is not organized on an Interconnection-wide basis and therefore is not entitled to the rebuttable presumptions accorded such an entity;

WHEREAS, NERC will work through SERC to carry out certain of its activities in furtherance of its responsibilities as the electric reliability organization under the Act; and

WHEREAS, NERC has concluded that SERC meets all requirements of the Act, the Commission's regulations, and the NERC Rules of Procedure as approved by the Commission ("NERC Rules") necessary to qualify for delegation;

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained, NERC and SERC, agree as follows:

1. **Definitions**. The capitalized terms used in this Agreement shall be defined as set forth in the Act, the Commission's regulations, or the NERC Rules or, if not so defined, shall be defined as follows:

(a) **Breach** means (i) the failure of a Party to perform or observe any material term, condition or covenant of the Agreement or (ii) a representation in Section 2 of the Agreement shall have become materially untrue.

(b) **Cross-Border Regional Entity** means a Regional Entity that encompasses a part of the United States and a part of Canada or Mexico.

(c) **Delegated Authority** means the authority delegated by NERC to SERC to propose and enforce Reliability Standards pursuant to the Act.

(d) **SERC Rules** means the bylaws, a rule of procedure or other organizational rule or protocol of SERC.

(e) **Reliability Standard** means a requirement approved by the Commission under Section 215 of the Federal Power Act to provide for reliable operation of the bulk power system. The term includes requirements for the operation of existing bulk power system facilities, including cyber security protection, and the design of planned additions or modifications to such facilities to the extent necessary for reliable operation of the bulk power system; but the term does not include any requirement to enlarge such facilities or to construct new transmission capacity or generation capacity.

2. **Representations.**

(a) For purposes of its Delegated Authority, SERC hereby represents and warrants to NERC that:

(i) SERC is and shall remain during the term of this Agreement validly existing and in good standing pursuant all applicable laws relevant to this Agreement and that no applicable law, contract or other legal obligation prevents it from executing this Agreement and fulfilling its obligations hereunder. SERC is governed in accordance with its bylaws by a balanced stakeholder board. Pursuant to these bylaws, no two industry sectors can control any SERC decision and no single industry sector can veto any SERC decision. The relevant portions of such bylaws are attached hereto as **Exhibit B**, and as so attached are in full force and effect. No other such corporate governance documents are binding upon SERC.

(ii) As set forth in **Exhibit C** hereto, SERC has developed a standards development procedure, which provides the process that SERC may use to develop Regional Reliability Standards and Regional Variances, if the regional entity is organized on an Interconnection-wide basis, that are proposed to NERC for adoption.

(iii) As set forth in **Exhibit D** hereto, SERC has adopted the NERC Compliance Monitoring and Enforcement Program which provides for the enforcement of Reliability Standards within its geographic boundaries.

(b) NERC hereby represents and warrants to SERC that:

(i) It is and shall remain during the term of this Agreement validly existing and in good standing pursuant all applicable laws relevant to this Agreement and that no applicable law, contract or other legal obligation prevents it from executing this Agreement and fulfilling its obligations hereunder; and

(ii) It has been certified as the ERO by the Commission pursuant to the Act.

3. **Covenants.**

(a) During the term of this Agreement, SERC shall maintain and preserve its qualifications for delegation pursuant to the Act and shall not amend the SERC Rules

without NERC's approval, which shall not be unreasonably withheld or delayed and which shall, in the case of a Regional Entity organized on an Interconnection-wide basis, be governed by the presumptions provided for in Section 215(d)(2) and (e)(4)(C) of the Act, and be subject to any required Commission approval.

(b) During the term of this agreement, NERC shall maintain its qualification and status as the ERO pursuant to the Act and, subject to the provisions of Sections 16 and 17 of this Agreement, NERC shall not adopt amendments to the NERC Rules that conflict with the rights, obligations or programs of SERC under this Agreement without first obtaining the consent of SERC, which consent shall not be unreasonably withheld or delayed.

(c) During the term of this agreement, NERC and SERC shall adhere to and require that all participants in their respective activities under this Agreement follow and comply with the NERC Antitrust Compliance Guidelines.

4. Delegation of Authority.

(a) Based upon the representations, warranties and covenants of SERC in Sections 2 and 3 above, the corporate governance documents set forth in **Exhibit B**, the standards development process set forth in **Exhibit C**, and the regional compliance enforcement program set forth in **Exhibit D**, NERC hereby delegates authority, pursuant to Section 215(e)(4) of the Act, to SERC for the purpose of proposing Reliability Standards to NERC, as set forth in Section 5 of this Agreement, and enforcing Reliability Standards, as set forth in Section 6 of this Agreement, within the geographic boundaries set forth on **Exhibit A**. No further redelegation of authority or responsibility, in total or in part, under this Agreement is allowed without NERC's express consent.

(b) For Cross-Border Regional Entities, the authority delegated by this Agreement shall extend only to the portion of the region identified on **Exhibit A** that is within the United States. Any delegation of authority by governmental authorities in Canada or Mexico shall be governed by a separate agreement and is outside the scope of this Agreement; provided, however, that both SERC and NERC shall

endeavor to ensure that this Agreement and such separate agreements are compatible.

(c) As a condition to this delegation of authority and subject to the provisions of section 16 of this Agreement, SERC shall comply with the applicable provisions of NERC's Certificate of Incorporation, Bylaws, Rules of Procedure, and Reliability Standards, as from time to time adopted, approved, or amended.

5. Reliability Standards.

- (a) In connection with its Delegated Authority, SERC shall be entitled to:
- (i) propose Reliability Standards, Regional Variances, or modifications thereof to NERC, which shall be considered by NERC through an open and inclusive process for proposing and adopting Reliability Standards that affords SERC reasonable notice and opportunity to be heard; and
 - (ii) develop Regional Reliability Standards and Regional Variances, if the regional entity is organized on an Interconnection-wide basis, through SERC's process as set forth in **Exhibit C**. Proposals approved through SERC's process shall be reviewed by the NERC Board of Trustees after NERC provides notice and an opportunity for interested persons to comment. In the case of a proposal from a Regional Entity organized on an Interconnection-wide basis, comments shall be limited to the factors identified in NERC Rule 313, section 3.1 as it may be amended from time to time. The NERC board of trustees shall promptly thereafter consider such proposed Regional Reliability Standard or Regional Variance, applying the rebuttable presumption described in subsection 5(b) if the proposed Regional Reliability Standard or Regional Variance is from a Regional Entity organized on an Interconnection-wide basis, and either approve the proposed standard and submit it to the Commission for approval, or disapprove it in writing setting forth its reasons. SERC may appeal any disapproval of a proposed Regional Reliability Standard or Regional Variance to the Commission.
- (b) Pursuant to Section 215(d)(3) of the Act, NERC shall rebuttably presume that a proposal from a Regional Entity organized on an Interconnection-wide basis for a Regional Reliability Standard or Regional Variance or modification thereof to be

applicable on an Interconnection-wide basis is just, reasonable, and not unduly discriminatory or preferential, and in the public interest. Any person challenging such proposal from the Interconnection-wide Regional Entity shall have the burden of proof. NERC shall not find that this presumption has been rebutted except based upon substantial evidence that has been disclosed to, and been subject to comment by, the Interconnection-wide Regional Entity during NERC's review of the proposal.

6. **Enforcement.**

(a) In connection with its delegated authority pursuant to this Agreement, SERC shall enforce Reliability Standards (including Regional Reliability Standards and Regional Variances) within the geographic boundaries set forth in **Exhibit A** through the compliance enforcement program set forth in **Exhibit D**. NERC and SERC agree that this program meets all applicable requirements of the Act, Order 672 and the Commission's regulations, including, *inter alia*, the requirement for an audit program pursuant to Section 39.7(a) of the Commission's regulations, the assessment of penalties pursuant to Section 39.7(c) through 39.7(g) of the Commission's regulations and the requirements for due process. SERC may not change its compliance enforcement program set forth in **Exhibit D** absent NERC's approval, which shall not be unreasonably withheld or delayed. Subject to the rights and limitations of Sections 16 and 17 of this Agreement, SERC agrees to comply with the NERC Rules in implementing this program.

(b) SERC shall report promptly to NERC any self-reported violation or investigation of a violation or an alleged violation of a Reliability Standard and its eventual disposition. Such report shall include the owner's, operator's, or user's name, which Reliability Standard or Reliability Standards were violated or allegedly violated, when the violation or alleged violation occurred, other pertinent facts about the violation including circumstances surrounding the violation with any known risk to the bulk power system, when the violation was or will be mitigated, the name of a person knowledgeable about the violation or alleged violation to serve as a point of contact with the Commission, and any other information required by NERC compliance program procedures. NERC shall promptly forward such report to the Commission.

NERC and SERC shall cooperate in filing such periodic summary reports as the Commission shall from time to time direct on violations of Reliability Standards and summary analyses of such violations.

(c) Each violation or alleged violation shall be treated as nonpublic until the matter is filed with the Commission as a notice of penalty or resolved by an admission that the owner, operator, or user of the bulk power system violated a Reliability Standard or by a settlement or other negotiated disposition. The disposition of each violation or alleged violation that relates to a Cybersecurity Incident or that would jeopardize the security of the bulk power system if publicly disclosed shall be nonpublic unless the Commission directs otherwise.

(d) All appeals of penalties imposed by SERC shall be filed with NERC, in accordance with the NERC Rules.

(e) SERC shall maintain the capability to conduct investigations of potential violations of Reliability Standards and to conduct such investigations in a confidential manner.

(f) SERC shall maintain a program of proactive enforcement audits including procedures for spot-checks of self-reported compliance and periodic audits of all responsible entities.

(g) As part of its compliance enforcement program, SERC shall maintain a conflict of interest policy that assures the integrity of such program and the independence of the compliance program staff from those subject to enforcement actions.

(h) As often as NERC deems necessary, but no less than every three years, NERC shall review SERC's compliance enforcement program to ensure that: (i) the program meets all applicable legal requirements; (ii) actual practices reflect the requirements; and (iii) the program administered pursuant to the Delegated Authority promotes consistent interpretations across North America of Reliability Standards and comparable levels of sanctions and penalties to violations of Reliability Standards constituting comparable levels of threat to reliability of the bulk power system.

(i) SERC shall modify its compliance enforcement program as needed to reflect additions to, deletions from, or modifications of Reliability Standards and,

subject to the rights and limitations of Sections 16 and 17 of this Agreement, shall modify its compliance enforcement program as needed: (i) to reflect amendments to the NERC Rules; (ii) to comply with NERC directives resulting from the review of compliance enforcement programs as provided in Section 6(h) of this Agreement; or (iii) to resolve a conflict with a function, rule, order, tariff, rate schedule, or agreement accepted, approved, or ordered by the Commission.

(j) NERC shall conduct a review with the Regional Entities that provides for the exchange of information on practices, experiences, and lessons learned in the implementation of compliance enforcement programs.

(k) SERC may also perform compliance monitoring and enforcement activities outside of the Region shown on **Exhibit A**, on behalf of NERC and/or other Regional Entities, such activities to be undertaken pursuant to a contract between SERC and each such other Regional Entity that is approved by NERC and by the Commission.

7. Delegation-Related Services. NERC will engage SERC on its behalf to carry out certain of its activities that are in furtherance of its responsibilities as the ERO under the Act or in support of delegated functions, as specified in the NERC Rules and listed on **Exhibit E**.

8. Funding. SERC and NERC shall ensure that the delegated functions and related activities listed on **Exhibit E** have reasonable and adequate funding and resources by undertaking the following:

(a) NERC shall fund SERC activities necessary for SERC to carry out its Delegated Authority under this Agreement, including the functions listed on **Exhibit E**, and shall not impose any obligation or requirement regarding Delegated Authority upon SERC without providing appropriate funding to carry out such mandates;

(b) SERC and NERC agree that costs of carrying out SERC's responsibilities under the Delegation Agreement will be equitably allocated among end users within the geographic boundaries described in **Exhibit A** and recovered through a formula based on net energy for load, or through such other formula as is proposed by SERC and

approved by NERC and the Commission. If SERC proposes to use a formula other than net energy for load beginning in the following year, SERC shall submit the proposed formula to NERC in sufficient time that NERC may review and approve the proposed formula and file it with the Commission for approval by May 15, and the proposed formula shall be effective for the following year if approved by the Commission on or before the date the Commission approves the annual business plan and budget submitted by NERC and SERC to the Commission pursuant to 18 C.F.R. §39.4 for such year;

(c) NERC will ensure that the costs for its responsibilities are first allocated fairly among the interconnections and regions according to the applicability of this work to those interconnections and regions, and then equitably among the end users of the applicable interconnections and regions as appropriate. Allocation on a net energy for load basis will be presumed to satisfy this equitability requirement.

(d) NERC shall provide SERC with the form for budget submittal no later than April 30 of the prior year.

(e) SERC shall submit its annual budget for carrying out its Delegated Authority functions and related activities listed on **Exhibit E**, as well as all other SERC activities and funding to NERC no later than June 1 of the prior fiscal year such that NERC may submit its budget to the Commission 130 days in advance of the beginning of each fiscal year. The SERC budget submission shall include supporting materials, including SERC's complete business plan and organization chart, explaining the proposed collection of all dues, fees and charges, and the proposed expenditure of funds collected in sufficient detail to justify the requested funding collection and budget expenditures. NERC shall develop, in consultation with the Regional Entities, a reasonable and consistent system of accounts, with a level of detail and record keeping comparable to the Commission's Uniform System of Accounts and sufficient to allow the Commission to compare each Commission-approved NERC fiscal year budget with the actual results at the NERC and Regional Entity level. SERC shall follow NERC's prescribed system of accounts except to the extent that NERC permits a departure from the prescribed system of accounts. NERC shall make an informational filing with

the Commission describing any such waiver it permits and providing an explanation supporting the permitted departure.

(f) SERC's funding system shall include reasonable reserve funding for unforeseen and extraordinary expenses and other contingencies, consistent with generally accepted accounting principles.

(g) NERC shall review and approve SERC's budget for meeting its responsibilities under the Delegation Agreement.

(h) SERC shall submit unaudited quarterly interim financial statements in form provided by NERC no later than 20 days after the end of the fiscal quarter (March 31, June 30, September 30, and December 31).

(i) SERC shall submit audited financial statements annually including supporting materials in a form provided by NERC no later than 150 days after the end of the fiscal year.

(j) NERC shall have the right to review from time to time, in reasonable intervals but no less than every three years, the financial records of SERC in order to ensure that the documentation fairly represents in all material respects appropriate funding under this Agreement.

(k) **Exhibit E** to this Agreement sets forth the mechanism through which SERC shall offset penalty monies it receives (other than penalty monies received from an operational function or division or affiliated entity) against its next year's annual budget for carrying out functions under this Agreement, and the mechanism by which SERC shall transmit to NERC any penalty monies received from an operational function or division or affiliated entity of SERC.

9. Assignment. This Agreement may be assigned by either Party only with the prior written consent of the other, which consent shall be granted or withheld in such non-assigning Party's sole discretion, subject to approval by the Commission. Any assignment under this Agreement shall not relieve a Party of its obligations, nor shall a Party's obligations be enlarged, in whole or in part, by reason thereof. SERC may not delegate in whole or in part its Delegated Authority to any other entity; provided, however, that nothing in this provision shall prohibit SERC from contracting with other

entities to assist it in carrying out its Delegated Authority, provided SERC retains control and responsibility for such Delegated Authority.

10. Default and Cure. Upon a Breach, the non-breaching Party shall give written notice of such Breach to the breaching Party (the “Default Notice”). Subject to a suspension of the following deadlines as specified below, the breaching Party shall have thirty (30) calendar days from receipt of the Default Notice within which to cure such Breach; provided however, that if such Breach is not capable of cure within thirty (30) calendar days, the breaching Party shall commence such cure within thirty (30) calendar days after notice and continuously and diligently complete such cure within ninety (90) calendar days from receipt of the Default Notice; and, if cured within such time, the Breach specified in such notice shall cease to exist. Subject to the limitation specified in the following sentence, if a Breach is not cured as provided in this article, or if a Breach is not capable of being cured within the period provided for herein, the nonbreaching Party shall have the right to declare a default and terminate this Agreement by written notice at any time until cure occurs, and be relieved of any further obligation hereunder. The deadlines for cure and the right to declare a default and terminate this Agreement shall be suspended during the pendency of any efforts or proceedings in accordance with Section 17 of this Agreement to resolve a dispute as to whether a Breach has occurred. The provisions of this article will survive termination of this Agreement.

11. Term and Termination.

(a) This Agreement is effective as of January 3, 2009, pursuant to the December 19, 2008 order of the Federal Energy Regulatory Commission (125 FERC ¶61,330).

(b) The initial term of the Agreement shall be four (4) years from the original effective date of May 2, 2007, prior to which time NERC shall conduct an audit pursuant to subsections 6(e) and 7(i) to ensure that SERC continues to meet all applicable statutory and regulatory requirements necessary to maintain its eligibility for delegation. If SERC meets such requirements, this Agreement may be renewed for

another five (5) year term. If this Agreement is not renewed or becomes subject to termination for any reason, the Parties shall work to ensure a transition of SERC's Delegated Authority to NERC or to another eligible entity. The termination of this Agreement shall not take effect until such transition has been effected, unless the transition period exceeds one year, at which time SERC may unilaterally terminate.

(c) If any provision of this Agreement, or the application thereof to any person, entity or circumstance, is held by a court or regulatory authority of competent jurisdiction to be invalid, void, or unenforceable, or if a modification or condition to this Agreement is imposed by a regulatory authority exercising jurisdiction over this Agreement, the Parties shall endeavor in good faith to negotiate such amendment or amendments to this Agreement as will restore the relative benefits and obligations of the signatories under this Agreement immediately prior to such holding, modification or condition. If either Party finds such holding, modification or condition unacceptable and the Parties are unable to renegotiate a mutually acceptable resolution, either Party may unilaterally terminate this Agreement. Such termination shall be effective one year following written notice by either Party to the other Party and to the Commission, or at such other time as may be mutually agreed by SERC and NERC.

(d) Notwithstanding any termination of this Agreement, provisions contained in Limitation of Liability (Section 12), No Third Party Beneficiaries (Section 13) and Confidentiality (Section 14) shall survive this Agreement in accordance with their terms until sixty (60) days following the expiration of any applicable statute of limitations.

12. Limitation of Liability. SERC and NERC agree not to sue each other or their directors, officers, employees, and persons serving on their committees and subgroups based on any act or omission of any of the foregoing in the performance of duties pursuant to this Agreement or in conducting activities under the authority of Section 215 of the Act, other than seeking a review of such action or inaction by the Commission. NERC and SERC shall not be liable to one another for any damages whatsoever, including without limitation, direct, indirect, incidental, special, multiple, consequential (including attorneys' fees and litigation costs), exemplary, or punitive damages arising out of or resulting from any act or omission associated with the

performance of the SERC's or NERC's responsibilities under this Agreement or in conducting activities under the authority of Section 215 of the Act, except to the extent that the SERC or NERC is found liable for gross negligence or intentional misconduct, in which case SERC or NERC shall not be liable for any indirect, incidental, special, multiple, consequential (including without limitation attorneys' fees and litigation costs), exemplary, or punitive damages.

13. No Third Party Beneficiaries. Nothing in this Agreement shall be construed to create any duty to, any standard of care with reference to, or any liability to any third party.

14. Confidentiality. During the course of the Parties' performance under this Agreement, a Party may receive Confidential Information, as defined in Rule 1500 of NERC's Rules of Procedure. Except as set forth herein, the Parties agree to keep in confidence and not to copy, disclose, or distribute any Confidential Information or any part thereof, without the prior written permission of the issuing Party, unless disclosure is required by subpoena, law, or other directive of a court, administrative agency, or arbitration panel, in which event the recipient hereby agrees to provide the Party that provided the Confidential Information with prompt notice of such request or requirement in order to enable such issuing Party to (a) seek an appropriate protective order or other remedy, (b) consult with the recipient with respect to taking steps to resist or narrow the scope of such request or legal process, or (c) waive compliance, in whole or in part, with the terms of this Section. In the event a protective order or other remedy is not obtained or that issuing Party waives compliance with the provisions, the recipient agrees to furnish only that portion of the Confidential Information which the recipient's counsel advises is legally required and to exercise best efforts to obtain assurance that confidential treatment will be accorded to such Confidential Information. In addition, each Party shall ensure that its officers, trustees directors, employees, subcontractors and subcontractors' employees, and agents to whom Confidential Information is exposed are under obligations of confidentiality that are at least as restrictive as those

contained herein. This confidentiality provision does not prohibit reporting and disclosure as directed by NERC, as set forth in Section 6 of this Agreement.

15. Amendment. Neither this Agreement nor any of the terms hereof, may be amended unless such amendment is made in writing, signed by the Parties, and filed with and approved by the Commission.

16. Amendments to the NERC Rules. NERC shall not adopt amendments to the NERC Rules that conflict with the rights, obligations, or programs of SERC under this Agreement without first obtaining the consent of SERC, which consent shall not be unreasonably withheld or delayed. To the extent SERC does not consent, NERC shall have the right to invoke the dispute resolution provisions of Section 17 and, if such effort fails to resolve the dispute, to petition the Commission to adopt the amendment to the NERC Rules. To the extent that the Commission issues an order amending or materially affecting the rights or obligations of SERC under this Agreement, SERC shall have the option, exercisable no later than 60 days after issuance of such order, to terminate this Agreement. Such termination shall be effective one year following written notice by SERC to NERC and the Commission, or at such other time as may be mutually agreed by SERC and NERC.

17. Dispute Resolution. In the event a dispute arises under this Agreement between NERC and SERC, representatives of the Parties with authority to settle the dispute shall meet and confer in good faith in an effort to resolve the dispute in a timely manner. In the event the designated representatives are unable to resolve the dispute within thirty (30) days or such other period as the Parties may agree upon, each Party shall have all rights to pursue all remedies, except as expressly limited by the terms of this Agreement. Neither Party shall have the right to pursue other remedies until the Dispute Resolution procedures of this Section 17 have been exhausted. This Section 17 shall not apply to enforcement actions against individual entities.

18. Notice. Whether expressly so stated or not, all notices, demands, requests, and other communications required or permitted by or provided for in this Agreement shall be given in writing to a Party at the address set forth below, or at such other address as a Party shall designate for itself in writing in accordance with this Section, and shall be delivered by hand or reputable overnight courier:

If to NERC:
David Nevius, Senior Vice President
and Director of Reliability Assessment &
Performance Analysis
North American Electric Reliability
Corporation
116-390 Village Blvd.
Princeton, NJ 08540-5721
Facsimile: (609) 452-9550

If to SERC:
Gerald W. Cauley, President and CEO
SERC Reliability Corporation
Six Coliseum Centre, Suite 500
2815 Coliseum Centre Drive
Charlotte, NC 28217
Facsimile: (704) 357-7914

19. Governing Law. When not in conflict with or preempted by federal law, this Agreement will be governed by and construed in accordance with the laws of New Jersey without giving effect to the conflict of law principles thereof. The Parties recognize and agree not to contest the exclusive or primary jurisdiction of the Commission to interpret and apply this Agreement; provided however that if the Commission declines to exercise or is precluded from exercising jurisdiction of any action arising out of or concerning this Agreement, such action shall be brought in any state or federal court of competent jurisdiction in New Jersey. All Parties hereby consent to the jurisdiction of any state or federal court of competent jurisdiction in New Jersey for the purpose of hearing and determining any action not heard and determined by the Commission.

20. Headings. The headings and captions in this Agreement are for convenience of reference only and shall not define, limit, or otherwise affect any of the terms or provisions hereof.

21. Savings Clause. Nothing in this Agreement shall be construed to preempt or limit any authority that SERC may have to adopt reliability requirements or take other actions to ensure reliability of the bulk power system within the geographic boundaries described in **Exhibit A** that are outside the authority delegated from NERC, as long as

such reliability requirements and actions are not inconsistent with Reliability Standards applicable to the region described in **Exhibit A** and do not result in a lessening of reliability outside the region described in **Exhibit A**.

22. Entire Agreement. This Agreement constitutes the entire agreement, and supersedes all prior agreements and understandings, both written and oral, among the parties with respect to the subject matter of this Agreement.

24. Execution of Counterparts. This Agreement may be executed in counterparts and each shall have the same force and effect as the original.

NOW THEREFORE, the parties have caused this Agreement to be executed by its duly authorized representatives, effective as of the date first above written.

**NORTH AMERICAN ELECTRIC
RELIABILITY CORPORATION**

SERC RELIABILITY CORPORATION

By: _____

By: _____

Name: David A. Whiteley

Name: Gerald W. Cauley

Title: Executive Vice President

Title: President and CEO

Date: _____

Date: _____

SERC Regional Boundaries

Exhibit A to the Amended and Restated Regional Entity Delegation Agreement between

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



1.0 Regional Boundaries

The geographic boundaries of SERC Reliability Corporation (SERC) are determined by the service areas of its membership, comprised of investor-owned utilities, municipal, cooperative, state and federal systems, merchant electricity generators and power marketers.

SERC covers an area of approximately 560,000 square miles in sixteen states: all of Alabama, Georgia, Mississippi, North Carolina and South Carolina, and portions of Arkansas, Florida, Illinois, Iowa, Kentucky, Louisiana, Missouri, Oklahoma, Tennessee, Texas and Virginia.

Service provided by SERC members in areas which overlap with neighboring regions:

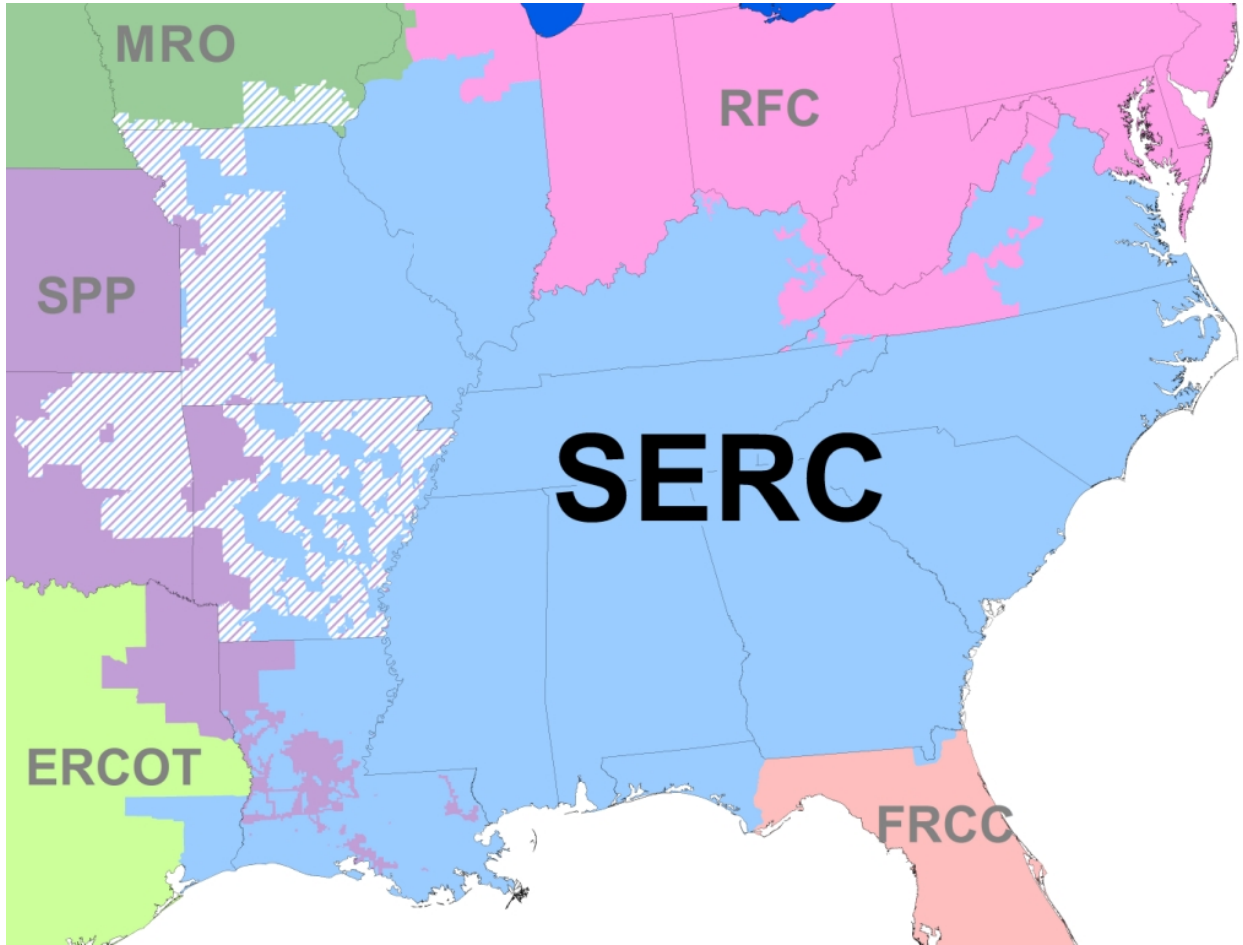
- The area in southern Iowa is served by N.E. Missouri Electric Power Cooperative, a member of Associated Electric Cooperative, Inc., and N.W. Electric Power Cooperative, a member of Associated Electric Cooperative, Inc.
- The area in eastern Oklahoma is served by KAMO Electric Cooperative, Inc., a member of Associated Electric Cooperative, Inc.
- The area in Arkansas is served by Entergy Arkansas.
- The area in western Missouri is served by N.W. Electric Power Cooperative, a member of Associated Electric Cooperative, Inc., and KAMO Electric Cooperative, Inc., a member of Associated Electric Cooperative, Inc.
- The area in N.E. Florida (part of Baker and Nassau counties) is served by Okefenokee Rural Electric Membership Corporation (OREMC), a member of Georgia System Operations Corporation, and is therefore part of the SERC Region and not the FRCC Region.

A regional map is shown in Section 1.1.

[SERC may also perform compliance and enforcement activities outside of the Region, on behalf of NERC and/or other Regional Entities, such activities to be undertaken pursuant to a contract between the Regional Entities that is approved by the Board Executive Committee, NERC and the Federal Energy Regulatory Commission.](#)

Regional Boundaries

1.1 SERC Regional Map



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~~[DATE]

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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.

4.3 **Other Statutory Activities.** The Corporation may also perform statutory functions outside of the Region, on behalf of NERC or other Regional Entities, such activities to be undertaken pursuant to a contract that is approved by the Board Executive Committee.

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 a 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 on (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.

SERC Regional Standards Development Procedure

Exhibit C to the Amended and Restated Regional Entity Delegation Agreement between

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



Exhibit C – Regional Standard Development Procedure

Exhibit C sets forth SERC Reliability Corporation's standards development procedure, which NERC agrees meets the following common attributes:

COMMON ATTRIBUTE 1

Proposed regional reliability standards shall be subject to approval by NERC, as the electric reliability organization, and by FERC before becoming mandatory and enforceable under Section 215 of the FPA [add reference to any applicable authorities in Canada and Mexico]. No regional reliability standard shall be effective within the [Regional Entity Name] area unless filed by NERC with FERC [and applicable authorities in Canada and Mexico] and approved by FERC [and applicable authorities in Canada and Mexico].

COMMON ATTRIBUTE 2

[Regional Entity Name] regional reliability standards shall provide for as much uniformity as possible with reliability standards across the interconnected bulk power system of the North American continent. A [Regional Entity Name] reliability standard shall be more stringent than a continent-wide reliability standard, including a regional difference that addresses matters that the continent-wide reliability standard does not, or shall be a regional difference necessitated by a physical difference in the bulk power system. A regional reliability standard that satisfies the statutory and regulatory criteria for approval of proposed North American reliability standards, and that is more stringent than a continent-wide reliability standard, would generally be acceptable.

COMMON ATTRIBUTE 3

[Regional Entity Name] regional reliability standards, when approved by FERC [add applicable authorities in Canada], shall be made part of the body of NERC reliability standards and shall be enforced upon all applicable bulk power system owners, operators, and users within the [Regional Entity Name] area, regardless of membership in the region.

COMMON ATTRIBUTE 4

Requester — The requester is the sponsor of the regional reliability standard request may assist in the development of the standard. Any member of [Regional Entity Name], or group within [Regional Entity Name] shall be allowed to request that a regional reliability standard be developed, modified, or withdrawn. Additionally, any entity (person, organization, company, government agency, individual, etc.) that is directly and materially affected by the reliability of

the bulk power system in the [Regional Entity Name] area shall be allowed to request a regional reliability standard be developed, modified, or withdrawn.

COMMON ATTRIBUTE 5

[Standards or other named] committee — The [Regional Entity Name] [standards] committee manages the standards development process. The [standards] committee will consider which requests for new or revised standards shall be assigned for development (or existing standards considered for deletion). The [standards] committee will advise the [Regional Entity Name] board on standards presented for adoption.

COMMON ATTRIBUTE 6A [REGISTERED BALLOT BODY APPROACH]

The registered ballot body comprises all entities or individuals that qualify for one of the stakeholder segments; are registered with [Regional Entity Name] as potential ballot participants in the voting on standards; and are current with any designated fees. Each member of the registered ballot body is eligible to vote on standards. [Each standard action has its own ballot pool formed of interested members of the registered ballot body. Each ballot pool comprises those members of the registered ballot body that respond to a pre-ballot survey for that particular standard action indicating their desire to participate in such a ballot pool.] The representation model of the registered ballot body is provided in Appendix A.]

COMMON ATTRIBUTE 7

[Regional Entity Name] will coordinate with NERC such that the acknowledgement of receipt of a standard request identified in step 1, notice of comment posting period identified in step 4, and notice for vote identified in step 5 below are concurrently posted on both the [Regional Entity Name] and NERC websites.

COMMON ATTRIBUTE 8

An acceptable standard request shall contain a description of the proposed regional reliability standard subject matter containing sufficiently descriptive detail to clearly define the purpose, scope, impacted parties, and other relevant information of the proposed standard.

COMMON ATTRIBUTE 9

Within [no greater than 60] days of receipt of a completed standard request, the [standards] committee shall determine the disposition of the standard request.

COMMON ATTRIBUTE 10

The [standards] committee may take one of the following actions:

- Accept the standard request as a candidate for development of a new standard, revision of an existing standard, or deletion of an existing standard. The [standards] committee may, at its discretion, expand or narrow the scope of the standard request under consideration. The [standards] committee shall prioritize the development of standard in relation to other proposed standards, as may be required based on the volume of requests and resources.
- Reject the standard request. If the [standards] committee rejects a standard request, a written explanation for rejection will be delivered to the requester within [no greater than 30] days of the decision.
- Remand the standard request back to the requester for additional work. The standards process manager will make reasonable efforts to assist the requester in addressing the deficiencies identified by the [standards] committee. The requester may then resubmit the modified standard request using the process above. The requester may choose to withdraw the standard request from further consideration prior to acceptance by the [standards] committee.

COMMON ATTRIBUTE 11

Any standard request that is accepted by the [standards] committee for development of a standard (or modification or deletion of an existing standard) shall be posted for public viewing on the [Regional Entity Name] website within [no greater than 30] days of acceptance by the committee.

COMMON ATTRIBUTE 12

The standards process manager shall submit the proposed members of the drafting team to the [standards] committee. The [standards] committee shall approve the drafting team membership within 60 days of accepting a standard request for development, modifying the recommendations of the standards process manager as the committee deems appropriate, and assign development of the proposed standard to the drafting team.

COMMON ATTRIBUTE 13

At the direction from the [standards] committee, the standards process manager shall facilitate the posting of the draft standard on the [Regional Entity Name] website, along with a draft implementation plan and supporting documents, for a no less than a [30]-day comment period. The standards process manager shall provide notice to [Regional Entity Name] stakeholders and other potentially interested entities, both within and outside of the [Regional Entity Name] area, of

the posting using communication procedures then currently in effect or by other means as deemed appropriate.

COMMON ATTRIBUTE 14

The drafting team shall prepare a summary of the comments received and the changes made to the proposed standard as a result of these comments. The drafting team shall summarize comments that were rejected by the drafting team and the reason(s) that these comments were rejected, in part or whole. The summary, along with a response to each comment received will be posted on the [Regional Entity Name] website no later than the next posting of the proposed standard.

COMMON ATTRIBUTE 15

Upon recommendation of the drafting team, and if the [standards] committee concurs that all of the requirements for development of the standard have been met, the standards process manager shall post the proposed standard and implementation plan for ballot and shall announce the vote to approve the standard, including when the vote will be conducted and the method for voting. Once the notice for a vote has been issued, no substantive modifications may be made to the proposed standard unless the revisions are posted and a new notice of the vote is issued.

COMMON ATTRIBUTE 16

The standards process manager shall schedule a vote by the [Regional Entity Name] [registered ballot body/[standards] committee]. The vote shall commence no sooner than [15] days and no later than [30] days following the issuance of the notice for the vote.

COMMON ATTRIBUTE 17

The [standards] committee shall give due consideration to the work of the drafting team, as well as the comments of stakeholders and minority objections, in approving a proposed regional reliability standard for submittal to the [Regional Entity Name] board. The [standards] committee may vote to approve or not approve the standard. Alternatively, the [standards] committee may remand the standard to the drafting team for further work or form a new drafting team for that purpose.

COMMON ATTRIBUTE 18

The [standards] committee may not itself modify the standard without issuing a new notice to stakeholders regarding a vote of the modified standard.

COMMON ATTRIBUTE 19

Actions by the committee shall be recorded in the regular minutes of the committee.

COMMON ATTRIBUTE 20

Under no circumstances may the board substantively modify the proposed regional reliability standard.

COMMON ATTRIBUTE 21

Once a regional reliability standard is approved by the board, the standard will be submitted to NERC for approval and filing with FERC [and applicable authorities in Canada and Mexico.]

COMMON ATTRIBUTE 22

Open - Participation in the development of a regional reliability standard shall be open to all organizations that are directly and materially affected by the [Regional Entity Name] bulk power system reliability. There shall be no undue financial barriers to participation. Participation shall not be conditioned upon membership in [Regional Entity Name], and shall not be unreasonably restricted on the basis of technical qualifications or other such requirements. Meetings of drafting teams shall be open to the [Regional Entity Name] members and others.

COMMON ATTRIBUTE 23

Balanced - The [Regional Entity Name] standards development process strives to have an appropriate balance of interests and shall not be dominated by any two interest categories and no single interest category shall be able to defeat a matter.

COMMON ATTRIBUTE 24

Inclusive — Any entity (person, organization, company, government agency, individual, etc.) with a direct and material interest in the bulk power system in the [Regional Entity Name] area shall have a right to participate by: a) expressing a position and its basis, b) having that position considered, and c) having the right to appeal.

COMMON ATTRIBUTE 25

Fair due process — The regional reliability standards development procedure shall provide for reasonable notice and opportunity for public comment. At a minimum, the procedure shall include public notice of the intent to develop a

standard, a public comment period on the proposed standard, due consideration of those public comments, and a ballot of interested stakeholders.

COMMON ATTRIBUTE 26

Transparent — All actions material to the development of regional reliability standards shall be transparent. All standards development meetings shall be open and publicly noticed on the regional entity's Web site.

COMMON ATTRIBUTE 27

Does not unnecessarily delay development of the proposed reliability standard.

COMMON ATTRIBUTE 28

Each standard shall enable or support one or more of the reliability principles, thereby ensuring that each standard serves a purpose in support of the reliability of the regional bulk power system. Each standard shall also be consistent with all of the reliability principles, thereby ensuring that no standard undermines reliability through an unintended consequence.

COMMON ATTRIBUTE 29

While reliability standards are intended to promote reliability, they must at the same time accommodate competitive electricity markets. Reliability is a necessity for electricity markets, and robust electricity markets can support reliability. Recognizing that bulk power system reliability and electricity markets are inseparable and mutually interdependent, all regional reliability standards shall be consistent with NERC's market interface principles. Consideration of the market interface principles is intended to ensure that standards are written such that they achieve their reliability objective without causing undue restrictions or adverse impacts on competitive electricity markets.

COMMON ATTRIBUTE 30

To ensure uniformity of regional reliability standards, a regional reliability standard shall consist of the elements identified in this section of the procedure. These elements are intended to apply a systematic discipline in the development and revision of standards. This discipline is necessary to achieving standards that are measurable, enforceable, and consistent.

COMMON ATTRIBUTE 31

All mandatory requirements of a regional reliability standard shall be within the standard. Supporting documents to aid in the implementation of a standard may be referenced by the standard but are not part of the standard itself.

COMMON ATTRIBUTE 32

Clear identification of the functional classes of entities responsible for complying with the standard, noting any specific additions or exceptions.

If not applicable to the entire [Regional Entity Name] area, then a clear identification of the portion of the bulk power system to which the standard applies. Any limitation on the applicability of the standard based on electric facility requirements should be described.

COMMON ATTRIBUTE 33

Each requirement shall be addressed by one or more measures. Measures are used to assess performance and outcomes for the purpose of determining compliance with the requirements stated above. Each measure will identify to whom the measure applies and the expected level of performance or outcomes required demonstrating compliance. Each measure shall be tangible, practical, and as objective as is practical. It is important to realize that measures are proxies to assess required performance or outcomes. Achieving the measure should be a necessary and sufficient indicator that the requirement was met. Each measure shall clearly refer to the requirement(s) to which it applies.

COMMON ATTRIBUTE 34

Defines for each measure:

- The specific data or information that is required to measure performance or outcomes.
- The entity that is responsible for providing the data or information for measuring performance or outcomes.
- The process that will be used to evaluate data or information for the purpose of assessing performance or outcomes.
- The entity that is responsible for evaluating data or information to assess performance or outcomes.
- The time period in which performance or outcomes is measured, evaluated, and then reset.
- Measurement data retention requirements and assignment of responsibility for data archiving.
- Violation severity levels.

SERC Regional Reliability Standard Development Procedure

Revision History

Revision	Date	Comments
0	October 25, 2006	Document Origination
1	October 10, 2007	Document revised to change to a registered ballot body approach to approve standards, changed "Manager of Reliability Services" to Manager of Reliability Standards," changed the RSS meeting notice period to 21 days, changed the review period for this procedure from five to three years, and moved from the Standing Committee Executive Committees to the Standards Committee the ability to remand a SAR back to the Requester for additional work.

Responsible SERC Group(s)

SERC Standards Committee (SC)

Review and Re-Approval Requirements

This document will be reviewed every three years or as appropriate by the SERC Standards Committee for possible revision. The existing or revised document will be re-certified and distributed to all members of SERC.

List of Appendices

- Appendix A: Stakeholder Representation
- Appendix B: Principles, Characteristics, and Special Procedures
- Appendix C: SERC Regional Reliability Standard Authorization Request Form
- Appendix D: Elements of a SERC Regional Reliability Standard
- Appendix E: Comment Form for Draft SERC Regional Reliability Standard
- Appendix F: SERC Consideration of Comments Form
- Appendix G: SERC Process Flow Diagram

Introduction

This procedure defines the process for development, revision, reaffirmation, and withdrawal of a regional reliability standard by the SERC Reliability Corporation (SERC). SERC is a regional entity authorized through an approved delegation agreement with the North American Electric Reliability Corporation (NERC) to propose regional reliability standards in accordance with Section 215 of the Federal Power Act (FPA), the U.S. Federal Energy Regulatory Commission (FERC) Order No. 672, and Title 18 § 39 of the U.S. Code of Federal Regulations (C.F.R. 18 § 39).

SERC Regional Reliability Standards apply to the planning, operation, and critical infrastructure protection of the Bulk Power System in the SERC Region. Proposed SERC Regional Reliability Standards shall be subject to approval by NERC, as the electric reliability organization, and by FERC before becoming mandatory and enforceable under Section 215 of the FPA. No SERC Regional Reliability Standard shall be effective within the SERC area unless filed by NERC with FERC and approved by FERC.

SERC Regional Reliability Standards shall provide for as much uniformity as possible with reliability standards across the interconnected bulk power system of the North American continent. A SERC Regional Reliability Standard shall be more stringent than a continent-wide reliability standard, including a regional difference that addresses matters that the continent-wide reliability standard does not, or regional difference necessitated by a physical difference in the bulk power system. A SERC Regional Reliability Standard that satisfies the statutory and regulatory criteria for approval of proposed North American reliability standards, and that is more stringent than a continent-wide reliability standard, would generally be acceptable.

SERC Regional Reliability Standards, when approved by FERC, shall be made part of the body of NERC reliability standards and shall be enforced upon all applicable bulk power system owners, operators, and users within the SERC area, regardless of membership in the region.

Process Roles

Requester: The requester is the sponsor of the SERC Regional Reliability Standard request and may assist in the development of the standard. Any member of SERC, or any group (or member of a group) within SERC (i.e., committee, subcommittee, working group, study group, task force, or SERC staff), shall be allowed to request that a SERC Regional Reliability Standard be developed, modified, or withdrawn. Additionally, any entity that is directly and materially affected by the reliability of the SERC Bulk Power System shall be allowed to request that a SERC Regional Reliability Standard be developed, modified, or withdrawn.

SERC Board of Directors: The SERC Board of Directors shall consider for adoption as SERC Regional Reliability Standards, those Standards that have been developed and approved by this procedure. Once the Board adopts a SERC Regional Reliability Standard, such Standard shall be submitted to NERC for approval. When approved by NERC, it shall be submitted to FERC for approval.

SERC Staff: The SERC Manager of Reliability Standards is responsible for forwarding a request for the development, modification or withdrawal of SERC Regional Reliability Standards to the SERC Standards Committee. The SERC Staff shall facilitate all steps in this process.

SERC Standards Committee: The SERC Regional Reliability Standard Development Procedure shall be administered by the SERC Standards Committee (SC). The SERC SC is responsible for ensuring that the development, modification or withdrawal of SERC Regional Reliability Standards is in accordance with the steps in this procedure. The SERC SC will ensure the integrity of the process and the consistency of quality and completeness of the SERC Regional Reliability Standards.

SERC Standing Committees: The SERC Standing Committees will perform a high level technical review of the SAR to determine which requests for new or revised standards shall be assigned for development (or existing standards considered for deletion). The Standing Committees will appoint the standard drafting team (Responsible SERC Subgroup).

The current SERC Standing Committees are the Engineering Committee (EC), Operating Committee (OC), and Critical Infrastructure Protection Committee (CIPC). The Standing Committees are balanced stakeholder committees, inclusive of all stakeholder interests that provide for or are materially impacted by the reliability of the bulk power system. See Appendix A for the representation model of the Standing Committees.

SERC Regional Reliability Standard Development Procedure

Compliance Advisory Groups: The SERC Compliance Advisory Groups provide inputs and comments during the standards development process to ensure the measures will be effective and other aspects of the compliance program can be practically implemented.

Responsible SERC Subgroup (RSS): Responsible SERC Subgroups are teams, responsible for drafting the standard. The RSS may include technical experts and be based around a permanent SERC Standing Committee subgroup. An RSS is established expressly to draft the standard. Membership on an RSS will be assigned by the SERC EC, OC, and/or CIPC. The requester may act as the RSS, serve on the RSS, or otherwise assist the RSS. SERC membership is not a prerequisite for serving on an RSS. The RSS will:

- Develop the details of the SERC Regional Reliability Standard,
- Consider and respond to industry comments,
- Participate in forums to help build consensus on draft SERC Regional Reliability Standards,
- Assist in the implementation of approved SERC Regional Reliability Standards,
- Provide technical oversight in response to changing industry conditions, and
- Assist in the identification of the need for new SERC Regional Reliability Standards.

Registered Ballot Body (RBB): The registered ballot body votes to approve standards. The RBB comprises all entities or individuals that qualify for one of the SERC industry Sectors, and are registered with SERC as potential ballot participants in the voting on standards. SERC membership is not a prerequisite for registering with SERC as a potential ballot participant. Any entity that is directly and materially affected by the reliability of the SERC Bulk Power System shall be allowed to register as a potential ballot participant.

Each member of the registered ballot body is eligible to vote on standards. Each standard action has its own ballot pool formed of interested members of the registered ballot body.

Ballot Pool: Each standard action has its own ballot pool formed of interested members of the Registered Ballot Body. The ballot pool comprises those members of the Registered Ballot Body that respond to a pre-ballot survey for that particular standard action. The ballot pool will ensure, through its vote, the need for and technical merits of a proposed standard action and the appropriate consideration of views and objections received during the development process. The ballot pool votes to approve each standards action.

Process Steps

Note: The term “days” below refers to calendar days.

SERC will coordinate with NERC such that the acknowledgement of receipt of an accepted standard request identified in step 4, notice of comment posting period identified in step 7, and notice for vote identified in step 9 below are concurrently posted on both the SERC and NERC websites.

Step 1: Request for a new SERC Regional Reliability Standard or modification to, or withdrawal of an existing SERC Regional Reliability Standard

A request to develop, modify or withdraw a SERC Regional Reliability Standard shall be submitted, using the SERC Regional Reliability Standard Authorization Request (SAR) Form (see Appendix C), to the SERC Manager of Reliability Standards (via e-mail to regstd@serc1.org) by any member of SERC, or any group (or member of a group) within SERC (i.e., committee, subcommittee, working group, study group, task force, or SERC staff), or any entity that is directly and materially affected by reliability of the SERC Bulk Power System. The SERC SAR Form can be downloaded from the SERC website (www.serc1.org).

An acceptable SAR shall contain a description of the proposed regional reliability standard subject matter with sufficient descriptive detail of the proposed standard to clearly define the purpose, scope, impacted parties, and other relevant information. SERC Staff shall verify that the SAR Form has been adequately completed. Within 15 days of receiving the SAR, the SERC Manager of Reliability Standards or his designee will electronically acknowledge receipt of the SAR, and will forward the SAR to the SERC Standards Committee. The SERC Manager of Reliability Standards may offer the Requester suggestions regarding changes or improvements to enhance the clarity of the proposed standards work and to assist the SERC Standards Committee in understanding the requester’s intent and objectives. The requester is free to accept or reject these suggestions.

Step 2: Assignment of SERC Regional Reliability Standard Request

The Standards Committee will review the SAR to ensure it is not in conflict with or duplication of a current standard or a standards drafting effort already proposed or in progress. Within 15 days after receiving the SAR from the SERC Manager of Reliability Standards, the Standards Committee will take one of the two following actions:

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- Assign the SAR to the appropriate SERC Standing Committee(s). SERC Staff will forward the SAR to the appropriate SERC Standing Committee Chair(s) and Standing Committee(s) Executive Committee.
- Remand the SAR back to the Requester for additional work. The SERC Manager of Reliability Standards will make reasonable efforts to assist the Requester in addressing the deficiencies identified by the Standards Committee. The Requester may then resubmit the modified SAR using the process above. The requester may choose to withdraw the SAR from further consideration.

Step 3: Acceptance of a SERC Regional Reliability Standard Request

Within 60 days of receipt of a completed SAR, the assigned SERC Standing Committee(s) Executive Committee(s) shall determine the disposition of the SAR. The committee may take one of the two following actions:

- Accept the SAR as a candidate for development of a new standard, revision of an existing standard, or deletion of an existing standard. The committee(s) may, at its discretion, expand or narrow the scope of the SAR under consideration. The committee(s) shall prioritize the development of standard in relation to other proposed standards, as may be required based on the volume of requests and resources.
- Reject the SAR. If the committee(s) rejects a SAR, a written explanation for rejection will be delivered to the Requester within 30 days of the decision.

Deliberations and decisions of the assigned SERC Standing Committee(s) Executive Committee(s) concerning requests shall be made and documented in accordance with the SERC Standing Committee rules and procedures then in effect.

Step 4: Posting of SERC Regional Reliability Standard Request

Any SAR that is accepted by the assigned SERC Standing Committee(s) Executive Committee(s) for development of a standard (or modification or deletion of an existing standard) shall be posted for public viewing on the SERC website within 30 days of acceptance by the committee. A notice of the posting for a 30-day comment period will be sent to all SERC Standing Committees representatives and alternates. In addition, the notice will be sent (via e-mail) to NERC, the Region Managers of the Regional Entities adjoining SERC (RFC, MRO, SPP, and FRCC), individuals listed as entity contacts in the SERC Compliance Registry, and the SERC Registered Ballot Body representatives to seek input on the proposed SAR. SERC Staff will perform this

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posting on the SERC website and coordinate or send correspondences described in this and other steps of the process.

Step 5: Formation of a Responsible SERC Subgroup

Within 60 days of accepting a SAR for development, the assigned SERC Standing Committee(s) Executive Committee(s) shall assign and direct the proposal to the appropriate Responsible SERC Subgroup (RSS) to develop the draft Regional Reliability Standard. The RSS may be a permanent Standing Committee subgroup (augmented by other persons as may be appropriate to address the subject matter of the proposed standard), or a task force established expressly by the Executive Committee(s) for drafting the standard. SERC membership is not a prerequisite for serving on an RSS.

After consulting with the assigned SERC Standing Committee(s) Executive Committee(s) as necessary, the SERC Standards Committee (SC) will assign a preliminary date on which the RSS is expected to have ready a completed draft Standard and associated supporting documentation available for consideration.

Step 6: Drafting of a SERC Regional Reliability Standard

The RSS shall develop a work plan for completing the regional reliability standard, including the establishment of a milestone schedule for completing critical elements of the work in sufficient detail to ensure that the RSS will meet the objectives established by the SC. The RSS shall submit its work plan to the SC for its concurrence.

The RSS shall convene periodically, either in person or by electronic means as necessary, establish work teams (made up of members of the RSS) as necessary, and perform other activities to complete the proposed standard within the milestone date(s) agreed upon by the SC. All RSS meetings or portions of meetings associated with development of the draft standard shall be open and publicly noticed on the SERC website for a minimum of twenty-one (21) calendar days prior to the meeting. All RSS meeting attendees are required to register via the SERC website.

The RSS shall consider all comments received on the posting of the SAR and shall develop a draft SERC Regional Reliability Standard that will address the accepted SAR. The RSS shall use the SERC Regional Reliability Standards Format Template as the format for the draft standard (see Appendix D). The SERC Regional Reliability Standards Format Template can be downloaded from the SERC website (www.serc1.org).

The work product of the RSS will consist of the following:

- A draft Standard consistent with the SAR on which it was based.

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- An assessment of the impact of the standard on neighboring regions, and appropriate input from the neighboring regions if the standard is determined to impact any neighboring region.
- An implementation plan, including the nature, extent and duration of field-testing, if any.
- Identification of any existing Standard that will be deleted, in part or whole, or otherwise impacted by the implementation of the draft Standard
- Technical reports, white papers and/or work papers that provide technical support for the draft Standard under consideration.
- Documentation of the perceived reliability impact should the Standard be approved.

The RSS shall regularly inform the SC, at a frequency determined by the SC, of its progress in meeting a timely completion of the draft standard. The RSS may, with justification, request of the SC scope changes from the SAR at any point in the standard development process.

The RSS shall submit the draft SERC Regional Reliability Standard and supporting documentation to the SC for review. The RSS will send any revised SERC Regional Reliability Standard to the SC in both “Clean” and “Tracking” formats. The RSS shall also send the SC an accompanying Comments Form which may include specific questions addressing the major issues associated with the new or revised standard. In any event, the Comments Form must also allow for general comments on the standard (see Appendix E for sample form). The SC will verify that the proposed standard is consistent with the SAR on which it was based. The SERC Regional Reliability Draft Standards Comments Form can be downloaded from the SERC website (www.serc1.org).

Step 7: Posting of a Draft SERC Regional Reliability Standard

The SERC Standards Committee shall send to the SERC Manager of Reliability Standards the draft SERC Regional Reliability Standard, along with a draft implementation plan and supporting documents, for comments. SERC Staff will post these documents on the SERC website for thirty (30) calendar days. A notice of the posting for comment will be sent to all SERC Standing Committees representatives and alternates. In addition, the request will be sent (via e-mail) to NERC, the Region Managers of the Regional Entities adjoining SERC (RFC, MRO, SPP, and FRCC), individuals listed as entity contacts in the SERC Compliance Registry, and the SERC Registered Ballot Body representatives to seek input on the draft SERC Regional Reliability Standard. Comments shall be submitted electronically (via e-mail) to regstd@serc1.org. All comments are due by the close of business on the 30th calendar day of posting. If the comment due date falls on a weekend or nationally recognized holiday, the comments shall be due by the close of business on the next regularly scheduled business day.

Step 8: Standard Drafting Team Review of Comments

SERC Staff shall forward all comments received to the RSS and SC. The SC may review comments and make recommendations concerning them. Any SC recommendation will be forwarded to the RSS. The RSS shall review the comments received and revise the draft SERC Regional Reliability Standard as needed. The RSS shall develop a written response to each comment received using the Consideration of Comments Form Template (see Appendix F). The SERC Consideration of Comments Form Template can be downloaded from the SERC website (www.serc1.org). The completed Consideration of Comments Form will be posted on the SERC website.

The RSS shall summarize comments that were rejected by the RSS and the reason(s) that these comments were rejected, in part or whole. The RSS shall submit to the SC the summary of comments rejected, the completed Consideration of Comments form, and any resulting revisions to the draft SERC Regional Reliability Standard.

If needed, a second draft of the SERC Regional Reliability Standard (along with the summary of comments rejected and the Consideration of Comments from the previous posting) will be posted for another comment period. Such comment period shall be for thirty (30) calendar days. A notice of the posting for comment will be sent to all SERC Standing Committees representatives and alternates. In addition, the notice will be sent (via e-mail) to NERC, the Region Managers of the Regional Reliability Organizations adjoining SERC (RFC, MRO, SPP, and FRCC), individuals listed as entity contacts in the SERC Compliance Registry, and the SERC Registered Ballot Body representatives to seek input on the revised draft SERC Regional Reliability Standard.

Based on comments received to the posting, Step 7 will be repeated as necessary until the RSS and the SC believe the draft SERC Regional Reliability Standard is ready to submit to the SERC Ballot Body for approval.

Step 9: Notice of Vote to Approve a SERC Regional Reliability Standard

The Responsible SERC Subgroup shall submit the summary of comments rejected and the Consideration of Comments document along with the final draft of the proposed SERC Regional Reliability Standard (both "Tracking" and "Clean" versions for standard revisions) to the SERC Manager of Reliability Standards for posting on the SERC website at least 15 days prior to requesting approval of the standard.

The SERC Manager of Reliability Standards shall post the proposed standard and implementation plan for ballot and shall announce the vote to approve the standard, including when the vote will be conducted and the method for voting. Once the notice for a vote has been issued, no substantive modifications may be made to the proposed standard unless the revisions are posted and a new notice of the vote is issued.

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Ballot Pool: The SERC Manager of Reliability Standards shall establish a ballot pool for a standard action at least 15 days prior to the start of a ballot. The SERC Manager of Reliability Standards shall send a notice to every entity in the Registered Ballot Body. The purpose of this notice is to establish a ballot pool to participate in the ballot of the proposed standards action.

Any member of the Registered Ballot Body may join or drop out of a ballot pool until the ballot period begins (Step 10). No Registered Ballot Body member may join or leave the ballot pool once the first ballot starts. The SERC Manager of Reliability Standards shall coordinate changes to the membership of the ballot pool and publicly post the standard ballot pool for each standard action.

The SERC Manager of Reliability Standards shall schedule a vote by the ballot pool for approval. The vote shall commence no sooner than 15 days and no later than 30 days following the issuance of the notice for the vote.

Step 10: SERC Ballot Pool of Registered Ballot Body Approval

The Ballot Pool shall have a minimum of ten (10) days to vote on a standards action. The Ballot Pool should give due consideration to the work of the RSS, as well as the comments of stakeholders and minority objections, in approving a proposed regional reliability standard. The Ballot Pool may vote to approve or not approve the standard.

Once approved, the SERC Regional Reliability Standard along with the proposed implementation plan and supporting documentation will be submitted by the SERC President, or the President's designee, to the SERC Board of Directors for adoption.

If approval by the RBB is not obtained, the Standing Committee(s) will determine if the draft SERC Regional Reliability Standard is to be sent back to the RSS to repeat Step 8 to incorporate any RBB or SERC Standing Committee(s) comments, form a new RSS for that purpose, or to take no further action on the proposed SERC Regional Reliability Standard.

If no further action is taken, the reason for such will be posted on the SERC website. A notice of the posting will be sent to all SERC Standing Committee representatives and alternates. In addition, the notice will be sent (via e-mail) to NERC, the Region Managers of the Regional Entities adjoining SERC (RFC, MRO, SPP, and FRCC), individuals listed as entity contacts in the SERC Compliance Registry, and the SERC Registered Ballot Body representatives.

Step 11: Adoption of SERC Regional Reliability Standards by the SERC Board of Directors

The SERC Board of Directors shall consider adoption of any SERC Regional Reliability Standard that has been approved by the SERC RBB. A SERC Regional Reliability Standard submitted for adoption by the SERC Board of Directors must be posted for notification on the SERC website at least 15 days prior to action by the SERC Board of Directors. A notice of the posting will be sent to all SERC Board of Directors representatives and alternates, and to all SERC Standing Committee representatives and alternates. In addition, the notice will be sent (via e-mail) to NERC, the Region Managers of the Regional Entities adjoining SERC (RFC, MRO, SPP, and FRCC) and to any entity that is directly and materially affected by the reliability of the SERC Bulk Electric System.

The SERC Board of Directors shall consider the comments received, the responses provided, and any dissenting opinions. The SERC Board of Directors shall adopt or reject a SERC Regional Reliability Standard as submitted, but may not substantively modify the proposed SERC Regional Reliability Standard.

If the SERC Board of Directors chooses to reject a SERC Regional Reliability Standard as submitted, it shall provide its reasons for doing so. The reasons for such decision will be posted on the SERC website. A notice of the posting will be sent to all SERC Standing Committees representatives and alternates. In addition, the notice will be sent (via e-mail) to NERC, the Region Managers of the Regional Entities adjoining SERC (RFC, MRO, SPP, and FRCC), individuals listed as entity contacts in the SERC Compliance Registry, and the SERC Registered Ballot Body representatives. The assigned Standing Committee(s) will determine if the draft standard should be resubmitted with modifications. If so, the draft standard will be remanded back to the RSS in Step 8 above.

Step 12: Submission of SERC Regional Reliability Standards to NERC and FERC

Once the SERC Regional Reliability Standard is adopted by the SERC Board of Directors, the SERC President, or the President's designee shall submit the SERC Regional Reliability Standard to NERC for approval and filing with FERC. NERC will post the SERC Regional Reliability Standard for comments. The Responsible SERC Subgroup will develop a response to any comments and submit it to the Standards Committee for approval. When the Responsible SERC Subgroup response is approved by the Standards Committee, the SERC President, or the President's designee will forward the comments to NERC for consideration by the NERC Board. If the NERC Board rejects the SERC Regional Reliability Standard the SERC Board will determine if the SERC Regional Reliability Standard is to be sent back to the assigned SERC

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Standing Committee(s) to incorporate the NERC Board comments or to take no further action on the standard.

When approved by the NERC Board, NERC will submit the SERC Regional Reliability Standard to FERC for approval. If FERC rejects the SERC Regional Reliability Standard, the SERC Board will determine if the SERC Regional Reliability Standard is to be sent back to the assigned SERC Standing Committee(s) to incorporate the FERC comments or to take no further action on the standard.

Step 13: Implementation of SERC Regional Reliability Standards

A SERC Regional Reliability Standard that is adopted by the SERC Board of Directors, NERC, and FERC, shall become effective on a date designated by FERC. In developing the standard, the RSS should consider the time needed for NERC and FERC approval in the proposed implementation date.

Appendix A: Stakeholder Representation

A.1 SERC Standing Committees and Member Representation

Membership in SERC 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. SERC's membership policy permits full and fair participation of all members through their representatives, including in the development of and voting on Regional Reliability Standards. The SERC standing committees have a role in developing standards, a ballot pool of the SERC Registered Ballot Body vote to approve Regional Reliability Standards, and the SERC Board of Directors adopts all standards. Since each member is entitled to representation on both the Board and the Standing Committees, SERC's membership policy permits full and fair participation of its members.

The following are excerpts from the SERC Reliability Corporation Bylaws. Section 8.1 establishes the Standing Committees and SERC Member representation on those committees. Section 8.2 specifies committee voting rights will be based on the same method as adopted by the SERC Board of Directors, and refers to the Organization and Procedures Manual for SERC Standing Committees for more specific details.

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.

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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.

A.2 SERC Regional Reliability Standards Voting Procedures

The following are the voting procedures for the SERC Registered Ballot Body:

1. Registration Procedures

The Registered Ballot Body (RBB) comprises all organizations and entities that:

- Qualify for one of the SERC Sectors, and
- Are registered with SERC as potential ballot participants in the voting on standards.

All registrations will be done electronically. Each participant, when initially registering to join the RBB will self-select to belong to one of the Sectors and will also name their RBB representative. The Executive Committee of the Board of Directors will review all applications for joining the Registered Ballot Body, and make a determination of whether the self-selection satisfies the criteria to belong to that sector. The Sectors shall be identical to those in Section 3.4 of the SERC's Bylaws.

All registered organizations and entities that qualify for a Sector with SERC may vote on a standard. Voting is in writing with each registered stakeholder (a "stakeholder") having one vote. The stakeholder's RBB representative will have the right to register to participate in ballot pools and cast the stakeholder's vote.

2. Sector Qualification Guidelines

The sector qualification guidelines are inclusive; i.e., any entity with a legitimate interest in the reliability of the SERC bulk power system that can meet the criteria for a sector as defined in Section 3.4 of the SERC's Bylaws is entitled to belong to and vote in that sector. The general guidelines are:

- Corporations or organizations with affiliates that qualify to belong to more than one sector (e.g., Investor-Owned Utility and Merchant Electricity Generator) may belong to each of the sectors in which they qualify, provided that each sector constitutes a separate membership and is represented by a

different representative.

- At any given time, affiliated entities may collectively be registered only once within a sector.
- Any individual currently employed by an organization that is eligible to join one of the other seven sectors, shall not be qualified to join as a “customer” in the ISO-RTO/Customer sector.

3. Definitions

Individual Vote – shall mean a single vote accorded to each stakeholder.

4. Quorum

Two-thirds of the Individual Votes of the Ballot Pool shall constitute a quorum.

5. SERC Registered Ballot Body Voting Requirements

A ballot pool will be established to participate in the ballot of any proposed standards action. Approval of a reliability standard or revision to a reliability standard requires the affirmative vote of a two thirds majority of the weighted Sector votes cast. The number of votes cast in each Sector is the sum of affirmative and negative votes, excluding abstentions and non-response.

The following process is used to determine if there are sufficient affirmative votes.

- The number of affirmative votes cast in each Sector will be divided by the sum of affirmative and negative votes cast to determine the fractional affirmative vote for each Sector. Abstentions and non-responses will not be counted for the purposes of determining the fractional affirmative vote for a Sector.
- The fractional affirmative vote for a Sector is then multiplied by the Sector weight factor, to determine the weighted fractional affirmative vote for a Sector. The weight factors for the Sectors are:
 - Investor-Owned Utility Sector: weight factor is 3.
 - Federal/State Sector: weight factor is 2.
 - Cooperative Sector: weight factor is 2.
 - Municipal Sector: weight factor is 2.
 - Marketer Sector: weight factor is 1.
 - Merchant Electricity Generator Sector: weight factor is 1.
 - ISO-RTO/Customer Sector: weight factor is 1.
- The sum of the weighted fractional affirmative votes from all Sectors divided by the sum of the weights of the Sectors voting will be used to determine if a two-thirds majority has been achieved. (A Sector will be considered as “voting” if any member of the Sector in the ballot pool casts either an

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- affirmative or a negative vote.)
- A standard will be approved if the sum of weighted fractional affirmative votes from all Sectors divided by the sum of the weights of the voting Sectors is two-thirds or greater.

Appendix B: Principles, Characteristics, and Special Procedures

Principles

SERC develops regional standards with due consideration of the following principles, in accordance with the steps outlined in this procedure. This procedure has been designed to ensure that any SERC Regional Reliability Standard is technically sound and the technical specifications proposed will achieve a valuable reliability objective.

The SERC Regional Reliability Standards Development Procedure has the following characteristics:

- **Open:** Participation in the development of a SERC Regional Reliability Standard shall be open to all organizations that are directly and materially affected by the SERC bulk power system reliability. There shall be no undue financial barriers to participation. Participation shall not be conditioned upon membership in SERC, and shall not be unreasonably restricted on the basis of technical qualifications or other such requirements. Meetings of the Responsible SERC Subgroup assigned to draft a standard shall be open to the SERC members and others.
- **Balanced:** The SERC Regional Reliability Standards Development Procedure strives to have an appropriate balance of interests and shall not be dominated by any two interest categories and no single interest category shall be able to defeat a matter.
- **Inclusive:** Any entity (person, organization, company, government agency, individual, etc.) with a direct and material interest in the bulk power system in the SERC area shall have a right to participate by: a) expressing a position and its basis, b) having that position considered, c) registering as a potential ballot participant and voting on a proposed standard; and d) having the right to appeal.
- **Fair due process:** The SERC Regional Reliability Standards Development Procedure provides for reasonable notice and opportunity for public comment. This procedure includes public notice of the intent to develop a standard, a public comment period on the proposed standard, due consideration of those public comments, and a ballot of interested stakeholders.
- **Transparent:** All actions material to the development of SERC Regional Reliability Standards shall be transparent. All standards development meetings shall be open and publicly noticed on the SERC Web site.
- **Due Course:** Does not unnecessarily delay development of the proposed SERC Regional Reliability Standard.

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NERC has adopted reliability principles and market interface principles to define the purpose, scope, and nature of reliability standards. These principles are to be used to guide the development of reliability standards, including regional reliability standards. The NERC Board of Trustees may modify these principles from time to time, as necessary, to adapt its vision for reliability standards.

- Each SERC Regional Reliability Standard shall enable or support one or more of the reliability principles, thereby ensuring that each standard serves a purpose in support of the reliability of the regional bulk power system. Each standard shall also be consistent with all of the reliability principles, thereby ensuring that no standard undermines reliability through an unintended consequence.
- While reliability standards are intended to promote reliability, they must at the same time accommodate competitive electricity markets. Reliability is a necessity for electricity markets, and robust electricity markets can support reliability. Recognizing that bulk power system reliability and electricity markets are inseparable and mutually interdependent, all SERC Regional Reliability Standards shall be consistent with NERC's market interface principles. Consideration of the market interface principles is intended to ensure that standards are written such that they achieve their reliability objective without causing undue restrictions or adverse impacts on competitive electricity markets.

Regional Reliability Standard Characteristics and Elements

Characteristics of a SERC Regional Reliability Standard

The following characteristics describe objectives to be considered in the development of SERC Regional Reliability Standards:

1. **Applicability:** Each SERC Regional Reliability Standard clearly identifies the functional classes of entities responsible for complying with the standard, with any specific additions or exceptions noted. Such functional classes include: reliability coordinators, balancing authorities, transmission operators, transmission owners, generator operators, generator owners, interchange authorities, transmission service providers, market operators, planning authorities, transmission planners, resource planners, load-serving entities, purchasing-selling entities, and distribution providers. Each SERC Regional Reliability Standard identifies the geographic applicability of the standard. A standard may also identify any limitations on the applicability of the standard based on electric facility characteristics.
2. **Reliability Objectives:** Each SERC Regional Reliability Standard has a clear statement of purpose that describes how the standard contributes to the reliability of

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the bulk power system.

3. **Requirement or Outcome:** Each SERC Regional Reliability Standard states one or more requirements, which if achieved by the applicable entities, will provide for a reliable bulk power system, consistent with good utility practices and the public interest.
4. **Measurability:** Each performance requirement is stated so as to be objectively measurable by a third party with knowledge or expertise in the area addressed by that requirement. Each performance requirement has one or more associated measures used to objectively evaluate compliance with the requirement. If performance can be practically measured quantitatively, metrics are provided to determine satisfactory performance.
5. **Technical Basis in Engineering and Operations:** Each regional reliability standard is based upon sound engineering and operating judgment, analysis, or experience, as determined by expert practitioners in that particular field.
6. **Completeness:** Each SERC Regional Reliability Standard is complete and self-contained. Supporting references may be provided with standards, but they are not part of the standard and do not impose mandatory requirements.
7. **Clear Language:** Each SERC Regional Reliability Standard is stated using clear and unambiguous language. Responsible entities, using reasonable judgment and in keeping with good utility practice, are able to arrive at a consistent understanding of the required performance.
8. **Practicality:** Each SERC Regional Reliability Standard establishes requirements that can be practically implemented by the assigned responsible entities within the specified effective date and thereafter.
9. **Consistent Terminology:** To the extent possible, SERC Regional Reliability Standards use a set of standard terms and definitions that are approved through the SERC Regional Reliability Standard Development Procedure.

Although regional reliability standards have a common format and process, several types of standards may exist, each with a different approach to measurement:

- Technical standards are related to the provision, maintenance, operation, or state of electric systems, and will likely contain measures of physical parameters that are technical in nature.
- Performance standards are related to the actions of entities providing for or impacting the reliability of the bulk power system, and will likely contain measures of

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the results of such actions or qualities of performance of such actions.

- Preparedness standards are related to the actions of entities to be prepared for conditions that are unlikely to occur, but are nonetheless critical to reliability, and will likely contain measures of such preparations or the state of preparedness.

Elements of a SERC Regional Reliability Standard

To ensure uniformity of SERC Regional Reliability Standards, a SERC Regional Reliability Standard shall consist of the elements identified in Appendix D of this procedure. However, the most current version of the approved NERC Reliability Standard template and its associated elements posted on the NERC website will be used at the time of the development of the SERC Regional Reliability Standard if different from the elements listed in Appendix D. This is to ensure all essential elements are contained in the SERC standard to achieve consistency and uniformity and meet all statutory requirements. These elements are intended to apply a systematic discipline in the development and revision of standards. This discipline is necessary to achieving standards that are measurable, enforceable, and consistent.

All mandatory requirements of a SERC Regional Reliability Standard shall be within the standard. Supporting documents to aid in the implementation of a standard may be referenced by the standard but are not part of the standard itself.

Maintenance of the SERC Regional Reliability Standards Development Procedure

Any member of SERC, or group (or member of a group) within SERC (i.e., committee, subcommittee, working group, study group, task force, or SERC staff), or any entity that is directly and materially affected by the reliability of the SERC Bulk Power System may submit a written request to modify the SERC Regional Reliability Standard Development Procedure. The Manager of Reliability Standards shall oversee the handling of the request.

Significant changes to this procedure shall be addressed using the same procedure as a request to develop, modify, or withdraw a SERC Regional Reliability Standard.

For any minor changes to this procedure, the SERC Standards Committee shall review the request and submit recommendations to the SERC Board of Directors for consideration. The SERC Board of Directors, on its own motion, may amend the SERC Regional Reliability Standard Procedure.

Maintenance of SERC Regional Reliability Standards

Each SERC Regional Reliability Standard shall be reviewed at least once every five (5) years. The review date will be determined from the effective date or the latest revision

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date, whichever is later. The review process shall be conducted in accordance with Steps 1 through 13 of the SERC Regional Reliability Standard Development Procedure. As a result of this review, a SERC Regional Reliability Standard shall be reaffirmed, revised, or withdrawn.

Interpretations of Standards

Any member of SERC, or group within SERC, or an entity that is directly and materially affected by reliability of the SERC Bulk Electric System shall be permitted to request an interpretation of a SERC Regional Reliability Standard or regional criteria documented in a SERC Standing Committee Document. Any such entity shall also be permitted to request implementation guidance regarding how the SERC compliance program will be measuring and enforcing a NERC Reliability Standard¹. The entity requesting an interpretation or implementation guidance shall send a request to regstd@serc1.org explaining the specific circumstances surrounding the request and what clarifications are required as applied to those circumstances. The request should indicate the material impact to the requesting party, or others, caused by the lack of clarity or a possible incorrect interpretation. SERC Staff will forward requests for interpretations to the appropriate SERC Standing Committee Chair(s), who will assign a Responsible SERC Subgroup with the relevant expertise to address the clarification.

As soon as practical [but not more than forty-five (45) calendar days following the receipt of the request], the assigned subgroup will draft a written interpretation of the SERC Regional Reliability Standard or regional criteria addressing the issues raised. The interpretation will be submitted to the appropriate SERC Standing Committee(s) Executive Committee for review.

As soon as practical [but not more than twenty (20) calendar days following the receipt of the written interpretation from the RSS], the SERC Standing Committee Executive Committee will develop a written recommendation to the SERC Executive Committee concerning approval of the interpretation. The SERC Standing Committee Executive Committee must recommend either that 1) the RSS written interpretation; or 2) a revision of that interpretation be approved. The recommendation, the RSS written interpretation, and any revised interpretation will be forwarded to the SERC Executive Committee.

If approved by the SERC Executive Committee, the interpretation is appended to the SERC Regional Reliability Standard or SERC regional criteria and is effective immediately. The interpretation will stand until such time as the SERC Regional Reliability Standard or SERC Standing Committee Document is revised through the normal process, at which time the SERC Regional Reliability Standard or SERC

¹ This is different than requesting an interpretation of the meaning of a NERC Reliability Standard itself, which must be addressed through the NERC process by submitting a request for interpretation to NERC.

SERC Regional Reliability Standard Development Procedure

Standing Committee Document will be modified to incorporate the clarifications provided by the interpretation.

Requests for implementation guidance regarding how the SERC compliance program will be measuring and enforcing a NERC Reliability Standard will be forwarded to the SERC Compliance staff. The SERC Compliance staff will assign the request to the applicable compliance advisory group to develop appropriate implementation guidance. As soon as practical [but not more than forty-five (45) calendar days following the receipt of the request], the assigned compliance advisory group will draft written implementation guidance for review by the SERC Compliance staff. The SERC Compliance staff will notify the requestor of the approved implementation guidance.

Appeals

Any member of SERC or any entity that is directly and materially affected by the reliability of the SERC Bulk Electric System that believes it has been or will be adversely affected by any substantive or procedural action or inaction related to the development, approval, revision, or withdrawal of a SERC Regional Reliability Standard shall have the right to appeal. This appeals process applies only to the SERC Regional Reliability Standards Process as defined in this manual. The burden of proof to show adverse effect shall be on the appellant. Appeals shall be made within thirty (30) calendar days of the date of the action purported to cause the adverse effect. The final decisions of any appeal shall be documented in writing and posted on the SERC Member website. A notice of the posting will be sent to all SERC Board of Directors representatives and alternates, and to all SERC Standing Committees representatives and alternates. In addition, the notice will be sent (via e-mail) to the Region Managers of the Regional Entities adjoining SERC (RFC, MRO, SPP, and FRCC) and to any entity that is directly and materially affected by the reliability of the SERC Bulk Electric System.

The appeals process provides two levels, with the goal of expeditiously resolving the issue to the satisfaction of the participants:

Level 1 Appeal

Level 1 is the required first step in this appeals process. The appellant submits to the SERC President a complaint in writing that describes the substantive or procedural action associated with a SERC Regional Reliability Standard or the SERC Regional Reliability Standards Process. The appellant must describe in the complaint the actual or potential adverse impact to the appellant.

Assisted by any necessary staff and the Standards Committee, the SERC President, or the President's designee shall prepare a written response addressed to the appellant as soon as practical but not more than forty-five (45) calendar days after receipt of the complaint. If the appellant accepts the response as a satisfactory resolution of the

SERC Regional Reliability Standard Development Procedure

issue, both the complaint and response will be made a part of the record associated with the SERC Regional Reliability Standard.

Level 2 Appeal

If after the Level 1 Appeal, the appellant remains unsatisfied with the resolution, notification shall be made in writing to the SERC President within fifteen (15) calendar days of the affected entity's Level 2 Appeal to the SERC Executive Committee. In all cases, no SERC Executive Committee members that have any direct affiliation with the participants in the appeal will participate in the Level 2 Appeal.

SERC Staff shall post on the SERC website the notice of the Level 2 appeal and other relevant materials at least fifteen (15) calendar days prior to consideration of the Level 2 appeal by the SERC Executive Committee.

In addition to the appellant, any entity that is directly and materially affected by the reliability of the SERC Bulk Electric System, and who is directly and materially affected by the substantive or procedural action referenced in the complaint shall be heard by the SERC Executive Committee. The SERC Executive Committee shall not consider any expansion of the scope of the appeal that was not presented in the Level 1 Appeal.

The Executive Committee may direct the Standards Committee to research and/or advise it on technical issues or matters related to the appeal. Each appellant, any entity that is directly and materially affected by the reliability of the SERC Bulk Electric System, and who is directly and materially affected by the substantive or procedural action referenced in the complaint may request that an ad-hoc committee be formed to assist the Executive Committee in its review.

The SERC Executive Committee may in its decision find for the appellant and remand the issue to the SERC Standards Committee for resolution with a statement of the issues and facts in regard to which fair and equitable action was not taken.

The SERC Executive Committee may find against the appellant with a specific statement of the facts that demonstrate fair and equitable treatment of the appellant and the appellant's objections.

The actions of the SERC Executive Committee shall be posted on the SERC website. A notice of the posting will be sent to the appellant, all SERC Board of Directors representatives and alternates, and all SERC Standing Committees representatives and alternates. In addition, the notice will be sent (via e-mail) to the Region Managers of the Regional Entities adjoining SERC (RFC, MRO, SPP, and FRCC) and to any entity that is directly and materially affected by the reliability of the SERC Bulk Electric System.

SERC Regional Reliability Standard Development Procedure

Appendix C: SERC Regional Reliability Standard Authorization Request Form (Latest approved version of form is posted on the SERC website: www.serc1.org)

SERC to complete

ID
Authorized for Posting
Authorized for Development

Title of Proposed Standard:
Request Date:

SAR Originator Information

Name	SAR Type (Check box for one of these selections.)	
Company	<input type="checkbox"/>	New Standard
Telephone	<input type="checkbox"/>	Revision to Existing Standard
Fax	<input type="checkbox"/>	Withdrawal of Existing Standard
E-mail	---	-----

Purpose (Describe the purpose of the proposed Standard — what the Standard will achieve in support of reliability.)
--

Industry Need (Provide a detailed statement justifying the need for the proposed Standard, along with any supporting documentation.)

SERC Regional Reliability Standard Development Procedure

Brief Description (Describe the proposed standard in sufficient detail to clearly define the scope in a manner that can be easily understood by others.)

Justification for Regional Variation (Provide a detailed statement justifying the need for the proposed Standard specifically identifying the need for a regional variation.)

Reliability Functions

The Standard will Apply to the Following Functions (Check box for each one that applies.)

	Reliability Authority	The entity that is the highest level of authority who is responsible for the reliable operation of the Bulk Electric System, has the Wide Area view of the Bulk Electric System, and has the operating tools, processes and procedures, including the authority to prevent or mitigate emergency operating situations in both next-day analysis and real-time operations. The Reliability Coordinator has the purview that is broad enough to enable the calculation of Interconnection Reliability Operating Limits, which may be based on the operating parameters of transmission systems beyond any Transmission Operator's vision.
	Balancing Authority	The responsible entity that integrates resource plans ahead of time, maintains load-interchange-generation balance within a Balancing Authority Area, and supports Interconnection frequency in real time.
	Interchange Authority	Authorizes valid and balanced Interchange Schedules
	Planning Authority	The responsible entity that coordinates and integrates transmission facility and service plans, resource plans, and protection systems.
	Transmission Service Provider	The entity that administers the transmission tariff and provides Transmission Service to Transmission Customers under applicable transmission service agreements.
	Transmission Owner	The entity that owns and maintains transmission facilities.

SERC Regional Reliability Standard Development Procedure

	Transmission Operator	The entity responsible for the reliability of its "local" transmission system, and that operates or directs the operations of the transmission facilities.
	Transmission Planner	The entity that develops a long-term (generally one year and beyond) plan for the reliability (adequacy) of the interconnected bulk electric transmission systems within its portion of the Planning Authority Area.
	Resource Planner	The entity that develops a long-term (generally one year and beyond) plan for the resource adequacy of specific loads (customer demand and energy requirements) within a Planning Authority Area.
	Generator Operator	The entity that operates generating unit(s) and performs the functions of supplying energy and Interconnected Operations Services.
	Generator Owner	Entity that owns and maintains generating units.
	Purchasing-Selling Entity	The entity that purchases or sells, and takes title to, energy, capacity, and Interconnected Operations Services. Purchasing-Selling Entities may be affiliated or unaffiliated merchants and may or may not own generating facilities.
	Distribution Provider	Provides and operates the "wires" between the transmission system and the customer.
	Load-Serving Entity	Secures energy and transmission service (and related Interconnected Operations Services) to serve the electrical demand and energy requirements of its end-use customers.

NOTE: The RSS may find it necessary to modify the initial reliability function responsibility assignment as a result of the standards development and comments received.

Applicable Reliability Principles <i>(Check all boxes that apply.)</i>	
<input type="checkbox"/>	1. Interconnected bulk power systems shall be planned and operated in a coordinated manner to perform reliably under normal and abnormal conditions as defined in the NERC Standards.
<input type="checkbox"/>	2. The frequency and voltage of interconnected bulk power systems shall be controlled within defined limits through the balancing of real and reactive power supply and demand.
<input type="checkbox"/>	3. Information necessary for the planning and operation of interconnected bulk power systems shall be made available to those entities responsible for planning and operating the systems reliably.

SERC Regional Reliability Standard Development Procedure

<input type="checkbox"/>	4. Plans for emergency operation and system restoration of interconnected bulk power systems shall be developed, coordinated, maintained, and implemented.
<input type="checkbox"/>	5. Facilities for communication, monitoring, and control shall be provided, used, and maintained for the reliability of interconnected bulk power systems.
<input type="checkbox"/>	6. Personnel responsible for planning and operating interconnected bulk power systems shall be trained, qualified, and have the responsibility and authority to implement actions.
<input type="checkbox"/>	7. The security of the interconnected bulk power systems shall be assessed, monitored, and maintained on a wide-area basis.
Does the proposed Standard comply with all of the following Market Interface Principles? (Select 'yes' or 'no' from the drop-down box.)	
Recognizing that reliability is an Common Attribute of a robust North American economy:	
1. A reliability standard shall not give any market participant an unfair competitive advantage. Yes	
2. A reliability standard shall neither mandate nor prohibit any specific market structure. Yes	
3. A reliability standard shall not preclude market solutions to achieving compliance with that standard. Yes	
4. A reliability standard shall not require the public disclosure of commercially sensitive information. All market participants shall have equal opportunity to access commercially non-sensitive information that is required for compliance with reliability standards. Yes	

<p>Detailed Description (Provide enough detail so that an independent entity familiar with the industry could draft a Standard based on this description.)</p>

Related Reliability Standards (NERC and SERC Regional)

Standard No.	Explanation

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Related SARs

<u>SAR ID</u>	<u>Explanation</u>

Implementation Plan

<p>Description <i>(Provide plans for the implementation of the proposed standard, including any known systems or training requirements. Include the reliability risk(s) associated with the violation that the standard will mitigate, and the costs associated with implementation.)</i></p>	
<p>Proposed Implementation</p> <p>on (date):</p>	<p>days after Board of Directors adoption or</p>

Appendix D: Elements of a SERC Regional Reliability Standard

Title	A brief, descriptive phrase identifying the topic of the standard.
Identification Number	A unique identification number assigned to facilitate tracking and reference to SERC Regional Reliability Standards. The identification number will be consistent with the Numbering Convention for NERC Regional Reliability Standards. The latest approved version of the convention will be posted on the SERC website (www.serc1.org).
Effective Date and Status	The effective date of the standard or, prior to adoption of the standard by the Board of Directors, the proposed effective date.
Purpose	The purpose of the standard. The purpose shall explicitly state what outcome is expected by this standard.
Applicability	Clear identification of the functional classes of entities responsible for complying with the standard, noting any specific additions or exceptions. If not applicable to the entire SERC area, then a clear identification of the portion of the bulk power system to which the standard applies. Any limitation on the applicability of the standard based on electric facility requirements should be described.
Requirement(s)	Explicitly stated technical, performance, and preparedness requirements. Each requirement identifies what entity is responsible and what action is to be performed or what outcome is to be achieved. Each statement in the requirements section shall be a statement for which compliance is mandatory.
Violation Severity Levels	Defines the degree to which compliance with a requirement was not achieved. The violation severity levels, are part of the standard and are balloted with the standard, and developed by the NERC and SERC compliance programs in coordination with the Responsible SERC Subgroup.

SERC Regional Reliability Standard Development Procedure

Risk Factor(s)	<p>The potential reliability significance of each requirement, designated as a High, Medium, or Lower Risk Factor in accordance with the criteria listed below:</p> <p>A High Risk Factor requirement (a) is one that, if violated, could directly cause or contribute to bulk power system instability, separation, or a cascading sequence of failures, or could place the bulk power system at an unacceptable risk of instability, separation, or cascading failures; or (b) is a requirement in a planning timeframe that, if violated, could, under emergency, abnormal, or restorative conditions anticipated by the preparations, directly cause or contribute to bulk power system instability, separation, or a cascading sequence of failures, or could place the bulk power system at an unacceptable risk of instability, separation, or cascading failures, or could hinder restoration to abnormal condition.</p> <p>A Medium Risk Factor requirement (a) is a requirement that, if violated, could directly affect the electrical state or the capability of the bulk power system, or the ability to effectively monitor and control the bulk power system, but is unlikely to lead to bulk power system instability, separation, or cascading failures; or (b) is a requirement in a planning timeframe that, if violated, could, under emergency, abnormal, or restorative conditions anticipated by the preparations, directly affect the electrical state or capability of the bulk power system, or the ability to effectively monitor, control, or restore the bulk power system, but is unlikely, under emergency, abnormal, or restoration conditions anticipated by the preparations, to lead to bulk power system instability, separation, or cascading failures, nor to hinder restoration to a normal condition.</p> <p>A Lower Risk Factor requirement is administrative in nature and (a) is a requirement that, if violated, would not be expected to affect the electrical state or capability of the bulk power system, or the ability to effectively monitor and control the bulk power system; or (b) is a requirement in a planning time frame that, if violated, would not, under the emergency, abnormal, or restorative conditions anticipated by the preparations, be expected to affect the electrical state or capability of the bulk power system, or the ability to effectively monitor, control, or restore the bulk power system.</p>
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SERC Regional Reliability Standard Development Procedure

Measure(s)	Each requirement shall be addressed by one or more measurements. Measurements that will be used to assess performance and outcomes for the purpose of determining compliance with the requirements stated above. Each measurement identifies to whom the measurement applies and the expected level of performance or outcomes required demonstrating compliance. Each measurement shall be tangible, practical, and as objective as is practical. It is important to realize that measures are proxies to assess required performance or outcomes. Achieving the full compliance level of each measurement should be a necessary and sufficient indicator that the requirement was met. Each measure shall clearly refer to the requirement(s) to which it applies.
Compliance Monitoring Process	Defines for each measure: <ul style="list-style-type: none">• The specific data or information that is required to measure performance or outcomes.• The entity that is responsible for providing the data or information for measuring performance or outcomes.• The process that will be used to evaluate data or information for the purpose of assessing performance or outcomes.• The entity that is responsible for evaluating data or information to assess performance or outcomes.• The time period in which performance or outcomes is measured, evaluated, and then reset.• Measurement data retention requirements and assignment of responsibility for data archiving.• Violation severity levels.

SERC Regional Reliability Standard Development Procedure

Attached Supporting Information Elements

Interpretations	Any interpretations of the SERC Regional Reliability Standards that were developed, and approved by the SERC Executive Committee, to expound on the application of the standard for unusual or unique situations.
Implementation Plan	Each SERC Regional Reliability Standard shall have an associated implementation plan describing the effective date of the standard or effective dates if there is a phased implementation. The implementation plan may also describe the implementation of the standard in the compliance program and other considerations in the initial use of the standard, such as necessary tools, training, etc. The implementation plan must be posted for at least one public comment period and is approved as part of the ballot of the standard.
Supporting References	This section references related documents that support reasons for, or otherwise provide additional information related to the standard. Examples include, but are not limited to: <ul style="list-style-type: none">• Glossary of Terms• Developmental history of the standard and prior versions• Responsible SERC Subgroup• Notes pertaining to implementation or compliance• Standard references• Procedures/Practices• Training and/or Technical Reference• Frequently Asked Questions Document

Appendix E: Comment Form for Draft SERC Regional Reliability Standard (Latest approved version of form is posted on the SERC website: www.serc1.org)

COMMENT FORM FOR [INSERT APPROPRIATE TITLE OF SERC REGIONAL RELIABILITY STANDARD]

Please use this form to submit comments on **[insert description]**. Comments must be submitted by **[date]**. You must submit the completed form by emailing it to **[insert appropriate contact names & e-mail addresses]** with the words **[insert appropriate subject]** in the subject line. If you have questions please contact **[insert appropriate contact names, e-mail addresses & phone numbers]**.

DO: **Do** use punctuation and capitalization as needed.
Do use more than one form if responses do not fit in the spaces provided.
Do submit any formatted text or markups in a separate WORD file.

DO NOT: **Do not** submit a response in an unprotected copy of this form.

Commenter Information

Group Name (if applicable):
Contact Name:
Organization:
Telephone:
Email:

Background:

In this section, provide background information including the reasons for the development of new SERC Regional Reliability Standard or revisions to an existing SERC Regional Reliability Standard.

Major Changes to this Revision of the SERC Regional Reliability Standard

Provide additional information that may help the reviewers better understand the need and motivation for the changes.

Include any other sections as necessary to facilitate the review process.

SERC Regional Reliability Standard Development Procedure

Please Enter All Comments in Simple Text Format.

Insert a "check" mark in the appropriate boxes by double-clicking the gray areas.

[The following are sample questions. Revise the questions as appropriate.]

1. Do you agree with the inclusion of the following in section [xxx] of the standard?
Describe revision details.
 Yes
 No
 Comments:

2. Do you agree with the proposed definitions that were added or revised?
 Yes
 No
 Comments:

3. Do you agree with the deletion of the following section from part [xxx]?
 Yes
 No
 Comments:

4. Do you agree with the proposed changes in section [xxx] of the document?
 Yes
 No
 Comments:

5. Please identify anything you believe needs to be modified before this revision of the standard can be approved by SERC?
 Comments:

6. Please provide any other comments on this revision of the standard?
 Comments:

SERC Regional Reliability Standard Development Procedure

Appendix F: SERC Consideration of Comments Form (Latest approved version of form is posted on the SERC website: www.serc1.org)

**SERC [INSERT RSS NAME] Consideration of Comments on
[INSERT APPROPRIATE SERC REGIONAL RELIABILITY STANDARD TITLE & REV. #]**

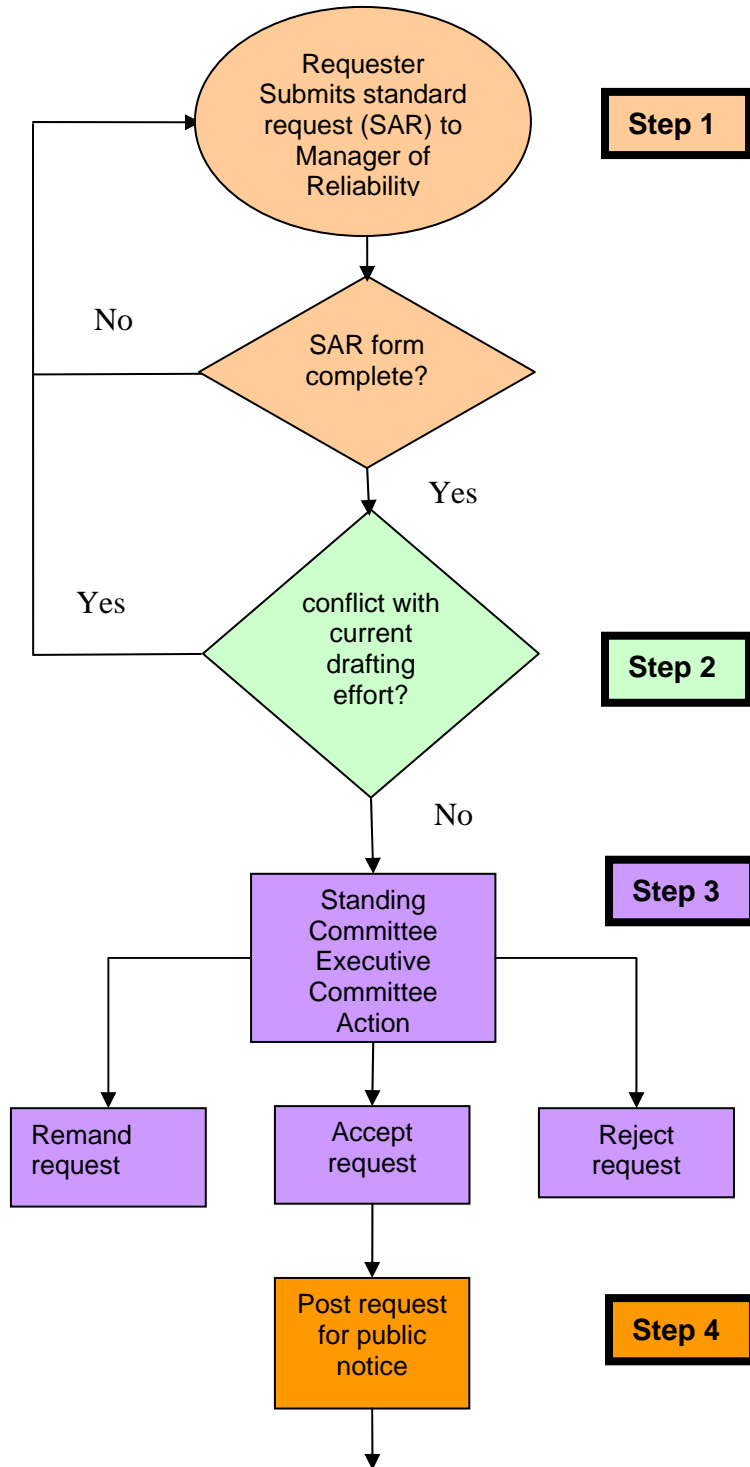
[SAMPLE LANGUAGE]

This document contains comments submitted on Revision [] of the [Standard], which was distributed for review on [Date] in accordance with the SERC Regional Reliability Standards Process Manual. Comments were received from the following.

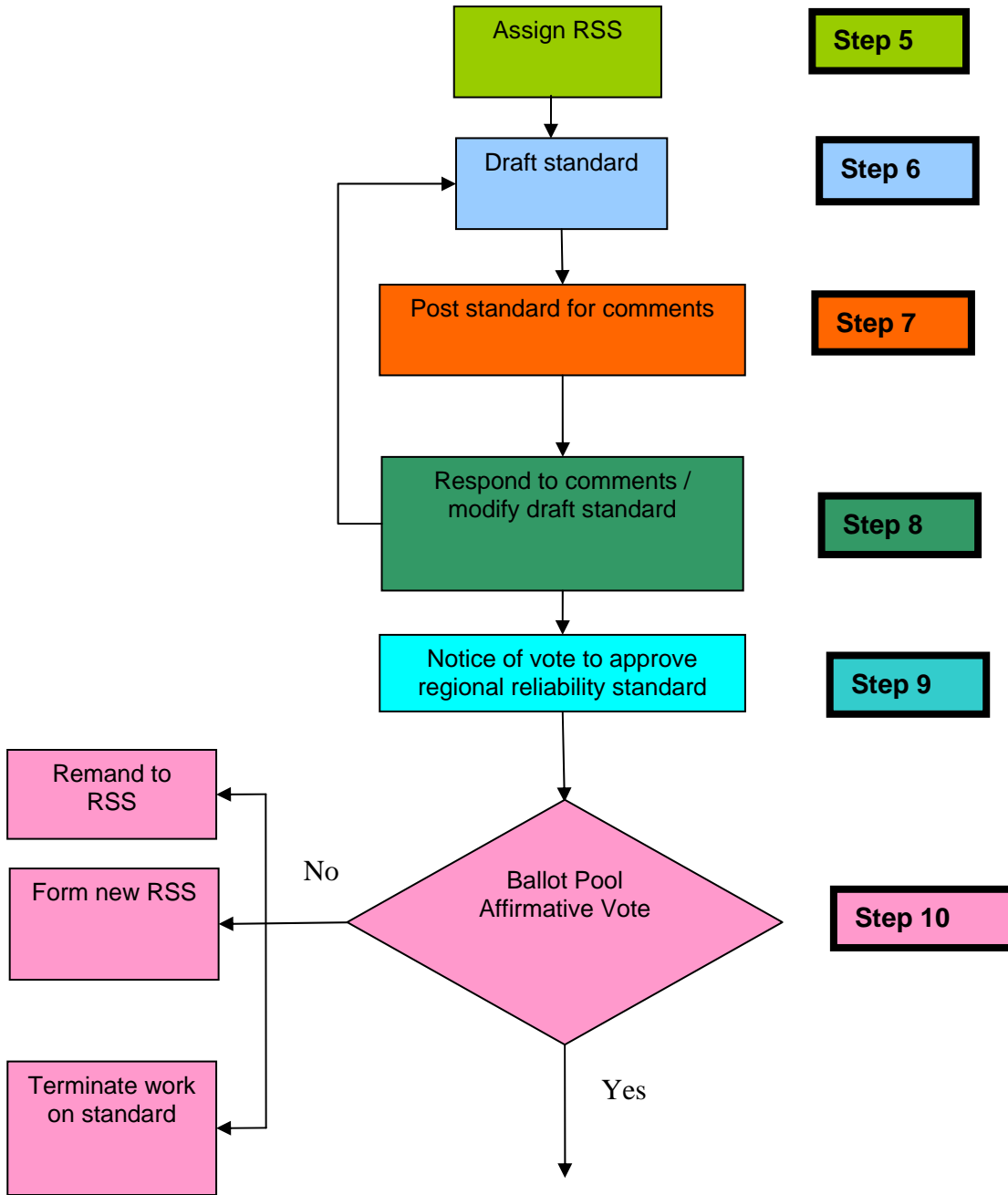
[INSERT INTRODUCTORY LANGUAGE AS APPROPRIATE]

Commenter	Comment	Response

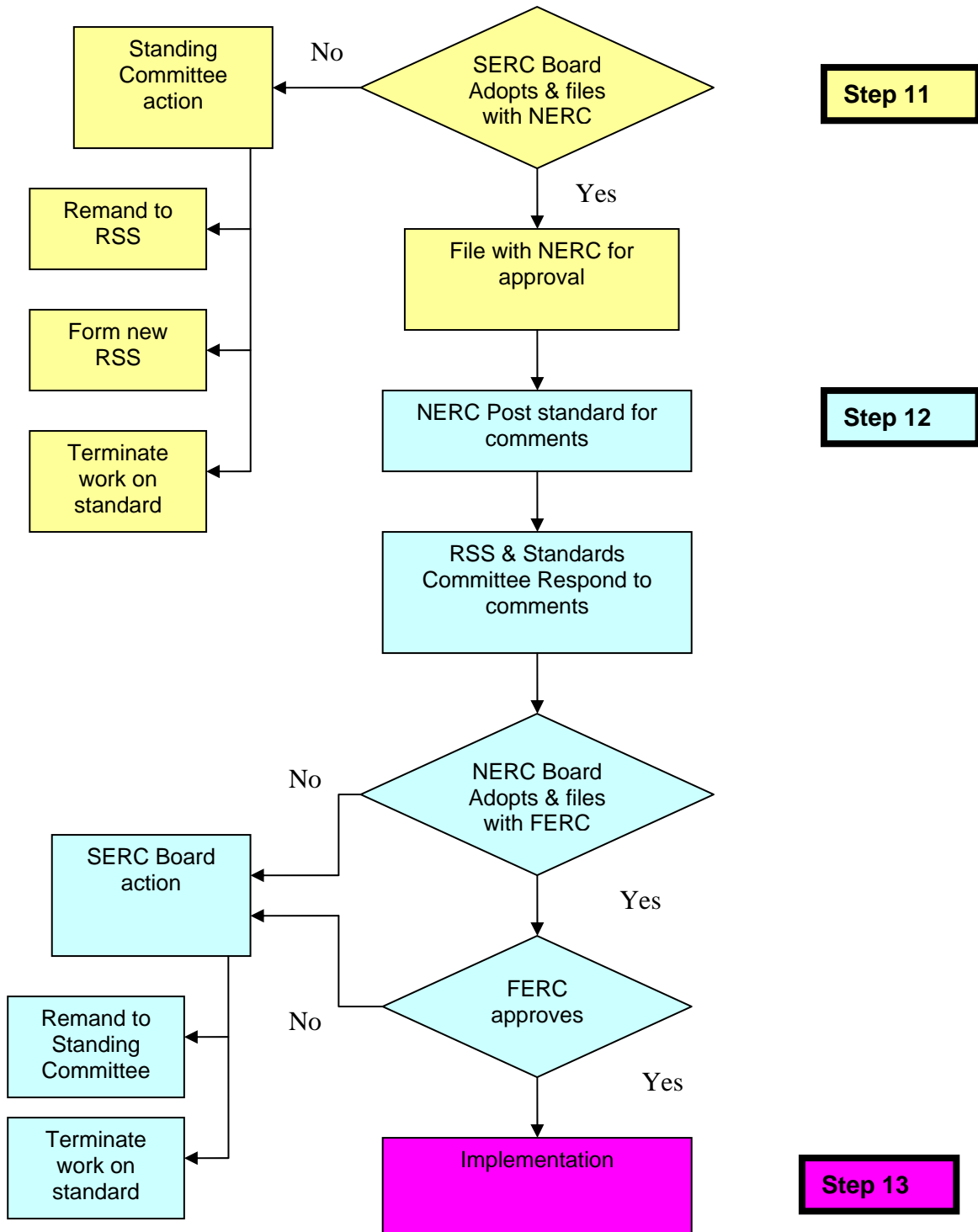
Appendix G: SERC Process Flow Diagram



SERC Regional Reliability Standard Development Procedure



SERC Regional Reliability Standard Development Procedure



SERC Compliance Monitoring and Enforcement Program

Exhibit D to the Amended and Restated Regional Entity Delegation Agreement between

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



EXHIBIT D – COMPLIANCE MONITORING AND ENFORCEMENT PROGRAM

1.0 REGIONAL COMPLIANCE MONITORING AND ENFORCEMENT PROGRAM

1.1 Obligations of SERC Reliability Corporation

SERC Reliability Corporation will implement the NERC Compliance Monitoring and Enforcement Program (Appendix 4C to the NERC Rules of Procedure) to monitor and enforce compliance with Reliability Standards by the owners, operators, and users within **SERC Reliability Corporation's** geographic boundaries set forth on **Exhibit A** of this Agreement, subject to any deviations from the NERC Compliance Monitoring and Enforcement Program described in Section 1.2 below (the "Compliance Program").

1.2 Deviations from the NERC Compliance Monitoring and Enforcement Program

SERC Reliability Corporation has no deviations.

2.0 REGIONAL HEARING OF COMPLIANCE MATTERS

SERC Reliability Corporation shall establish and maintain a hearing body with authority to conduct and 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, which shall be a balanced compliance panel reporting directly to **SERC Reliability Corporation's** board.

SERC Reliability Corporation's Hearing Body is the Board Compliance Committee, or a subset of the Board Compliance Committee. The Board Compliance Committee is comprised of SERC board members appointed by the Board of Directors. The Board Compliance Committee representation is as follows:

- The Investor-Owned Utility Sector shall have three (3) representatives;
- The Federal/State Sector shall have two (2) representatives;
- The Cooperative Sector shall have two (2) representatives;
- The Municipal Sector shall have two (2) representatives;
- The Marketer Sector shall have one (1) representative;
- The Merchant Electricity Sector shall have one (1) representative;
- The ISO-RTO/Customer Sector shall have one (1) representative

Consistent with the Hearing Procedures, a quorum for the purpose of constituting a Hearing Body shall be half of SERC's Board Compliance Committee, or six members including alternates. In addition to the quorum requirement, the chair

of the Board 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"). 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 BCC, 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 BCC, 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 BCC, 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 BCC, 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.

Approval of all actions before a duly constituted Hearing Body shall require a simple majority of the votes cast, with each member of the Hearing Body having one vote. The decision of any duly constituted Hearing Body pursuant to these requirements shall be final and binding on the Corporation, without requiring either the full Compliance Committee or the Corporation to ratify the Hearing Body's actions.

3.0 OTHER DECISIONMAKING BODIES

SERC Reliability Corporation does not use decision making bodies within its compliance program other than the Board Compliance Committee described in Section 2.0.

SERC Funding

Exhibit E to the Amended and Restated Regional Entity Delegation Agreement between

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



Exhibit E — Funding

1. Scope of activities funded through the ERO funding mechanism

SERC shall include in its annual budget submission to NERC amounts for costs it will incur in support of delegated activities and activities that are in furtherance of NERC's responsibilities as the ERO under the Act, as specified in the NERC Rules. These activities shall include:

- Reliability Standard Development (Section 300)
- Compliance Enforcement (Section 400)
- Organization Registration and Certification (Section 500)
- Reliability Readiness Evaluation and Improvement (Section 700)
- Reliability Assessment and Performance Analysis (Section 800) (including necessary data gathering activities)
- Training and Education (Section 900)
- Situational Awareness and Infrastructure Security (Section 1000)

2. Allocation of Costs

SERC shall allocate its dues, fees, and other charges for its activities pursuant to the delegation agreement among all load-serving entities on the basis of net-energy-for load, unless a different method(s) of allocating and calculating such dues, fees and charges has been submitted to and approved by NERC and the Commission in accordance with Section 8(b) of the delegation agreement. SERC shall submit to NERC annually at the same time it submits its budget request a list of the load-serving entities within its geographic boundaries and their proportionate net energy for load, and such other data and information as is necessary to allocate and calculate SERC dues, fees and charges under any such different method(s) of allocation and calculation that will be used.

3. Collection of Funding

(a) NERC shall submit invoices to the load-serving entities identified by SERC covering the NERC and SERC budgets approved for collection.

NERC shall pursue any non-payments and shall request assistance from applicable governmental authorities as necessary to secure collection.

(b) Upon approval of the annual funding requirements by applicable governmental authorities, NERC shall fund SERC's costs identified in Section 1 of this Exhibit E in four equal quarterly payments.

4. Application of Penalties

All penalty monies received by SERC, other than penalty monies received from an operational function or division or affiliated entity of SERC, shall be applied as a general offset to the entity's budget requirements for U.S.-related activities under this Agreement for the subsequent fiscal year. Funds from financial penalties shall not be directly applied to any program maintained by the investigating entity. Any penalty monies received from an operational function or division or affiliated entity of SERC shall be transmitted to or retained by NERC and shall be used by NERC as a general offset to NERC's budget for its activities as the ERO under the Act for the following year.

5. Budget and Funding for SERC's Non-Statutory Activities

In addition to its delegated activities and activities that are in furtherance of NERC's responsibilities as the ERO under the Act, as specified in Section 1 of this **Exhibit E** (such functions and activities being referred to in this Section 5 as "statutory activities"), SERC performs the following other functions and activities (such other functions and activities being referred to in this Section 5 as "non-statutory activities"): None.

SERC shall employ the following methods and procedures to (i) keep its funding mechanisms for its statutory activities separate from its funding mechanisms for its non-statutory activities, and (ii) record the costs it incurs in the performance of its non-statutory functions separately from the costs it incurs in the performance of its statutory functions: Not Applicable.

SERC shall provide its budget for such non-statutory activities to NERC at the same time that SERC submits its annual budget request to NERC pursuant to Section 1. SERC's budget for non-statutory activities that is provided to NERC shall contain a detailed list of SERC's non-statutory activities and a description of the funding sources for the non-statutory activities. SERC agrees that no costs of non-statutory activities are to be included in the calculation of SERC's dues, fees, and other charges for its statutory activities.

6. Costs associated with Cross-Regional Compliance Monitoring

The costs associated with any Cross-Regional Compliance Monitoring performed by SERC pursuant to section 6(k) of this Agreement with respect to registered functions of another Regional Entity are to be funded by payments from the Regional Entity contracting with SERC for such services, in accordance with the contract between SERC and the other Regional Entity. Where such a contract has been entered into, SERC will include a description of the resources it has budgeted to perform such services, and its estimated costs (including an appropriate allocation of SERC's General and Administrative costs) to perform such services, in each budget year, in SERC's annual business plan and budget that is submitted to NERC and to the Commission for approval.

ATTACHMENT 5

PROPOSED REVISED

AMENDED AND RESTATED DELEGATION AGREEMENT

BETWEEN NERC AND

FLORIDA RELIABILITY COORDINATING COUNCIL

CLEAN VERSION

**AMENDED AND RESTATED DELEGATION AGREEMENT BETWEEN
NORTH AMERICAN ELECTRIC RELIABILITY CORPORATION
AND FLORIDA RELIABILITY COORDINATING COUNCIL**

AMENDED AND RESTATED DELEGATION AGREEMENT (“Agreement”) made this third day of January, 2009, between the North American Electric Reliability Corporation (“NERC”), an organization certified by the Federal Energy Regulatory Commission (“Commission”) pursuant to Section 215(c) of the Federal Power Act to establish and enforce Reliability Standards for the bulk power system, and the Florida Reliability Coordinating Council, an organization established to develop and enforce Reliability Standards within the geographic boundaries identified on **Exhibit A** to this Agreement, and for other purposes. NERC and FRCC may be individually referred to herein as “Party” or collectively as “Parties.”

WITNESSETH

WHEREAS, Subtitle A of the Electricity Modernization Act of 2005 added Section 215 to the Federal Power Act (16 U.S.C. § 824n) (hereafter “the Act”) and, among other things, provides for the establishment of an electric reliability organization (“ERO”) to develop and enforce Reliability Standards applicable to all owners, operators, and users of the bulk power system;

WHEREAS, the Commission has adopted regulations for the implementation of the Act set forth at Chapter I, Title 18, Code of Federal Regulations, Part 39, as adopted by Commission Order No. 672 in Docket No. RM05-30-000 on February 3, 2006 (114 FERC ¶ 61, 104; hereafter “Order 672”);

WHEREAS, the Commission has certified NERC as the ERO that will, in accordance with the Act, establish and enforce Reliability Standards for the bulk power system, subject to certain delegation provisions described below;

WHEREAS, the Act recognizes the international interdependency of electric reliability within North America and envisions the ERO and such applicable Regional Entities as international organizations;

WHEREAS, the Act and Section 39.8 of the Commission’s regulations provide for the delegation by the ERO of authority to propose and enforce Reliability Standards to regional entities such as FRCC provided that:

(A) The Regional Entity is governed by —

- (i) an independent board;
- (ii) a balanced stakeholder board; or
- (iii) a combination independent and balanced stakeholder board.

(B) The Regional Entity otherwise satisfies the provisions of Section 215(c)(1) and (2) of the Act; and

(C) The agreement promotes effective and efficient administration of bulk power system reliability;

WHEREAS, certain Regional Entities are organized on an Interconnection-wide basis and are therefore entitled to the presumption set forth in the Act that: “[t]he ERO and the Commission shall rebuttably presume that a proposal for delegation to a Regional Entity organized on an Interconnection-wide basis promotes effective and efficient administration of bulk power system reliability and should be approved”;

WHEREAS, the Act further provides that the ERO shall rebuttably presume that a proposal from a Regional Entity organized on an Interconnection-wide basis for a Reliability Standard or modification to a Reliability Standard to be applicable on an Interconnection-wide basis is just, reasonable, and not unduly discriminatory or preferential, and in the public interest;

WHEREAS, FRCC is not organized on an Interconnection-wide basis and therefore is not entitled to the rebuttable presumptions accorded such an entity;

WHEREAS, NERC will work through FRCC to carry out certain of its activities in furtherance of its responsibilities as the electric reliability organization under the Act; and

WHEREAS, NERC has concluded that FRCC meets all requirements of the Act, the Commission’s regulations, and the NERC Rules of Procedure as approved by the Commission (“NERC Rules”) necessary to qualify for delegation;

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained, NERC and FRCC agree as follows:

1. Definitions. The capitalized terms used in this Agreement shall be defined as set forth in the Act, the Commission’s regulations, or the NERC Rules or, if not so defined, shall be defined as follows:

(a) Breach means (i) the failure of a Party to perform or observe any material term, condition or covenant of the Agreement or (ii) a representation in Section 2 of the Agreement shall have become materially untrue.

(b) Cross-Border Regional Entity means a Regional Entity that encompasses a part of the United States and a part of Canada or Mexico.

(c) Delegated Authority means the authority delegated by NERC to FRCC to propose and enforce Reliability Standards pursuant to the Act.

(d) FRCC’s Rules means the bylaws, a rule of procedure or other organizational rule or protocol of FRCC.

(e) Reliability Standard means a requirement approved by the Commission under Section 215 of the Federal Power Act to provide for reliable operation of the bulk power system. The term includes requirements for the operation of existing bulk power system facilities, including cyber security protection, and the design of planned additions or modifications to such facilities to the extent necessary for reliable operation of the bulk power system; but the term does not include any requirement to enlarge such facilities or to construct new transmission capacity or generation capacity.

2. Representations.

(a) For purposes of its Delegated Authority, FRCC hereby represents and warrants to NERC that:

(i) FRCC is and shall remain during the term of this Agreement validly existing and in good standing pursuant to all applicable laws relevant to this Agreement and that no applicable law, contract or other legal obligation prevents it from executing this Agreement and fulfilling its obligations hereunder. FRCC is governed in accordance with its bylaws by a balanced stakeholder board. Pursuant to these bylaws, no two industry sectors can control any FRCC decision and no single industry sector can veto any FRCC decision. The relevant portions of such bylaws are attached hereto in **Exhibit B**¹, and as so attached are in full force and effect. No other such corporate governance documents are binding upon FRCC.

(ii) As set forth in **Exhibit C** hereto², FRCC has developed a standards development procedure, which provides the process that FRCC may use to develop Regional Reliability Standards that are proposed to NERC for adoption.

(iii) As set forth in **Exhibit D** hereto³, FRCC has developed a regional compliance enforcement program, which provides for the enforcement of Reliability Standards within its geographic boundaries.

(b) NERC hereby represents and warrants to FRCC that:

(i) It is and shall remain during the term of this Agreement validly existing and in good standing pursuant all applicable laws relevant to this Agreement and that no applicable law, contract or other legal obligation prevents it from executing this Agreement and fulfilling its obligations hereunder; and

(ii) It has been certified as the ERO by the Commission pursuant to the Act.

3. Covenants.

(a) During the term of this Agreement, FRCC shall maintain and preserve its qualifications for delegation pursuant to the Act and shall not amend the FRCC Rules without

¹ The **Exhibit B** from each Regional Entity shall meet the requirements contained in **Exhibit B** to this pro forma Agreement.

² The **Exhibit C** from each Regional Entity shall meet the requirements contained in **Exhibit C** to this pro forma Agreement.

³ The **Exhibit D** from each Regional Entity shall meet the requirements contained in **Exhibit D** to this pro forma Agreement.

NERC's approval, which shall not be unreasonably withheld or delayed and which shall, in the case of a Regional Entity organized on an Interconnection-wide basis, be governed by the presumptions provided for in Section 215(d)(2) and (e)(4)(C) of the Act, and be subject to any required Commission approval.

(b) During the term of this agreement, NERC shall maintain its qualification and status as the ERO pursuant to the Act and, subject to the provisions of Sections 16 and 17 of this Agreement, NERC shall not adopt amendments to the NERC Rules that conflict with the rights, obligations or programs of FRCC under this Agreement without first obtaining the consent of FRCC which consent shall not be unreasonably withheld or delayed.

(c) During the term of this agreement, NERC and FRCC shall adhere to and require that all participants in their respective activities under this Agreement follow and comply with the NERC Antitrust Compliance Guidelines.

4. Delegation of Authority.

(a) Based upon the representations, warranties and covenants of [REGIONAL ENTITY] in Sections 2 and 3 above, the corporate governance documents set forth in **Exhibit B**, the standards development process set forth in **Exhibit C**, and the regional compliance enforcement program set forth in **Exhibit D**, NERC hereby delegates authority, pursuant to Section 215(e)(4) of the Act, to FRCC for the purpose of proposing Reliability Standards to NERC, as set forth in Section 5 of this Agreement, and enforcing Reliability Standards, as set forth in Section 6 of this Agreement, within the geographic boundaries set forth on **Exhibit A**. No further redelegation of authority or responsibility, in total or in part, under this Agreement is allowed without NERC's express consent.

(b) Not Applicable.

(c) As a condition to this delegation of authority and subject to the provisions of section 16 of this Agreement, FRCC shall comply with the applicable provisions of NERC's Certificate of Incorporation, Bylaws, Rules of Procedure, and Reliability Standards, as from time to time adopted, approved, or amended.

5. Reliability Standards.

In connection with its Delegated Authority, FRCC shall be entitled to:

(i) propose Reliability Standards, Regional Variances, or modifications thereof to NERC, which shall be considered by NERC through an open and inclusive process for proposing and adopting Reliability Standards that affords FRCC reasonable notice and opportunity to be heard; and

(ii) develop Regional Reliability Standards through FRCC's process as set forth in **Exhibit C**. Proposals approved through FRCC's process shall be reviewed by the NERC Board of Trustees after NERC provides notice and an opportunity for interested persons to comment. FRCC may appeal any disapproval of a proposed Regional Reliability Standard or Regional Variance to the Commission.

6. Enforcement.

(a) In connection with its delegated authority pursuant to this Agreement, FRCC shall enforce Reliability Standards (including Regional Reliability Standards and Regional Variances) within the geographic boundaries set forth in **Exhibit A** through the compliance enforcement program set forth in **Exhibit D**. NERC and FRCC agree that this program meets all applicable requirements of the Act, Order 672 and the Commission's regulations, including, *inter alia*, the requirement for an audit program pursuant to Section 39.7(a) of the Commission's regulations, the assessment of penalties pursuant to Section 39.7(c) through 39.7(g) of the Commission's regulations and the requirements for due process. FRCC may not change its compliance enforcement program set forth in **Exhibit D** absent NERC's approval, which shall not be unreasonably withheld or delayed. Subject to the rights and limitations of Sections 16 and 17 of this Agreement, FRCC agrees to comply with the NERC Rules in implementing this program.

(b) FRCC shall report promptly to NERC any self-reported violation or investigation of a violation or an alleged violation of a Reliability Standard and its eventual disposition. Such report shall include the owner's, operator's, or user's name, which Reliability Standard or Reliability Standards were violated or allegedly violated, when the violation or alleged violation occurred, other pertinent facts about the violation including circumstances surrounding the violation with any known risk to the bulk power system, when the violation was or will be mitigated, the name of a person knowledgeable about the violation or alleged violation to serve as a point of contact with the Commission, and any other information required

by NERC compliance program procedures. NERC shall promptly forward such report to the Commission. NERC and FRCC shall cooperate in filing such periodic summary reports as the Commission shall from time to time direct on violations of Reliability Standards and summary analyses of such violations.

(c) Each violation or alleged violation shall be treated as nonpublic until the matter is filed with the Commission as a notice of penalty or resolved by an admission that the owner, operator, or user of the bulk power system violated a Reliability Standard or by a settlement or other negotiated disposition. The disposition of each violation or alleged violation that relates to a Cybersecurity Incident or that would jeopardize the security of the bulk power system if publicly disclosed shall be nonpublic unless the Commission directs otherwise.

(d) All appeals of penalties imposed by FRCC shall be filed with NERC, in accordance with the NERC Rules.

(e) FRCC shall maintain the capability to conduct investigations of potential violations of Reliability Standards and to conduct such investigations in a confidential manner.

(f) FRCC shall maintain a program of proactive enforcement audits including procedures for spot-checks of self-reported compliance and periodic audits of all responsible entities as defined in **Exhibit D**.

(g) As part of its compliance enforcement program, FRCC shall maintain a conflict of interest policy that assures the integrity of such program and the independence of the compliance program staff from those subject to enforcement actions.

(h) As often as NERC deems necessary, but no less than every three years, NERC shall review FRCC's compliance enforcement program to ensure that: (i) the program meets all applicable legal requirements; (ii) actual practices reflect the requirements; and (iii) the program administered pursuant to the Delegated Authority promotes consistent interpretations across North America of Reliability Standards and comparable levels of sanctions and penalties to violations of Reliability Standards constituting comparable levels of threat to reliability of the bulk power system.

(i) FRCC shall modify its compliance enforcement program as needed to reflect additions to, deletions from, or modifications of Reliability Standards and, subject to the rights and limitations of Sections 16 and 17 of this Agreement, shall modify its compliance enforcement program as needed: (i) to reflect amendments to the NERC Rules; (ii) to comply

with NERC directives resulting from the review of compliance enforcement programs as provided in Section 6(h) of this Agreement; or (iii) to resolve a conflict with a function, rule, order, tariff, rate schedule, or agreement accepted, approved, or ordered by the Commission.

(j) NERC shall conduct a review with the Regional Entities that provides for the exchange of information on practices, experiences, and lessons learned in the implementation of compliance enforcement programs.

7. Delegation-Related Services. NERC will engage FRCC on its behalf to carry out certain of its activities that are in furtherance of its responsibilities as the ERO under the Act or in support of delegated functions, as specified in the NERC Rules and listed on **Exhibit E**.

8. Funding. FRCC and NERC shall ensure that the delegated functions and related activities listed on **Exhibit E** have reasonable and adequate funding and resources by undertaking the following:

(a) NERC shall fund FRCC activities necessary for FRCC to carry out its Delegated Authority under this Agreement, including the functions listed on **Exhibit E**, and shall not impose any obligation or requirement regarding Delegated Authority upon FRCC without providing appropriate funding to carry out such mandates;

(b) FRCC and NERC agree that costs of carrying out FRCC's responsibilities under the Delegation Agreement will be equitably allocated among end users within the geographic boundaries described in **Exhibit A** and recovered through a formula based on net energy for load, or through such other formula as is proposed by FRCC and approved by NERC and the Commission. If FRCC proposes to use a formula other than net energy for load beginning in the following year, FRCC shall submit the proposed formula to NERC in sufficient time that NERC may review and approve the proposed formula and file it with the Commission for approval by May 15, and the proposed formula shall be effective for the following year if approved by the Commission on or before the date the Commission approves the annual business plan and budget submitted by NERC and FRCC to the Commission pursuant to 18 C.F.R. §39.4 for such year;

(c) NERC will ensure that the costs for its responsibilities are first allocated fairly among the interconnections and regions according to the applicability of this work to those

interconnections and regions, and then equitably among the end users of the applicable interconnections and regions as appropriate. Allocation on a net energy for load basis will be presumed to satisfy this equitability requirement.

(d) NERC shall provide FRCC with the form for budget submittal no later than April 30 of the prior year.

(e) FRCC shall submit its annual budget for carrying out its Delegated Authority functions and related activities listed on **Exhibit E**, as well as all other FRCC activities and funding to NERC no later than June 1 of the prior fiscal year such that NERC may submit its budget to the Commission 130 days in advance of the beginning of each fiscal year. The FRCC budget submission shall include supporting materials, including FRCC's complete business plan and organization chart, explaining the proposed collection of all dues, fees and charges, and the proposed expenditure of funds collected in sufficient detail to justify the requested funding collection and budget expenditures. NERC shall develop, in consultation with the Regional Entities, a reasonable and consistent system of accounts, with a level of detail and record keeping comparable to the Commission's Uniform System of Accounts and sufficient to allow the Commission to compare each Commission-approved NERC fiscal year budget with the actual results at the NERC and Regional Entity level. FRCC shall follow NERC's prescribed system of accounts except to the extent that NERC permits a departure from the prescribed system of accounts. NERC shall make an informational filing with the Commission describing any such waiver it permits and providing an explanation supporting the permitted departure.

(f) FRCC's funding system shall include reasonable reserve funding for unforeseen and extraordinary expenses and other contingencies, consistent with generally accepted accounting principles.

(g) NERC shall review and approve FRCC's budget for meeting its responsibilities under the Delegation Agreement.

(h) FRCC shall submit unaudited quarterly interim financial statements in form provided by NERC no later than 20 days after the end of the fiscal quarter (March 31, June 30, September 30, and December 31).

(i) FRCC shall submit audited financial statements annually including supporting materials in a form provided by NERC no later than 150 days after the end of the fiscal year.

(j) NERC shall have the right to review from time to time, in reasonable intervals but no less than every three years, the financial records of FRCC in order to ensure that the documentation fairly represents in all material respects appropriate funding under this Agreement.

(k) **Exhibit E** to this Agreement sets forth the mechanism through which FRCC shall offset penalty monies it receives against its next year's annual budget for carrying out functions under this Agreement.

9. Assignment. This Agreement may be assigned by either Party only with the prior written consent of the other, which consent shall be granted or withheld in such non-assigning Party's sole discretion, subject to approval by the Commission. Any assignment under this Agreement shall not relieve a Party of its obligations, nor shall a Party's obligations be enlarged, in whole or in part, by reason thereof. FRCC may not delegate in whole or in part its Delegated Authority to any other entity; provided, however, that nothing in this provision shall prohibit FRCC from contracting with other entities to assist it in carrying out its Delegated Authority, provided FRCC retains control and responsibility for such Delegated Authority.

10. Default and Cure. Upon a Breach, the non-breaching Party shall give written notice of such Breach to the breaching Party (the "Default Notice"). Subject to a suspension of the following deadlines as specified below, the breaching Party shall have thirty (30) calendar days from receipt of the Default Notice within which to cure such Breach; provided however, that if such Breach is not capable of cure within thirty (30) calendar days, the breaching Party shall commence such cure within thirty (30) calendar days after notice and continuously and diligently complete such cure within ninety (90) calendar days from receipt of the Default Notice; and, if cured within such time, the Breach specified in such notice shall cease to exist. Subject to the limitation specified in the following sentence, if a Breach is not cured as provided in this article, or if a Breach is not capable of being cured within the period provided for herein, the nonbreaching Party shall have the right to declare a default and terminate this Agreement by written notice at any time until cure occurs, and be relieved of any further obligation hereunder. The deadlines for cure and the right to declare a default and terminate this Agreement shall be suspended during the pendency of any efforts or proceedings in accordance with Section 17 of

this Agreement to resolve a dispute as to whether a Breach has occurred. The provisions of this article will survive termination of this Agreement.

11. Term and Termination.

(a) This Agreement shall become effective thirty (30) days after the date of issuance of a final Commission order approving this Agreement without requiring any changes to this Agreement unacceptable to either Party.

(b) The initial term of the Agreement shall be four (4) years, from the original effective date of May 2, 2007, prior to which time NERC shall conduct an audit pursuant to subsections 6(e) and 7(i) to ensure that FRCC continues to meet all applicable statutory and regulatory requirements necessary to maintain its eligibility for delegation. If FRCC meets such requirements, this Agreement may be renewed for another five (5) year term. If this Agreement is not renewed or becomes subject to termination for any reason, the Parties shall work to ensure a transition of FRCC's Delegated Authority to NERC or to another eligible entity. The termination of this Agreement shall not take effect until such transition has been effected, unless the transition period exceeds one year, at which time FRCC may unilaterally terminate.

(c) If any provision of this Agreement, or the application thereof to any person, entity or circumstance, is held by a court or regulatory authority of competent jurisdiction to be invalid, void, or unenforceable, or if a modification or condition to this Agreement is imposed by a regulatory authority exercising jurisdiction over this Agreement, the Parties shall endeavor in good faith to negotiate such amendment or amendments to this Agreement as will restore the relative benefits and obligations of the signatories under this Agreement immediately prior to such holding, modification or condition. If either Party finds such holding, modification or condition unacceptable and the Parties are unable to renegotiate a mutually acceptable resolution, either Party may unilaterally terminate this Agreement. Such termination shall be effective one year following written notice by either Party to the other Party and to the Commission, or at such other time as may be mutually agreed by FRCC and NERC.

(d) Notwithstanding any termination of this Agreement, provisions contained in Limitation of Liability (Section 12), No Third Party Beneficiaries (Section 13) and Confidentiality (Section 14) shall survive this Agreement in accordance with their terms until sixty (60) days following the expiration of any applicable statute of limitations.

12. Limitation of Liability. FRCC and NERC agree not to sue each other or their directors, officers, employees, and persons serving on their committees and subgroups based on any act or omission of any of the foregoing in the performance of duties pursuant to this Agreement or in conducting activities under the authority of Section 215 of the Act, other than seeking a review of such action or inaction by the Commission. NERC and FRCC shall not be liable to one another for any damages whatsoever, including without limitation, direct, indirect, incidental, special, multiple, consequential (including attorneys' fees and litigation costs), exemplary, or punitive damages arising out of or resulting from any act or omission associated with the performance of the FRCC's or NERC's responsibilities under this Agreement or in conducting activities under the authority of Section 215 of the Act, except to the extent that the FRCC or NERC is found liable for gross negligence or intentional misconduct, in which case FRCC or NERC shall not be liable for any indirect, incidental, special, multiple, consequential (including without limitation attorneys' fees and litigation costs), exemplary, or punitive damages.

13. No Third Party Beneficiaries. Nothing in this Agreement shall be construed to create any duty to, any standard of care with reference to, or any liability to any third party.

14. Confidentiality. During the course of the Parties' performance under this Agreement, a Party may receive Confidential Information, as defined in Section 1500 of NERC's Rules of Procedure. Except as set forth herein, the Parties agree to keep in confidence and not to copy, disclose, or distribute any Confidential Information or any part thereof, without the prior written permission of the issuing Party, unless disclosure is required by subpoena, law, or other directive of a court, administrative agency, or arbitration panel, in which event the recipient hereby agrees to provide the Party that provided the Confidential Information with prompt notice of such request or requirement in order to enable such issuing Party to (a) seek an appropriate protective order or other remedy, (b) consult with the recipient with respect to taking steps to resist or narrow the scope of such request or legal process, or (c) waive compliance, in whole or in part, with the terms of this Section. In the event a protective order or other remedy is not obtained or the issuing Party waives compliance with the provisions, the recipient agrees to furnish only that portion of the Confidential Information which the

recipient's counsel advises is legally required and to exercise best efforts to obtain assurance that confidential treatment will be accorded to such Confidential Information. In addition, each Party shall ensure that its officers, trustees, directors, employees, subcontractors and subcontractors' employees, and agents to whom Confidential Information is exposed are under obligations of confidentiality that are at least as restrictive as those contained herein. This confidentiality provision does not prohibit reporting and disclosure as directed by NERC, as set forth in Section 6 of this Agreement.

15. Amendment. Neither this Agreement nor any of the terms hereof, may be amended unless such amendment is made in writing, signed by the Parties, and filed with and approved by the Commission.

16. Amendments to the NERC Rules. NERC shall not adopt amendments to the NERC Rules that conflict with the rights, obligations, or programs of FRCC under this Agreement without first obtaining the consent of FRCC, which consent shall not be unreasonably withheld or delayed. To the extent FRCC does not consent, NERC shall have the right to invoke the dispute resolution provisions of Section 17 and, if such effort fails to resolve the dispute, to petition the Commission to adopt the amendment to the NERC Rules. To the extent that the Commission issues an order amending or materially affecting the rights or obligations of FRCC under this Agreement, FRCC shall have the option, exercisable no later than 60 days after issuance of such order, to terminate this Agreement. Such termination shall be effective one year following written notice by FRCC to NERC and the Commission, or at such other time as may be mutually agreed by FRCC and NERC.

17. Dispute Resolution. In the event a dispute arises under this Agreement between NERC and FRCC representatives of the Parties with authority to settle the dispute shall meet and confer in good faith in an effort to resolve the dispute in a timely manner. In the event the designated representatives are unable to resolve the dispute within thirty (30) days or such other period as the Parties may agree upon, each Party shall have all rights to pursue all remedies, except as expressly limited by the terms of this Agreement. Neither Party shall have the right to

pursue other remedies until the Dispute Resolution procedures of this Section 17 have been exhausted. This Section 17 shall not apply to enforcement actions against individual entities.

18. Notice. Whether expressly so stated or not, all notices, demands, requests, and other communications required or permitted by or provided for in this Agreement shall be given in writing to a Party at the address set forth below, or at such other address as a Party shall designate for itself in writing in accordance with this Section, and shall be delivered by hand or reputable overnight courier:

If to NERC:

North American Electric
Reliability Corporation
116-390 Village Blvd.
Princeton, NJ 08540-5721
Attn: David Nevius
Facsimile: (609) 452-9550

If to FRCC:

Florida Reliability Coordinating Council
1408 N. Westshore Blvd.
Suite 1002
Tampa, FL 33607-4512
Attn: Sarah Rogers
Facsimile: (813) 289-5644

19. Governing Law. When not in conflict with or preempted by federal law, this Agreement will be governed by and construed in accordance with the laws of New Jersey without giving effect to the conflict of law principles thereof. The Parties recognize and agree not to contest the exclusive or primary jurisdiction of the Commission to interpret and apply this Agreement; provided however that if the Commission declines to exercise or is precluded from exercising jurisdiction of any action arising out of or concerning this Agreement, such action shall be brought in any state or federal court of competent jurisdiction in New Jersey. All Parties hereby consent to the jurisdiction of any state or federal court of competent jurisdiction in New Jersey for the purpose of hearing and determining any action not heard and determined by the Commission.

20. Headings. The headings and captions in this Agreement are for convenience of reference only and shall not define, limit, or otherwise affect any of the terms or provisions hereof.

21. Savings Clause. Nothing in this Agreement shall be construed to preempt or limit any authority that FRCC may have to adopt reliability requirements or take other actions to ensure

reliability of the bulk power system within the geographic boundaries described in **Exhibit A** that are outside the authority delegated from NERC, as long as such reliability requirements and actions are not inconsistent with Reliability Standards applicable to the region described in **Exhibit A** and do not result in a lessening of reliability outside the region described in **Exhibit A**.

22. **Entire Agreement.** This Agreement constitutes the entire agreement, and supersedes all prior agreements and understandings, both written and oral, among the parties with respect to the subject matter of this Agreement.

23. **Execution of Counterparts.** This Agreement may be executed in counterparts and each shall have the same force and effect as the original.

NOW THEREFORE, the parties have caused this Agreement to be executed by its duly authorized representatives, effective as of the date first above written.

NORTH AMERICAN
ELECTRIC RELIABILITY CORPORATION

FLORIDA RELIABILITY
COORDINATING COUNCIL

By: _____

By: _____

Name: _____

Name: Sarah S. Rogers

Title: _____

Title: President & CEO

Date: _____

Date: _____

Exhibit A —FRCC Boundaries

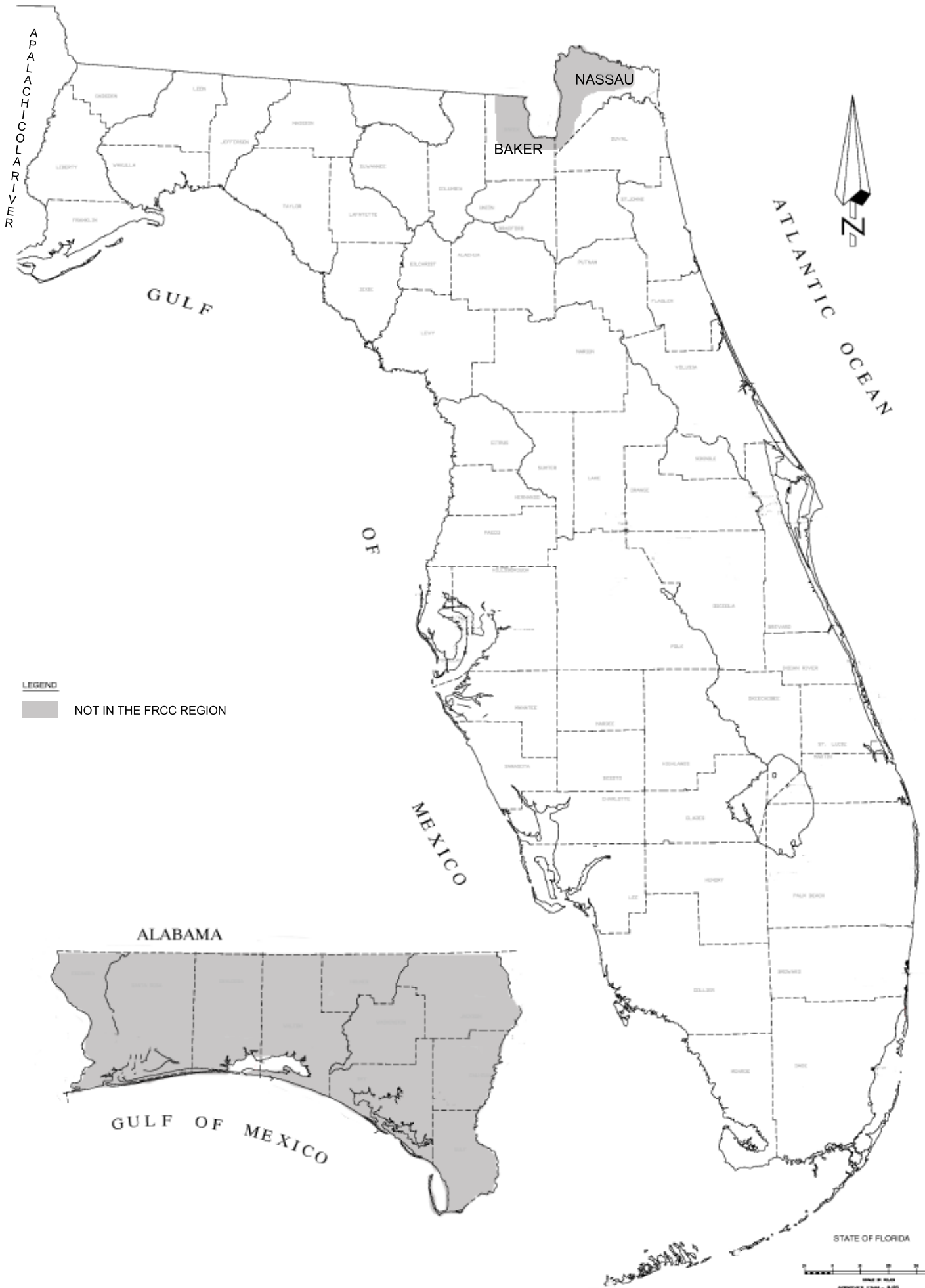
(see attached map)

The FRCC physical boundaries are entirely within the State of Florida. The area of the State of Florida that is within the FRCC Region is peninsular Florida east of the Apalachicola River with the exception of a small section of Baker and Nassau counties in northeast Florida. Areas west of the Apalachicola River in Florida are within the SERC Region. The entire FRCC Region is within the Eastern Interconnection. The entire FRCC Region is under the direction of the FRCC Reliability Coordinator.

The FRCC Region interconnects with the SERC Region via 10 transmission lines. The 10 lines consist of two 500 kV, four 230 kV and four 115 kV lines. These lines are referred to as the “Florida / Southern Interface”.

The areas of Baker and Nassau counties that are not part of the FRCC Region are part of the SERC Region. These sections are part of the Okefenokee Rural Electric Membership Corporation (OREMC) that is headquartered in Nahunta, GA. Roughly two thirds of OREMC load is in Georgia and one third is in Florida. The majority of the OREMC load in Florida is connected directly to the Southern Company Balancing Area in the SERC Region. A small portion of the OREMC load, about five MW, is supplied as a radial feed from FPL West Nassau Substation. OREMC has secured firm transmission service from JEA on the Florida / Southern Interface to supply this load. The OREMC schedules energy on an hourly basis to cover this load. SERC will be responsible for registration and compliance monitoring of OREMC.

Within the FRCC Region, compliance monitoring and enforcement functions with respect to reliability functions for which the FRCC is a registered entity are performed by SERC Reliability Corporation (SERC) pursuant to a contract between FRCC and SERC dated as of (date).



LEGEND

■ NOT IN THE FRCC REGION

ALABAMA

GULF OF MEXICO

STATE OF FLORIDA

Scale bar and projection information: 0 10 20 30 40 Miles. Note: The geographic position of all information shown on this map is approximate.

Exhibit B – Governance

Exhibit B shall set forth the Regional Entity’s bylaws, which NERC agrees demonstrate that the Regional Entity 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).)

**EXHIBIT B
TO PRO FORMA DELEGATION AGREEMENT**

**BYLAWS
Florida Reliability Coordinating Council, Inc.**

Amended February 6, 2009



1408 N. Westshore Blvd., Suite 1002, Tampa, Florida 33607-4512
Phone 813.289-5644 * Fax 813.289-5646
www.frcc.com

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**BYLAWS OF
FLORIDA RELIABILITY COORDINATING COUNCIL, INC.**

ARTICLE I

Membership

Section 1.1 Eligibility.

(a) Membership in the Florida Reliability Coordinating Council, Inc. (“FRCC”) is open to any entity, without cost, that: (i) has a material interest in the reliability of the bulk power system in the FRCC region; (ii) satisfies the criteria for membership specified in this Section 1.1; (iii) qualifies for eligibility in one or more of the Sectors identified in Section 1.2; (iv) submits a written request for membership; and (v) agrees to comply with and be bound by these FRCC Bylaws (“Bylaws”) and other rules and regulations adopted by the FRCC Board of Directors, by execution of the appropriate form of Member Agreement set forth in Appendix A to these Bylaws (“Member Agreement”). Any person or entity that meets the foregoing requirements shall become a “Member” of FRCC.

(b) FRCC shall engage in two categories of activities:

(i) FRCC shall engage in the “Regional Entity Activities” specified in Section 1 of Exhibit E of the Delegation Agreement between FRCC and the North American Electric Reliability Corporation (“NERC”) dated May 2, 2007, as amended from time to time with the agreement of NERC and the approval of the Federal Energy Regulatory Commission (“Delegation Agreement”). Under the Delegation Agreement, FRCC is the Regional Entity, as defined in Sec. 215 of the Federal Power Act, with delegated authority to propose and enforce Reliability Standards for the bulk power system in the FRCC Region. The FRCC Region is defined as the geographic area of Florida east of the Apalachicola River.

(ii) FRCC shall engage in certain “Member Services Activities,” under which it provides, coordinates or administers a variety of services relating to the planning and operation of the bulk power system in the FRCC Region for or on behalf of entities meeting the criteria in Section 1.1(c)(ii) and participating in the funding of such services as specified in these Bylaws. The “Member Services” are specified in the business plan and budget approved by the Board of Directors in accordance with these Bylaws for submission to NERC under the Delegation Agreement, and as approved by NERC and the Federal Energy Regulatory Commission (“Business Plan and Budget”). Member Services are funded as specified in Section 6.2 of these Bylaws.

(c) FRCC shall have two types of Members:

(i) All Members of FRCC shall be “Regional Entity Members.” Regional Entity Members shall be eligible to participate in the Regional Entity Activities of FRCC. Such participation shall be in accordance with these Bylaws, the Member Agreement, and the Delegation Agreement, as from time to time adopted or amended and approved, and such other requirements as govern FRCC as a Regional Entity.

(ii) All Members that participate in the generation, marketing, transmission or purchase for resale of electric energy, ancillary services or capacity on, from or to the bulk power system in the FRCC Region may choose to be “Services Members,” and may participate in FRCC Member Services Activities as specified in these Bylaws. Subject to the requirements of Section 1.2, only Members that are Services Members shall be eligible to participate in decisions governing the Member Services of FRCC, or the voting rights and funding obligations of Services Members.

Section 1.2 Voting Member. A Voting Member is a Member that is not an Affiliate Member or an Adjunct Member. All Voting Members shall be eligible to vote on questions governing Regional Entity Activities. Only Voting Members that are Services Members shall be eligible to vote on questions governing Member Services or Member Services Activities. For purposes of the following Sector classifications, “Load Serving Entity,” whether standing alone or as part of another specified term, shall mean an entity that provides electric service to persons or entities other than the Load Serving Entity itself that purchase such service for their own use and not for resale. Voting Members shall be classified into one of the following Sectors, based on the primary nature of its activities in the FRCC Region relevant to Regional Entity Activities:

(a) **Suppliers Sector** - any entity engaged in wholesale power marketing transactions in the FRCC Region; or a generating entity that is included in the NERC Compliance Registry as a generation owner or generation operator for a facility in the FRCC Region, or that owns or is developing generation greater than 20 MW located within the FRCC Region and meets any of the following: (1) an entity with FERC-approved market-based rate authority, or (2) an exempt wholesale generator, or (3) a facility selling any output pursuant to a power purchase agreement (including fuel conversion arrangements), or (4) a FERC approved Qualifying Facility.

(b) **Non-Investor Owned Utility Wholesale Sector** - generation and transmission cooperatives and municipal joint action agencies that sell electricity to non-investor owned Load Serving Entities with native load in the FRCC Region.

(c) **Load Serving Entity Sector** - any Load Serving Entity that is not investor owned and that generates less than 25% of its energy requirements for retail sales or has an annual Full Requirements Energy for Load (FREL) of 1800 GWH or less in the FRCC Region.

(d) **Generating Load Serving Entity Sector** - any Load Serving Entity that is not investor owned and that generates at least 25% of its energy requirements for retail sales, and that has an annual Full Requirements Energy for Load (FREL) greater than 1800 GWH in the FRCC Region.

(e) **Investor Owned Utility Sector** - investor owned utilities generating and serving retail native load greater than 15,000 GWH in the FRCC Region.

(f) **General Sector** - persons or entities that take delivery of energy within the FRCC Region that is not purchased for resale; agents or associations representing groups of such entities that are commercial or industrial entities; agents or advocate groups representing small customers; and other persons or entities owning assets or engaging in commercial activities in the FRCC Region.

Section 1.3 Affiliate Member. An Affiliate Member is defined as an entity that (i) otherwise qualifies as a Voting Member pursuant to Section 1.1 and 1.2 and (ii) is an Affiliate of a Voting Member. For purposes of these Bylaws, being an “Affiliate” shall mean that (1) a Voting Member controls, is controlled by or is under common control with, such Affiliate Member, and (2) for any exempt wholesale generator, as defined the Public Utility Holding Company Act of 2005, as amended, the meaning provided in Section 214 of the Federal Power Act. Affiliate Members shall have no right to vote on any matter, nor any right to be elected or appointed to the Board. Except as to funding, Affiliate Members shall be bound by the same obligations as Voting Members and Adjunct Members of FRCC. Questions as to whether an entity is an Affiliate of a Voting Member shall be resolved by the Board.

Section 1.4 Adjunct Member. A person or entity may be approved as an Adjunct Member by the Board if such entity has a material interest in the reliability of the bulk power system in the FRCC region but does not meet the definitions and requirements to join as a Voting Member or Affiliate Member. Adjunct Members shall have no right to vote on any matter, nor any right to be elected or appointed to the Board. Except as to funding, Adjunct Members shall be bound by the same obligations as Voting Members and Affiliate Members of FRCC.

Section 1.5 New Members. The Board shall review and act upon membership applications. Prior to membership, the Board shall certify that an applicant complies with the eligibility requirements.

Section 1.6 Membership Commitment. Each Member of the FRCC shall be required to execute, in counterpart, a Member Agreement, as applicable, in the form shown in Appendix A to these Bylaws.

Section 1.7 Obligations.

(a) Each Member of the FRCC shall promote, support and comply with the purposes and policies of the FRCC as set forth in its Certificate of Incorporation and Bylaws, and the other documents governing the activities of FRCC identified in the Bylaws.

(b) Each Member of the FRCC shall appoint a representative as provided herein to receive notices from the FRCC and shall give to the FRCC Chief Executive Officer (“CEO”) in writing (signed by a duly authorized representative of the Member) the name, business address and electronic address of the person thus appointed. An appointed representative of a Member who is unable to attend a meeting may designate, in writing, an alternate to act on behalf of the Member.

Section 1.8 Participation.

(a) For purposes of these Bylaws, an entity and all of its Affiliates shall be considered one "Entity." No Entity shall simultaneously hold more than one Voting Member status or have more than one voting representative on a Standing Committee, or more than one seat on the Board.

(b) An Entity may join FRCC in any Sector in which it qualifies for Membership, provided that an Entity may join as a Voting Member in only one Sector. In the event that an Entity qualifies for more than one Sector, such Entity may join such other Sectors as an Affiliate Member upon payment of any applicable Affiliate Member Annual Fees in accordance with Article VI Section 6.2(b)(ii) for each Sector in which such Entity desires to participate as an Affiliate Member. Once an Entity has elected to be a Voting Member of one Sector, the Entity must continue to vote in that Sector for a minimum of one (1) year. If, at any point, it is determined that an Entity no longer meets the qualifications for the Sector it selected, the Entity may not vote in that Sector; however, that Entity may then immediately elect to become a Voting Member in any Sector for which it does qualify. Questions as to whether an Entity meets the qualifications of a Sector shall be resolved by the Board.

(c) Subject to the requirements of these Bylaws and the Articles of Incorporation, each Voting Member in good standing is entitled to vote on each matter submitted to a vote of the Voting Members. A Member in good standing is one that (i) meets all qualifications for membership as provided in these Bylaws, (ii) is not in arrears for payment of any applicable annual fees for membership or payment of any other fees owed to FRCC unless such payment is being disputed in good faith, and (iii) has not been found by a court to be in breach of any contract with FRCC. Voting Members that are not in good standing are not entitled to vote on any matter until they have regained good standing.

ARTICLE II

Meetings of Voting Members

Section 2.1 Annual Meeting of Voting Members. Voting Members shall meet at least annually on a date and at a place to be established by the Board ("Annual Meeting"). The Voting Members from each Sector shall elect, by majority vote, each Voting Member having one (1) vote, Directors to the Board who will represent their Sector. The Voting Members shall conduct such other business as may be properly brought before them. Meetings may be held by telephone conferencing, video conferencing or by other means enabling all participants in the meeting to communicate with each other. The Annual Meeting shall be open to Affiliate Members and Adjunct Members, and such other invitees as the Board may deem appropriate, provided that the Services Members, along with Affiliate and Adjunct Members that have paid the fees specified in Section 6.2(b)(ii) or (iii), may meet separately to consider matters relating to Member Services.

Section 2.2 Special Meetings. Special meetings of the Voting Members, for any purpose or purposes, unless otherwise prescribed by the laws of the State of Florida, or by the

Articles of Incorporation, may be called by the Chair of the Board. Special meetings of the Regional Entity Members shall be called upon request of six (6) or more Voting Members representing three (3) or more Sectors. Special meetings of the Services Members shall be called upon request of six (6) or more Voting Members that are Services Members representing three (3) or more Sectors. Notice of a special meeting stating the place, date, hour and agenda for the special meeting shall be given to the Voting Members not less than three (3) business days before the meeting. Such request for a special meeting shall state the purpose or purposes of the proposed special meeting, which shall be included as part of an agenda to be distributed to the Voting Members not less than three (3) business days before the meeting. Meetings may be held by telephone conferencing, video conferencing or by other means enabling all participants in the meeting to communicate with each other.

Section 2.3 Place of Meeting. All meetings shall be held at or near the principal office of the FRCC in Tampa, Florida, or at such other place within or outside the State of Florida as shall be determined from time to time by the Board.

Section 2.4 Notice of Meetings.

(a) Notice of the Annual Meeting or any regular or special meeting of the Voting Members shall be sent by mail or electronic means to each Member's representative at the business or electronic address specified in accordance with Section 1.7(b) at least ten (10) business days before the date of the meeting. The notice shall set forth a proposed agenda for the meeting, but any matter may be considered and acted upon at any meeting, whether or not the matter was listed in the proposed agenda, if addition of the item to the agenda is approved at the meeting by the vote of the eligible Voting Members whose votes equal sixty percent (60%) or more of the total weighted sector vote of the eligible Voting Members; provided, however, that at least three (3) Sectors are represented in the affirmative. Meetings may be held at any time without notice if all of the eligible Voting Members are present, or if those not present waive notice in writing either before or after the meeting.

(b) The record date for determining Members entitled to notice shall be one month prior to the meeting date.

Section 2.5 Quorum. Representation at any meeting of the Regional Entity Members of more than 50% of the Voting Members, or representation at any meeting of the Services Members of more than 50% of the Voting Members that are Services Members, shall constitute a quorum for the transaction of business at such meeting; provided, however, that in each case at least four (4) eligible Sectors are represented.

Section 2.6 Voting. Voting by Voting Members shall be by the six (6) Sectors as defined in Section 1.2, except as otherwise provided herein. Each Voting Member within a Sector has one non-divisible vote. Each Sector shall have a “Sector Vote” in proportion to the voting rights specified in Section 3.2(e), which is to be split into an affirmative and a negative component, in the proportion that each component bears to the total votes of the Voting Members within that Sector. Action by the Voting Members shall require affirmative Sector Votes greater than 6.50.

Section 2.7 Action without Meeting. Any action that may be taken at a meeting of the Regional Entity Members or the Services Members may be taken without a meeting if consent in writing, setting forth the action so to be taken, shall be signed by all Voting Members eligible to vote in such meeting before the action is taken.

Section 2.8 Remote Attendance. Any Member otherwise eligible may participate in any meeting by telephone, videoconference communications equipment, or other means enabling all persons participating in the meeting to communicate with each other. A Member participating in a meeting by such means shall be deemed present in person at such meeting.

Section 2.9 Termination of Members.

(a) A Member may be terminated for non-payment of fees or monies due FRCC as provided in Section 6.3, or for a significant violation of obligations as set forth in Section 1.7. The Board may, by resolution, establish a fair and reasonable procedure to terminate a Member.

(b) A Member whose membership has been terminated shall be liable to FRCC for fees and any other monies due FRCC as a result of obligations incurred or commitments made prior to termination.

Section 2.10 Withdrawal. Any other provision of these Bylaws notwithstanding, any Member may withdraw from participation in the activities of FRCC at any time upon written notice to the CEO, whereupon it shall cease to be a Member and shall cease to be entitled or obligated to participate in the activities of the Board, Standing Committees, or any subcommittees, and shall have no further obligations as a Member; provided, however, that if such notice is given more than thirty (30) days after such Member's receipt of its statement of fees and expenses for a fiscal year, the Member shall be obligated to pay its fees and other monies due to FRCC for the full fiscal year within which such termination is effective.

Section 2.11 Reinstatement. A former Member shall be required to apply for Membership as set forth in Section 1.1. The Board may reinstate Membership on any reasonable terms that the Board deems appropriate.

Section 2.12 Property Ownership and Control. Subject to applicable laws, rules, regulations, agreements, and FRCC protocols, each Member shall retain sole control of its own facilities and the use thereof, and nothing in these Bylaws shall require a Member to construct or dedicate facilities for the benefit of any other electric system or allow its facilities to be used by any other Member or to construct or provide any facilities for its own use, and nothing herein shall be deemed to impair the ability or right of any Member to take such actions or to fail to act, as it deems necessary or desirable, with respect to the management, extension, construction, maintenance and operation of its own facilities, present and future. A Member has no interest in the property of FRCC and waives the right to require a partition of any FRCC property.

ARTICLE III

Board of Directors

Section 3.1 Powers. The affairs of FRCC shall be managed by the Board of Directors ("Board"). The Board may exercise all such powers of the FRCC and do all such lawful acts and things as are not prohibited by the laws of the State of Florida, by the Federal Power Act, by the Articles of Incorporation or by these Bylaws.

Section 3.2 Number, Election, Tenure and Governance.

(a) Number. The Board shall include (16) Directors allocated among the Sectors as follows, and such other Directors as provided in by Section 3.2(b)(4):

- (1) Suppliers Sector- three (3) Directors
- (2) Non-Investor Owned Utility Wholesale Sector - two (2) Directors
- (3) Load Serving Entity Sector-
 - Municipal - one (1) Director
 - Cooperative - one (1) Director
- (4) Generating Load Serving Entity Sector - three (3) Directors

- (5) Investor Owned Utility Sector - Three (3) Directors
- (6) General Sector - Two (2) Directors
- (7) The CEO of FRCC - an ex-officio non-voting Director.

(b) Election.

(1) Directors, with the exception of the CEO, shall be elected as described herein.

(2) Within each Sector, only Voting Members from a given Sector may elect Directors for that Sector.

(3) Within the Load Serving Entity Sector, Director(s) representing 0.5 votes shall all be from a municipal and Director(s) representing 0.5 votes shall be from a cooperative.

(4) Within each Sector, Voting Members from a given Sector may, by majority vote, elect additional Directors subject to a maximum of five (5) Directors representing such Sector. The total votes of the Directors for such Sector shall not exceed the total votes of the Directors of such Sector specified in Section 3.2(a).

(c) Alternate Director. Any Director unable to attend a meeting may designate, in writing, an alternate to act on behalf of the Director.

(d) Term. The term for all Directors shall be two (2) years. Any Director may be reelected for consecutive terms, without limitation. Directors within a Sector shall have staggered terms as determined by the Sector.

(e) Voting Rights.

(1) Except as provided for in subsections (2) and (3) below, each Sector shall have the number of votes as specified below:

- Suppliers Sector 2.5 Votes
- Non-Investor Owned Utility Wholesale Sector 2.0 Votes
- Load Serving Entity Sector
 - Municipal 0.5 Votes
 - Cooperative 0.5 Votes
- Generating Load Serving Entity Sector 3.0 Votes
- Investor Owned Utility Sector 3.5 Votes
- General Sector 1.0 Vote

Total 13.0 Votes

(2) Each Director, as defined in Section 3.2(a) and 3.2 (b), shall have an equal proportional vote of that Sector's total voting strength. This provision shall

apply separately to the municipal and cooperative Directors of the Load Serving Entity Sector.

- (3) If the majority of the Voting Members of a Sector are Services Members, Directors elected by that sector shall be deemed "Services Member Directors." Only Services Member Directors shall be eligible to vote on questions governing Member Services or Member Services Activities. Deliberations on such matters may be limited to Services Member Directors, Voting Members that are Services Members, and Affiliate and Adjunct Members that have paid the fees specified in Section 6.2(b)(ii) or (iii), upon the vote of the Services Member Directors.
- (4) The CEO of FRCC shall not have a vote.

(f) **Limitations.** Each person or alternate serving on the Board shall be a representative of a Voting Member. Unless otherwise provided in these Bylaws, if a representative of a Voting Member is elected to serve on the Board, such person shall only be eligible to serve in such capacity so long as such person remains the representative of said Voting Member. A Voting Member shall not have more than one (1) officer, employee or agent serving as a Director.

Section 3.3 Meetings. Regular meetings of the Board shall be held at such times and places, within or outside the State of Florida, as may be determined by the Board. Special meetings of the Board may be called by the Chair. Special meetings shall be called upon request of six (6) or more Directors. Regular or Special Meetings may be held by telephone conferencing, video conferencing or by other means enabling all participants in the meeting to communicate with each other. Except as specified in Section 3.2(e)(3), the meetings of the Board shall be open to all Members, and such other invitees as the Board may deem appropriate. The Board may meet in closed session to discuss matters of a confidential nature, including but not limited to personnel matters, litigation, or commercially sensitive information of any person or entity.

Section 3.4 Notice of Meetings. Notice of any regular or special meeting of the Board shall be sent by mail or electronic means to each Director, and to each Member, at such Director's and Member's usual place of business at least (ten) 10 business days, in the case of a regular meeting, or (five) 5 business days, in the case of a special meeting, before the date of the meeting. Such notice shall also be sent to the observers of the Board specified in Section 8.1. The notice shall set forth a proposed agenda for the meeting. Subject to the requirements of Section 3.2(e)(3), no agenda item may be added to the agenda at any meeting of the Board which requires action by the Board unless all Directors are present and all agree to allow such an item to be put to a vote. Meetings may be held at any time without notice if all of the Directors of the Board are present, or if those not present waive notice in writing either before or after the meeting.

Section 3.5 Quorum. The presence at a meeting of the Directors whose votes equal sixty percent (60%) or more of the total voting strength of the Board, or in the case of matters governed by Section 3.2(e)(3), votes equal to sixty percent (60%) or more of the total voting

strength of the Directors eligible to vote, shall constitute a quorum for any action of the Board, provided, however, that in each case at least one Director from at least four (4) Sectors are present. If at any meeting a quorum shall fail to attend, a majority of those Directors present at the meeting may adjourn that meeting without further notice until a quorum shall attend. Once a quorum is present, any business may be transacted which might have been transacted at the meeting as originally called.

Section 3.6 Voting. Action by the Board shall require approval of sixty percent (60%) or more of the total eligible voting strength of the Board.

Section 3.7 Remote Attendance. Directors shall be deemed present and voting at a meeting of the Board if participating in the meeting by means of a conference telephone, video conferencing, or other means enabling all persons participating in the meeting to communicate with each other.

Section 3.8 Action without Meeting. Any action that may be taken at a meeting of the Board may be taken without a meeting if consent in writing, setting forth the action so to be taken, shall be signed before the action by all Directors eligible to participate in such action.

Section 3.9 Vacancies and Removal. A Director may be removed with cause at any time by an affirmative vote of 60% of the Voting Members of the Sector that elected that Director. In addition, the Board may remove a Director for cause, upon at least seventy-five percent (75%) affirmative votes of the remaining total voting strength of the Board. The right to elect Directors may not be assigned, sold, pledged or transferred in any manner. A vacancy may be filled only by the Voting Members of the Sector in which the vacancy occurs. Any Director so chosen shall hold office until his or her successor is duly elected and qualified or until his or her earlier resignation, ineligibility or removal.

Section 3.10 Officers. At the Board of Directors meeting following the Annual Meeting of the Voting Members, the Board shall elect a Chair, Vice Chair, and Secretary-Treasurer, who shall be the officers of the FRCC. No two officers of FRCC shall be officers, employees or agents of Voting Members of the same Sector or its Affiliates. The CEO of FRCC may not be elected to act as Chair, Vice-Chair or Secretary/Treasurer.

(a) Term of Office. Each officer of the Board of Directors shall hold office for two (2) fiscal years, and until his or her successor is duly elected and qualified.

(b) Removal of Officers. Any officer of the Board of Directors may be removed with or without cause at any time by the affirmative vote of seventy percent (70%) of the total voting strength of the Board.

(c) Compensation. There shall be no compensation paid to any officer of the Board of Directors of FRCC, provided that an officer serving on the staff of FRCC may be compensated for their services on the staff of FRCC.

Section 3.11 Responsibilities of Board of Director Officers

(a) Chair. The Chair shall serve as the Chair of the Board. The Chair shall preside at all meetings of the Members and Board, provided that, if the Chair is not eligible to vote in a meeting governed by Section 3.2(e)(3), the Directors that are eligible shall select one of the number to preside at such meeting. The Chair shall be responsible for the preparation of the agenda for all meetings of the Members and Board. The Chair shall be a member of and preside over a Personnel and Compensation Committee, which shall have responsibilities for such matters relating to staff.

(b) Vice Chair. The Vice Chair shall, in the absence or disability of the Chair, perform the duties and exercise the powers of the Chair, subject to the provisions of Section 3.11(a), and shall perform such other duties and have such other powers as the Board may from time to time prescribe. The Vice Chair shall be a member of a Personnel and Compensation Committee, which shall have responsibilities for such matters relating to staff.

(c) Secretary-Treasurer. The Secretary-Treasurer shall be responsible to assure that the FRCC staff has adequate procedures to distribute the agenda of the meetings of the Voting Members and the Board, keep the minutes of the proceedings of said meetings, and maintain the financial books and records of the FRCC, including disbursement of the funds of the FRCC in accordance with the authorized annual budget. The Secretary-Treasurer shall be a member of the Personnel and Compensation Committee, which shall have responsibilities for such matters relating to staff.

Section 3.12 Vacancy. Any vacancy in a Board of Director Officer occurring for any reason shall be filled as specified in Section 3.9.

ARTICLE IV

Chief Executive Officer

Section 4.1 CEO. The Board shall hire the CEO who, under the Board's direction, shall carry on the general affairs of the FRCC. The CEO shall be a member of the staff of FRCC and shall be a non-voting Director. It shall be the CEO's duty to approve the expenditure of the monies appropriated by the Board in accordance with the Budget approved by the Board. The CEO shall make an annual report and periodic reports to the Board concerning the activities of FRCC. The CEO shall serve as President of FRCC. The CEO shall comply with all directives of the Board. All agents and employees shall report, and be responsible, to the CEO. The CEO shall perform such other duties as may be determined from time to time by the Board.

ARTICLE V

Standing Committees

Section 5.1 Standing Committees. There shall be a Planning Committee, an Operating Committee, a Compliance Committee, and such other committees, subcommittees,

and task forces as the Board may appoint, when deemed necessary to carry out the purposes of the FRCC.

Section 5.2 Planning Committee. Each Voting Member may appoint one (1) representative, empowered to vote on behalf of the Voting Member, to serve on the Planning Committee. A representative may, if unable to attend a meeting, designate, in writing, an alternate to act on behalf of the representative. Affiliate Members and Adjunct Members may appoint a non-voting representative to serve on the Planning Committee. Quorum and Voting Rights shall be as defined in Sections 5.7 and 5.8. The Planning Committee shall report directly to the Board and is charged with the responsibility of promoting the reliability of the bulk power system in the FRCC Region, and assessing and encouraging generation and transmission adequacy. The Planning Committee may establish subcommittees and task forces as deemed necessary by its membership.

Section 5.3 Operating Committee. Each Voting Member may appoint one (1) representative, empowered to vote on behalf of the Voting Member, to serve on the Operating Committee. A representative may, if unable to attend a meeting, designate, in writing, an alternate to act on behalf of the representative. Affiliate Members and Adjunct Members may appoint a non-voting representative to serve on the Operating Committee. Quorum and Voting Rights shall be as defined in Sections 5.7 and 5.8. The Operating Committee shall report directly to the Board and is charged with responsibility for the coordination, operations planning, operation and maintenance of the bulk power system in the FRCC Region. The Operating Committee may establish subcommittees and task forces as deemed necessary by its membership.

Section 5.4 Compliance Committee. Each Voting Member may appoint one (1) representative, empowered to vote on behalf of the Voting Member, to serve on the Compliance Committee. A representative may, if unable to attend a meeting, designate, in writing, an alternate to act on behalf of the representative. Quorum and Voting Rights shall be as defined in Sections 5.7 and 5.8. The Compliance Committee shall report directly to the Board and is charged with responsibility for the development and implementation of programs to ensure compliance for both FRCC Regional Reliability Standards and NERC Reliability Standards. The Compliance Committee is not to be confused with the Board Compliance Committee which is primarily a “hearing body” and has a different voting structure as outlined in Exhibit D of the Delegation Agreement between the North American Electric Reliability Corporation and FRCC.

Section 5.5 Rules of Procedure. Each Standing Committee shall set its rules of procedure, provided that quorum, voting rights and voting shall be as specified in Sections 5.7 and 5.8. Such Rules of Procedure shall be as approved by the Board. All action by any Standing Committee shall be reported as prescribed herein and shall be subject to revision, alteration and approval by the Board.

Section 5.6 Quorum. Representation at any meeting of a Standing Committee of sixty percent (60%) or more of the total voting strength of the Standing Committee shall constitute a quorum for the transaction of business at such meeting; provided, however, that action on matters dealing with the scope or funding of Member Services shall require sixty percent (60%) or more of the total voting strength of members of the Standing Committee

representing Voting Members that are Services Members; and provided further that a quorum shall require that at least three (3) Sectors are represented, all three of which shall be Sectors a majority of the members of which are Services Members in the case of a quorum for action on matters governing Member Services.

Section 5.7 Voting. Voting is by Sector. Each voting representative present at a meeting is assigned a vote equal to the voting strength of his or her Sector, as provided in this section, divided by the number of voting representatives present in that Sector, except that no voting representative present at a meeting shall have more than one (1) vote, except an Investor Owned Utility Sector voting representative who may have up to 1.167 votes. Action by a Standing Committee shall require an affirmative vote equal to or greater than sixty percent (60%) of the total eligible voting strength of the Standing Committee.

Sector Votes

(1) Suppliers Sector	2.5 Votes
(2) Non-Investor Owned Utility Wholesale Sector	2.0 Votes
(3) Load Serving Entity Sector	
Municipal	0.5 Vote
Cooperative	0.5 Vote
(4) Generating Load Serving Entity Sector	3.0 Votes
(5) Investor Owned Utility Sector	3.5 Votes
(6) General Sector	1.0 Vote
Total	13.0 Votes

Only representatives of Voting Members that are Services Members shall be eligible to vote on questions governing Member Services.

Section 5.8 Meetings. Regular meetings of the Standing Committees shall be held at such times and places, within or outside the State of Florida, as may be determined by the Standing Committees. Special meetings of the Standing Committees may be called by the Chair or upon the request of representatives from three (3) different Sectors. Regular or Special Meetings may be held by telephone conferencing, video conferencing, or by other means enabling all participants in the meeting to communicate with each other. The meetings of the Standing Committees shall be open to all Members, and such other invitees as the Board may deem appropriate.

ARTICLE VI

General Provisions

Section 6.1 Budget. The Board shall annually adopt a budget for the FRCC for administrative expenses of the FRCC, including salaries, and for the costs associated with the various committees, subcommittees, professional services, projects and studies. The Board shall approve the scope and funding of Member Services, in accordance with the provisions of these

Bylaws. The funding for Member Services special projects approved by the Board may be based on a special funding, with an equitable allocation of the costs for the special project as approved by the Board. The budget may be amended from time to time during the fiscal year as determined by the Board, subject to the filing and approval requirements applicable to FRCC as a Regional Entity under the Delegation Agreement.

Section 6.2 Funding.

(a) The funding of FRCC's Regional Entity Activities shall be in accordance with the provisions of Exhibit E and the section numbered eight (8) of the Delegation Agreement.

(b) The Member Services of FRCC shall be funded through an allocation of their costs to all Members that are Services Members in accordance with the provisions of subsections 6.2(b)(i) - (iii) below. The funding of all Member Services shall be kept separate from the funding of Regional Entity Activities as specified in the Business Plan and Budget.

(i) **Services Members.** The allocation for Voting Members that are Services Members shall be based on the following calculation; provided, however, that in no event shall the allocation be less than \$20,000 per annum.

$$\text{Services Member Allocation} = 0.25 (1/N) + 0.25 (B/C) + 0.25 (D/E) + 0.25 (F/G)$$

- N Total number of voting Services Members
- B Voting Services Member's previous-year Full Requirements Energy for Load (FREL) within the FRCC
- C Total of factor B for all voting Services Members
- D Voting Services Member's Net Summer Generating Capacity within the FRCC Region as of December 31 of the previous year, as defined in the FRCC Load and Resource Plan
- E Total of factor D for all voting Services Members
- F Sum of Circuit Miles of Transmission Facilities (69kV and above) of voting Services Members within the FRCC Region times the respective operating voltage as of December 31 of the previous year
- G Total of factor F for all voting Services Members

Full Requirements Energy for Load (FREL) The net electrical energy requirements of the Services Member's electric system, and the net electric energy requirements of all full requirements customers of the Services Member, except if a full requirements customer of a Services Member joins FRCC. In such case, the electrical energy requirements of such full requirements customer will only be counted for the funding calculation for that Services Member who is the full requirements customer, and not for the Services Member who is the supplier of the full requirements. There should be no double counting of FREL between Services Members.

Net Summer Generating Capacity The maximum summer rated capacity, modified for ambient limitations, that a generating unit can sustain over a specified period, less the capacity used to supply the demand of station service or auxiliary needs. For jointly owned units, the Net Capacity will be allocated based on the ownership share of each Services Member who is a joint owner, unless otherwise mutually agreed by the joint owner Services Members.

Circuit Miles of Transmission Facilities The distance (following the path of transmission facility) in miles between substations or switching stations times the number of circuits at the same voltage level. For jointly owned transmission facilities, the Circuit Miles of Transmission Facilities will be allocated based on the ownership share of each Services Member who is a joint owner, unless otherwise mutually agreed by the joint owner Services Members.

(ii) Affiliate Members. The fee for an Affiliate Member that wishes to participate in Member Services activities shall be \$5,000 per annum. The fee for an Affiliate Member, only participating in Regional Entity Activities, shall be waived.

(iii) Adjunct Members. The fees for an Adjunct Member that wishes to participate in Member Services activities shall be \$5,000 per annum. The fee for an Adjunct Member, only participating in Regional Entity Activities, shall be waived.

Section 6.3 Fees. The Member Services membership fee shall be due and payable concurrent with the submission of the written application for membership. The initial membership fee will be prorated on an annual basis depending upon the quarter in which a Member joins. Thereafter, membership fees shall be due and payable on or before January 1st of each year or in installments as determined by the Board. The FRCC shall notify, in writing, any Member who is delinquent in the payment of any applicable membership fee. The notice shall provide a time certain, not to exceed thirty days (30) days from the date of the written notice, during which any such delinquency may be cured. Failure to cure a delinquency within the stated time will result in the loss of all membership rights and designations. In the event of an uncured lapse in the payment of a fee, membership in the FRCC shall be terminated.

Section 6.4 Staff. The FRCC shall employ a staff, including the CEO, to carry out the objectives of the organization. The CEO shall be a non-voting Director of the Board. The duties of the CEO are as defined in Article IV, Section 4.1.

Section 6.5 Expenses. The personal expenses of each Member and Director participating in the activities of the FRCC and its committees and subcommittees shall be borne by the Member on whose behalf such person is acting, unless determined otherwise by the Board.

Section 6.6 Minimum Sector Membership. If the number of Voting Members of a Sector is not greater than one (1), such Sector shall not be entitled to a vote at the Voting Members meetings, Board of Directors meetings, or the Standing Committee meetings.

Section 6.7 Indemnification. The FRCC shall indemnify and hold harmless, to the maximum extent permitted by law, any Member, Director, Member representative, agent, officer or employee of the FRCC and the heirs, estates, successors or assigns of any of them, from any and all claims or liabilities, including costs or attorneys' fees for defending against assertion of any such claim or liability, arising from any act or failure to act of such person for, on behalf of, or at the direction of the FRCC, unless such act or failure to act constituted a willful violation of state, federal or local law, willful misconduct, or gross negligence. With the approval of the Board, the FRCC may reimburse costs, attorneys fees, and other expenses for defending against assertions of any such claims or liabilities prior to the final disposition of any such proceeding. The foregoing rights to be indemnified, held harmless, or reimbursed shall not operate in derogation or prohibition of any other rights which the person indemnified, held harmless or reimbursed may have. The FRCC, by vote of the Board, shall purchase insurance against all or any part of the liabilities which may be incurred by the FRCC and may cause the FRCC to indemnify and hold harmless as and to the extent it may deem appropriate such other person or persons as it may deem appropriate.

Section 6.8 Fiscal Year. The fiscal year of the FRCC shall be the twelve (12) month period of January 1st through December 31st.

Section 6.9 Depositories. All funds of the FRCC shall be deposited in the name of the FRCC in such bank, banks or other financial institutions as the CEO shall from time to time designate and shall be drawn out on checks, drafts or other orders signed on behalf of the FRCC by such person or persons as the Board shall from time to time designate.

ARTICLE VII

Amendments

Section 7.1 Amendments. Subject to the provision that no amendment to these Bylaws may limit the rights of a Member to resign from Membership, subject to the provisions of Section 1.2, and subject to the requirements for approval by NERC and the Federal Energy Regulatory Commission applicable to the FRCC as a Regional Entity, these Bylaws may be amended, altered, or repealed through the following procedure:

(a) Any Voting Member or Director may suggest amendments to these Bylaws. Such suggestions must include a proposed amendment, and any necessary supporting documents. They should be sent to the CEO of FRCC for placement on the agenda for a Board meeting in the time and manner prescribed by the Board.

(b) If the proposal is approved by the Board of Directors, the Board shall place the proposal on the agenda of either the next Annual Meeting of the Voting Members, or pursuant to Board discretion, at a Special Meeting of the Voting Members called for that purpose.

(c) Voting Members shall vote to enact the Board-approved amendment in accordance with Sections 2.5 and 2.6, and subject to the provisions of Section 1.2 of the Bylaws.

Section 7.2 Review of Governance. The Board shall appoint a task force to review these Bylaws, and to submit recommendations to the Board on necessary amendments, at the discretion of the Board or if any of the following events occurs. Such task force shall include representation from each Sector.

(a) The number of Voting Members in a Sector is not greater than one (1).

(b) A Regional Transmission Organization of any type is approved by the Federal Energy Regulatory Commission to operate in the FRCC Region.

(c) Any federal or state legislation or regulatory action that significantly alters the functions of the FRCC.

(d) Any new entity that has or is expected to have financial transactions in the wholesale electric market in the FRCC Region wishes to join the FRCC, and does not otherwise meet the membership requirements as then defined in these Bylaws.

ARTICLE VIII

Observers of the Board

Section 8.1 Observers of the Board. The Chairman of the Florida Public Service Commission, or designee, shall be invited to attend meetings of the Board. The Board shall invite other observers as the Board deems appropriate.

ARTICLE IX

Section 9.1 Board Compliance Committee. FRCC shall establish and maintain a hearing body with authority to conduct and 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, which shall be the FRCC Board Compliance Committee (BCC), a balanced compliance panel reporting directly to the FRCC's Board of Directors.

The BCC will consist of one (1) Voting Member from each of the six (6) sectors in the FRCC, who shall be a member of the Board of Directors. Each year, two (2) members from each Sector of the FRCC Board of Directors will volunteer to serve in a BCC pool. At the time a hearing request is received, the Chair of the FRCC Board of Directors will appoint one member from each Sector to form the BCC for that hearing. The Board Member from the Registered Entity that has requested the hearing will not be selected for that BCC. In the event one (1) Sector of the FRCC declines to participate on the BCC, the Chair of the Board of Directors shall randomly select one (1) additional BCC member from the remaining five (5) Sectors to constitute the BCC. The Chair of the FRCC Board of Directors will appoint a Chair and Vice-Chair of the BCC. Terms of BCC members will be equivalent to the time it takes to complete the hearing for which they were selected. Members may be re-appointed to subsequent terms without any limits to the number of terms they serve.

FRCC Industry Sectors are as follows:

- One (1) Member from the Investor Owned Utility Sector
- One (1) Member from the Suppliers Sector
- One (1) Member from the Non-Investor Owned Utility Wholesale Sector
- One(1) Member from the Load Serving Entity Sector
- One (1) Member from the Generating Load Serving Entity Sector
- One (1) Member from the General Sector

Each member of the BCC shall be a full voting member. There will be no alternates or proxies for the BCC members. Decisions of the BCC shall require (i) a quorum to be present requiring at least fifty (50) percent of the number of members assigned to the BCC provided, however, that

in each case at least four (4) eligible Sectors are represented and (ii) a majority vote of the members of the BCC voting on the decision.

ARTICLE X

Audit

Section 10.1 Audit. The Board shall engage a certified public accounting firm to audit the books and accounts of the FRCC for each fiscal year.

ARTICLE XI

Miscellaneous Provisions

Section 11.1 Headings. The headings used in these Bylaws are for convenience and may not be considered in construing these Bylaws.

Section 11.2 Number and Gender. All singular words include the plural, and all plural words include the singular. All pronouns of one gender include reference to the other gender.

Section 11.3 Parties Bound. These Bylaws will bind and inure to the benefit of any Members, Director, Member representative, agent, officer, or employee of the FRCC and their respective administrators, legal representatives, successors, and assigns except as these Bylaws otherwise provide.

Section 11.4 Minority Positions. Any Voting Member or Standing Committee Representative who has a minority opinion on any significant issue may present the minority opinion to the Board in a manner as prescribed by the Board.

Amended: February 6, 2009

APPENDIX A

Voting Member Agreement - Division

_____, hereby agrees to comply with and be bound by, and to

(Voting Member)

promote and support, the Florida Reliability Coordinating Council Articles of Incorporation and Bylaws, and all acts, decisions or obligations of the Florida Reliability Coordinating Council applicable to Voting Member taken or entered into in accordance with the foregoing documents.

(Name)

DATE: _____

WITNESS:

APPENDIX A

Affiliate Member Agreement – Division

_____, hereby agrees to comply with and be bound by, and to

(Affiliate Member)

promote and support, the Florida Reliability Coordinating Council Articles of Incorporation and Bylaws, and all acts, decisions or obligations of the Florida Reliability Coordinating Council applicable to Affiliate Member taken or entered into in accordance with the foregoing documents.

(Name)

DATE: _____

WITNESS:

APPENDIX A

Adjunct Member Agreement – _____ Division

_____, hereby agrees to comply with and be bound by, and to

(Adjunct Member)

promote and support, the Florida Reliability Coordinating Council Articles of Incorporation and Bylaws, and all acts, decisions or obligations of the Florida Reliability Coordinating Council applicable to Adjunct Member taken or entered into in accordance with the foregoing documents.

(Name)

DATE: _____

WITNESS:

HISTORY OF REVISIONS

January, 1998

Amended December 19, 2001

Amended March 2, 2006

Amended September 25, 2007

Amended June 27, 2008

Amended February 6, 2009

Exhibit C – Regional Standard Development Procedure

Exhibit C shall set forth the Regional Entity’s standards development procedure, which NERC agrees meets the following common attributes:

COMMON ATTRIBUTE 1

Proposed regional reliability standards shall be subject to approval by NERC, as the electric reliability organization, and by FERC before becoming mandatory and enforceable under Section 215 of the FPA [add reference to any applicable authorities in Canada and Mexico]. No regional reliability standard shall be effective within the [Regional Entity Name] area unless filed by NERC with FERC [and applicable authorities in Canada and Mexico] and approved by FERC [and applicable authorities in Canada and Mexico].

COMMON ATTRIBUTE 2

[Regional Entity Name] regional reliability standards shall provide for as much uniformity as possible with reliability standards across the interconnected bulk power system of the North American continent. A [Regional Entity Name] reliability standard shall be more stringent than a continent-wide reliability standard, including a regional difference that addresses matters that the continent-wide reliability standard does not, or shall be a regional difference necessitated by a physical difference in the bulk power system. A regional reliability standard that satisfies the statutory and regulatory criteria for approval of proposed North American reliability standards, and that is more stringent than a continent-wide reliability standard, would generally be acceptable.

COMMON ATTRIBUTE 3

[Regional Entity Name] regional reliability standards, when approved by FERC [add applicable authorities in Canada], shall be made part of the body of NERC reliability standards and shall be enforced upon all applicable bulk power system owners, operators, and users within the [Regional Entity Name] area, regardless of membership in the region.

COMMON ATTRIBUTE 4

Requester — The requester is the sponsor of the regional reliability standard request and may assist in the development of the standard. Any member of [Regional Entity Name], or group within [Regional Entity Name] shall be allowed to request that a regional reliability standard be developed, modified, or withdrawn. Additionally, any entity (person, organization, company, government agency, individual, etc.) that is directly and materially affected by the reliability of the bulk power system in the [Regional Entity Name] area shall be allowed to request a regional reliability standard be developed, modified, or withdrawn.

COMMON ATTRIBUTE 5

[Standards or other named] committee — The [Regional Entity Name] [standards] committee manages the standards development process. The [standards] committee will consider which requests for new or revised standards shall be assigned for development (or existing standards considered for deletion). The [standards] committee will advise the [Regional Entity Name] board on standards presented for adoption.

COMMON ATTRIBUTE 6

[Alternative 6A: For a Regional Entity that chooses to vote using a balanced stakeholder committee.]

The [standards] committee is a balanced stakeholder committee, inclusive of all stakeholder interests that provide for or are materially impacted by the reliability of the bulk power system. [The [standards] committee votes to approve standards.] See Appendix A for the representation model of the [standards] committee.

[Alternative 6B: For a Regional Entity that chooses to vote using a balanced ballot body of stakeholders.]

[Registered ballot body] — The registered ballot body comprises all entities or individuals that qualify for one of the stakeholder segments; are registered with [Regional Entity Name] as potential ballot participants in the voting on standards; and are current with any designated fees. Each member of the registered ballot body is eligible to vote on standards. [Each standard action has its own ballot pool formed of interested members of the registered ballot body. Each ballot pool comprises those members of the registered ballot body that respond to a pre-ballot survey for that particular standard action indicating their desire to participate in such a ballot pool.] The representation model of the registered ballot body is provided in Appendix A.]

COMMON ATTRIBUTE 7

[Regional Entity Name] will coordinate with NERC such that the acknowledgement of receipt of a standard request identified in step 1, notice of comment posting period identified in step 4, and notice for vote identified in step 5 below are concurrently posted on both the [Regional Entity Name] and NERC websites.

COMMON ATTRIBUTE 8

An acceptable standard request shall contain a description of the proposed regional reliability standard subject matter containing sufficiently descriptive detail to clearly define the purpose, scope, impacted parties, and other relevant information of the proposed standard.

COMMON ATTRIBUTE 9

Within [no greater than 60] days of receipt of a completed standard request, the [standards] committee shall determine the disposition of the standard request.

COMMON ATTRIBUTE 10

The [standards] committee may take one of the following actions:

- Accept the standard request as a candidate for development of a new standard, revision of an existing standard, or deletion of an existing standard. The [standards] committee may, at its discretion, expand or narrow the scope of the standard request under consideration. The [standards] committee shall prioritize the development of standard in relation to other proposed standards, as may be required based on the volume of requests and resources.
- Reject the standard request. If the [standards] committee rejects a standard request, a written explanation for rejection will be delivered to the requester within [no greater than 30] days of the decision.
- Remand the standard request back to the requester for additional work. The standards process manager will make reasonable efforts to assist the requester in addressing the deficiencies identified by the [standards] committee. The requester may then resubmit the modified standard request using the process above. The requester may choose to withdraw the standard request from further consideration prior to acceptance by the [standards] committee.

COMMON ATTRIBUTE 11

Any standard request that is accepted by the [standards] committee for development of a standard (or modification or deletion of an existing standard) shall be posted for public viewing on the [Regional Entity Name] website within [no greater than 30] days of acceptance by the committee.

COMMON ATTRIBUTE 12

The standards process manager shall submit the proposed members of the drafting team to the [standards] committee. The [standards] committee shall approve the drafting team membership within 60 days of accepting a standard request for development, modifying the recommendations of the standards process manager as the committee deems appropriate, and assign development of the proposed standard to the drafting team.

COMMON ATTRIBUTE 13

At the direction from the [standards] committee, the standards process manager shall facilitate the posting of the draft standard on the [Regional Entity Name] website, along with a draft implementation plan and supporting documents, for a no less than a [30]-day comment period. The standards process manager shall provide notice to [Regional Entity Name] stakeholders and other potentially interested entities, both within and outside of the [Regional Entity Name] area, of the posting using communication procedures then currently in effect or by other means as deemed appropriate.

COMMON ATTRIBUTE 14

The drafting team shall prepare a summary of the comments received and the changes made to the proposed standard as a result of these comments. The drafting team shall summarize comments that were rejected by the drafting team and the reason(s) that these comments were rejected, in part or whole. The summary, along with a response to each comment received will be posted on the [Regional Entity Name] website no later than the next posting of the proposed standard.

COMMON ATTRIBUTE 15

Upon recommendation of the drafting team, and if the [standards] committee concurs that all of the requirements for development of the standard have been met, the standards process manager shall post the proposed standard and implementation plan for ballot and shall announce the vote to approve the standard, including when the vote will be conducted and the method for voting. Once the notice for a vote has been issued, no substantive modifications may be made to the proposed standard unless the revisions are posted and a new notice of the vote is issued.

COMMON ATTRIBUTE 16

The standards process manager shall schedule a vote by the [Regional Entity Name] [registered ballot body/[standards] committee]. The vote shall commence no sooner than [15] days and no later than [30] days following the issuance of the notice for the vote.

COMMON ATTRIBUTE 17

[Alternative 17A: For an RE that chooses to vote using a balanced stakeholder committee.]

The [standards] committee shall give due consideration to the work of the drafting team, as well as the comments of stakeholders and minority objections, in approving a proposed regional reliability standard for submittal to the [Regional Entity Name] board. The [standards]

committee may vote to approve or not approve the standard. Alternatively, the [standards] committee may remand the standard to the drafting team for further work or form a new drafting team for that purpose.

[Alternative 17B: For an RE that chooses to vote using a balanced ballot body of stakeholders.]

The [Regional Entity Name] registered ballot body shall be able to vote on the proposed standard during a period of [not less than 10] days.

COMMON ATTRIBUTE 18

[Alternative 18A: For an RE that chooses to vote using a balanced stakeholder committee.]

The [standards] committee may not itself modify the standard without issuing a new notice to stakeholders regarding a vote of the modified standard.

[Alternative 18B: For an RE that chooses to vote using a balanced ballot body of stakeholders.]

All members of [Regional Entity Name] are eligible to participate in voting on proposed new standards, standard revisions or standard deletions. [Alternatively: Each standard action requires formation of a ballot pool of interested members of the registered ballot body.]

COMMON ATTRIBUTE 19

[Alternative 19A: For an RE that chooses to vote using a balanced stakeholder committee.]

Actions by the committee shall be recorded in the regular minutes of the committee.

[Alternative 19B: For an RE that chooses to vote using a balanced ballot body of stakeholders.]

Approval of the proposed regional reliability standard shall require a [two thirds] majority in the affirmative (affirmative votes divided by the sum of affirmative and negative votes). Abstentions and non-responses shall not count toward the results, except that abstentions may be used in the determination of a quorum. A quorum shall mean [XX%] of the members of the [registered ballot body/ballot pool] submitted a ballot.

COMMON ATTRIBUTE 20

Under no circumstances may the board substantively modify the proposed regional reliability standard.

COMMON ATTRIBUTE 21

Once a regional reliability standard is approved by the board, the standard will be submitted to NERC for approval and filing with FERC [and applicable authorities in Canada and Mexico.]

COMMON ATTRIBUTE 22

- **Open** - Participation in the development of a regional reliability standard shall be open to all organizations that are directly and materially affected by the [Regional Entity Name] bulk power system reliability. There shall be no undue financial barriers to participation. Participation shall not be conditioned upon membership in [Regional Entity Name], and shall not be unreasonably restricted on the basis of technical qualifications or other such requirements. Meetings of drafting teams shall be open to the [Regional Entity Name] members and others.

COMMON ATTRIBUTE 23

- **Balanced** - The [Regional Entity Name] standards development process strives to have an appropriate balance of interests and shall not be dominated by any two interest categories and no single interest category shall be able to defeat a matter.

COMMON ATTRIBUTE 24

- **Inclusive** — Any entity (person, organization, company, government agency, individual, etc.) with a direct and material interest in the bulk power system in the [Regional Entity Name] area shall have a right to participate by: a) expressing a position and its basis, b) having that position considered, and c) having the right to appeal.

COMMON ATTRIBUTE 25

- **Fair due process** — The regional reliability standards development procedure shall provide for reasonable notice and opportunity for public comment. At a minimum, the procedure shall include public notice of the intent to develop a standard, a public comment period on the proposed standard, due consideration of those public comments, and a ballot of interested stakeholders.

COMMON ATTRIBUTE 26

- **Transparent** — All actions material to the development of regional reliability standards shall be transparent. All standards development meetings shall be open and publicly noticed on the regional entity's Web site.

COMMON ATTRIBUTE 27

- Does not unnecessarily delay development of the proposed reliability standard.

COMMON ATTRIBUTE 28

Each standard shall enable or support one or more of the reliability principles, thereby ensuring that each standard serves a purpose in support of the reliability of the regional bulk power system. Each standard shall also be consistent with all of the reliability principles, thereby ensuring that no standard undermines reliability through an unintended consequence.

COMMON ATTRIBUTE 29

While reliability standards are intended to promote reliability, they must at the same time accommodate competitive electricity markets. Reliability is a necessity for electricity markets, and robust electricity markets can support reliability. Recognizing that bulk power system reliability and electricity markets are inseparable and mutually interdependent, all regional reliability standards shall be consistent with NERC's market interface principles. Consideration of the market interface principles is intended to ensure that standards are written such that they achieve their reliability objective without causing undue restrictions or adverse impacts on competitive electricity markets.

COMMON ATTRIBUTE 30

To ensure uniformity of regional reliability standards, a regional reliability standard shall consist of the elements identified in this section of the procedure. These elements are intended to apply a systematic discipline in the development and revision of standards. This discipline is necessary to achieving standards that are measurable, enforceable, and consistent.

COMMON ATTRIBUTE 31

All mandatory requirements of a regional reliability standard shall be within the standard. Supporting documents to aid in the implementation of a standard may be referenced by the standard but are not part of the standard itself.

COMMON ATTRIBUTE 32

Applicability	<p>Clear identification of the functional classes of entities responsible for complying with the standard, noting any specific additions or exceptions.</p> <p>If not applicable to the entire [Regional Entity Name] area, then a clear identification of the portion of the bulk power system to which the standard applies.</p> <p>Any limitation on the applicability of the standard based on electric facility requirements should be described.</p>
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COMMON ATTRIBUTE 33

Measure(s)	<p>Each requirement shall be addressed by one or more measures. Measures are used to assess performance and outcomes for the purpose of determining compliance with the requirements stated above. Each measure will identify to whom the measure applies and the expected level of performance or outcomes required demonstrating compliance. Each measure shall be tangible, practical, and as objective as is practical. It is important to realize that measures are proxies to assess required performance or outcomes. Achieving the measure should be a necessary and sufficient indicator that the requirement was met. Each measure shall clearly refer to the requirement(s) to which it applies.</p>
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COMMON ATTRIBUTE 34

Compliance Monitoring Process	<p>Defines for each measure:</p> <ul style="list-style-type: none">• The specific data or information that is required to measure performance or outcomes.• The entity that is responsible for providing the data or information for measuring performance or outcomes.• The process that will be used to evaluate data or information for the purpose of assessing performance or outcomes.• The entity that is responsible for evaluating data or
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	<p>information to assess performance or outcomes.</p> <ul style="list-style-type: none">• The time period in which performance or outcomes is measured, evaluated, and then reset.• Measurement data retention requirements and assignment of responsibility for data archiving.• Violation severity levels.
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EXHIBIT C
TO PRO FORMA DELEGATION AGREEMENT

**FRCC REGIONAL RELIABILITY STANDARD
DEVELOPMENT PROCESS**

Amended September 25, 2007



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I. Introduction and Background

Purpose

This manual establishes the process for development, revision, withdrawal and approval of FRCC Regional Reliability Standards for the FRCC Region. FRCC Regional Reliability Standards apply to the reliability planning and reliable operation of the Bulk Power System in the FRCC Region. Proposed FRCC Regional Reliability Standards shall be subject to approval by the North American Electric Reliability Corporation (NERC), as the electric reliability organization, and by the Federal Energy Regulatory Commission (FERC) before becoming mandatory and enforceable under Section 215 of the Federal Power Act. FRCC Regional Reliability Standards, when approved by FERC, shall be made part of the body of NERC reliability standards and shall be enforced upon all applicable bulk power system owners, operators and users within the FRCC Region, regardless of membership in the region.

The FRCC Regional Reliability Standards Development Process is based on providing an open and fair process that ensures all interested and affected parties have an opportunity to participate in the development of FRCC Regional Reliability Standards. Any entity (person, organization, company, government agency, individual, etc.) with a direct and material interest in the reliability of the FRCC Bulk Power System has a right to participate by: a) expressing a position and its basis, b) having that position considered, c) voting on and d) having the right to appeal.

FRCC Regional Reliability Standard Principles

FRCC Regional Reliability Standards go beyond, add detail to, or implement NERC Reliability Standards, or cover matters not addressed in NERC Reliability Standards. FRCC Regional Reliability Standards shall not be inconsistent with or less stringent than NERC Reliability Standards.

FRCC Regional Reliability Standards are based on NERC's Reliability Principles and Market Interface Principles. Each FRCC Regional Reliability Standard shall enable or support one or more of NERC's Reliability Principles and must accommodate competitive electricity markets by being consistent with NERC's Market Interface Principles.

The FRCC Regional Reliability Standard Development Process defines the fair and open process for development, revision, withdrawal and approval of FRCC Regional Reliability Standards for the FRCC Region and has the following characteristics:

- **Due Process** – Any interested party, or any entity that is directly and materially affected by the reliability of the FRCC Bulk Power System has a right to participate in this process as indicated in this manual.
- **Openness** – Participation is open to any interested party or any entity that is directly and materially affected by the reliability of the FRCC Bulk Power System. Participation shall not be conditional upon membership in the FRCC. All FRCC Regional Reliability Standard development meetings will be open and noticed on the FRCC website.

- **Balance** – The FRCC Regional Reliability Standard Development Process shall have a balance of interests and shall not be dominated by any two interest categories and no single interest category shall be able to defeat a matter.

II. FRCC Regional Reliability Standard Definition, Characteristics, and Elements

Definition

A FRCC Regional Reliability Standard defines certain obligations or requirements of all owners, operators and users of the FRCC Bulk Power System regardless of membership in the FRCC. The obligations or requirements must be material to reliability and measurable. Each obligation and requirement shall support one or more of the NERC reliability principles and shall be consistent with all of the NERC reliability and market interface principles.

FRCC Regional Reliability Standards go beyond, add detail to, or implement NERC reliability standards, or cover matters not addressed in NERC reliability standards. FRCC Regional Reliability Standards shall not be inconsistent with or less stringent than NERC reliability standards.

Characteristics

A FRCC Regional Reliability Standard shall have the following characteristics:

- **Material to Reliability** - A FRCC Regional Reliability Standard shall be material to the reliability of the FRCC Bulk Power System. If the reliability of the FRCC Bulk Power System could be compromised without a particular standard or by a failure to comply with that standard, then the standard is material to reliability.
- **Measurable** - A FRCC Regional Reliability Standard shall establish technical or performance requirements that can be practically measured.
- **Relative to NERC Reliability Standards** - A FRCC Regional Reliability Standard must go beyond, add detail to, or implement NERC reliability standards, or cover matters not addressed in NERC reliability standards.

Although FRCC Regional Reliability Standards have a common format and process, several types of Reliability Standards may exist, each with a different approach to measurement:

- **Technical standards** related to the provision, maintenance, operation, or state of Bulk Power System will likely contain measures of physical parameters and will often be technical in nature.
- **Performance standards** related to the actions of entities providing for or impacting the reliability of the FRCC Bulk Power System will likely contain measures of the results of such actions, or the nature of the performance of such actions.
- **Preparedness standards** related to the actions of entities to be prepared for conditions that are unlikely to occur but are critical to reliability will likely contain measures of such preparations or the state of preparedness.

Elements

A FRCC Regional Reliability Standard shall consist of the elements identified in this section of this manual. These elements are intended to apply a systematic discipline in the development and revision of Reliability Standards. The format allows a clear statement of the purpose, requirements, measures, and compliance elements associated with each Reliability Standard. Supporting documents to aid in the implementation of a Reliability Standard may be referenced by the Reliability Standard but are not part of the Reliability Standard itself.

Performance Elements of a FRCC Regional Reliability Standard

Identification Number	A unique identification number assigned in accordance with an administrative classification system to facilitate tracking and reference.
Title	A brief, descriptive phrase identifying the topic of the Reliability Standard.
Applicability	Clear identification of the functional classes of entities responsible for complying with the standard, noting any specific additions or exceptions. If not applicable to the entire FRCC, then a clear identification of the portion of the bulk power system to which the standard applies. Any limitation on the applicability of the standard based on electric facility requirements should be described.
Effective Date and Status	The effective date of the Reliability Standard or, the proposed effective date.
Purpose	The purpose of the Reliability Standard. The purpose shall explicitly state what outcome will be achieved or is expected by this Reliability Standard.
Requirement(s)	Explicitly stated technical, performance, and preparedness requirements. Each requirement identifies what entity is responsible and what action is to be performed or what outcome is to be achieved. Each statement in the requirements section shall be a statement for which compliance is mandatory. Any additional comments or statements for which compliance is not mandatory, such as background or explanatory information should be placed in a separate document and referenced.
Risk Factor(s)	The potential reliability significance of each requirement, designated as a High, Medium or Lower Risk Factor in accordance with the criteria listed below: A Lower Risk Factor requirement is administrative in nature and (a) is a requirement that, if violated, would not be expected to affect the electrical state or capability of the FRCC Bulk Power System, or the ability to effectively monitor and control the FRCC Bulk Power System; or (b) is a requirement in a planning time frame that, if violated, would not, under the emergency, abnormal, or restorative

	<p>conditions anticipated by the preparations, be expected to affect the electrical state or capability of the FRCC Bulk Power System, or the ability to effectively monitor, control, or restore the FRCC Bulk Power System.</p> <p>A Medium Risk Factor requirement (a) is one that, if violated, could directly affect the electrical state or the capability of the FRCC Bulk Power System but is unlikely to lead to FRCC Bulk Power System instability, separation, or cascading failures; or (b) is a requirement in the planning time frame that , if violated, could under emergency, abnormal, or restorative conditions anticipated by the preparations, directly affect the electrical state or capability of the FRCC Bulk Power System, or the ability to effectively monitor and control the FRCC Bulk Power System but is unlikely, under emergency, abnormal, or restoration conditions anticipated by the preparations, to lead to FRCC Bulk Power System instability, separation, or cascading failures, nor to hinder restoration to a normal condition.</p> <p>A High Risk Factor requirement (a) is one that, if violated, could directly cause or contribute to FRCC Bulk Power System instability, separation, or a cascading sequence of failures, or could place the FRCC Bulk Power System at an unacceptable risk of instability, separation, or cascading failures, or (b) is a requirement in a planning time frame that, if violated, could under emergency, abnormal, or restorative conditions anticipated by the preparations, directly cause or contribute to FRCC Bulk Power System instability, separation, or a cascading sequence of failures, or could place the FRCC Bulk Power System at an unacceptable risk of instability, separation, or cascading failures, or could hinder restoration to a normal condition.</p>
Measure(s)	<p>Each requirement shall be addressed by one or more measures. Measures that will be used to assess performance and outcomes for the purpose of determining compliance with the requirements stated above. Each measure identifies to whom the measure applies and the expected level of performance or outcomes required to demonstrate compliance. Each measure shall be tangible, practical, and as objective as is practical. Achieving the measure should be a necessary and sufficient indicator that the requirement was met. Each measure shall clearly refer to the requirement(s) to which it applies.</p>
Compliance Monitoring Process	<p>The compliance elements define:</p> <ul style="list-style-type: none"> • The specific data or information that is required to measure performance or outcomes. • The entity that is responsible to provide the data or information for measuring performance or outcomes. • The process that will be used to evaluate data or information for the purpose of assessing performance or outcomes.

	<ul style="list-style-type: none"> • The entity that is responsible for evaluating data or information to assess performance or outcomes. • The time period in which performance or outcomes is measured, evaluated, and then reset. • Measurement data retention requirements and assignment of responsibility for data archiving.
<p>Violation Severity Levels</p>	<p>Defines the degree to which compliance with a requirement was not achieved. The violation severity levels, are part of the standard and are approved with the standard.</p>

III. Roles in the FRCC Regional Reliability Standard Development Process

Nomination, Modification, or Withdrawal of A Regional Standard

Any member of the FRCC, or group (i.e. committee, subcommittee, working group or task force) within the FRCC, shall be allowed to request that a FRCC Regional Reliability Standard be developed, modified, or withdrawn. Additionally, any interested party or any entity that is directly and materially affected by the reliability of the FRCC Bulk Power System shall be allowed to request that a FRCC Regional Reliability Standard be developed, modified, or withdrawn.

Standard Development Process Roles

FRCC Board of Directors – The FRCC Board of Directors shall consider for adoption as FRCC Regional Reliability Standards, those Standards that have been developed and approved by this process. Once the Board adopts a FRCC Regional Reliability Standard, such Standard shall be submitted to NERC for approval. When approved by NERC, it will be submitted to FERC for approval.

Registered Ballot Body (RBB) – The registered ballot body votes to approve FRCC Regional Reliability Standards. The RBB comprises all entities or persons that qualify for one of the FRCC Industry Sectors as defined in Section 1.2 of the FRCC Bylaws, and are registered with FRCC as potential ballot participants in the voting on standards. FRCC membership is not a requirement to participate in the development of and voting on FRCC Regional Reliability Standards. Any entity or person that has a material interest in the reliability of the FRCC Bulk Power System shall be allowed to register as potential ballot participants in the RBB. (See Appendix C)

Ballot Pool (BP) – Each standard action has its own BP formed of interested members of the RBB. The BP comprises those members of the RBB that respond to a pre-ballot survey for that particular standard that indicates their desire to participate in the ballot of that standard. The BP will vote to approve each FRCC Regional Reliability Standard.

FRCC Operating Committee (OC) and FRCC Planning Committee (PC) – The FRCC OC and the FRCC PC (both of which are balanced stakeholder committees, see Appendix C) shall have the primary responsibility for the development, modification or withdrawal of FRCC Regional Reliability Standards.

FRCC Standards Process Manager – The FRCC Regional Reliability Standard Development Process shall be administered by the FRCC Standards Process Manager. The FRCC Standards Process Manager will ensure the integrity of the process and the consistency of quality and completeness of the FRCC Regional Reliability Standards. The FRCC Standards Process Manager will facilitate all steps in this process, and will coordinate with NERC to ensure required information is posted on both NERC and FRCC websites.

Standard Drafting Team – A team of technical experts, such as FRCC Subcommittees, Working Groups, Task Forces, or the FRCC Staff, will be appointed by the FRCC OC and/or PC, that will:

- Develop the details of the FRCC Regional Reliability Standard,
- Consider and respond to industry comments,
- Participate in forums to help build consensus on draft FRCC Regional Reliability Standards,
- Assist in the implementation of approved FRCC Regional Reliability Standards,
- Provide technical oversight in response to changing industry conditions,
- Assist in the identification of the need for new FRCC Regional Reliability Standards.

FRCC Compliance Staff – The FRCC compliance staff provides input and comments during the standard development process to ensure the requirements are not ambiguous, that measures will be effective and that the compliance elements of a standard can be practically implemented.

IV. Steps in Developing a FRCC Regional Reliability Standard

Step 1 – Request a new FRCC Regional Reliability Standard or modification to, or withdrawal of an existing FRCC Regional Reliability Standard

A request to develop, modify or withdraw a FRCC Regional Reliability Standard shall be submitted to the FRCC Standards Process Manager (via email to FRCCStandard@frcc.com) by any member of the FRCC, or group (i.e. committee, subcommittee, working group or task force) within the FRCC, or any interested party or any entity that is directly and materially affected by reliability of the FRCC Bulk Power System. The FRCC Standards Process Manager will acknowledge receipt of the request within fifteen (15) calendar days of its receipt.

Step 2 – Assignment of FRCC Regional Reliability Standard Request

The FRCC Standards Process Manager will assign the request to the FRCC OC, the FRCC PC, or both as appropriate.

Step 3 – Posting of FRCC Regional Reliability Standard Request

The request for standard development, modification or withdrawal will be posted for notification and comment on the FRCC public website for a period of fifteen (15) calendar days, and will be reviewed by the FRCC OC and/or PC. A notice of the posting for comment will be sent to (1) the Registered Ballot Body, (2) the FRCC standing committees, subcommittees and working groups, (3) the Florida Public Service Commission, and (4) the SERC Southern Sub-region Reliability Coordinator to seek input on the proposed request.

Step 4 – Acceptance of a FRCC Regional Reliability Standard Request

The FRCC OC and/or the PC will review the request and any comments submitted to determine if the request received will be accepted or rejected within sixty (60) days of its submission. The decision will be posted and, if accepted, the OC and/or the PC will assign and direct a Standard Drafting Team to develop the draft Regional Reliability Standard. If the request is rejected, the FRCC Standards Process Manager will send notification to the entity making the request and to all entities that received the notice in Step 3 above.

Step 5 – Drafting and Posting of a FRCC Regional Reliability Standard

The FRCC OC and/or PC will assign a Standard Drafting Team, within 60 days of acceptance of the request, to develop, in a timely manner, a draft FRCC Regional Reliability Standard that will address the accepted request. The FRCC OC and/or PC may provide a timeframe that is desired for completion of the standard development.

Under the direction of the FRCC OC and/or PC, the Standard Drafting Team, will consider all comments received on the posting of the standard request and will develop a draft FRCC Regional Reliability Standard and corresponding implementation plan.

The draft FRCC Regional Reliability Standard, implementation plan and any supporting documents shall be posted for comments on the FRCC public website for a period of fifteen (15) calendar days, or such longer period as determined by the drafting team or as directed by the FRCC OC and/or the PC. Notice of the posting will go out to (1) the Registered Ballot Body, (2) the FRCC standing committees, subcommittees and working groups, (3) the Florida Public

Service Commission, and (4) the SERC Southern Sub-region Reliability Coordinator to seek comments.

Comments shall be submitted (via email) to the FRCC Standards Process Manager (FRCCStandard@frcc.com). All comments are due by the close of business on the 15th calendar day of posting, or such later date as determined by the drafting team or as directed by the FRCC OC and/or PC. If the comment due date falls on a weekend or nationally recognized holiday, the comments shall be due by the close of business on the next regularly scheduled business day.

Step 6 – Standards Drafting Team Review of Comments

All comments should be submitted electronically to the FRCC Standards Process Manager who will forward to the Standard Drafting Team for consideration. All timely comments will be considered.

Under the direction given by the FRCC OC and/or the PC, the Standard Drafting Team will review the comments received and revise the draft FRCC Regional Reliability Standard and/or implementation plan as needed. The Standard Drafting Team will develop written responses to each comment received.

All responses to the submitted comments will be documented and posted on the FRCC public website. If needed, a second draft of the FRCC Regional Reliability Standard will be posted for another comment period. Such comment period shall be fifteen (15) calendar days, or such longer period as determined by the drafting team or as directed by the FRCC OC and/or PC.

Notice of the posting will go out to (1) the Registered Ballot Body, (2) the FRCC standing committees, subcommittees and working groups, (3) the Florida Public Service Commission, and (4) the SERC Southern Sub-region Reliability Coordinator to seek comments.

Based on comments received to the posting, Step 6 will be repeated as necessary until the Standards Drafting Team believes the draft FRCC Regional Reliability Standard is ready to submit to the Ballot Pool for approval.

Step 7 –Establishment of Ballot Pool

The Standard Drafting Team shall submit the final draft of the proposed FRCC Regional Reliability Standard, along with any minority opinions, and all comments and written responses received during the posting(s), to the FRCC Standards Process Manager. The FRCC Standards Process Manager shall establish a Ballot Pool for standard action at least fifteen (15) calendar days prior to the start of a ballot. A pre-ballot survey will be sent to each entity of the RBB to determine their desire to be placed in the Ballot Pool. Once the ballot period opens, the Ballot Pool will be closed and changes to the Ballot Pool participation will not be allowed.

Step 8 – Ballot of the new or revised FRCC Regional Reliability Standard

The FRCC Standards Process Manager will post the final draft of the standard on the FRCC website at least fifteen (15) calendar days before a ballot can begin. The Ballot Pool shall have a minimum of ten (10) calendar days to vote on a standard. The Ballot Pool may vote to approve or not approve the standard. If approved, the FRCC Standards Process Manager will submit the FRCC Regional Reliability Standard, proposed implementation plan, and any supporting documents to the FRCC Board of Directors for adoption.

If approval by the Ballot Pool is not obtained, the PC and/or OC will determine if the draft standard is to be sent back to the standard drafting team to repeat step 6 to incorporate any comments, or to take no further action.

If no further action is taken, the reason for such will be posted on the FRCC public website. A notice of the posting will be sent to (1) the Registered Ballot Body, (2) the FRCC standing committees, subcommittees and working groups, (3) the Florida Public Service Commission, and (4) the SERC Southern Sub-region Reliability Coordinator.

Step 9 – Adoption of FRCC Regional Reliability Standards by the FRCC Board of Directors

At a regular or special meeting, the FRCC Board of Directors may consider adoption of the proposed FRCC Regional Reliability Standard that has been approved by the RBB Ballot Pool. A FRCC Regional Reliability Standard submitted for adoption by the FRCC Board of Directors must be posted for notification and comment on the FRCC public website at least ten (10) calendar days prior to action by the FRCC Board of Directors. Notice of the posting will be sent to (1) the Registered Ballot Body, (2) the FRCC standing committees, subcommittees and working groups, (3) the Florida Public Service Commission, and (4) the SERC Southern Sub-region Reliability Coordinator. The FRCC Board of Directors shall consider the comments received, the responses provided, and any dissenting opinions. The FRCC Board of Directors shall adopt or reject a FRCC Regional Reliability Standard as submitted, but may not modify the proposed FRCC Regional Reliability Standard. If the FRCC Board of Directors chooses not to adopt a FRCC Regional Reliability Standard, it shall provide its reasons for not doing so.

If the FRCC Board of Directors chooses not to adopt the proposed FRCC Regional Reliability Standard, the reason for such decision will be posted on the FRCC public website. Notice of the posting will be sent to (1) the Registered Ballot Body, (2) the FRCC standing committees, subcommittees and working groups, (3) the Florida Public Service Commission, and (4) the SERC Southern Sub-region Reliability Coordinator.

Step 10 – Submission to NERC and FERC

Once the FRCC Regional Reliability Standard is adopted by the FRCC Board of Directors, the FRCC Standard Process Manager shall submit the FRCC Regional Reliability Standard to NERC for approval. When approved by NERC, it shall be submitted by NERC to FERC for approval. If NERC or FERC rejects the FRCC Regional Reliability Standard, the FRCC Board of Directors will determine if the standard is to be sent back to the OC and/or PC to incorporate their comments or to take no further action on the standard. A FRCC Regional Reliability Standard that is adopted by the FRCC Board of Directors, approved by NERC and FERC, shall become effective on a date designated by FERC.

V. Special Procedures

Urgent Action

Under certain conditions, the entity making the request or the FRCC OC and/or the PC may designate a proposed or revised FRCC Regional Reliability Standard as requiring urgent action. Urgent action may be appropriate when a delay in implementing a proposed or revised FRCC Regional Reliability Standard will materially impact reliability of the Bulk Power System in the FRCC Region. The FRCC OC and/or the PC must use its judgment carefully to ensure an urgent action is truly necessary and not simply an expedient way to change or implement a FRCC Regional Reliability Standard.

The entity making the request, or the FRCC OC and/or the PC, will prepare a draft of the proposed FRCC Regional Reliability Standard and submit it to the Standards Process Manager for urgent action. The submission must include a justification for the urgent action. The Standards Process Manager shall immediately post the draft as specified in Step 5. The posting shall be a minimum of ten (10) calendar days before the RBB can consider the draft for approval. All comments received during the posting will be considered. Once approved by the RBB, the proposed urgent FRCC Regional Reliability Standard will be sent to the FRCC Board of Directors for adoption.

A FRCC Regional Reliability Standard that is adopted by the FRCC Board of Directors, as an urgent action shall have a termination date specified that shall not exceed 180 days from the approved date. Should there be a need to make the FRCC Regional Reliability Standard permanent, the replacement FRCC Regional Reliability Standard would be required to go through the full standards development process.

An urgent action FRCC Regional Reliability Standard that expires may be renewed by the FRCC Board of Directors using the urgent action process again, in the event a permanent FRCC Regional Reliability Standard has not been adopted. In determining whether to authorize the extension of an urgent action FRCC Regional Reliability Standard, the FRCC OC and/or the PC shall consider the impact to the reliability of the FRCC Bulk Electric System of not continuing the FRCC Regional Reliability Standard. In addition, consideration will be given to whether expeditious progress is being made toward a permanent replacement.

The FRCC OC and/or the PC shall not request the FRCC Board of Directors to extend an urgent action FRCC Regional Reliability Standard if there is insufficient progress toward adopting a permanent replacement FRCC Regional Standard or if the FRCC OC and/or the PC lack confidence that a reasonable completion date is achievable. The intent is to ensure that an urgent action FRCC Regional Reliability Standard does not in effect take on a degree of permanence due to the lack of an expeditious effort to develop a permanent replacement FRCC Regional Reliability Standard. With these principles, there is no pre-determined limit on the number of times an urgent action may be renewed. However, each urgent action FRCC Regional Reliability Standard renewal shall be effective only upon adoption by the FRCC Board of Directors, and approval by NERC and FERC.

Interpretations of Standards

Any member of the FRCC, or group within the FRCC, or an entity that is directly and materially affected by reliability of the FRCC Bulk Power System shall be permitted to request an interpretation of a FRCC Regional Reliability Standard. The entity requesting an interpretation shall send a request to the FRCC Standards Process Manager explaining the specific circumstances surrounding the request and what clarifications are required as applied to those circumstances. The request should indicate the material impact to the requesting party, or others, caused by the lack of clarity or a possible incorrect interpretation of the FRCC Regional Reliability Standard. The FRCC Standards Process Manager will assemble a team with the relevant expertise to address the clarification.

As soon as practical (but not more than thirty (30) calendar days following the receipt of the request), the team will draft a written interpretation of the FRCC Regional Reliability Standard addressing the issues raised. The FRCC Standards Process Manager will submit the written interpretation to the OC and/or PC for review and approval. If approved by the FRCC OC and/or the PC, the interpretation is appended to the FRCC Regional Reliability Standard and is effective immediately. The interpretation will stand until such time as the FRCC Regional Reliability Standard is revised through the normal process, at which time the FRCC Regional Reliability Standard will be modified to incorporate the clarifications provided by the interpretation.

Appeals

Any member of the FRCC, or group within the FRCC, or any entity that is directly and materially affected by reliability of the FRCC Bulk Power System, and who feel they have been or will be adversely affected by any substantive or procedural action or inaction related to the development, approval, revision, or withdrawal of a FRCC Regional Reliability Standard shall have the right to appeal. This appeals process applies only to the FRCC Regional Reliability Standards Process as defined in this document

The burden of proof to show adverse effect shall be on the appellant. Appeals shall be made within thirty (30) calendar days of the date of the action purported to cause the adverse effect. The final decisions of any appeal shall be documented in writing and posted on the FRCC public website. Notice of the posting will be sent to (1) the Registered Ballot Body, (2) the FRCC standing committees, subcommittees and working groups, (3) the Florida Public Service Commission, and (4) the SERC Southern Sub-region Reliability Coordinator .

The appeals process provides two levels, with the goal of expeditiously resolving the issue to the satisfaction of the participants:

Level 1 Appeal

Level 1 is the required first step in this appeals process. The appellant submits to the FRCC Standards Process Manager a complaint in writing that describes the substantive or procedural action associated with a FRCC Regional Reliability Standard or the FRCC Regional Reliability Standards Process. The appellant describes in the complaint the actual or potential adverse impact to the appellant. Assisted by any necessary staff and committee resources, the FRCC Standards Process Manager shall prepare a written

response addressed to the appellant as soon as practical but not more than forty-five (45) calendar days after receipt of the complaint. If the appellant accepts the response as a satisfactory resolution of the issue, both the complaint and response will be made a part of the record associated with the FRCC Regional Reliability Standard.

Level 2 Appeal

If after the Level 1 Appeal, the appellant remains unsatisfied with the resolution, notification shall be made in writing to the FRCC Standards Process Manager. Within thirty (30) calendar days of receiving the notification, the FRCC Standards Process Manager shall convene a Level 2 Appeals Panel. This panel shall consist of five members appointed by the FRCC Board of Directors. In all cases, Level 2 Appeals Panel members shall have no direct affiliation with the participants in the appeal.

The FRCC Standards Process Manager shall post on the FRCC public website the notice of the Level 2 appeal and other relevant materials. Notice of the posting will be sent to (1) the Registered Ballot Body, (2) the FRCC standing committees, subcommittees and working groups, (3) the Florida Public Service Commission, and (4) the SERC Southern Sub-region Reliability Coordinator. At least fifteen (15) calendar days notice of the meeting of the Level 2 Appeals Panel will be made. In addition to the appellant, any entity that is directly and materially affected by the reliability of the FRCC Bulk Power System, and who is directly and materially affected by the substantive or procedural action referenced in the complaint shall be heard by the panel.

The Level 2 Appeals Panel shall not consider any expansion of the scope of the appeal that was not presented in the Level 1 Appeal. The Level 2 Appeals Panel may in its decision find for the appellant and remand the issue to the FRCC OC and/or the PC for resolution with a statement of the issues and facts in regard to which fair and equitable action was not taken. The Level 2 Appeals Panel may find against the appellant with a specific statement of the facts that demonstrate fair and equitable treatment of the appellant and the appellant's objections.

The Level 2 Appeals Panel may not, however, revise, approve, disapprove, or adopt a FRCC Regional Reliability Standard, as these responsibilities remain with the FRCC Board of Directors. The actions of the Level 2 Appeals Panel shall be posted on the FRCC public website. Notice of the posting will be sent to (1) the Registered Ballot body, (2) the FRCC standing committees, subcommittees and working groups, (3) the Florida Public Service Commission, and (4) the SERC Southern Sub-region Reliability Coordinator.

VI. Maintenance of the FRCC Regional Reliability Standards and Process

Requests to Revise the FRCC Regional Reliability Standard Development Process

Any member of the FRCC, or group (i.e. committee, subcommittee, working group or task force) within the FRCC, or any entity that is directly and materially affected by the reliability of the FRCC Bulk Power System may submit a written request to modify the FRCC Regional Reliability Standard Development Process Manual. The FRCC Standards Process Manager shall oversee the handling of the request. The FRCC OC and/or the PC shall review the request and submit recommendations to the FRCC Board of Directors for consideration. The FRCC Board of Directors, on its own motion, may amend the FRCC Regional Reliability Standard Process.

Five-Year Review

Each FRCC Regional Reliability Standard shall be reviewed at least once every five (5) years. The review date will be determined from the effective date or the latest revision date whichever is later. The review process shall be conducted in accordance with Steps 1 through 10 of the FRCC Regional Reliability Standard Development Process Manual. As a result of this review, a FRCC Regional Reliability Standard shall be reaffirmed, revised, or withdrawn.

Filing of FRCC Regional Standards with Regulatory Agencies

All adopted FRCC Regional Reliability Standards will be filed with FERC.

APPENDIX A

Email completed form to FRCCStandard@frcc.com

FRCC Regional Reliability Standard Request Form

Title of Proposed Standard
Request Date

Requestor Information	TYPE (Check a box for each one that applies)
Name	<input type="checkbox"/> New Standard
Primary Contact	<input type="checkbox"/> Revision to existing Standard
Telephone	<input type="checkbox"/> Withdrawal of existing Standard
Fax	
Email	<input type="checkbox"/> Urgent Action

Purpose (Describe the purpose of the standard – what the standard will achieve in support of reliability)

Industry Need (Provide a detailed statement justifying the need for the proposed standard, along with any supporting documentation)

Brief Description (Describe the proposed standard in sufficient detail to clearly define the scope in a manner that can be easily understood by others)

FRCC Regional Reliability Standard Request Form

The Standard will Apply to the Following Functions (Check box for each one that applies)

<input type="checkbox"/>	Reliability Coordinator	Ensures the reliability of the bulk transmission system within its Reliability Authority area.
<input type="checkbox"/>	Balancing Authority	Integrates resource plans ahead of time, and maintains load-interchange-resource balance within its metered boundary and supports system frequency in real time
<input type="checkbox"/>	Planning Authority	Plans the Bulk Electric System
<input type="checkbox"/>	Resource Planner	Develops a long-term plan for the resource adequacy of specific loads within a Planning Authority area
<input type="checkbox"/>	Transmission Planner	Develops a long-term plan for the reliability of transmission systems within its portion of the Planning Authority area
<input type="checkbox"/>	Transmission Service Provider	Provides transmission services to qualified market agreements
<input type="checkbox"/>	Transmission Owner	Owens transmission facilities
<input type="checkbox"/>	Transmission Operator	Operates and maintains the transmission facilities, and executes switching orders
<input type="checkbox"/>	Distribution Provider	Provides and operates the “wires” between the transmission system and the customer
<input type="checkbox"/>	Generator Owner	Owens and maintains generation unit(s)
<input type="checkbox"/>	Generator Operator	Operates generation units(s) and performs the functions of supplying energy and Interconnected Operations Services
<input type="checkbox"/>	Purchasing-Selling Entity	The function of purchasing or selling energy, capacity, and all necessary Interconnected Operations Services as required
<input type="checkbox"/>	Load-Serving Entity	Secures energy and transmission (and related generation services) to serve the end user

FRCC Regional Reliability Standard Request Form

NERC Reliability Principles

Applicable Reliability Principles (Check box for all that apply.)	
	1. Interconnected bulk electric systems shall be planned and operated in a coordinated manner to perform reliably under normal and abnormal conditions as defined in the NERC Standards.
	2. The frequency and voltage of interconnected bulk electric systems shall be controlled within defined limits through the balancing of real and reactive power supply and demand.
	3. Information necessary for the planning and operation of interconnected bulk electric systems shall be made available to those entities responsible for planning and operating the systems reliably.
	4. Plans for emergency operation and system restoration of interconnected bulk electric systems shall be developed, coordinated, maintained, and implemented.
	5. Facilities for communication, monitoring, and control shall be provided, used, and maintained for the reliability of interconnected bulk electric systems.
	6. Personnel responsible for planning and operating interconnected bulk electric systems shall be trained, qualified, and have the responsibility and authority to implement actions.
	7. The security of the interconnected bulk electric systems shall be assessed, monitored, and maintained on a wide-area basis.

NERC Market Interface Principles

Does the proposed Standard comply with all of the following Market Interface Principles?	
Recognizing that reliability is an essential requirement of a robust North American economy:	
yes or no	1. A reliability standard shall not give any market participant an unfair competitive advantage.
yes or no	2. A reliability standard shall neither mandate nor prohibit any specific market structure.
yes or no	3. A reliability standard shall not preclude market solutions to achieving compliance with that standard.
yes or no	4. A reliability standard shall not require the public disclosure of commercially sensitive information. All market participants shall have equal opportunity to access commercially non-sensitive information that is required for compliance with reliability standards.

FRCC Regional Reliability Standard Request Form

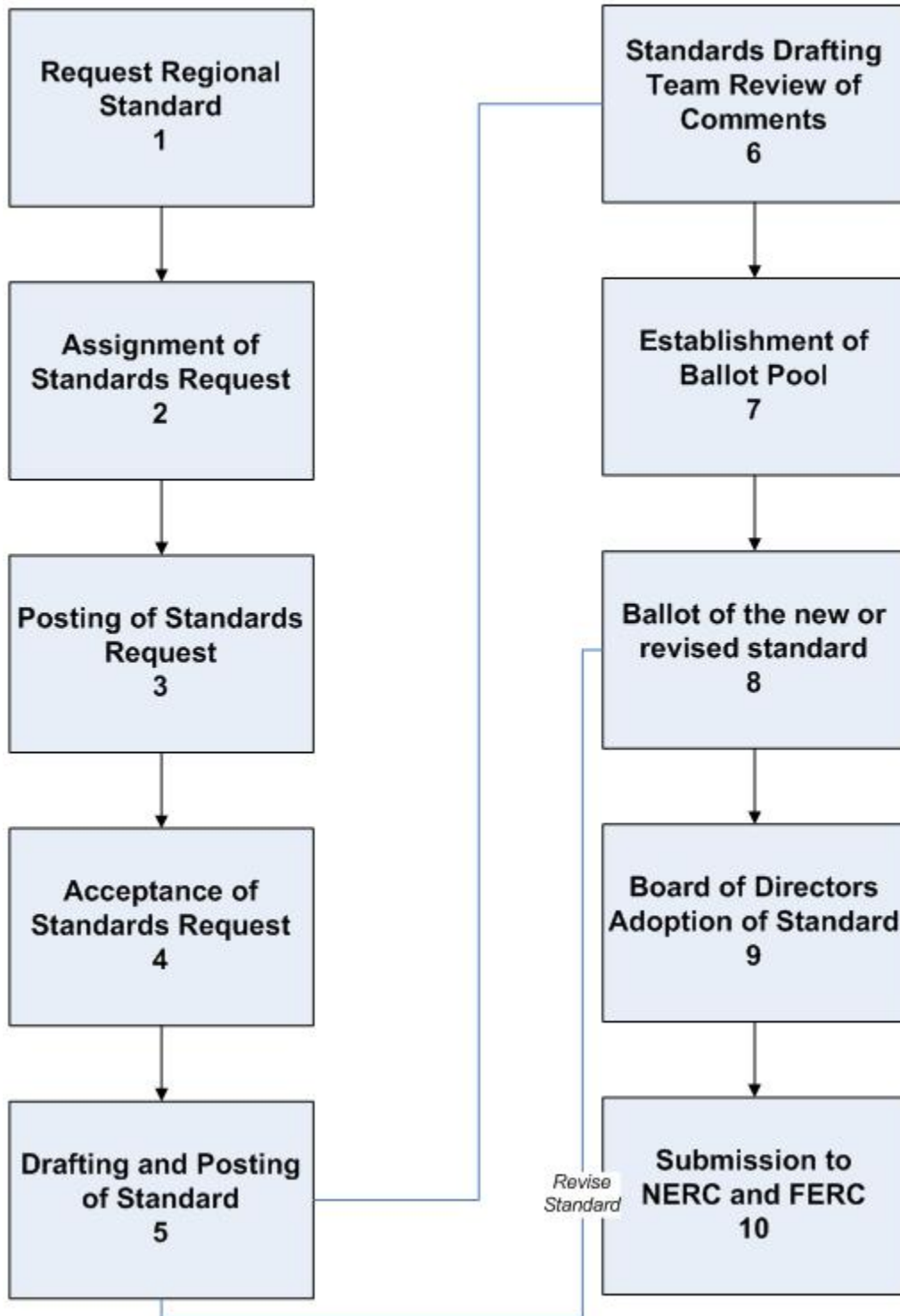
Related Standards

Standard No.	Explanation

<p>Proposed Implementation days after Board of Directors adoption or</p> <hr/> <p>On (date):</p>
--

APPENDIX B

Process Diagram



APPENDIX C

Development of and Voting of the Registered Ballot Body

1. Registration Procedures

The Registered Ballot Body (RBB) comprises all entities¹ and persons that:

- Qualify for one of the FRCC Industry Sectors, and
- Are registered with the FRCC as potential ballot participants in the voting on FRCC Regional Reliability Standards.

All registrations will be done electronically. All entities and persons will self-select to belong to the RBB. The sectors shall be identical to those in Section 1.2 of the FRCC Bylaws.

All RBB members will have the ability to vote on a standard. Voting will be done in writing (either email or facsimile) with each RBB member having one vote. The RBB representative will have the right to register and participate in ballot pools to cast their vote on a standard being considered for approval.

2. Sector Qualification Guidelines

The general guidelines are as follows:

- An entity or person may register in the RBB in any Sector in which it qualifies for provided that an entity or person registers as a potential ballot participant in only one (1) Sector.
- Any individual currently employed by an organization that is eligible to join one or more of the other five (5) sectors, shall not be qualified to join as a General Sector RBB member.

3. Ballot Pool Voting

A Ballot Pool will be established to vote on any proposed standards action. Each RBB member choosing to belong to a Ballot Pool will have one individual vote. Two-thirds of the individual votes of the Ballot Pool shall constitute a quorum.

Approval of a FRCC Regional Reliability Standard requires the affirmative vote of a two-thirds majority of the weighted sector votes cast. The number of votes cast in each sector is the sum of the affirmative and negative votes, excluding abstentions.

The following steps will be used to determine if there is sufficient affirmative votes:

1. The number of affirmative votes cast in each sector will be divided by the sum of affirmative and negative votes cast to determine the fractional affirmative vote for each sector. Abstentions will not be counted.

¹ An entity and all of its Affiliates (as defined in the FRCC Bylaws) shall be considered one entity for purposes of registering as a potential ballot participant.

2. The fractional affirmative vote for a sector will then be multiplied by the Sector Weight Factor to determine the weighted fractional affirmative vote for a sector. The Sector Weight Factors are:
 - a. Suppliers Sector: Weight Factor = 2.5
 - b. Non-Investor Owned Utility Wholesale Sector: Weight Factor = 2.0
 - c. Load Serving Entity Sector: Weight Factor = 1.0
 - d. Generating Load Serving Entity Sector: Weight Factor = 3.0
 - e. Investor Owned Utility Sector: Weight Factor = 3.5
 - f. General Sector: Weight Factor = 1.0
3. The sum of the weighted fractional affirmative votes from all sectors divided by the sum of the weights of the sectors voting will be used to determine if a two-thirds majority has been achieved. A sector will be considered as “voting” if any member of the sector in the Ballot Pool casts either an affirmative or negative vote.
4. A FRCC Regional Reliability Standard will be considered “approved” if the sum of the weighted fractional affirmative votes from all sectors divided by the sum of the weights of the voting sectors is two-thirds or greater.

History of Revisions

Approved March 2, 2006
Amended July 25, 2006
Amended October 24, 2006
Amended September 25, 2007

EXHIBIT D – COMPLIANCE MONITORING AND ENFORCEMENT PROGRAM

1.0 FRCC COMPLIANCE MONITORING AND ENFORCEMENT PROGRAM

1.1 Obligations of Florida Reliability Coordinating Council, Inc.

FRCC will implement the NERC Compliance Monitoring and Enforcement Program (Appendix 4C to the NERC Rules of Procedure) to monitor and enforce compliance with Reliability Standards by the owners, operators, and users within FRCC’s geographic boundaries set forth on **Exhibit A** of this Agreement, subject to any deviations from the NERC Compliance Monitoring and Enforcement Program described in Section 1.2 below (the “Compliance Program”).

1.2 Deviations from the NERC Compliance Monitoring and Enforcement Program

Florida Reliability Coordinating Council has no deviations.

2.0 REGIONAL HEARING OF COMPLIANCE MATTERS

FRCC shall establish and maintain a hearing body with authority to conduct and 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, which shall be the FRCC Board Compliance Committee (BCC), a balanced compliance panel reporting directly to the FRCC’s Board of Directors.

The BCC will consist of one (1) Voting Member from each of the six (6) sectors in the FRCC, who shall be a member of the Board of Directors. Each year, two (2) members from each Sector of the FRCC Board of Directors will volunteer to serve in a BCC pool. At the time a hearing request is received, the Chair of the FRCC Board of Directors will appoint one member from each Sector to form the BCC for that hearing. The Board Member from the Registered Entity that has requested the hearing will not be selected for that BCC. In the event one (1) Sector of the FRCC declines to participate on the BCC, the Chair of the Board of Directors shall randomly select one (1) additional BCC member from the remaining five (5) Sectors to constitute the BCC. The Chair of the FRCC Board of Directors will appoint a Chair and Vice-Chair of the BCC. Terms of BCC members will be equivalent to the time it takes to complete the hearing for which they were selected. Members may be re-appointed to subsequent terms without any limits to the number of terms they serve.

FRCC Industry Sectors are as follows:

- One (1) Member from the Investor Owned Utility Sector
- One (1) Member from the Suppliers Sector
- One (1) Member from the Non-Investor Owned Utility Wholesale Sector
- One(1) Member from the Load Serving Entity Sector

- One (1) Member from the Generating Load Serving Entity Sector
- One (1) Member from the General Sector

Each member of the BCC shall be a full voting member. There will be no alternates or proxies for the BCC members. Decisions of the BCC shall require (i) a quorum to be present requiring at least fifty (50) percent of the number of members assigned to the BCC provided, however, that in each case at least four (4) eligible Sectors are represented and (ii) a majority vote of the members of the BCC voting on the decision.

3.0 OTHER DECISION-MAKING BODIES

The FRCC has engaged the SERC Reliability Corporation (SERC) to oversee the compliance monitoring and enforcement responsibility as related to FRCC's compliance with Reliability Standard requirements that are applicable to the functions for which FRCC is a Registered Entity.

Exhibit E — Funding

1. Scope of activities funded through the ERO funding mechanism

FRCC shall include in its annual budget submission to NERC amounts for costs it will incur in support of delegated activities and activities that are in furtherance of NERC's responsibilities as the ERO under the Act, as specified in the NERC Rules. These activities shall include:

- Reliability Standard Development (Section 300)
- Compliance Enforcement (Section 400)
- Organization Registration and Certification (Section 500)
- Reliability Readiness Evaluation and Improvement (Section 700)
- Reliability Assessment and Performance Analysis (Section 800) (including necessary data gathering activities)
- Training and Education (Section 900)
- Situational Awareness and Infrastructure Security (Section 1000)

2. Allocation of Costs

FRCC shall allocate its dues, fees, and other charges for its activities pursuant to the delegation agreement among all load-serving entities on the basis of net-energy-for load, unless a different method(s) of allocating and calculating such dues, fees and charges has been submitted to and approved by NERC and the Commission in accordance with Section 8(b) of the delegation agreement. FRCC shall submit to NERC annually at the same time it submits its budget request a list of the load-serving entities within its geographic boundaries and their proportionate net energy for load, and such other data and information as is necessary to allocate and calculate FRCC's dues, fees and charges under any such different method(s) of allocation and calculation that will be used.

3. Collection of Funding

(a) NERC shall submit invoices to the load-serving entities identified by FRCC covering the NERC and FRCC budgets approved for collection.

NERC shall pursue any non-payments and shall request assistance from applicable governmental authorities as necessary to secure collection.

(b) Upon approval of the annual funding requirements by applicable governmental authorities, NERC shall fund FRCC's costs identified in Section 1 of this Exhibit E in four equal quarterly payments.

4. Application of Penalties

All penalty monies received by FRCC shall be applied as a general offset to the entity's budget requirements for U.S.-related activities under this Agreement for the subsequent

fiscal year. Funds from financial penalties shall not be directly applied to any program maintained by the investigating entity.

5. Budget and Funding for FRCC's Non-Statutory Activities

In addition to its delegated activities and activities that are in furtherance of NERC's responsibilities as the ERO under the Act, as specified in Section 1 of this **Exhibit E** (such other functions and activities being referred to herein as "statutory activities"), FRCC performs the following other functions and activities (such other functions and activities being referred to in this Section 5 as "non-statutory activities")

Non-Statutory Activities

The Member Services division of the FRCC provides, coordinates or administers a variety of services relating to the reliable planning and operation of the bulk power system in the FRCC Region. These services are carried out by the FRCC Planning Committee (PC) and the FRCC Operating Committee (OC), and its various subcommittees, task forces and working groups.

Planning Committee (PC)

The PC promotes the reliability of the bulk power system in the FRCC Region, and assesses and encourages generation and transmission adequacy. The PC, through the FRCC Regional Transmission Planning Process, provides a vehicle for ensuring that transmission planning within the FRCC will provide for the development of a robust transmission network within the FRCC Region. The activities of the PC include the activities of the following Member Services working groups: the Stability Working Group, the Transmission Working Group, the Resources Working Group, the ATG Working Group and the Fuel Reliability Working Group. The activities of these working groups pertain to the facilitated and coordinated effort for the running of engineering studies and communications in a cost effective, open and transparent manner for the members to complete common tasks to ensure future bulk power reliability. This includes any transmission planning that allows transmission owners to meet FERC's Order 890 requirement for wide area planning and implementation of data and reporting to the Florida Public Service Commission on resource adequacy and transmission reliability.

Operating Committee (OC)

The OC is responsible for the coordination, planning, operation and maintenance of reliable bulk power supply in the FRCC. Its primary reliability goals are the continuous improvement of the situational awareness of the operators interconnected within the FRCC, and ensuring that adequate physical, operational and cyber security objectives are in place for the Region's shared communications network. The OC ensures reliable operations are maintained through the development and implementation of the FRCC Security Process.

Operating Reliability Subcommittee (ORS)

The ORS provides overall administration for the development and implementation of operating procedures and other reliability matters. The ORS reviews and assesses regional

import and export limits, scheduled transmission outages, real-time system reliability, events analysis, information and data exchange and other reliability issues. The ORS provides formal oversight and implementation of the Security Process which establishes the reliability responsibilities of the various entities within the Region and specifically monitors the agents responsible for performing the (RC) and Operations Planning Coordinator (OPC) functions.

Data Exchange Working Group (DEWG)

The DEWG, subordinate to the ORS, supports the real-time data needs of the FRCC Reliability Coordinator and other entities identified by the FRCC ORS, and for developing methodologies to facilitate the exchange of real-time, modeling, and other operational data to help assure reliable electric power system operations. Within the FRCC, all entities provide system data via the FRCC Reliability Data Link (RDL). The FRCC RDL receives all substation topology information, line flows, voltage levels, unit parameters, etc. from the operating entities on a real-time basis. Data is available to all.

FRCC Telecommunications Subcommittee (TS)

The TS provides formal oversight over the TS budget which is included in the OC budget. The primary purpose of the TS is to ensure that adequate and redundant communications facilities are made available to the operating entities within the FRCC. The TS administers the FRCC hotline program, Satellite phone program, RDL program and also ensures that reliable and redundant communications are maintained with NERCNet, from a Regional communications perspective. All TS programs are in support of the RC function and are therefore non-statutory, with the exception of the FRCC satellite phone program which is a tool used by the Regional Entity to perform situational awareness and thus is budgeted as statutory.

Non Statutory Situation Awareness and Infrastructure Security Program

This program maintains and enhances the situational awareness of the operators of the interconnected system by supporting the tools necessary to efficiently communicate Electricity Sector Information Sharing and Analysis Center information within and outside of the FRCC Region. The program also ensures that the FRCC entity shared communications networks, include the appropriate physical, operational, and cyber security protections in order to function reliably.

FRCC shall employ the following methods and procedures to (i) keep its funding mechanisms for its statutory activities separate from its funding mechanisms for its non-statutory activities, and (ii) record the costs it incurs in the performance of its non-statutory functions separately from the costs it incurs in the performance of its statutory functions:

(i) Separation of funding sources for statutory activities and non-statutory activities. The FRCC maintains a separate bank account for Statutory receivable collection. The statutory billing is done at the beginning of each quarter and an invoice is rendered to NERC only for the statutory receivable. NERC wires monies due directly into the Statutory bank account. All non-statutory receivables are deposited into a separate bank

account. Member Services invoices are rendered to each member quarterly and deposited into this separate account.

(ii) Separation of costs of statutory activities and non-statutory activities. FRCC has adopted the NERC Chart of Accounts for Expenses and the NERC Rules of Procedure Categories as well as Member Services Functional Categories and utilizes these in order to correctly code each invoice received for all goods and services as well as for staff to specify where their time is spent each day for their time accounting reports. These methods are used to ensure that no statutory funds are used to pay for non-statutory expenses and that no non-statutory funds are used to pay for statutory expenses.

Each employee and officer (with the exception of the President and CEO) turns in a time sheet with their time accounted for between statutory and non-statutory functions that they personally spent their time on. Within statutory and non-statutory they further break down their time by the function areas. Each employee and officer fills out their time sheet daily and turns them in every two weeks to the Controller. The employees use the department codes to split their time according to what they did that day. These times are totaled by the Controller and Full-Time Equivalents (FTE's) for each function are calculated.

Accounting personnel route to the responsible department head all invoices pertaining to their job responsibility. The department head assigns the functional category, signs the invoices and returns it to accounting for payment processing. The accounting staff evaluates and assigns the appropriate General Ledger account number based on the Chart of Accounts and enters both the account number and the department number on the accounts payable system. Expenses such as Facilities Rent, stationary, utilities and other items of a general nature are split to each of the functions based on FTE's, on a monthly basis. Only expenses that cannot be determined to be specifically for a particular function are split on an allocated basis. Any expenses received that are for a particular function within a particular area are charged directly to that area and are not split.

All expenses are reviewed by a Department Head, an Accounting Assistant and the Controller for accuracy of coding and assignment to particular functions whether that be for Statutory or Non-statutory.

FRCC shall provide its budget for such non-statutory activities to NERC at the same time that FRCC submits its annual budget request to NERC pursuant to Section 1. FRCC's budget for non-statutory activities that is provided to NERC shall contain a detailed list of FRCC's non-statutory activities, and a description of the funding sources for the non-statutory activities, FRCC agrees that no costs of non-statutory activities are to be included in the calculation of FRCC's dues, fees, and other charges for its statutory activities.

ATTACHMENT 6

PROPOSED REVISED

AMENDED AND RESTATED DELEGATION AGREEMENT

BETWEEN NERC AND

FLORIDA RELIABILITY COORDINATING COUNCIL

REDLINED VERSION

**AMENDED AND RESTATED DELEGATION AGREEMENT BETWEEN
NORTH AMERICAN ELECTRIC RELIABILITY CORPORATION
AND FLORIDA RELIABILITY COORDINATING COUNCIL**

AMENDED AND RESTATED DELEGATION AGREEMENT (“Agreement”) made this third day of January, 2009, between the North American Electric Reliability Corporation (“NERC”), an organization certified by the Federal Energy Regulatory Commission (“Commission”) pursuant to Section 215(c) of the Federal Power Act to establish and enforce Reliability Standards for the bulk power system, and the Florida Reliability Coordinating Council, an organization established to develop and enforce Reliability Standards within the geographic boundaries identified on **Exhibit A** to this Agreement, and for other purposes. NERC and FRCC may be individually referred to herein as “Party” or collectively as “Parties.”

WITNESSETH

WHEREAS, Subtitle A of the Electricity Modernization Act of 2005 added Section 215 to the Federal Power Act (16 U.S.C. § 824n) (hereafter “the Act”) and, among other things, provides for the establishment of an electric reliability organization (“ERO”) to develop and enforce Reliability Standards applicable to all owners, operators, and users of the bulk power system;

WHEREAS, the Commission has adopted regulations for the implementation of the Act set forth at Chapter I, Title 18, Code of Federal Regulations, Part 39, as adopted by Commission Order No. 672 in Docket No. RM05-30-000 on February 3, 2006 (114 FERC ¶ 61, 104; hereafter “Order 672”);

WHEREAS, the Commission has certified NERC as the ERO that will, in accordance with the Act, establish and enforce Reliability Standards for the bulk power system, subject to certain delegation provisions described below;

WHEREAS, the Act recognizes the international interdependency of electric reliability within North America and envisions the ERO and such applicable Regional Entities as international organizations;

WHEREAS, the Act and Section 39.8 of the Commission’s regulations provide for the delegation by the ERO of authority to propose and enforce Reliability Standards to regional entities such as FRCC provided that:

(A) The Regional Entity is governed by —

- (i) an independent board;
- (ii) a balanced stakeholder board; or
- (iii) a combination independent and balanced stakeholder board.

(B) The Regional Entity otherwise satisfies the provisions of Section 215(c)(1) and (2) of the Act; and

(C) The agreement promotes effective and efficient administration of bulk power system reliability;

WHEREAS, certain Regional Entities are organized on an Interconnection-wide basis and are therefore entitled to the presumption set forth in the Act that: “[t]he ERO and the Commission shall rebuttably presume that a proposal for delegation to a Regional Entity organized on an Interconnection-wide basis promotes effective and efficient administration of bulk power system reliability and should be approved”;

WHEREAS, the Act further provides that the ERO shall rebuttably presume that a proposal from a Regional Entity organized on an Interconnection-wide basis for a Reliability Standard or modification to a Reliability Standard to be applicable on an Interconnection-wide basis is just, reasonable, and not unduly discriminatory or preferential, and in the public interest;

WHEREAS, FRCC is not organized on an Interconnection-wide basis and therefore is not entitled to the rebuttable presumptions accorded such an entity;

WHEREAS, NERC will work through FRCC to carry out certain of its activities in furtherance of its responsibilities as the electric reliability organization under the Act; and

WHEREAS, NERC has concluded that FRCC meets all requirements of the Act, the Commission’s regulations, and the NERC Rules of Procedure as approved by the Commission (“NERC Rules”) necessary to qualify for delegation;

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained, NERC and FRCC agree as follows:

1. Definitions. The capitalized terms used in this Agreement shall be defined as set forth in the Act, the Commission’s regulations, or the NERC Rules or, if not so defined, shall be defined as follows:

(a) Breach means (i) the failure of a Party to perform or observe any material term, condition or covenant of the Agreement or (ii) a representation in Section 2 of the Agreement shall have become materially untrue.

(b) Cross-Border Regional Entity means a Regional Entity that encompasses a part of the United States and a part of Canada or Mexico.

(c) Delegated Authority means the authority delegated by NERC to FRCC to propose and enforce Reliability Standards pursuant to the Act.

(d) FRCC’s Rules means the bylaws, a rule of procedure or other organizational rule or protocol of FRCC.

(e) Reliability Standard means a requirement approved by the Commission under Section 215 of the Federal Power Act to provide for reliable operation of the bulk power system. The term includes requirements for the operation of existing bulk power system facilities, including cyber security protection, and the design of planned additions or modifications to such facilities to the extent necessary for reliable operation of the bulk power system; but the term does not include any requirement to enlarge such facilities or to construct new transmission capacity or generation capacity.

2. Representations.

(a) For purposes of its Delegated Authority, FRCC hereby represents and warrants to NERC that:

(i) FRCC is and shall remain during the term of this Agreement validly existing and in good standing pursuant to all applicable laws relevant to this Agreement and that no applicable law, contract or other legal obligation prevents it from executing this Agreement and fulfilling its obligations hereunder. FRCC is governed in accordance with its bylaws by a balanced stakeholder board. Pursuant to these bylaws, no two industry sectors can control any FRCC decision and no single industry sector can veto any FRCC decision. The relevant portions of such bylaws are attached hereto in **Exhibit B**¹, and as so attached are in full force and effect. No other such corporate governance documents are binding upon FRCC.

(ii) As set forth in **Exhibit C** hereto², FRCC has developed a standards development procedure, which provides the process that FRCC may use to develop Regional Reliability Standards that are proposed to NERC for adoption.

(iii) As set forth in **Exhibit D** hereto³, FRCC has developed a regional compliance enforcement program, which provides for the enforcement of Reliability Standards within its geographic boundaries.

(b) NERC hereby represents and warrants to FRCC that:

(i) It is and shall remain during the term of this Agreement validly existing and in good standing pursuant all applicable laws relevant to this Agreement and that no applicable law, contract or other legal obligation prevents it from executing this Agreement and fulfilling its obligations hereunder; and

(ii) It has been certified as the ERO by the Commission pursuant to the Act.

3. **Covenants.**

(a) During the term of this Agreement, FRCC shall maintain and preserve its qualifications for delegation pursuant to the Act and shall not amend the FRCC Rules without

¹ The **Exhibit B** from each Regional Entity shall meet the requirements contained in **Exhibit B** to this pro forma Agreement.

² The **Exhibit C** from each Regional Entity shall meet the requirements contained in **Exhibit C** to this pro forma Agreement.

³ The **Exhibit D** from each Regional Entity shall meet the requirements contained in **Exhibit D** to this pro forma Agreement.

NERC's approval, which shall not be unreasonably withheld or delayed and which shall, in the case of a Regional Entity organized on an Interconnection-wide basis, be governed by the presumptions provided for in Section 215(d)(2) and (e)(4)(C) of the Act, and be subject to any required Commission approval.

(b) During the term of this agreement, NERC shall maintain its qualification and status as the ERO pursuant to the Act and, subject to the provisions of Sections 16 and 17 of this Agreement, NERC shall not adopt amendments to the NERC Rules that conflict with the rights, obligations or programs of FRCC under this Agreement without first obtaining the consent of FRCC which consent shall not be unreasonably withheld or delayed.

(c) During the term of this agreement, NERC and FRCC shall adhere to and require that all participants in their respective activities under this Agreement follow and comply with the NERC Antitrust Compliance Guidelines.

4. Delegation of Authority.

(a) Based upon the representations, warranties and covenants of [REGIONAL ENTITY] in Sections 2 and 3 above, the corporate governance documents set forth in **Exhibit B**, the standards development process set forth in **Exhibit C**, and the regional compliance enforcement program set forth in **Exhibit D**, NERC hereby delegates authority, pursuant to Section 215(e)(4) of the Act, to FRCC for the purpose of proposing Reliability Standards to NERC, as set forth in Section 5 of this Agreement, and enforcing Reliability Standards, as set forth in Section 6 of this Agreement, within the geographic boundaries set forth on **Exhibit A**. No further redelegation of authority or responsibility, in total or in part, under this Agreement is allowed without NERC's express consent.

(b) Not Applicable.

(c) As a condition to this delegation of authority and subject to the provisions of section 16 of this Agreement, FRCC shall comply with the applicable provisions of NERC's Certificate of Incorporation, Bylaws, Rules of Procedure, and Reliability Standards, as from time to time adopted, approved, or amended.

5. Reliability Standards.

In connection with its Delegated Authority, FRCC shall be entitled to:

(i) propose Reliability Standards, Regional Variances, or modifications thereof to NERC, which shall be considered by NERC through an open and inclusive process for proposing and adopting Reliability Standards that affords FRCC reasonable notice and opportunity to be heard; and

(ii) develop Regional Reliability Standards through FRCC's process as set forth in **Exhibit C**. Proposals approved through FRCC's process shall be reviewed by the NERC Board of Trustees after NERC provides notice and an opportunity for interested persons to comment. FRCC may appeal any disapproval of a proposed Regional Reliability Standard or Regional Variance to the Commission.

6. Enforcement.

(a) In connection with its delegated authority pursuant to this Agreement, FRCC shall enforce Reliability Standards (including Regional Reliability Standards and Regional Variances) within the geographic boundaries set forth in **Exhibit A** through the compliance enforcement program set forth in **Exhibit D**. NERC and FRCC agree that this program meets all applicable requirements of the Act, Order 672 and the Commission's regulations, including, *inter alia*, the requirement for an audit program pursuant to Section 39.7(a) of the Commission's regulations, the assessment of penalties pursuant to Section 39.7(c) through 39.7(g) of the Commission's regulations and the requirements for due process. FRCC may not change its compliance enforcement program set forth in **Exhibit D** absent NERC's approval, which shall not be unreasonably withheld or delayed. Subject to the rights and limitations of Sections 16 and 17 of this Agreement, FRCC agrees to comply with the NERC Rules in implementing this program.

(b) FRCC shall report promptly to NERC any self-reported violation or investigation of a violation or an alleged violation of a Reliability Standard and its eventual disposition. Such report shall include the owner's, operator's, or user's name, which Reliability Standard or Reliability Standards were violated or allegedly violated, when the violation or alleged violation occurred, other pertinent facts about the violation including circumstances surrounding the violation with any known risk to the bulk power system, when the violation was or will be mitigated, the name of a person knowledgeable about the violation or alleged violation to serve as a point of contact with the Commission, and any other information required

by NERC compliance program procedures. NERC shall promptly forward such report to the Commission. NERC and FRCC shall cooperate in filing such periodic summary reports as the Commission shall from time to time direct on violations of Reliability Standards and summary analyses of such violations.

(c) Each violation or alleged violation shall be treated as nonpublic until the matter is filed with the Commission as a notice of penalty or resolved by an admission that the owner, operator, or user of the bulk power system violated a Reliability Standard or by a settlement or other negotiated disposition. The disposition of each violation or alleged violation that relates to a Cybersecurity Incident or that would jeopardize the security of the bulk power system if publicly disclosed shall be nonpublic unless the Commission directs otherwise.

(d) All appeals of penalties imposed by FRCC shall be filed with NERC, in accordance with the NERC Rules.

(e) FRCC shall maintain the capability to conduct investigations of potential violations of Reliability Standards and to conduct such investigations in a confidential manner.

(f) FRCC shall maintain a program of proactive enforcement audits including procedures for spot-checks of self-reported compliance and periodic audits of all responsible entities as defined in **Exhibit D**.

(g) As part of its compliance enforcement program, FRCC shall maintain a conflict of interest policy that assures the integrity of such program and the independence of the compliance program staff from those subject to enforcement actions.

(h) As often as NERC deems necessary, but no less than every three years, NERC shall review FRCC's compliance enforcement program to ensure that: (i) the program meets all applicable legal requirements; (ii) actual practices reflect the requirements; and (iii) the program administered pursuant to the Delegated Authority promotes consistent interpretations across North America of Reliability Standards and comparable levels of sanctions and penalties to violations of Reliability Standards constituting comparable levels of threat to reliability of the bulk power system.

(i) FRCC shall modify its compliance enforcement program as needed to reflect additions to, deletions from, or modifications of Reliability Standards and, subject to the rights and limitations of Sections 16 and 17 of this Agreement, shall modify its compliance enforcement program as needed: (i) to reflect amendments to the NERC Rules; (ii) to comply

with NERC directives resulting from the review of compliance enforcement programs as provided in Section 6(h) of this Agreement; or (iii) to resolve a conflict with a function, rule, order, tariff, rate schedule, or agreement accepted, approved, or ordered by the Commission.

(j) NERC shall conduct a review with the Regional Entities that provides for the exchange of information on practices, experiences, and lessons learned in the implementation of compliance enforcement programs.

7. Delegation-Related Services. NERC will engage FRCC on its behalf to carry out certain of its activities that are in furtherance of its responsibilities as the ERO under the Act or in support of delegated functions, as specified in the NERC Rules and listed on **Exhibit E**.

8. Funding. FRCC and NERC shall ensure that the delegated functions and related activities listed on **Exhibit E** have reasonable and adequate funding and resources by undertaking the following:

(a) NERC shall fund FRCC activities necessary for FRCC to carry out its Delegated Authority under this Agreement, including the functions listed on **Exhibit E**, and shall not impose any obligation or requirement regarding Delegated Authority upon FRCC without providing appropriate funding to carry out such mandates;

(b) FRCC and NERC agree that costs of carrying out FRCC's responsibilities under the Delegation Agreement will be equitably allocated among end users within the geographic boundaries described in **Exhibit A** and recovered through a formula based on net energy for load, or through such other formula as is proposed by FRCC and approved by NERC and the Commission. If FRCC proposes to use a formula other than net energy for load beginning in the following year, FRCC shall submit the proposed formula to NERC in sufficient time that NERC may review and approve the proposed formula and file it with the Commission for approval by May 15, and the proposed formula shall be effective for the following year if approved by the Commission on or before the date the Commission approves the annual business plan and budget submitted by NERC and FRCC to the Commission pursuant to 18 C.F.R. §39.4 for such year;

(c) NERC will ensure that the costs for its responsibilities are first allocated fairly among the interconnections and regions according to the applicability of this work to those

interconnections and regions, and then equitably among the end users of the applicable interconnections and regions as appropriate. Allocation on a net energy for load basis will be presumed to satisfy this equitability requirement.

(d) NERC shall provide FRCC with the form for budget submittal no later than April 30 of the prior year.

(e) FRCC shall submit its annual budget for carrying out its Delegated Authority functions and related activities listed on **Exhibit E**, as well as all other FRCC activities and funding to NERC no later than June 1 of the prior fiscal year such that NERC may submit its budget to the Commission 130 days in advance of the beginning of each fiscal year. The FRCC budget submission shall include supporting materials, including FRCC's complete business plan and organization chart, explaining the proposed collection of all dues, fees and charges, and the proposed expenditure of funds collected in sufficient detail to justify the requested funding collection and budget expenditures. NERC shall develop, in consultation with the Regional Entities, a reasonable and consistent system of accounts, with a level of detail and record keeping comparable to the Commission's Uniform System of Accounts and sufficient to allow the Commission to compare each Commission-approved NERC fiscal year budget with the actual results at the NERC and Regional Entity level. FRCC shall follow NERC's prescribed system of accounts except to the extent that NERC permits a departure from the prescribed system of accounts. NERC shall make an informational filing with the Commission describing any such waiver it permits and providing an explanation supporting the permitted departure.

(f) FRCC's funding system shall include reasonable reserve funding for unforeseen and extraordinary expenses and other contingencies, consistent with generally accepted accounting principles.

(g) NERC shall review and approve FRCC's budget for meeting its responsibilities under the Delegation Agreement.

(h) FRCC shall submit unaudited quarterly interim financial statements in form provided by NERC no later than 20 days after the end of the fiscal quarter (March 31, June 30, September 30, and December 31).

(i) FRCC shall submit audited financial statements annually including supporting materials in a form provided by NERC no later than 150 days after the end of the fiscal year.

(j) NERC shall have the right to review from time to time, in reasonable intervals but no less than every three years, the financial records of FRCC in order to ensure that the documentation fairly represents in all material respects appropriate funding under this Agreement.

(k) **Exhibit E** to this Agreement sets forth the mechanism through which FRCC shall offset penalty monies it receives ~~(other than penalty monies received from an operational function or division or affiliated entity)~~ against its next year's annual budget for carrying out functions under this Agreement, ~~and the mechanism by which FRCC shall transmit to NERC any penalty monies received from an operational function or division or affiliated entity of FRCC.~~

9. Assignment. This Agreement may be assigned by either Party only with the prior written consent of the other, which consent shall be granted or withheld in such non-assigning Party's sole discretion, subject to approval by the Commission. Any assignment under this Agreement shall not relieve a Party of its obligations, nor shall a Party's obligations be enlarged, in whole or in part, by reason thereof. FRCC may not delegate in whole or in part its Delegated Authority to any other entity; provided, however, that nothing in this provision shall prohibit FRCC from contracting with other entities to assist it in carrying out its Delegated Authority, provided FRCC retains control and responsibility for such Delegated Authority.

10. Default and Cure. Upon a Breach, the non-breaching Party shall give written notice of such Breach to the breaching Party (the "Default Notice"). Subject to a suspension of the following deadlines as specified below, the breaching Party shall have thirty (30) calendar days from receipt of the Default Notice within which to cure such Breach; provided however, that if such Breach is not capable of cure within thirty (30) calendar days, the breaching Party shall commence such cure within thirty (30) calendar days after notice and continuously and diligently complete such cure within ninety (90) calendar days from receipt of the Default Notice; and, if cured within such time, the Breach specified in such notice shall cease to exist. Subject to the limitation specified in the following sentence, if a Breach is not cured as provided in this article, or if a Breach is not capable of being cured within the period provided for herein, the nonbreaching Party shall have the right to declare a default and terminate this Agreement by

written notice at any time until cure occurs, and be relieved of any further obligation hereunder. The deadlines for cure and the right to declare a default and terminate this Agreement shall be suspended during the pendency of any efforts or proceedings in accordance with Section 17 of this Agreement to resolve a dispute as to whether a Breach has occurred. The provisions of this article will survive termination of this Agreement.

11. Term and Termination.

(a) This Agreement shall become effective thirty (30) days after the date of issuance of a final Commission order approving this Agreement without requiring any changes to this Agreement unacceptable to either Party.

(b) The initial term of the Agreement shall be four (4) years, from the original effective date of May 2, 2007, prior to which time NERC shall conduct an audit pursuant to subsections 6(e) and 7(i) to ensure that FRCC continues to meet all applicable statutory and regulatory requirements necessary to maintain its eligibility for delegation. If FRCC meets such requirements, this Agreement may be renewed for another five (5) year term. If this Agreement is not renewed or becomes subject to termination for any reason, the Parties shall work to ensure a transition of FRCC's Delegated Authority to NERC or to another eligible entity. The termination of this Agreement shall not take effect until such transition has been effected, unless the transition period exceeds one year, at which time FRCC may unilaterally terminate.

(c) If any provision of this Agreement, or the application thereof to any person, entity or circumstance, is held by a court or regulatory authority of competent jurisdiction to be invalid, void, or unenforceable, or if a modification or condition to this Agreement is imposed by a regulatory authority exercising jurisdiction over this Agreement, the Parties shall endeavor in good faith to negotiate such amendment or amendments to this Agreement as will restore the relative benefits and obligations of the signatories under this Agreement immediately prior to such holding, modification or condition. If either Party finds such holding, modification or condition unacceptable and the Parties are unable to renegotiate a mutually acceptable resolution, either Party may unilaterally terminate this Agreement. Such termination shall be effective one year following written notice by either Party to the other Party and to the Commission, or at such other time as may be mutually agreed by FRCC and NERC.

(d) Notwithstanding any termination of this Agreement, provisions contained in Limitation of Liability (Section 12), No Third Party Beneficiaries (Section 13) and Confidentiality (Section 14) shall survive this Agreement in accordance with their terms until sixty (60) days following the expiration of any applicable statute of limitations.

12. Limitation of Liability. FRCC and NERC agree not to sue each other or their directors, officers, employees, and persons serving on their committees and subgroups based on any act or omission of any of the foregoing in the performance of duties pursuant to this Agreement or in conducting activities under the authority of Section 215 of the Act, other than seeking a review of such action or inaction by the Commission. NERC and FRCC shall not be liable to one another for any damages whatsoever, including without limitation, direct, indirect, incidental, special, multiple, consequential (including attorneys' fees and litigation costs), exemplary, or punitive damages arising out of or resulting from any act or omission associated with the performance of the FRCC's or NERC's responsibilities under this Agreement or in conducting activities under the authority of Section 215 of the Act, except to the extent that the FRCC or NERC is found liable for gross negligence or intentional misconduct, in which case FRCC or NERC shall not be liable for any indirect, incidental, special, multiple, consequential (including without limitation attorneys' fees and litigation costs), exemplary, or punitive damages.

13. No Third Party Beneficiaries. Nothing in this Agreement shall be construed to create any duty to, any standard of care with reference to, or any liability to any third party.

14. Confidentiality. During the course of the Parties' performance under this Agreement, a Party may receive Confidential Information, as defined in Section 1500 of NERC's Rules of Procedure. Except as set forth herein, the Parties agree to keep in confidence and not to copy, disclose, or distribute any Confidential Information or any part thereof, without the prior written permission of the issuing Party, unless disclosure is required by subpoena, law, or other directive of a court, administrative agency, or arbitration panel, in which event the recipient hereby agrees to provide the Party that provided the Confidential Information with prompt notice of such request or requirement in order to enable such issuing Party to (a) seek an appropriate protective order or other remedy, (b) consult with the recipient with respect to

taking steps to resist or narrow the scope of such request or legal process, or (c) waive compliance, in whole or in part, with the terms of this Section. In the event a protective order or other remedy is not obtained or the issuing Party waives compliance with the provisions, the recipient agrees to furnish only that portion of the Confidential Information which the recipient's counsel advises is legally required and to exercise best efforts to obtain assurance that confidential treatment will be accorded to such Confidential Information. In addition, each Party shall ensure that its officers, trustees, directors, employees, subcontractors and subcontractors' employees, and agents to whom Confidential Information is exposed are under obligations of confidentiality that are at least as restrictive as those contained herein. This confidentiality provision does not prohibit reporting and disclosure as directed by NERC, as set forth in Section 6 of this Agreement.

15. Amendment. Neither this Agreement nor any of the terms hereof, may be amended unless such amendment is made in writing, signed by the Parties, and filed with and approved by the Commission.

16. Amendments to the NERC Rules. NERC shall not adopt amendments to the NERC Rules that conflict with the rights, obligations, or programs of FRCC under this Agreement without first obtaining the consent of FRCC, which consent shall not be unreasonably withheld or delayed. To the extent FRCC does not consent, NERC shall have the right to invoke the dispute resolution provisions of Section 17 and, if such effort fails to resolve the dispute, to petition the Commission to adopt the amendment to the NERC Rules. To the extent that the Commission issues an order amending or materially affecting the rights or obligations of FRCC under this Agreement, FRCC shall have the option, exercisable no later than 60 days after issuance of such order, to terminate this Agreement. Such termination shall be effective one year following written notice by FRCC to NERC and the Commission, or at such other time as may be mutually agreed by FRCC and NERC.

17. Dispute Resolution. In the event a dispute arises under this Agreement between NERC and FRCC representatives of the Parties with authority to settle the dispute shall meet and confer in good faith in an effort to resolve the dispute in a timely manner. In the event the

designated representatives are unable to resolve the dispute within thirty (30) days or such other period as the Parties may agree upon, each Party shall have all rights to pursue all remedies, except as expressly limited by the terms of this Agreement. Neither Party shall have the right to pursue other remedies until the Dispute Resolution procedures of this Section 17 have been exhausted. This Section 17 shall not apply to enforcement actions against individual entities.

18. Notice. Whether expressly so stated or not, all notices, demands, requests, and other communications required or permitted by or provided for in this Agreement shall be given in writing to a Party at the address set forth below, or at such other address as a Party shall designate for itself in writing in accordance with this Section, and shall be delivered by hand or reputable overnight courier:

If to NERC:

North American Electric
Reliability Corporation
116-390 Village Blvd.
Princeton, NJ 08540-5721
Attn: David Nevius
Facsimile: (609) 452-9550

If to FRCC:

Florida Reliability Coordinating Council
1408 N. Westshore Blvd.
Suite 1002
Tampa, FL 33607-4512
Attn: Sarah Rogers
Facsimile: (813) 289-5644

19. Governing Law. When not in conflict with or preempted by federal law, this Agreement will be governed by and construed in accordance with the laws of New Jersey without giving effect to the conflict of law principles thereof. The Parties recognize and agree not to contest the exclusive or primary jurisdiction of the Commission to interpret and apply this Agreement; provided however that if the Commission declines to exercise or is precluded from exercising jurisdiction of any action arising out of or concerning this Agreement, such action shall be brought in any state or federal court of competent jurisdiction in New Jersey. All Parties hereby consent to the jurisdiction of any state or federal court of competent jurisdiction in New Jersey for the purpose of hearing and determining any action not heard and determined by the Commission.

20. Headings. The headings and captions in this Agreement are for convenience of reference only and shall not define, limit, or otherwise affect any of the terms or provisions hereof.

21. **Savings Clause.** Nothing in this Agreement shall be construed to preempt or limit any authority that FRCC may have to adopt reliability requirements or take other actions to ensure reliability of the bulk power system within the geographic boundaries described in **Exhibit A** that are outside the authority delegated from NERC, as long as such reliability requirements and actions are not inconsistent with Reliability Standards applicable to the region described in **Exhibit A** and do not result in a lessening of reliability outside the region described in **Exhibit A**.

22. **Entire Agreement.** This Agreement constitutes the entire agreement, and supersedes all prior agreements and understandings, both written and oral, among the parties with respect to the subject matter of this Agreement.

23. **Execution of Counterparts.** This Agreement may be executed in counterparts and each shall have the same force and effect as the original.

NOW THEREFORE, the parties have caused this Agreement to be executed by its duly authorized representatives, effective as of the date first above written.

NORTH AMERICAN
ELECTRIC RELIABILITY CORPORATION

FLORIDA RELIABILITY
COORDINATING COUNCIL

By: _____

By: _____

Name: _____

Name: Sarah S. Rogers

Title: _____

Title: President & CEO

Date: _____

Date: _____

Exhibit A —FRCC Boundaries

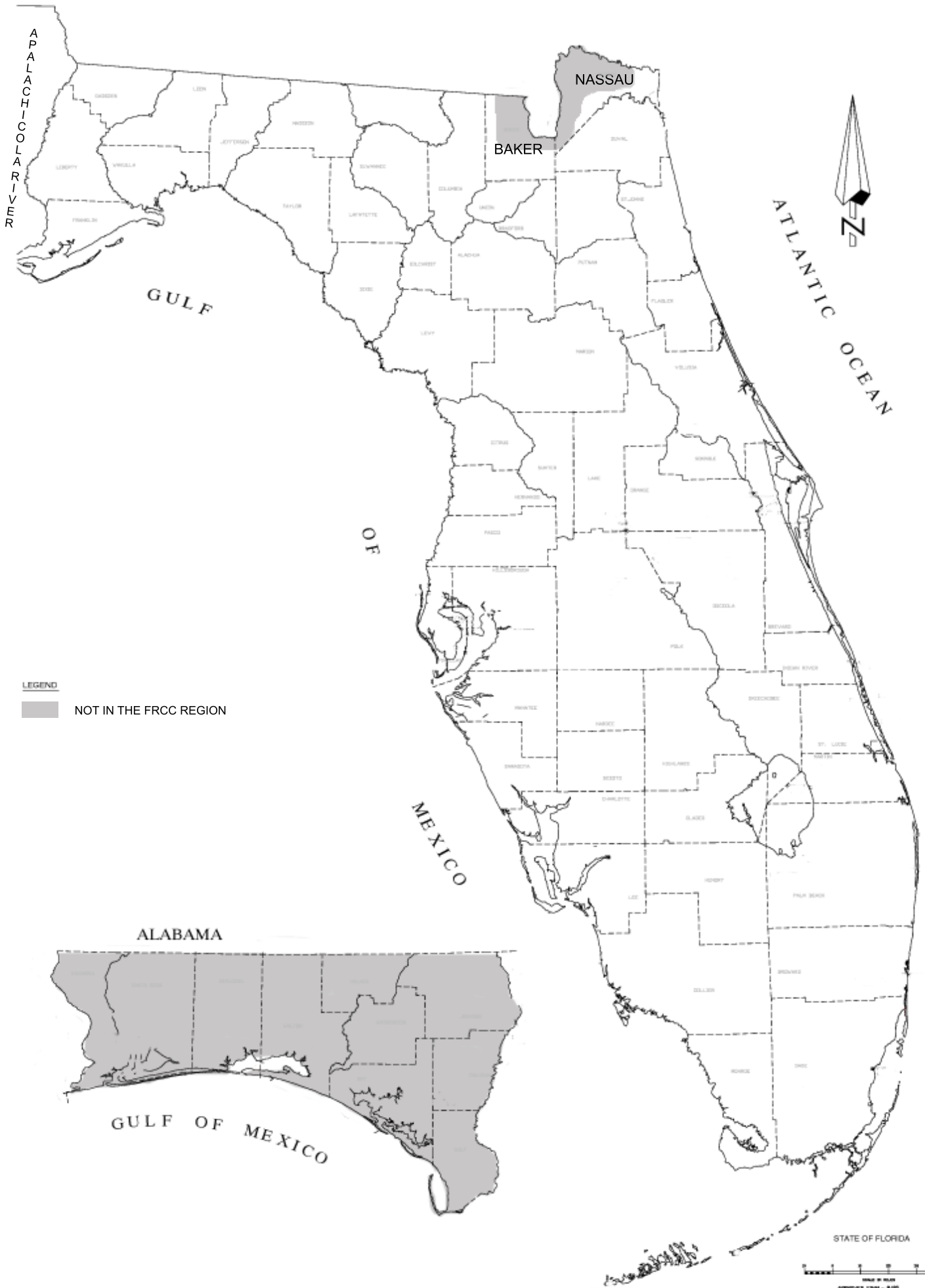
(see attached map)

The FRCC physical boundaries are entirely within the State of Florida. The area of the State of Florida that is within the FRCC Region is peninsular Florida east of the Apalachicola River with the exception of a small section of Baker and Nassau counties in northeast Florida. Areas west of the Apalachicola River in Florida are within the SERC Region. The entire FRCC Region is within the Eastern Interconnection. The entire FRCC Region is under the direction of the FRCC Reliability Coordinator.

The FRCC Region interconnects with the SERC Region via 10 transmission lines. The 10 lines consist of two 500 kV, four 230 kV and four 115 kV lines. These lines are referred to as the “Florida / Southern Interface”.

The areas of Baker and Nassau counties that are not part of the FRCC Region are part of the SERC Region. These sections are part of the Okefenokee Rural Electric Membership Corporation (OREMC) that is headquartered in Nahunta, GA. Roughly two thirds of OREMC load is in Georgia and one third is in Florida. The majority of the OREMC load in Florida is connected directly to the Southern Company Balancing Area in the SERC Region. A small portion of the OREMC load, about five MW, is supplied as a radial feed from FPL West Nassau Substation. OREMC has secured firm transmission service from JEA on the Florida / Southern Interface to supply this load. The OREMC schedules energy on an hourly basis to cover this load. SERC will be responsible for registration and compliance monitoring of OREMC.

[Within the FRCC Region, compliance monitoring and enforcement functions with respect to reliability functions for which the FRCC is a registered entity are performed by SERC Reliability Corporation \(SERC\) pursuant to a contract between FRCC and SERC dated as of \(date\).](#)



LEGEND

NOT IN THE FRCC REGION

ALABAMA

GULF OF MEXICO

STATE OF FLORIDA

Scale bar and other technical information.

Exhibit B – Governance

Exhibit B shall set forth the Regional Entity’s bylaws, which NERC agrees demonstrate that the Regional Entity 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).)

**EXHIBIT B
TO PRO FORMA DELEGATION AGREEMENT**

**BYLAWS
Florida Reliability Coordinating Council, Inc.**

Amended February 6, 2009



1408 N. Westshore Blvd., Suite 1002, Tampa, Florida 33607-4512
Phone 813.289-5644 * Fax 813.289-5646
www.frcc.com

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**BYLAWS OF
FLORIDA RELIABILITY COORDINATING COUNCIL, INC.**

ARTICLE I

Membership

Section 1.1 Eligibility.

(a) Membership in the Florida Reliability Coordinating Council, Inc. (“FRCC”) is open to any entity, without cost, that: (i) has a material interest in the reliability of the bulk power system in the FRCC region; (ii) satisfies the criteria for membership specified in this Section 1.1; (iii) qualifies for eligibility in one or more of the Sectors identified in Section 1.2; (iv) submits a written request for membership; and (v) agrees to comply with and be bound by these FRCC Bylaws (“Bylaws”) and other rules and regulations adopted by the FRCC Board of Directors, by execution of the appropriate form of Member Agreement set forth in Appendix A to these Bylaws (“Member Agreement”). Any person or entity that meets the foregoing requirements shall become a “Member” of FRCC.

(b) FRCC shall engage in two categories of activities:

(i) FRCC shall engage in the “Regional Entity Activities” specified in Section 1 of Exhibit E of the Delegation Agreement between FRCC and the North American Electric Reliability Corporation (“NERC”) dated May 2, 2007, as amended from time to time with the agreement of NERC and the approval of the Federal Energy Regulatory Commission (“Delegation Agreement”). Under the Delegation Agreement, FRCC is the Regional Entity, as defined in Sec. 215 of the Federal Power Act, with delegated authority to propose and enforce Reliability Standards for the bulk power system in the FRCC Region. The FRCC Region is defined as the geographic area of Florida east of the Apalachicola River.

(ii) FRCC shall engage in certain “Member Services Activities,” under which it provides, coordinates or administers a variety of services relating to the planning and operation of the bulk power system in the FRCC Region for or on behalf of entities meeting the criteria in Section 1.1(c)(ii) and participating in the funding of such services as specified in these Bylaws. The “Member Services” are specified in the business plan and budget approved by the Board of Directors in accordance with these Bylaws for submission to NERC under the Delegation Agreement, and as approved by NERC and the Federal Energy Regulatory Commission (“Business Plan and Budget”). Member Services are funded as specified in Section 6.2 of these Bylaws.

(c) FRCC shall have two types of Members:

(i) All Members of FRCC shall be “Regional Entity Members.” Regional Entity Members shall be eligible to participate in the Regional Entity Activities of FRCC. Such participation shall be in accordance with these Bylaws, the Member Agreement, and the Delegation Agreement, as from time to time adopted or amended and approved, and such other requirements as govern FRCC as a Regional Entity.

(ii) All Members that participate in the generation, marketing, transmission or purchase for resale of electric energy, ancillary services or capacity on, from or to the bulk power system in the FRCC Region may choose to be “Services Members,” and may participate in FRCC Member Services Activities as specified in these Bylaws. Subject to the requirements of Section 1.2, only Members that are Services Members shall be eligible to participate in decisions governing the Member Services of FRCC, or the voting rights and funding obligations of Services Members.

Section 1.2 Voting Member. A Voting Member is a Member that is not an Affiliate Member or an Adjunct Member. All Voting Members shall be eligible to vote on questions governing Regional Entity Activities. Only Voting Members that are Services Members shall be eligible to vote on questions governing Member Services or Member Services Activities. For purposes of the following Sector classifications, “Load Serving Entity,” whether standing alone or as part of another specified term, shall mean an entity that provides electric service to persons or entities other than the Load Serving Entity itself that purchase such service for their own use and not for resale. Voting Members shall be classified into one of the following Sectors, based on the primary nature of its activities in the FRCC Region relevant to Regional Entity Activities:

(a) **Suppliers Sector** - any entity engaged in wholesale power marketing transactions in the FRCC Region; or a generating entity that is included in the NERC Compliance Registry as a generation owner or generation operator for a facility in the FRCC Region, or that owns or is developing generation greater than 20 MW located within the FRCC Region and meets any of the following: (1) an entity with FERC-approved market-based rate authority, or (2) an exempt wholesale generator, or (3) a facility selling any output pursuant to a power purchase agreement (including fuel conversion arrangements), or (4) a FERC approved Qualifying Facility.

(b) **Non-Investor Owned Utility Wholesale Sector** - generation and transmission cooperatives and municipal joint action agencies that sell electricity to non-investor owned Load Serving Entities with native load in the FRCC Region.

(c) **Load Serving Entity Sector** - any Load Serving Entity that is not investor owned and that generates less than 25% of its energy requirements for retail sales or has an annual Full Requirements Energy for Load (FREL) of 1800 GWH or less in the FRCC Region.

(d) **Generating Load Serving Entity Sector** - any Load Serving Entity that is not investor owned and that generates at least 25% of its energy requirements for retail sales, and that has an annual Full Requirements Energy for Load (FREL) greater than 1800 GWH in the FRCC Region.

(e) **Investor Owned Utility Sector** - investor owned utilities generating and serving retail native load greater than 15,000 GWH in the FRCC Region.

(f) **General Sector** - persons or entities that take delivery of energy within the FRCC Region that is not purchased for resale; agents or associations representing groups of such entities that are commercial or industrial entities; agents or advocate groups representing small customers; and other persons or entities owning assets or engaging in commercial activities in the FRCC Region.

Section 1.3 Affiliate Member. An Affiliate Member is defined as an entity that (i) otherwise qualifies as a Voting Member pursuant to Section 1.1 and 1.2 and (ii) is an Affiliate of a Voting Member. For purposes of these Bylaws, being an “Affiliate” shall mean that (1) a Voting Member controls, is controlled by or is under common control with, such Affiliate Member, and (2) for any exempt wholesale generator, as defined the Public Utility Holding Company Act of 2005, as amended, the meaning provided in Section 214 of the Federal Power Act. Affiliate Members shall have no right to vote on any matter, nor any right to be elected or appointed to the Board. Except as to funding, Affiliate Members shall be bound by the same obligations as Voting Members and Adjunct Members of FRCC. Questions as to whether an entity is an Affiliate of a Voting Member shall be resolved by the Board.

Section 1.4 Adjunct Member. A person or entity may be approved as an Adjunct Member by the Board if such entity has a material interest in the reliability of the bulk power system in the FRCC region but does not meet the definitions and requirements to join as a Voting Member or Affiliate Member. Adjunct Members shall have no right to vote on any matter, nor any right to be elected or appointed to the Board. Except as to funding, Adjunct Members shall be bound by the same obligations as Voting Members and Affiliate Members of FRCC.

Section 1.5 New Members. The Board shall review and act upon membership applications. Prior to membership, the Board shall certify that an applicant complies with the eligibility requirements.

Section 1.6 Membership Commitment. Each Member of the FRCC shall be required to execute, in counterpart, a Member Agreement, as applicable, in the form shown in Appendix A to these Bylaws.

Section 1.7 Obligations.

(a) Each Member of the FRCC shall promote, support and comply with the purposes and policies of the FRCC as set forth in its Certificate of Incorporation and Bylaws, and the other documents governing the activities of FRCC identified in the Bylaws.

(b) Each Member of the FRCC shall appoint a representative as provided herein to receive notices from the FRCC and shall give to the FRCC Chief Executive Officer (“CEO”) in writing (signed by a duly authorized representative of the Member) the name, business address and electronic address of the person thus appointed. An appointed representative of a Member who is unable to attend a meeting may designate, in writing, an alternate to act on behalf of the Member.

Section 1.8 Participation.

(a) For purposes of these Bylaws, an entity and all of its Affiliates shall be considered one "Entity." No Entity shall simultaneously hold more than one Voting Member status or have more than one voting representative on a Standing Committee, or more than one seat on the Board.

(b) An Entity may join FRCC in any Sector in which it qualifies for Membership, provided that an Entity may join as a Voting Member in only one Sector. In the event that an Entity qualifies for more than one Sector, such Entity may join such other Sectors as an Affiliate Member upon payment of any applicable Affiliate Member Annual Fees in accordance with Article VI Section 6.2(b)(ii) for each Sector in which such Entity desires to participate as an Affiliate Member. Once an Entity has elected to be a Voting Member of one Sector, the Entity must continue to vote in that Sector for a minimum of one (1) year. If, at any point, it is determined that an Entity no longer meets the qualifications for the Sector it selected, the Entity may not vote in that Sector; however, that Entity may then immediately elect to become a Voting Member in any Sector for which it does qualify. Questions as to whether an Entity meets the qualifications of a Sector shall be resolved by the Board.

(c) Subject to the requirements of these Bylaws and the Articles of Incorporation, each Voting Member in good standing is entitled to vote on each matter submitted to a vote of the Voting Members. A Member in good standing is one that (i) meets all qualifications for membership as provided in these Bylaws, (ii) is not in arrears for payment of any applicable annual fees for membership or payment of any other fees owed to FRCC unless such payment is being disputed in good faith, and (iii) has not been found by a court to be in breach of any contract with FRCC. Voting Members that are not in good standing are not entitled to vote on any matter until they have regained good standing.

ARTICLE II

Meetings of Voting Members

Section 2.1 Annual Meeting of Voting Members. Voting Members shall meet at least annually on a date and at a place to be established by the Board ("Annual Meeting"). The Voting Members from each Sector shall elect, by majority vote, each Voting Member having one (1) vote, Directors to the Board who will represent their Sector. The Voting Members shall conduct such other business as may be properly brought before them. Meetings may be held by telephone conferencing, video conferencing or by other means enabling all participants in the meeting to communicate with each other. The Annual Meeting shall be open to Affiliate Members and Adjunct Members, and such other invitees as the Board may deem appropriate, provided that the Services Members, along with Affiliate and Adjunct Members that have paid the fees specified in Section 6.2(b)(ii) or (iii), may meet separately to consider matters relating to Member Services.

Section 2.2 Special Meetings. Special meetings of the Voting Members, for any purpose or purposes, unless otherwise prescribed by the laws of the State of Florida, or by the

Articles of Incorporation, may be called by the Chair of the Board. Special meetings of the Regional Entity Members shall be called upon request of six (6) or more Voting Members representing three (3) or more Sectors. Special meetings of the Services Members shall be called upon request of six (6) or more Voting Members that are Services Members representing three (3) or more Sectors. Notice of a special meeting stating the place, date, hour and agenda for the special meeting shall be given to the Voting Members not less than three (3) business days before the meeting. Such request for a special meeting shall state the purpose or purposes of the proposed special meeting, which shall be included as part of an agenda to be distributed to the Voting Members not less than three (3) business days before the meeting. Meetings may be held by telephone conferencing, video conferencing or by other means enabling all participants in the meeting to communicate with each other.

Section 2.3 Place of Meeting. All meetings shall be held at or near the principal office of the FRCC in Tampa, Florida, or at such other place within or outside the State of Florida as shall be determined from time to time by the Board.

Section 2.4 Notice of Meetings.

(a) Notice of the Annual Meeting or any regular or special meeting of the Voting Members shall be sent by mail or electronic means to each Member's representative at the business or electronic address specified in accordance with Section 1.7(b) at least ten (10) business days before the date of the meeting. The notice shall set forth a proposed agenda for the meeting, but any matter may be considered and acted upon at any meeting, whether or not the matter was listed in the proposed agenda, if addition of the item to the agenda is approved at the meeting by the vote of the eligible Voting Members whose votes equal sixty percent (60%) or more of the total weighted sector vote of the eligible Voting Members; provided, however, that at least three (3) Sectors are represented in the affirmative. Meetings may be held at any time without notice if all of the eligible Voting Members are present, or if those not present waive notice in writing either before or after the meeting.

(b) The record date for determining Members entitled to notice shall be one month prior to the meeting date.

Section 2.5 Quorum. Representation at any meeting of the Regional Entity Members of more than 50% of the Voting Members, or representation at any meeting of the Services Members of more than 50% of the Voting Members that are Services Members, shall constitute a quorum for the transaction of business at such meeting; provided, however, that in each case at least four (4) eligible Sectors are represented.

Section 2.6 Voting. Voting by Voting Members shall be by the six (6) Sectors as defined in Section 1.2, except as otherwise provided herein. Each Voting Member within a Sector has one non-divisible vote. Each Sector shall have a “Sector Vote” in proportion to the voting rights specified in Section 3.2(e), which is to be split into an affirmative and a negative component, in the proportion that each component bears to the total votes of the Voting Members within that Sector. Action by the Voting Members shall require affirmative Sector Votes greater than 6.50.

Section 2.7 Action without Meeting. Any action that may be taken at a meeting of the Regional Entity Members or the Services Members may be taken without a meeting if consent in writing, setting forth the action so to be taken, shall be signed by all Voting Members eligible to vote in such meeting before the action is taken.

Section 2.8 Remote Attendance. Any Member otherwise eligible may participate in any meeting by telephone, videoconference communications equipment, or other means enabling all persons participating in the meeting to communicate with each other. A Member participating in a meeting by such means shall be deemed present in person at such meeting.

Section 2.9 Termination of Members.

(a) A Member may be terminated for non-payment of fees or monies due FRCC as provided in Section 6.3, or for a significant violation of obligations as set forth in Section 1.7. The Board may, by resolution, establish a fair and reasonable procedure to terminate a Member.

(b) A Member whose membership has been terminated shall be liable to FRCC for fees and any other monies due FRCC as a result of obligations incurred or commitments made prior to termination.

Section 2.10 Withdrawal. Any other provision of these Bylaws notwithstanding, any Member may withdraw from participation in the activities of FRCC at any time upon written notice to the CEO, whereupon it shall cease to be a Member and shall cease to be entitled or obligated to participate in the activities of the Board, Standing Committees, or any subcommittees, and shall have no further obligations as a Member; provided, however, that if such notice is given more than thirty (30) days after such Member's receipt of its statement of fees and expenses for a fiscal year, the Member shall be obligated to pay its fees and other monies due to FRCC for the full fiscal year within which such termination is effective.

Section 2.11 Reinstatement. A former Member shall be required to apply for Membership as set forth in Section 1.1. The Board may reinstate Membership on any reasonable terms that the Board deems appropriate.

Section 2.12 Property Ownership and Control. Subject to applicable laws, rules, regulations, agreements, and FRCC protocols, each Member shall retain sole control of its own facilities and the use thereof, and nothing in these Bylaws shall require a Member to construct or dedicate facilities for the benefit of any other electric system or allow its facilities to be used by any other Member or to construct or provide any facilities for its own use, and nothing herein shall be deemed to impair the ability or right of any Member to take such actions or to fail to act, as it deems necessary or desirable, with respect to the management, extension, construction, maintenance and operation of its own facilities, present and future. A Member has no interest in the property of FRCC and waives the right to require a partition of any FRCC property.

ARTICLE III

Board of Directors

Section 3.1 Powers. The affairs of FRCC shall be managed by the Board of Directors ("Board"). The Board may exercise all such powers of the FRCC and do all such lawful acts and things as are not prohibited by the laws of the State of Florida, by the Federal Power Act, by the Articles of Incorporation or by these Bylaws.

Section 3.2 Number, Election, Tenure and Governance.

(a) Number. The Board shall include (16) Directors allocated among the Sectors as follows, and such other Directors as provided in by Section 3.2(b)(4):

- (1) Suppliers Sector- three (3) Directors
- (2) Non-Investor Owned Utility Wholesale Sector - two (2) Directors
- (3) Load Serving Entity Sector-
 - Municipal - one (1) Director
 - Cooperative - one (1) Director
- (4) Generating Load Serving Entity Sector - three (3) Directors

- (5) Investor Owned Utility Sector - Three (3) Directors
- (6) General Sector - Two (2) Directors
- (7) The CEO of FRCC - an ex-officio non-voting Director.

(b) Election.

(1) Directors, with the exception of the CEO, shall be elected as described herein.

(2) Within each Sector, only Voting Members from a given Sector may elect Directors for that Sector.

(3) Within the Load Serving Entity Sector, Director(s) representing 0.5 votes shall all be from a municipal and Director(s) representing 0.5 votes shall be from a cooperative.

(4) Within each Sector, Voting Members from a given Sector may, by majority vote, elect additional Directors subject to a maximum of five (5) Directors representing such Sector. The total votes of the Directors for such Sector shall not exceed the total votes of the Directors of such Sector specified in Section 3.2(a).

(c) Alternate Director. Any Director unable to attend a meeting may designate, in writing, an alternate to act on behalf of the Director.

(d) Term. The term for all Directors shall be two (2) years. Any Director may be reelected for consecutive terms, without limitation. Directors within a Sector shall have staggered terms as determined by the Sector.

(e) Voting Rights.

(1) Except as provided for in subsections (2) and (3) below, each Sector shall have the number of votes as specified below:

- Suppliers Sector 2.5 Votes
- Non-Investor Owned Utility Wholesale Sector 2.0 Votes
- Load Serving Entity Sector
 - Municipal 0.5 Votes
 - Cooperative 0.5 Votes
- Generating Load Serving Entity Sector 3.0 Votes
- Investor Owned Utility Sector 3.5 Votes
- General Sector 1.0 Vote

Total 13.0 Votes

(2) Each Director, as defined in Section 3.2(a) and 3.2 (b), shall have an equal proportional vote of that Sector's total voting strength. This provision shall

apply separately to the municipal and cooperative Directors of the Load Serving Entity Sector.

- (3) If the majority of the Voting Members of a Sector are Services Members, Directors elected by that sector shall be deemed "Services Member Directors." Only Services Member Directors shall be eligible to vote on questions governing Member Services or Member Services Activities. Deliberations on such matters may be limited to Services Member Directors, Voting Members that are Services Members, and Affiliate and Adjunct Members that have paid the fees specified in Section 6.2(b)(ii) or (iii), upon the vote of the Services Member Directors.
- (4) The CEO of FRCC shall not have a vote.

(f) **Limitations.** Each person or alternate serving on the Board shall be a representative of a Voting Member. Unless otherwise provided in these Bylaws, if a representative of a Voting Member is elected to serve on the Board, such person shall only be eligible to serve in such capacity so long as such person remains the representative of said Voting Member. A Voting Member shall not have more than one (1) officer, employee or agent serving as a Director.

Section 3.3 Meetings. Regular meetings of the Board shall be held at such times and places, within or outside the State of Florida, as may be determined by the Board. Special meetings of the Board may be called by the Chair. Special meetings shall be called upon request of six (6) or more Directors. Regular or Special Meetings may be held by telephone conferencing, video conferencing or by other means enabling all participants in the meeting to communicate with each other. Except as specified in Section 3.2(e)(3), the meetings of the Board shall be open to all Members, and such other invitees as the Board may deem appropriate. The Board may meet in closed session to discuss matters of a confidential nature, including but not limited to personnel matters, litigation, or commercially sensitive information of any person or entity.

Section 3.4 Notice of Meetings. Notice of any regular or special meeting of the Board shall be sent by mail or electronic means to each Director, and to each Member, at such Director's and Member's usual place of business at least (ten) 10 business days, in the case of a regular meeting, or (five) 5 business days, in the case of a special meeting, before the date of the meeting. Such notice shall also be sent to the observers of the Board specified in Section 8.1. The notice shall set forth a proposed agenda for the meeting. Subject to the requirements of Section 3.2(e)(3), no agenda item may be added to the agenda at any meeting of the Board which requires action by the Board unless all Directors are present and all agree to allow such an item to be put to a vote. Meetings may be held at any time without notice if all of the Directors of the Board are present, or if those not present waive notice in writing either before or after the meeting.

Section 3.5 Quorum. The presence at a meeting of the Directors whose votes equal sixty percent (60%) or more of the total voting strength of the Board, or in the case of matters governed by Section 3.2(e)(3), votes equal to sixty percent (60%) or more of the total voting

strength of the Directors eligible to vote, shall constitute a quorum for any action of the Board, provided, however, that in each case at least one Director from at least four (4) Sectors are present. If at any meeting a quorum shall fail to attend, a majority of those Directors present at the meeting may adjourn that meeting without further notice until a quorum shall attend. Once a quorum is present, any business may be transacted which might have been transacted at the meeting as originally called.

Section 3.6 Voting. Action by the Board shall require approval of sixty percent (60%) or more of the total eligible voting strength of the Board.

Section 3.7 Remote Attendance. Directors shall be deemed present and voting at a meeting of the Board if participating in the meeting by means of a conference telephone, video conferencing, or other means enabling all persons participating in the meeting to communicate with each other.

Section 3.8 Action without Meeting. Any action that may be taken at a meeting of the Board may be taken without a meeting if consent in writing, setting forth the action so to be taken, shall be signed before the action by all Directors eligible to participate in such action.

Section 3.9 Vacancies and Removal. A Director may be removed with cause at any time by an affirmative vote of 60% of the Voting Members of the Sector that elected that Director. In addition, the Board may remove a Director for cause, upon at least seventy-five percent (75%) affirmative votes of the remaining total voting strength of the Board. The right to elect Directors may not be assigned, sold, pledged or transferred in any manner. A vacancy may be filled only by the Voting Members of the Sector in which the vacancy occurs. Any Director so chosen shall hold office until his or her successor is duly elected and qualified or until his or her earlier resignation, ineligibility or removal.

Section 3.10 Officers. At the Board of Directors meeting following the Annual Meeting of the Voting Members, the Board shall elect a Chair, Vice Chair, and Secretary-Treasurer, who shall be the officers of the FRCC. No two officers of FRCC shall be officers, employees or agents of Voting Members of the same Sector or its Affiliates. The CEO of FRCC may not be elected to act as Chair, Vice-Chair or Secretary/Treasurer.

(a) **Term of Office.** Each officer of the Board of Directors shall hold office for two (2) fiscal years, and until his or her successor is duly elected and qualified.

(b) **Removal of Officers.** Any officer of the Board of Directors may be removed with or without cause at any time by the affirmative vote of seventy percent (70%) of the total voting strength of the Board.

(c) **Compensation.** There shall be no compensation paid to any officer of the Board of Directors of FRCC, provided that an officer serving on the staff of FRCC may be compensated for their services on the staff of FRCC.

Section 3.11 Responsibilities of Board of Director Officers

(a) Chair. The Chair shall serve as the Chair of the Board. The Chair shall preside at all meetings of the Members and Board, provided that, if the Chair is not eligible to vote in a meeting governed by Section 3.2(e)(3), the Directors that are eligible shall select one of the number to preside at such meeting. The Chair shall be responsible for the preparation of the agenda for all meetings of the Members and Board. The Chair shall be a member of and preside over a Personnel and Compensation Committee, which shall have responsibilities for such matters relating to staff.

(b) Vice Chair. The Vice Chair shall, in the absence or disability of the Chair, perform the duties and exercise the powers of the Chair, subject to the provisions of Section 3.11(a), and shall perform such other duties and have such other powers as the Board may from time to time prescribe. The Vice Chair shall be a member of a Personnel and Compensation Committee, which shall have responsibilities for such matters relating to staff.

(c) Secretary-Treasurer. The Secretary-Treasurer shall be responsible to assure that the FRCC staff has adequate procedures to distribute the agenda of the meetings of the Voting Members and the Board, keep the minutes of the proceedings of said meetings, and maintain the financial books and records of the FRCC, including disbursement of the funds of the FRCC in accordance with the authorized annual budget. The Secretary-Treasurer shall be a member of the Personnel and Compensation Committee, which shall have responsibilities for such matters relating to staff.

Section 3.12 Vacancy. Any vacancy in a Board of Director Officer occurring for any reason shall be filled as specified in Section 3.9.

ARTICLE IV

Chief Executive Officer

Section 4.1 CEO. The Board shall hire the CEO who, under the Board's direction, shall carry on the general affairs of the FRCC. The CEO shall be a member of the staff of FRCC and shall be a non-voting Director. It shall be the CEO's duty to approve the expenditure of the monies appropriated by the Board in accordance with the Budget approved by the Board. The CEO shall make an annual report and periodic reports to the Board concerning the activities of FRCC. The CEO shall serve as President of FRCC. The CEO shall comply with all directives of the Board. All agents and employees shall report, and be responsible, to the CEO. The CEO shall perform such other duties as may be determined from time to time by the Board.

ARTICLE V

Standing Committees

Section 5.1 Standing Committees. There shall be a Planning Committee, an Operating Committee, a Compliance Committee, and such other committees, subcommittees,

and task forces as the Board may appoint, when deemed necessary to carry out the purposes of the FRCC.

Section 5.2 Planning Committee. Each Voting Member may appoint one (1) representative, empowered to vote on behalf of the Voting Member, to serve on the Planning Committee. A representative may, if unable to attend a meeting, designate, in writing, an alternate to act on behalf of the representative. Affiliate Members and Adjunct Members may appoint a non-voting representative to serve on the Planning Committee. Quorum and Voting Rights shall be as defined in Sections 5.7 and 5.8. The Planning Committee shall report directly to the Board and is charged with the responsibility of promoting the reliability of the bulk power system in the FRCC Region, and assessing and encouraging generation and transmission adequacy. The Planning Committee may establish subcommittees and task forces as deemed necessary by its membership.

Section 5.3 Operating Committee. Each Voting Member may appoint one (1) representative, empowered to vote on behalf of the Voting Member, to serve on the Operating Committee. A representative may, if unable to attend a meeting, designate, in writing, an alternate to act on behalf of the representative. Affiliate Members and Adjunct Members may appoint a non-voting representative to serve on the Operating Committee. Quorum and Voting Rights shall be as defined in Sections 5.7 and 5.8. The Operating Committee shall report directly to the Board and is charged with responsibility for the coordination, operations planning, operation and maintenance of the bulk power system in the FRCC Region. The Operating Committee may establish subcommittees and task forces as deemed necessary by its membership.

Section 5.4 Compliance Committee. Each Voting Member may appoint one (1) representative, empowered to vote on behalf of the Voting Member, to serve on the Compliance Committee. A representative may, if unable to attend a meeting, designate, in writing, an alternate to act on behalf of the representative. Quorum and Voting Rights shall be as defined in Sections 5.7 and 5.8. The Compliance Committee shall report directly to the Board and is charged with responsibility for the development and implementation of programs to ensure compliance for both FRCC Regional Reliability Standards and NERC Reliability Standards. The Compliance Committee is not to be confused with the Board Compliance Committee which is primarily a “hearing body” and has a different voting structure as outlined in Exhibit D of the Delegation Agreement between the North American Electric Reliability Corporation and FRCC.

Section 5.5 Rules of Procedure. Each Standing Committee shall set its rules of procedure, provided that quorum, voting rights and voting shall be as specified in Sections 5.7 and 5.8. Such Rules of Procedure shall be as approved by the Board. All action by any Standing Committee shall be reported as prescribed herein and shall be subject to revision, alteration and approval by the Board.

Section 5.6 Quorum. Representation at any meeting of a Standing Committee of sixty percent (60%) or more of the total voting strength of the Standing Committee shall constitute a quorum for the transaction of business at such meeting; provided, however, that action on matters dealing with the scope or funding of Member Services shall require sixty percent (60%) or more of the total voting strength of members of the Standing Committee

representing Voting Members that are Services Members; and provided further that a quorum shall require that at least three (3) Sectors are represented, all three of which shall be Sectors a majority of the members of which are Services Members in the case of a quorum for action on matters governing Member Services.

Section 5.7 Voting. Voting is by Sector. Each voting representative present at a meeting is assigned a vote equal to the voting strength of his or her Sector, as provided in this section, divided by the number of voting representatives present in that Sector, except that no voting representative present at a meeting shall have more than one (1) vote, except an Investor Owned Utility Sector voting representative who may have up to 1.167 votes. Action by a Standing Committee shall require an affirmative vote equal to or greater than sixty percent (60%) of the total eligible voting strength of the Standing Committee.

Sector Votes

(1) Suppliers Sector	2.5 Votes
(2) Non-Investor Owned Utility Wholesale Sector	2.0 Votes
(3) Load Serving Entity Sector	
Municipal	0.5 Vote
Cooperative	0.5 Vote
(4) Generating Load Serving Entity Sector	3.0 Votes
(5) Investor Owned Utility Sector	3.5 Votes
(6) General Sector	1.0 Vote
Total	13.0 Votes

Only representatives of Voting Members that are Services Members shall be eligible to vote on questions governing Member Services.

Section 5.8 Meetings. Regular meetings of the Standing Committees shall be held at such times and places, within or outside the State of Florida, as may be determined by the Standing Committees. Special meetings of the Standing Committees may be called by the Chair or upon the request of representatives from three (3) different Sectors. Regular or Special Meetings may be held by telephone conferencing, video conferencing, or by other means enabling all participants in the meeting to communicate with each other. The meetings of the Standing Committees shall be open to all Members, and such other invitees as the Board may deem appropriate.

ARTICLE VI

General Provisions

Section 6.1 Budget. The Board shall annually adopt a budget for the FRCC for administrative expenses of the FRCC, including salaries, and for the costs associated with the various committees, subcommittees, professional services, projects and studies. The Board shall approve the scope and funding of Member Services, in accordance with the provisions of these

Bylaws. The funding for Member Services special projects approved by the Board may be based on a special funding, with an equitable allocation of the costs for the special project as approved by the Board. The budget may be amended from time to time during the fiscal year as determined by the Board, subject to the filing and approval requirements applicable to FRCC as a Regional Entity under the Delegation Agreement.

Section 6.2 Funding.

(a) The funding of FRCC's Regional Entity Activities shall be in accordance with the provisions of Exhibit E and the section numbered eight (8) of the Delegation Agreement.

(b) The Member Services of FRCC shall be funded through an allocation of their costs to all Members that are Services Members in accordance with the provisions of subsections 6.2(b)(i) - (iii) below. The funding of all Member Services shall be kept separate from the funding of Regional Entity Activities as specified in the Business Plan and Budget.

(i) **Services Members.** The allocation for Voting Members that are Services Members shall be based on the following calculation; provided, however, that in no event shall the allocation be less than \$20,000 per annum.

$$\text{Services Member Allocation} = 0.25 (1/N) + 0.25 (B/C) + 0.25 (D/E) + 0.25 (F/G)$$

- N Total number of voting Services Members
- B Voting Services Member's previous-year Full Requirements Energy for Load (FREL) within the FRCC
- C Total of factor B for all voting Services Members
- D Voting Services Member's Net Summer Generating Capacity within the FRCC Region as of December 31 of the previous year, as defined in the FRCC Load and Resource Plan
- E Total of factor D for all voting Services Members
- F Sum of Circuit Miles of Transmission Facilities (69kV and above) of voting Services Members within the FRCC Region times the respective operating voltage as of December 31 of the previous year
- G Total of factor F for all voting Services Members

Full Requirements Energy for Load (FREL) The net electrical energy requirements of the Services Member's electric system, and the net electric energy requirements of all full requirements customers of the Services Member, except if a full requirements customer of a Services Member joins FRCC. In such case, the electrical energy requirements of such full requirements customer will only be counted for the funding calculation for that Services Member who is the full requirements customer, and not for the Services Member who is the supplier of the full requirements. There should be no double counting of FREL between Services Members.

Net Summer Generating Capacity The maximum summer rated capacity, modified for ambient limitations, that a generating unit can sustain over a specified period, less the capacity used to supply the demand of station service or auxiliary needs. For jointly owned units, the Net Capacity will be allocated based on the ownership share of each Services Member who is a joint owner, unless otherwise mutually agreed by the joint owner Services Members.

Circuit Miles of Transmission Facilities The distance (following the path of transmission facility) in miles between substations or switching stations times the number of circuits at the same voltage level. For jointly owned transmission facilities, the Circuit Miles of Transmission Facilities will be allocated based on the ownership share of each Services Member who is a joint owner, unless otherwise mutually agreed by the joint owner Services Members.

(ii) Affiliate Members. The fee for an Affiliate Member that wishes to participate in Member Services activities shall be \$5,000 per annum. The fee for an Affiliate Member, only participating in Regional Entity Activities, shall be waived.

(iii) Adjunct Members. The fees for an Adjunct Member that wishes to participate in Member Services activities shall be \$5,000 per annum. The fee for an Adjunct Member, only participating in Regional Entity Activities, shall be waived.

Section 6.3 Fees. The Member Services membership fee shall be due and payable concurrent with the submission of the written application for membership. The initial membership fee will be prorated on an annual basis depending upon the quarter in which a Member joins. Thereafter, membership fees shall be due and payable on or before January 1st of each year or in installments as determined by the Board. The FRCC shall notify, in writing, any Member who is delinquent in the payment of any applicable membership fee. The notice shall provide a time certain, not to exceed thirty days (30) days from the date of the written notice, during which any such delinquency may be cured. Failure to cure a delinquency within the stated time will result in the loss of all membership rights and designations. In the event of an uncured lapse in the payment of a fee, membership in the FRCC shall be terminated.

Section 6.4 Staff. The FRCC shall employ a staff, including the CEO, to carry out the objectives of the organization. The CEO shall be a non-voting Director of the Board. The duties of the CEO are as defined in Article IV, Section 4.1.

Section 6.5 Expenses. The personal expenses of each Member and Director participating in the activities of the FRCC and its committees and subcommittees shall be borne by the Member on whose behalf such person is acting, unless determined otherwise by the Board.

Section 6.6 Minimum Sector Membership. If the number of Voting Members of a Sector is not greater than one (1), such Sector shall not be entitled to a vote at the Voting Members meetings, Board of Directors meetings, or the Standing Committee meetings.

Section 6.7 Indemnification. The FRCC shall indemnify and hold harmless, to the maximum extent permitted by law, any Member, Director, Member representative, agent, officer or employee of the FRCC and the heirs, estates, successors or assigns of any of them, from any and all claims or liabilities, including costs or attorneys' fees for defending against assertion of any such claim or liability, arising from any act or failure to act of such person for, on behalf of, or at the direction of the FRCC, unless such act or failure to act constituted a willful violation of state, federal or local law, willful misconduct, or gross negligence. With the approval of the Board, the FRCC may reimburse costs, attorneys fees, and other expenses for defending against assertions of any such claims or liabilities prior to the final disposition of any such proceeding. The foregoing rights to be indemnified, held harmless, or reimbursed shall not operate in derogation or prohibition of any other rights which the person indemnified, held harmless or reimbursed may have. The FRCC, by vote of the Board, shall purchase insurance against all or any part of the liabilities which may be incurred by the FRCC and may cause the FRCC to indemnify and hold harmless as and to the extent it may deem appropriate such other person or persons as it may deem appropriate.

Section 6.8 Fiscal Year. The fiscal year of the FRCC shall be the twelve (12) month period of January 1st through December 31st.

Section 6.9 Depositories. All funds of the FRCC shall be deposited in the name of the FRCC in such bank, banks or other financial institutions as the CEO shall from time to time designate and shall be drawn out on checks, drafts or other orders signed on behalf of the FRCC by such person or persons as the Board shall from time to time designate.

ARTICLE VII

Amendments

Section 7.1 Amendments. Subject to the provision that no amendment to these Bylaws may limit the rights of a Member to resign from Membership, subject to the provisions of Section 1.2, and subject to the requirements for approval by NERC and the Federal Energy Regulatory Commission applicable to the FRCC as a Regional Entity, these Bylaws may be amended, altered, or repealed through the following procedure:

(a) Any Voting Member or Director may suggest amendments to these Bylaws. Such suggestions must include a proposed amendment, and any necessary supporting documents. They should be sent to the CEO of FRCC for placement on the agenda for a Board meeting in the time and manner prescribed by the Board.

(b) If the proposal is approved by the Board of Directors, the Board shall place the proposal on the agenda of either the next Annual Meeting of the Voting Members, or pursuant to Board discretion, at a Special Meeting of the Voting Members called for that purpose.

(c) Voting Members shall vote to enact the Board-approved amendment in accordance with Sections 2.5 and 2.6, and subject to the provisions of Section 1.2 of the Bylaws.

Section 7.2 Review of Governance. The Board shall appoint a task force to review these Bylaws, and to submit recommendations to the Board on necessary amendments, at the discretion of the Board or if any of the following events occurs. Such task force shall include representation from each Sector.

(a) The number of Voting Members in a Sector is not greater than one (1).

(b) A Regional Transmission Organization of any type is approved by the Federal Energy Regulatory Commission to operate in the FRCC Region.

(c) Any federal or state legislation or regulatory action that significantly alters the functions of the FRCC.

(d) Any new entity that has or is expected to have financial transactions in the wholesale electric market in the FRCC Region wishes to join the FRCC, and does not otherwise meet the membership requirements as then defined in these Bylaws.

ARTICLE VIII

Observers of the Board

Section 8.1 Observers of the Board. The Chairman of the Florida Public Service Commission, or designee, shall be invited to attend meetings of the Board. The Board shall invite other observers as the Board deems appropriate.

ARTICLE IX

Section 9.1 Board Compliance Committee. FRCC shall establish and maintain a hearing body with authority to conduct and 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, which shall be the FRCC Board Compliance Committee (BCC), a balanced compliance panel reporting directly to the FRCC's Board of Directors.

The BCC will consist of one (1) Voting Member from each of the six (6) sectors in the FRCC, who shall be a member of the Board of Directors. Each year, two (2) members from each Sector of the FRCC Board of Directors will volunteer to serve in a BCC pool. At the time a hearing request is received, the Chair of the FRCC Board of Directors will appoint one member from each Sector to form the BCC for that hearing. The Board Member from the Registered Entity that has requested the hearing will not be selected for that BCC. In the event one (1) Sector of the FRCC declines to participate on the BCC, the Chair of the Board of Directors shall randomly select one (1) additional BCC member from the remaining five (5) Sectors to constitute the BCC. The Chair of the FRCC Board of Directors will appoint a Chair and Vice-Chair of the BCC. Terms of BCC members will be equivalent to the time it takes to complete the hearing for which they were selected. Members may be re-appointed to subsequent terms without any limits to the number of terms they serve.

FRCC Industry Sectors are as follows:

- One (1) Member from the Investor Owned Utility Sector
- One (1) Member from the Suppliers Sector
- One (1) Member from the Non-Investor Owned Utility Wholesale Sector
- One(1) Member from the Load Serving Entity Sector
- One (1) Member from the Generating Load Serving Entity Sector
- One (1) Member from the General Sector

Each member of the BCC shall be a full voting member. There will be no alternates or proxies for the BCC members. Decisions of the BCC shall require (i) a quorum to be present requiring at least fifty (50) percent of the number of members assigned to the BCC provided, however, that

in each case at least four (4) eligible Sectors are represented and (ii) a majority vote of the members of the BCC voting on the decision.

ARTICLE X

Audit

Section 10.1 Audit. The Board shall engage a certified public accounting firm to audit the books and accounts of the FRCC for each fiscal year.

ARTICLE XI

Miscellaneous Provisions

Section 11.1 Headings. The headings used in these Bylaws are for convenience and may not be considered in construing these Bylaws.

Section 11.2 Number and Gender. All singular words include the plural, and all plural words include the singular. All pronouns of one gender include reference to the other gender.

Section 11.3 Parties Bound. These Bylaws will bind and inure to the benefit of any Members, Director, Member representative, agent, officer, or employee of the FRCC and their respective administrators, legal representatives, successors, and assigns except as these Bylaws otherwise provide.

Section 11.4 Minority Positions. Any Voting Member or Standing Committee Representative who has a minority opinion on any significant issue may present the minority opinion to the Board in a manner as prescribed by the Board.

Amended: February 6, 2009

APPENDIX A

Voting Member Agreement - Division

_____, hereby agrees to comply with and be bound by, and to

(Voting Member)

promote and support, the Florida Reliability Coordinating Council Articles of Incorporation and Bylaws, and all acts, decisions or obligations of the Florida Reliability Coordinating Council applicable to Voting Member taken or entered into in accordance with the foregoing documents.

(Name)

DATE: _____

WITNESS:

APPENDIX A

Affiliate Member Agreement – Division

_____, hereby agrees to comply with and be bound by, and to

(Affiliate Member)

promote and support, the Florida Reliability Coordinating Council Articles of Incorporation and Bylaws, and all acts, decisions or obligations of the Florida Reliability Coordinating Council applicable to Affiliate Member taken or entered into in accordance with the foregoing documents.

(Name)

DATE: _____

WITNESS:

APPENDIX A

Adjunct Member Agreement – _____ Division

_____, hereby agrees to comply with and be bound by, and to

(Adjunct Member)

promote and support, the Florida Reliability Coordinating Council Articles of Incorporation and Bylaws, and all acts, decisions or obligations of the Florida Reliability Coordinating Council applicable to Adjunct Member taken or entered into in accordance with the foregoing documents.

(Name)

DATE: _____

WITNESS:

HISTORY OF REVISIONS

January, 1998

Amended December 19, 2001

Amended March 2, 2006

Amended September 25, 2007

Amended June 27, 2008

Amended February 6, 2009

Exhibit C – Regional Standard Development Procedure

Exhibit C shall set forth the Regional Entity’s standards development procedure, which NERC agrees meets the following common attributes:

COMMON ATTRIBUTE 1

Proposed regional reliability standards shall be subject to approval by NERC, as the electric reliability organization, and by FERC before becoming mandatory and enforceable under Section 215 of the FPA [add reference to any applicable authorities in Canada and Mexico]. No regional reliability standard shall be effective within the [Regional Entity Name] area unless filed by NERC with FERC [and applicable authorities in Canada and Mexico] and approved by FERC [and applicable authorities in Canada and Mexico].

COMMON ATTRIBUTE 2

[Regional Entity Name] regional reliability standards shall provide for as much uniformity as possible with reliability standards across the interconnected bulk power system of the North American continent. A [Regional Entity Name] reliability standard shall be more stringent than a continent-wide reliability standard, including a regional difference that addresses matters that the continent-wide reliability standard does not, or shall be a regional difference necessitated by a physical difference in the bulk power system. A regional reliability standard that satisfies the statutory and regulatory criteria for approval of proposed North American reliability standards, and that is more stringent than a continent-wide reliability standard, would generally be acceptable.

COMMON ATTRIBUTE 3

[Regional Entity Name] regional reliability standards, when approved by FERC [add applicable authorities in Canada], shall be made part of the body of NERC reliability standards and shall be enforced upon all applicable bulk power system owners, operators, and users within the [Regional Entity Name] area, regardless of membership in the region.

COMMON ATTRIBUTE 4

Requester — The requester is the sponsor of the regional reliability standard request and may assist in the development of the standard. Any member of [Regional Entity Name], or group within [Regional Entity Name] shall be allowed to request that a regional reliability standard be developed, modified, or withdrawn. Additionally, any entity (person, organization, company, government agency, individual, etc.) that is directly and materially affected by the reliability of the bulk power system in the [Regional Entity Name] area shall be allowed to request a regional reliability standard be developed, modified, or withdrawn.

COMMON ATTRIBUTE 5

[Standards or other named] committee — The [Regional Entity Name] [standards] committee manages the standards development process. The [standards] committee will consider which requests for new or revised standards shall be assigned for development (or existing standards considered for deletion). The [standards] committee will advise the [Regional Entity Name] board on standards presented for adoption.

COMMON ATTRIBUTE 6

[Alternative 6A: For a Regional Entity that chooses to vote using a balanced stakeholder committee.]

The [standards] committee is a balanced stakeholder committee, inclusive of all stakeholder interests that provide for or are materially impacted by the reliability of the bulk power system. [The [standards] committee votes to approve standards.] See Appendix A for the representation model of the [standards] committee.

[Alternative 6B: For a Regional Entity that chooses to vote using a balanced ballot body of stakeholders.]

[Registered ballot body] — The registered ballot body comprises all entities or individuals that qualify for one of the stakeholder segments; are registered with [Regional Entity Name] as potential ballot participants in the voting on standards; and are current with any designated fees. Each member of the registered ballot body is eligible to vote on standards. [Each standard action has its own ballot pool formed of interested members of the registered ballot body. Each ballot pool comprises those members of the registered ballot body that respond to a pre-ballot survey for that particular standard action indicating their desire to participate in such a ballot pool.] The representation model of the registered ballot body is provided in Appendix A.]

COMMON ATTRIBUTE 7

[Regional Entity Name] will coordinate with NERC such that the acknowledgement of receipt of a standard request identified in step 1, notice of comment posting period identified in step 4, and notice for vote identified in step 5 below are concurrently posted on both the [Regional Entity Name] and NERC websites.

COMMON ATTRIBUTE 8

An acceptable standard request shall contain a description of the proposed regional reliability standard subject matter containing sufficiently descriptive detail to clearly define the purpose, scope, impacted parties, and other relevant information of the proposed standard.

COMMON ATTRIBUTE 9

Within [no greater than 60] days of receipt of a completed standard request, the [standards] committee shall determine the disposition of the standard request.

COMMON ATTRIBUTE 10

The [standards] committee may take one of the following actions:

- Accept the standard request as a candidate for development of a new standard, revision of an existing standard, or deletion of an existing standard. The [standards] committee may, at its discretion, expand or narrow the scope of the standard request under consideration. The [standards] committee shall prioritize the development of standard in relation to other proposed standards, as may be required based on the volume of requests and resources.
- Reject the standard request. If the [standards] committee rejects a standard request, a written explanation for rejection will be delivered to the requester within [no greater than 30] days of the decision.
- Remand the standard request back to the requester for additional work. The standards process manager will make reasonable efforts to assist the requester in addressing the deficiencies identified by the [standards] committee. The requester may then resubmit the modified standard request using the process above. The requester may choose to withdraw the standard request from further consideration prior to acceptance by the [standards] committee.

COMMON ATTRIBUTE 11

Any standard request that is accepted by the [standards] committee for development of a standard (or modification or deletion of an existing standard) shall be posted for public viewing on the [Regional Entity Name] website within [no greater than 30] days of acceptance by the committee.

COMMON ATTRIBUTE 12

The standards process manager shall submit the proposed members of the drafting team to the [standards] committee. The [standards] committee shall approve the drafting team membership within 60 days of accepting a standard request for development, modifying the recommendations of the standards process manager as the committee deems appropriate, and assign development of the proposed standard to the drafting team.

COMMON ATTRIBUTE 13

At the direction from the [standards] committee, the standards process manager shall facilitate the posting of the draft standard on the [Regional Entity Name] website, along with a draft implementation plan and supporting documents, for a no less than a [30]-day comment period. The standards process manager shall provide notice to [Regional Entity Name] stakeholders and other potentially interested entities, both within and outside of the [Regional Entity Name] area, of the posting using communication procedures then currently in effect or by other means as deemed appropriate.

COMMON ATTRIBUTE 14

The drafting team shall prepare a summary of the comments received and the changes made to the proposed standard as a result of these comments. The drafting team shall summarize comments that were rejected by the drafting team and the reason(s) that these comments were rejected, in part or whole. The summary, along with a response to each comment received will be posted on the [Regional Entity Name] website no later than the next posting of the proposed standard.

COMMON ATTRIBUTE 15

Upon recommendation of the drafting team, and if the [standards] committee concurs that all of the requirements for development of the standard have been met, the standards process manager shall post the proposed standard and implementation plan for ballot and shall announce the vote to approve the standard, including when the vote will be conducted and the method for voting. Once the notice for a vote has been issued, no substantive modifications may be made to the proposed standard unless the revisions are posted and a new notice of the vote is issued.

COMMON ATTRIBUTE 16

The standards process manager shall schedule a vote by the [Regional Entity Name] [registered ballot body/[standards] committee]. The vote shall commence no sooner than [15] days and no later than [30] days following the issuance of the notice for the vote.

COMMON ATTRIBUTE 17

[Alternative 17A: For an RE that chooses to vote using a balanced stakeholder committee.]

The [standards] committee shall give due consideration to the work of the drafting team, as well as the comments of stakeholders and minority objections, in approving a proposed regional reliability standard for submittal to the [Regional Entity Name] board. The [standards]

committee may vote to approve or not approve the standard. Alternatively, the [standards] committee may remand the standard to the drafting team for further work or form a new drafting team for that purpose.

[Alternative 17B: For an RE that chooses to vote using a balanced ballot body of stakeholders.]

The [Regional Entity Name] registered ballot body shall be able to vote on the proposed standard during a period of [not less than 10] days.

COMMON ATTRIBUTE 18

[Alternative 18A: For an RE that chooses to vote using a balanced stakeholder committee.]

The [standards] committee may not itself modify the standard without issuing a new notice to stakeholders regarding a vote of the modified standard.

[Alternative 18B: For an RE that chooses to vote using a balanced ballot body of stakeholders.]

All members of [Regional Entity Name] are eligible to participate in voting on proposed new standards, standard revisions or standard deletions. [Alternatively: Each standard action requires formation of a ballot pool of interested members of the registered ballot body.]

COMMON ATTRIBUTE 19

[Alternative 19A: For an RE that chooses to vote using a balanced stakeholder committee.]

Actions by the committee shall be recorded in the regular minutes of the committee.

[Alternative 19B: For an RE that chooses to vote using a balanced ballot body of stakeholders.]

Approval of the proposed regional reliability standard shall require a [two thirds] majority in the affirmative (affirmative votes divided by the sum of affirmative and negative votes). Abstentions and non-responses shall not count toward the results, except that abstentions may be used in the determination of a quorum. A quorum shall mean [XX%] of the members of the [registered ballot body/ballot pool] submitted a ballot.

COMMON ATTRIBUTE 20

Under no circumstances may the board substantively modify the proposed regional reliability standard.

COMMON ATTRIBUTE 21

Once a regional reliability standard is approved by the board, the standard will be submitted to NERC for approval and filing with FERC [and applicable authorities in Canada and Mexico.]

COMMON ATTRIBUTE 22

- **Open** - Participation in the development of a regional reliability standard shall be open to all organizations that are directly and materially affected by the [Regional Entity Name] bulk power system reliability. There shall be no undue financial barriers to participation. Participation shall not be conditioned upon membership in [Regional Entity Name], and shall not be unreasonably restricted on the basis of technical qualifications or other such requirements. Meetings of drafting teams shall be open to the [Regional Entity Name] members and others.

COMMON ATTRIBUTE 23

- **Balanced** - The [Regional Entity Name] standards development process strives to have an appropriate balance of interests and shall not be dominated by any two interest categories and no single interest category shall be able to defeat a matter.

COMMON ATTRIBUTE 24

- **Inclusive** — Any entity (person, organization, company, government agency, individual, etc.) with a direct and material interest in the bulk power system in the [Regional Entity Name] area shall have a right to participate by: a) expressing a position and its basis, b) having that position considered, and c) having the right to appeal.

COMMON ATTRIBUTE 25

- **Fair due process** — The regional reliability standards development procedure shall provide for reasonable notice and opportunity for public comment. At a minimum, the procedure shall include public notice of the intent to develop a standard, a public comment period on the proposed standard, due consideration of those public comments, and a ballot of interested stakeholders.

COMMON ATTRIBUTE 26

- **Transparent** — All actions material to the development of regional reliability standards shall be transparent. All standards development meetings shall be open and publicly noticed on the regional entity's Web site.

COMMON ATTRIBUTE 27

- Does not unnecessarily delay development of the proposed reliability standard.

COMMON ATTRIBUTE 28

Each standard shall enable or support one or more of the reliability principles, thereby ensuring that each standard serves a purpose in support of the reliability of the regional bulk power system. Each standard shall also be consistent with all of the reliability principles, thereby ensuring that no standard undermines reliability through an unintended consequence.

COMMON ATTRIBUTE 29

While reliability standards are intended to promote reliability, they must at the same time accommodate competitive electricity markets. Reliability is a necessity for electricity markets, and robust electricity markets can support reliability. Recognizing that bulk power system reliability and electricity markets are inseparable and mutually interdependent, all regional reliability standards shall be consistent with NERC's market interface principles. Consideration of the market interface principles is intended to ensure that standards are written such that they achieve their reliability objective without causing undue restrictions or adverse impacts on competitive electricity markets.

COMMON ATTRIBUTE 30

To ensure uniformity of regional reliability standards, a regional reliability standard shall consist of the elements identified in this section of the procedure. These elements are intended to apply a systematic discipline in the development and revision of standards. This discipline is necessary to achieving standards that are measurable, enforceable, and consistent.

COMMON ATTRIBUTE 31

All mandatory requirements of a regional reliability standard shall be within the standard. Supporting documents to aid in the implementation of a standard may be referenced by the standard but are not part of the standard itself.

COMMON ATTRIBUTE 32

Applicability	<p>Clear identification of the functional classes of entities responsible for complying with the standard, noting any specific additions or exceptions.</p> <p>If not applicable to the entire [Regional Entity Name] area, then a clear identification of the portion of the bulk power system to which the standard applies.</p> <p>Any limitation on the applicability of the standard based on electric facility requirements should be described.</p>
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COMMON ATTRIBUTE 33

Measure(s)	<p>Each requirement shall be addressed by one or more measures. Measures are used to assess performance and outcomes for the purpose of determining compliance with the requirements stated above. Each measure will identify to whom the measure applies and the expected level of performance or outcomes required demonstrating compliance. Each measure shall be tangible, practical, and as objective as is practical. It is important to realize that measures are proxies to assess required performance or outcomes. Achieving the measure should be a necessary and sufficient indicator that the requirement was met. Each measure shall clearly refer to the requirement(s) to which it applies.</p>
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COMMON ATTRIBUTE 34

Compliance Monitoring Process	<p>Defines for each measure:</p> <ul style="list-style-type: none">• The specific data or information that is required to measure performance or outcomes.• The entity that is responsible for providing the data or information for measuring performance or outcomes.• The process that will be used to evaluate data or information for the purpose of assessing performance or outcomes.• The entity that is responsible for evaluating data or
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	<p>information to assess performance or outcomes.</p> <ul style="list-style-type: none">• The time period in which performance or outcomes is measured, evaluated, and then reset.• Measurement data retention requirements and assignment of responsibility for data archiving.• Violation severity levels.
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EXHIBIT C
TO PRO FORMA DELEGATION AGREEMENT

**FRCC REGIONAL RELIABILITY STANDARD
DEVELOPMENT PROCESS**

Amended September 25, 2007



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I. Introduction and Background

Purpose

This manual establishes the process for development, revision, withdrawal and approval of FRCC Regional Reliability Standards for the FRCC Region. FRCC Regional Reliability Standards apply to the reliability planning and reliable operation of the Bulk Power System in the FRCC Region. Proposed FRCC Regional Reliability Standards shall be subject to approval by the North American Electric Reliability Corporation (NERC), as the electric reliability organization, and by the Federal Energy Regulatory Commission (FERC) before becoming mandatory and enforceable under Section 215 of the Federal Power Act. FRCC Regional Reliability Standards, when approved by FERC, shall be made part of the body of NERC reliability standards and shall be enforced upon all applicable bulk power system owners, operators and users within the FRCC Region, regardless of membership in the region.

The FRCC Regional Reliability Standards Development Process is based on providing an open and fair process that ensures all interested and affected parties have an opportunity to participate in the development of FRCC Regional Reliability Standards. Any entity (person, organization, company, government agency, individual, etc.) with a direct and material interest in the reliability of the FRCC Bulk Power System has a right to participate by: a) expressing a position and its basis, b) having that position considered, c) voting on and d) having the right to appeal.

FRCC Regional Reliability Standard Principles

FRCC Regional Reliability Standards go beyond, add detail to, or implement NERC Reliability Standards, or cover matters not addressed in NERC Reliability Standards. FRCC Regional Reliability Standards shall not be inconsistent with or less stringent than NERC Reliability Standards.

FRCC Regional Reliability Standards are based on NERC's Reliability Principles and Market Interface Principles. Each FRCC Regional Reliability Standard shall enable or support one or more of NERC's Reliability Principles and must accommodate competitive electricity markets by being consistent with NERC's Market Interface Principles.

The FRCC Regional Reliability Standard Development Process defines the fair and open process for development, revision, withdrawal and approval of FRCC Regional Reliability Standards for the FRCC Region and has the following characteristics:

- **Due Process** – Any interested party, or any entity that is directly and materially affected by the reliability of the FRCC Bulk Power System has a right to participate in this process as indicated in this manual.
- **Openness** – Participation is open to any interested party or any entity that is directly and materially affected by the reliability of the FRCC Bulk Power System. Participation shall not be conditional upon membership in the FRCC. All FRCC Regional Reliability Standard development meetings will be open and noticed on the FRCC website.

- **Balance** – The FRCC Regional Reliability Standard Development Process shall have a balance of interests and shall not be dominated by any two interest categories and no single interest category shall be able to defeat a matter.

II. FRCC Regional Reliability Standard Definition, Characteristics, and Elements

Definition

A FRCC Regional Reliability Standard defines certain obligations or requirements of all owners, operators and users of the FRCC Bulk Power System regardless of membership in the FRCC. The obligations or requirements must be material to reliability and measurable. Each obligation and requirement shall support one or more of the NERC reliability principles and shall be consistent with all of the NERC reliability and market interface principles.

FRCC Regional Reliability Standards go beyond, add detail to, or implement NERC reliability standards, or cover matters not addressed in NERC reliability standards. FRCC Regional Reliability Standards shall not be inconsistent with or less stringent than NERC reliability standards.

Characteristics

A FRCC Regional Reliability Standard shall have the following characteristics:

- **Material to Reliability** - A FRCC Regional Reliability Standard shall be material to the reliability of the FRCC Bulk Power System. If the reliability of the FRCC Bulk Power System could be compromised without a particular standard or by a failure to comply with that standard, then the standard is material to reliability.
- **Measurable** - A FRCC Regional Reliability Standard shall establish technical or performance requirements that can be practically measured.
- **Relative to NERC Reliability Standards** - A FRCC Regional Reliability Standard must go beyond, add detail to, or implement NERC reliability standards, or cover matters not addressed in NERC reliability standards.

Although FRCC Regional Reliability Standards have a common format and process, several types of Reliability Standards may exist, each with a different approach to measurement:

- **Technical standards** related to the provision, maintenance, operation, or state of Bulk Power System will likely contain measures of physical parameters and will often be technical in nature.
- **Performance standards** related to the actions of entities providing for or impacting the reliability of the FRCC Bulk Power System will likely contain measures of the results of such actions, or the nature of the performance of such actions.
- **Preparedness standards** related to the actions of entities to be prepared for conditions that are unlikely to occur but are critical to reliability will likely contain measures of such preparations or the state of preparedness.

Elements

A FRCC Regional Reliability Standard shall consist of the elements identified in this section of this manual. These elements are intended to apply a systematic discipline in the development and revision of Reliability Standards. The format allows a clear statement of the purpose, requirements, measures, and compliance elements associated with each Reliability Standard. Supporting documents to aid in the implementation of a Reliability Standard may be referenced by the Reliability Standard but are not part of the Reliability Standard itself.

Performance Elements of a FRCC Regional Reliability Standard

Identification Number	A unique identification number assigned in accordance with an administrative classification system to facilitate tracking and reference.
Title	A brief, descriptive phrase identifying the topic of the Reliability Standard.
Applicability	Clear identification of the functional classes of entities responsible for complying with the standard, noting any specific additions or exceptions. If not applicable to the entire FRCC, then a clear identification of the portion of the bulk power system to which the standard applies. Any limitation on the applicability of the standard based on electric facility requirements should be described.
Effective Date and Status	The effective date of the Reliability Standard or, the proposed effective date.
Purpose	The purpose of the Reliability Standard. The purpose shall explicitly state what outcome will be achieved or is expected by this Reliability Standard.
Requirement(s)	Explicitly stated technical, performance, and preparedness requirements. Each requirement identifies what entity is responsible and what action is to be performed or what outcome is to be achieved. Each statement in the requirements section shall be a statement for which compliance is mandatory. Any additional comments or statements for which compliance is not mandatory, such as background or explanatory information should be placed in a separate document and referenced.
Risk Factor(s)	The potential reliability significance of each requirement, designated as a High, Medium or Lower Risk Factor in accordance with the criteria listed below: A Lower Risk Factor requirement is administrative in nature and (a) is a requirement that, if violated, would not be expected to affect the electrical state or capability of the FRCC Bulk Power System, or the ability to effectively monitor and control the FRCC Bulk Power System; or (b) is a requirement in a planning time frame that, if violated, would not, under the emergency, abnormal, or restorative

	<p>conditions anticipated by the preparations, be expected to affect the electrical state or capability of the FRCC Bulk Power System, or the ability to effectively monitor, control, or restore the FRCC Bulk Power System.</p> <p>A Medium Risk Factor requirement (a) is one that, if violated, could directly affect the electrical state or the capability of the FRCC Bulk Power System but is unlikely to lead to FRCC Bulk Power System instability, separation, or cascading failures; or (b) is a requirement in the planning time frame that , if violated, could under emergency, abnormal, or restorative conditions anticipated by the preparations, directly affect the electrical state or capability of the FRCC Bulk Power System, or the ability to effectively monitor and control the FRCC Bulk Power System but is unlikely, under emergency, abnormal, or restoration conditions anticipated by the preparations, to lead to FRCC Bulk Power System instability, separation, or cascading failures, nor to hinder restoration to a normal condition.</p> <p>A High Risk Factor requirement (a) is one that, if violated, could directly cause or contribute to FRCC Bulk Power System instability, separation, or a cascading sequence of failures, or could place the FRCC Bulk Power System at an unacceptable risk of instability, separation, or cascading failures, or (b) is a requirement in a planning time frame that, if violated, could under emergency, abnormal, or restorative conditions anticipated by the preparations, directly cause or contribute to FRCC Bulk Power System instability, separation, or a cascading sequence of failures, or could place the FRCC Bulk Power System at an unacceptable risk of instability, separation, or cascading failures, or could hinder restoration to a normal condition.</p>
Measure(s)	<p>Each requirement shall be addressed by one or more measures. Measures that will be used to assess performance and outcomes for the purpose of determining compliance with the requirements stated above. Each measure identifies to whom the measure applies and the expected level of performance or outcomes required to demonstrate compliance. Each measure shall be tangible, practical, and as objective as is practical. Achieving the measure should be a necessary and sufficient indicator that the requirement was met. Each measure shall clearly refer to the requirement(s) to which it applies.</p>
Compliance Monitoring Process	<p>The compliance elements define:</p> <ul style="list-style-type: none"> • The specific data or information that is required to measure performance or outcomes. • The entity that is responsible to provide the data or information for measuring performance or outcomes. • The process that will be used to evaluate data or information for the purpose of assessing performance or outcomes.

	<ul style="list-style-type: none"> • The entity that is responsible for evaluating data or information to assess performance or outcomes. • The time period in which performance or outcomes is measured, evaluated, and then reset. • Measurement data retention requirements and assignment of responsibility for data archiving.
Violation Severity Levels	Defines the degree to which compliance with a requirement was not achieved. The violation severity levels, are part of the standard and are approved with the standard.

III. Roles in the FRCC Regional Reliability Standard Development Process

Nomination, Modification, or Withdrawal of A Regional Standard

Any member of the FRCC, or group (i.e. committee, subcommittee, working group or task force) within the FRCC, shall be allowed to request that a FRCC Regional Reliability Standard be developed, modified, or withdrawn. Additionally, any interested party or any entity that is directly and materially affected by the reliability of the FRCC Bulk Power System shall be allowed to request that a FRCC Regional Reliability Standard be developed, modified, or withdrawn.

Standard Development Process Roles

FRCC Board of Directors – The FRCC Board of Directors shall consider for adoption as FRCC Regional Reliability Standards, those Standards that have been developed and approved by this process. Once the Board adopts a FRCC Regional Reliability Standard, such Standard shall be submitted to NERC for approval. When approved by NERC, it will be submitted to FERC for approval.

Registered Ballot Body (RBB) – The registered ballot body votes to approve FRCC Regional Reliability Standards. The RBB comprises all entities or persons that qualify for one of the FRCC Industry Sectors as defined in Section 1.2 of the FRCC Bylaws, and are registered with FRCC as potential ballot participants in the voting on standards. FRCC membership is not a requirement to participate in the development of and voting on FRCC Regional Reliability Standards. Any entity or person that has a material interest in the reliability of the FRCC Bulk Power System shall be allowed to register as potential ballot participants in the RBB. (See Appendix C)

Ballot Pool (BP) – Each standard action has its own BP formed of interested members of the RBB. The BP comprises those members of the RBB that respond to a pre-ballot survey for that particular standard that indicates their desire to participate in the ballot of that standard. The BP will vote to approve each FRCC Regional Reliability Standard.

FRCC Operating Committee (OC) and FRCC Planning Committee (PC) – The FRCC OC and the FRCC PC (both of which are balanced stakeholder committees, see Appendix C) shall have the primary responsibility for the development, modification or withdrawal of FRCC Regional Reliability Standards.

FRCC Standards Process Manager – The FRCC Regional Reliability Standard Development Process shall be administered by the FRCC Standards Process Manager. The FRCC Standards Process Manager will ensure the integrity of the process and the consistency of quality and completeness of the FRCC Regional Reliability Standards. The FRCC Standards Process Manager will facilitate all steps in this process, and will coordinate with NERC to ensure required information is posted on both NERC and FRCC websites.

Standard Drafting Team – A team of technical experts, such as FRCC Subcommittees, Working Groups, Task Forces, or the FRCC Staff, will be appointed by the FRCC OC and/or PC, that will:

- Develop the details of the FRCC Regional Reliability Standard,
- Consider and respond to industry comments,
- Participate in forums to help build consensus on draft FRCC Regional Reliability Standards,
- Assist in the implementation of approved FRCC Regional Reliability Standards,
- Provide technical oversight in response to changing industry conditions,
- Assist in the identification of the need for new FRCC Regional Reliability Standards.

FRCC Compliance Staff – The FRCC compliance staff provides input and comments during the standard development process to ensure the requirements are not ambiguous, that measures will be effective and that the compliance elements of a standard can be practically implemented.

IV. Steps in Developing a FRCC Regional Reliability Standard

Step 1 – Request a new FRCC Regional Reliability Standard or modification to, or withdrawal of an existing FRCC Regional Reliability Standard

A request to develop, modify or withdraw a FRCC Regional Reliability Standard shall be submitted to the FRCC Standards Process Manager (via email to FRCCStandard@frcc.com) by any member of the FRCC, or group (i.e. committee, subcommittee, working group or task force) within the FRCC, or any interested party or any entity that is directly and materially affected by reliability of the FRCC Bulk Power System. The FRCC Standards Process Manager will acknowledge receipt of the request within fifteen (15) calendar days of its receipt.

Step 2 – Assignment of FRCC Regional Reliability Standard Request

The FRCC Standards Process Manager will assign the request to the FRCC OC, the FRCC PC, or both as appropriate.

Step 3 – Posting of FRCC Regional Reliability Standard Request

The request for standard development, modification or withdrawal will be posted for notification and comment on the FRCC public website for a period of fifteen (15) calendar days, and will be reviewed by the FRCC OC and/or PC. A notice of the posting for comment will be sent to (1) the Registered Ballot Body, (2) the FRCC standing committees, subcommittees and working groups, (3) the Florida Public Service Commission, and (4) the SERC Southern Sub-region Reliability Coordinator to seek input on the proposed request.

Step 4 – Acceptance of a FRCC Regional Reliability Standard Request

The FRCC OC and/or the PC will review the request and any comments submitted to determine if the request received will be accepted or rejected within sixty (60) days of its submission. The decision will be posted and, if accepted, the OC and/or the PC will assign and direct a Standard Drafting Team to develop the draft Regional Reliability Standard. If the request is rejected, the FRCC Standards Process Manager will send notification to the entity making the request and to all entities that received the notice in Step 3 above.

Step 5 – Drafting and Posting of a FRCC Regional Reliability Standard

The FRCC OC and/or PC will assign a Standard Drafting Team, within 60 days of acceptance of the request, to develop, in a timely manner, a draft FRCC Regional Reliability Standard that will address the accepted request. The FRCC OC and/or PC may provide a timeframe that is desired for completion of the standard development.

Under the direction of the FRCC OC and/or PC, the Standard Drafting Team, will consider all comments received on the posting of the standard request and will develop a draft FRCC Regional Reliability Standard and corresponding implementation plan.

The draft FRCC Regional Reliability Standard, implementation plan and any supporting documents shall be posted for comments on the FRCC public website for a period of fifteen (15) calendar days, or such longer period as determined by the drafting team or as directed by the FRCC OC and/or the PC. Notice of the posting will go out to (1) the Registered Ballot Body, (2) the FRCC standing committees, subcommittees and working groups, (3) the Florida Public

Service Commission, and (4) the SERC Southern Sub-region Reliability Coordinator to seek comments.

Comments shall be submitted (via email) to the FRCC Standards Process Manager (FRCCStandard@frcc.com). All comments are due by the close of business on the 15th calendar day of posting, or such later date as determined by the drafting team or as directed by the FRCC OC and/or PC. If the comment due date falls on a weekend or nationally recognized holiday, the comments shall be due by the close of business on the next regularly scheduled business day.

Step 6 – Standards Drafting Team Review of Comments

All comments should be submitted electronically to the FRCC Standards Process Manager who will forward to the Standard Drafting Team for consideration. All timely comments will be considered.

Under the direction given by the FRCC OC and/or the PC, the Standard Drafting Team will review the comments received and revise the draft FRCC Regional Reliability Standard and/or implementation plan as needed. The Standard Drafting Team will develop written responses to each comment received.

All responses to the submitted comments will be documented and posted on the FRCC public website. If needed, a second draft of the FRCC Regional Reliability Standard will be posted for another comment period. Such comment period shall be fifteen (15) calendar days, or such longer period as determined by the drafting team or as directed by the FRCC OC and/or PC.

Notice of the posting will go out to (1) the Registered Ballot Body, (2) the FRCC standing committees, subcommittees and working groups, (3) the Florida Public Service Commission, and (4) the SERC Southern Sub-region Reliability Coordinator to seek comments.

Based on comments received to the posting, Step 6 will be repeated as necessary until the Standards Drafting Team believes the draft FRCC Regional Reliability Standard is ready to submit to the Ballot Pool for approval.

Step 7 –Establishment of Ballot Pool

The Standard Drafting Team shall submit the final draft of the proposed FRCC Regional Reliability Standard, along with any minority opinions, and all comments and written responses received during the posting(s), to the FRCC Standards Process Manager. The FRCC Standards Process Manager shall establish a Ballot Pool for standard action at least fifteen (15) calendar days prior to the start of a ballot. A pre-ballot survey will be sent to each entity of the RBB to determine their desire to be placed in the Ballot Pool. Once the ballot period opens, the Ballot Pool will be closed and changes to the Ballot Pool participation will not be allowed.

Step 8 – Ballot of the new or revised FRCC Regional Reliability Standard

The FRCC Standards Process Manager will post the final draft of the standard on the FRCC website at least fifteen (15) calendar days before a ballot can begin. The Ballot Pool shall have a minimum of ten (10) calendar days to vote on a standard. The Ballot Pool may vote to approve or not approve the standard. If approved, the FRCC Standards Process Manager will submit the FRCC Regional Reliability Standard, proposed implementation plan, and any supporting documents to the FRCC Board of Directors for adoption.

If approval by the Ballot Pool is not obtained, the PC and/or OC will determine if the draft standard is to be sent back to the standard drafting team to repeat step 6 to incorporate any comments, or to take no further action.

If no further action is taken, the reason for such will be posted on the FRCC public website. A notice of the posting will be sent to (1) the Registered Ballot Body, (2) the FRCC standing committees, subcommittees and working groups, (3) the Florida Public Service Commission, and (4) the SERC Southern Sub-region Reliability Coordinator.

Step 9 – Adoption of FRCC Regional Reliability Standards by the FRCC Board of Directors

At a regular or special meeting, the FRCC Board of Directors may consider adoption of the proposed FRCC Regional Reliability Standard that has been approved by the RBB Ballot Pool. A FRCC Regional Reliability Standard submitted for adoption by the FRCC Board of Directors must be posted for notification and comment on the FRCC public website at least ten (10) calendar days prior to action by the FRCC Board of Directors. Notice of the posting will be sent to (1) the Registered Ballot Body, (2) the FRCC standing committees, subcommittees and working groups, (3) the Florida Public Service Commission, and (4) the SERC Southern Sub-region Reliability Coordinator. The FRCC Board of Directors shall consider the comments received, the responses provided, and any dissenting opinions. The FRCC Board of Directors shall adopt or reject a FRCC Regional Reliability Standard as submitted, but may not modify the proposed FRCC Regional Reliability Standard. If the FRCC Board of Directors chooses not to adopt a FRCC Regional Reliability Standard, it shall provide its reasons for not doing so.

If the FRCC Board of Directors chooses not to adopt the proposed FRCC Regional Reliability Standard, the reason for such decision will be posted on the FRCC public website. Notice of the posting will be sent to (1) the Registered Ballot Body, (2) the FRCC standing committees, subcommittees and working groups, (3) the Florida Public Service Commission, and (4) the SERC Southern Sub-region Reliability Coordinator.

Step 10 – Submission to NERC and FERC

Once the FRCC Regional Reliability Standard is adopted by the FRCC Board of Directors, the FRCC Standard Process Manager shall submit the FRCC Regional Reliability Standard to NERC for approval. When approved by NERC, it shall be submitted by NERC to FERC for approval. If NERC or FERC rejects the FRCC Regional Reliability Standard, the FRCC Board of Directors will determine if the standard is to be sent back to the OC and/or PC to incorporate their comments or to take no further action on the standard. A FRCC Regional Reliability Standard that is adopted by the FRCC Board of Directors, approved by NERC and FERC, shall become effective on a date designated by FERC.

V. Special Procedures

Urgent Action

Under certain conditions, the entity making the request or the FRCC OC and/or the PC may designate a proposed or revised FRCC Regional Reliability Standard as requiring urgent action. Urgent action may be appropriate when a delay in implementing a proposed or revised FRCC Regional Reliability Standard will materially impact reliability of the Bulk Power System in the FRCC Region. The FRCC OC and/or the PC must use its judgment carefully to ensure an urgent action is truly necessary and not simply an expedient way to change or implement a FRCC Regional Reliability Standard.

The entity making the request, or the FRCC OC and/or the PC, will prepare a draft of the proposed FRCC Regional Reliability Standard and submit it to the Standards Process Manager for urgent action. The submission must include a justification for the urgent action. The Standards Process Manager shall immediately post the draft as specified in Step 5. The posting shall be a minimum of ten (10) calendar days before the RBB can consider the draft for approval. All comments received during the posting will be considered. Once approved by the RBB, the proposed urgent FRCC Regional Reliability Standard will be sent to the FRCC Board of Directors for adoption.

A FRCC Regional Reliability Standard that is adopted by the FRCC Board of Directors, as an urgent action shall have a termination date specified that shall not exceed 180 days from the approved date. Should there be a need to make the FRCC Regional Reliability Standard permanent, the replacement FRCC Regional Reliability Standard would be required to go through the full standards development process.

An urgent action FRCC Regional Reliability Standard that expires may be renewed by the FRCC Board of Directors using the urgent action process again, in the event a permanent FRCC Regional Reliability Standard has not been adopted. In determining whether to authorize the extension of an urgent action FRCC Regional Reliability Standard, the FRCC OC and/or the PC shall consider the impact to the reliability of the FRCC Bulk Electric System of not continuing the FRCC Regional Reliability Standard. In addition, consideration will be given to whether expeditious progress is being made toward a permanent replacement.

The FRCC OC and/or the PC shall not request the FRCC Board of Directors to extend an urgent action FRCC Regional Reliability Standard if there is insufficient progress toward adopting a permanent replacement FRCC Regional Standard or if the FRCC OC and/or the PC lack confidence that a reasonable completion date is achievable. The intent is to ensure that an urgent action FRCC Regional Reliability Standard does not in effect take on a degree of permanence due to the lack of an expeditious effort to develop a permanent replacement FRCC Regional Reliability Standard. With these principles, there is no pre-determined limit on the number of times an urgent action may be renewed. However, each urgent action FRCC Regional Reliability Standard renewal shall be effective only upon adoption by the FRCC Board of Directors, and approval by NERC and FERC.

Interpretations of Standards

Any member of the FRCC, or group within the FRCC, or an entity that is directly and materially affected by reliability of the FRCC Bulk Power System shall be permitted to request an interpretation of a FRCC Regional Reliability Standard. The entity requesting an interpretation shall send a request to the FRCC Standards Process Manager explaining the specific circumstances surrounding the request and what clarifications are required as applied to those circumstances. The request should indicate the material impact to the requesting party, or others, caused by the lack of clarity or a possible incorrect interpretation of the FRCC Regional Reliability Standard. The FRCC Standards Process Manager will assemble a team with the relevant expertise to address the clarification.

As soon as practical (but not more than thirty (30) calendar days following the receipt of the request), the team will draft a written interpretation of the FRCC Regional Reliability Standard addressing the issues raised. The FRCC Standards Process Manager will submit the written interpretation to the OC and/or PC for review and approval. If approved by the FRCC OC and/or the PC, the interpretation is appended to the FRCC Regional Reliability Standard and is effective immediately. The interpretation will stand until such time as the FRCC Regional Reliability Standard is revised through the normal process, at which time the FRCC Regional Reliability Standard will be modified to incorporate the clarifications provided by the interpretation.

Appeals

Any member of the FRCC, or group within the FRCC, or any entity that is directly and materially affected by reliability of the FRCC Bulk Power System, and who feel they have been or will be adversely affected by any substantive or procedural action or inaction related to the development, approval, revision, or withdrawal of a FRCC Regional Reliability Standard shall have the right to appeal. This appeals process applies only to the FRCC Regional Reliability Standards Process as defined in this document

The burden of proof to show adverse effect shall be on the appellant. Appeals shall be made within thirty (30) calendar days of the date of the action purported to cause the adverse effect. The final decisions of any appeal shall be documented in writing and posted on the FRCC public website. Notice of the posting will be sent to (1) the Registered Ballot Body, (2) the FRCC standing committees, subcommittees and working groups, (3) the Florida Public Service Commission, and (4) the SERC Southern Sub-region Reliability Coordinator .

The appeals process provides two levels, with the goal of expeditiously resolving the issue to the satisfaction of the participants:

Level 1 Appeal

Level 1 is the required first step in this appeals process. The appellant submits to the FRCC Standards Process Manager a complaint in writing that describes the substantive or procedural action associated with a FRCC Regional Reliability Standard or the FRCC Regional Reliability Standards Process. The appellant describes in the complaint the actual or potential adverse impact to the appellant. Assisted by any necessary staff and committee resources, the FRCC Standards Process Manager shall prepare a written

response addressed to the appellant as soon as practical but not more than forty-five (45) calendar days after receipt of the complaint. If the appellant accepts the response as a satisfactory resolution of the issue, both the complaint and response will be made a part of the record associated with the FRCC Regional Reliability Standard.

Level 2 Appeal

If after the Level 1 Appeal, the appellant remains unsatisfied with the resolution, notification shall be made in writing to the FRCC Standards Process Manager. Within thirty (30) calendar days of receiving the notification, the FRCC Standards Process Manager shall convene a Level 2 Appeals Panel. This panel shall consist of five members appointed by the FRCC Board of Directors. In all cases, Level 2 Appeals Panel members shall have no direct affiliation with the participants in the appeal.

The FRCC Standards Process Manager shall post on the FRCC public website the notice of the Level 2 appeal and other relevant materials. Notice of the posting will be sent to (1) the Registered Ballot Body, (2) the FRCC standing committees, subcommittees and working groups, (3) the Florida Public Service Commission, and (4) the SERC Southern Sub-region Reliability Coordinator. At least fifteen (15) calendar days notice of the meeting of the Level 2 Appeals Panel will be made. In addition to the appellant, any entity that is directly and materially affected by the reliability of the FRCC Bulk Power System, and who is directly and materially affected by the substantive or procedural action referenced in the complaint shall be heard by the panel.

The Level 2 Appeals Panel shall not consider any expansion of the scope of the appeal that was not presented in the Level 1 Appeal. The Level 2 Appeals Panel may in its decision find for the appellant and remand the issue to the FRCC OC and/or the PC for resolution with a statement of the issues and facts in regard to which fair and equitable action was not taken. The Level 2 Appeals Panel may find against the appellant with a specific statement of the facts that demonstrate fair and equitable treatment of the appellant and the appellant's objections.

The Level 2 Appeals Panel may not, however, revise, approve, disapprove, or adopt a FRCC Regional Reliability Standard, as these responsibilities remain with the FRCC Board of Directors. The actions of the Level 2 Appeals Panel shall be posted on the FRCC public website. Notice of the posting will be sent to (1) the Registered Ballot body, (2) the FRCC standing committees, subcommittees and working groups, (3) the Florida Public Service Commission, and (4) the SERC Southern Sub-region Reliability Coordinator.

VI. Maintenance of the FRCC Regional Reliability Standards and Process

Requests to Revise the FRCC Regional Reliability Standard Development Process

Any member of the FRCC, or group (i.e. committee, subcommittee, working group or task force) within the FRCC, or any entity that is directly and materially affected by the reliability of the FRCC Bulk Power System may submit a written request to modify the FRCC Regional Reliability Standard Development Process Manual. The FRCC Standards Process Manager shall oversee the handling of the request. The FRCC OC and/or the PC shall review the request and submit recommendations to the FRCC Board of Directors for consideration. The FRCC Board of Directors, on its own motion, may amend the FRCC Regional Reliability Standard Process.

Five-Year Review

Each FRCC Regional Reliability Standard shall be reviewed at least once every five (5) years. The review date will be determined from the effective date or the latest revision date whichever is later. The review process shall be conducted in accordance with Steps 1 through 10 of the FRCC Regional Reliability Standard Development Process Manual. As a result of this review, a FRCC Regional Reliability Standard shall be reaffirmed, revised, or withdrawn.

Filing of FRCC Regional Standards with Regulatory Agencies

All adopted FRCC Regional Reliability Standards will be filed with FERC.

APPENDIX A

Email completed form to FRCCStandard@frcc.com

FRCC Regional Reliability Standard Request Form

Title of Proposed Standard
Request Date

Requestor Information	TYPE (Check a box for each one that applies)
Name	<input type="checkbox"/> New Standard
Primary Contact	<input type="checkbox"/> Revision to existing Standard
Telephone	<input type="checkbox"/> Withdrawal of existing Standard
Fax	
Email	<input type="checkbox"/> Urgent Action

Purpose (Describe the purpose of the standard – what the standard will achieve in support of reliability)

Industry Need (Provide a detailed statement justifying the need for the proposed standard, along with any supporting documentation)

Brief Description (Describe the proposed standard in sufficient detail to clearly define the scope in a manner that can be easily understood by others)

FRCC Regional Reliability Standard Request Form

The Standard will Apply to the Following Functions (Check box for each one that applies)

<input type="checkbox"/>	Reliability Coordinator	Ensures the reliability of the bulk transmission system within its Reliability Authority area.
<input type="checkbox"/>	Balancing Authority	Integrates resource plans ahead of time, and maintains load-interchange-resource balance within its metered boundary and supports system frequency in real time
<input type="checkbox"/>	Planning Authority	Plans the Bulk Electric System
<input type="checkbox"/>	Resource Planner	Develops a long-term plan for the resource adequacy of specific loads within a Planning Authority area
<input type="checkbox"/>	Transmission Planner	Develops a long-term plan for the reliability of transmission systems within its portion of the Planning Authority area
<input type="checkbox"/>	Transmission Service Provider	Provides transmission services to qualified market agreements
<input type="checkbox"/>	Transmission Owner	Owens transmission facilities
<input type="checkbox"/>	Transmission Operator	Operates and maintains the transmission facilities, and executes switching orders
<input type="checkbox"/>	Distribution Provider	Provides and operates the “wires” between the transmission system and the customer
<input type="checkbox"/>	Generator Owner	Owens and maintains generation unit(s)
<input type="checkbox"/>	Generator Operator	Operates generation units(s) and performs the functions of supplying energy and Interconnected Operations Services
<input type="checkbox"/>	Purchasing-Selling Entity	The function of purchasing or selling energy, capacity, and all necessary Interconnected Operations Services as required
<input type="checkbox"/>	Load-Serving Entity	Secures energy and transmission (and related generation services) to serve the end user

FRCC Regional Reliability Standard Request Form

NERC Reliability Principles

Applicable Reliability Principles (Check box for all that apply.)	
	1. Interconnected bulk electric systems shall be planned and operated in a coordinated manner to perform reliably under normal and abnormal conditions as defined in the NERC Standards.
	2. The frequency and voltage of interconnected bulk electric systems shall be controlled within defined limits through the balancing of real and reactive power supply and demand.
	3. Information necessary for the planning and operation of interconnected bulk electric systems shall be made available to those entities responsible for planning and operating the systems reliably.
	4. Plans for emergency operation and system restoration of interconnected bulk electric systems shall be developed, coordinated, maintained, and implemented.
	5. Facilities for communication, monitoring, and control shall be provided, used, and maintained for the reliability of interconnected bulk electric systems.
	6. Personnel responsible for planning and operating interconnected bulk electric systems shall be trained, qualified, and have the responsibility and authority to implement actions.
	7. The security of the interconnected bulk electric systems shall be assessed, monitored, and maintained on a wide-area basis.

NERC Market Interface Principles

Does the proposed Standard comply with all of the following Market Interface Principles?	
Recognizing that reliability is an essential requirement of a robust North American economy:	
yes or no	1. A reliability standard shall not give any market participant an unfair competitive advantage.
yes or no	2. A reliability standard shall neither mandate nor prohibit any specific market structure.
yes or no	3. A reliability standard shall not preclude market solutions to achieving compliance with that standard.
yes or no	4. A reliability standard shall not require the public disclosure of commercially sensitive information. All market participants shall have equal opportunity to access commercially non-sensitive information that is required for compliance with reliability standards.

FRCC Regional Reliability Standard Request Form

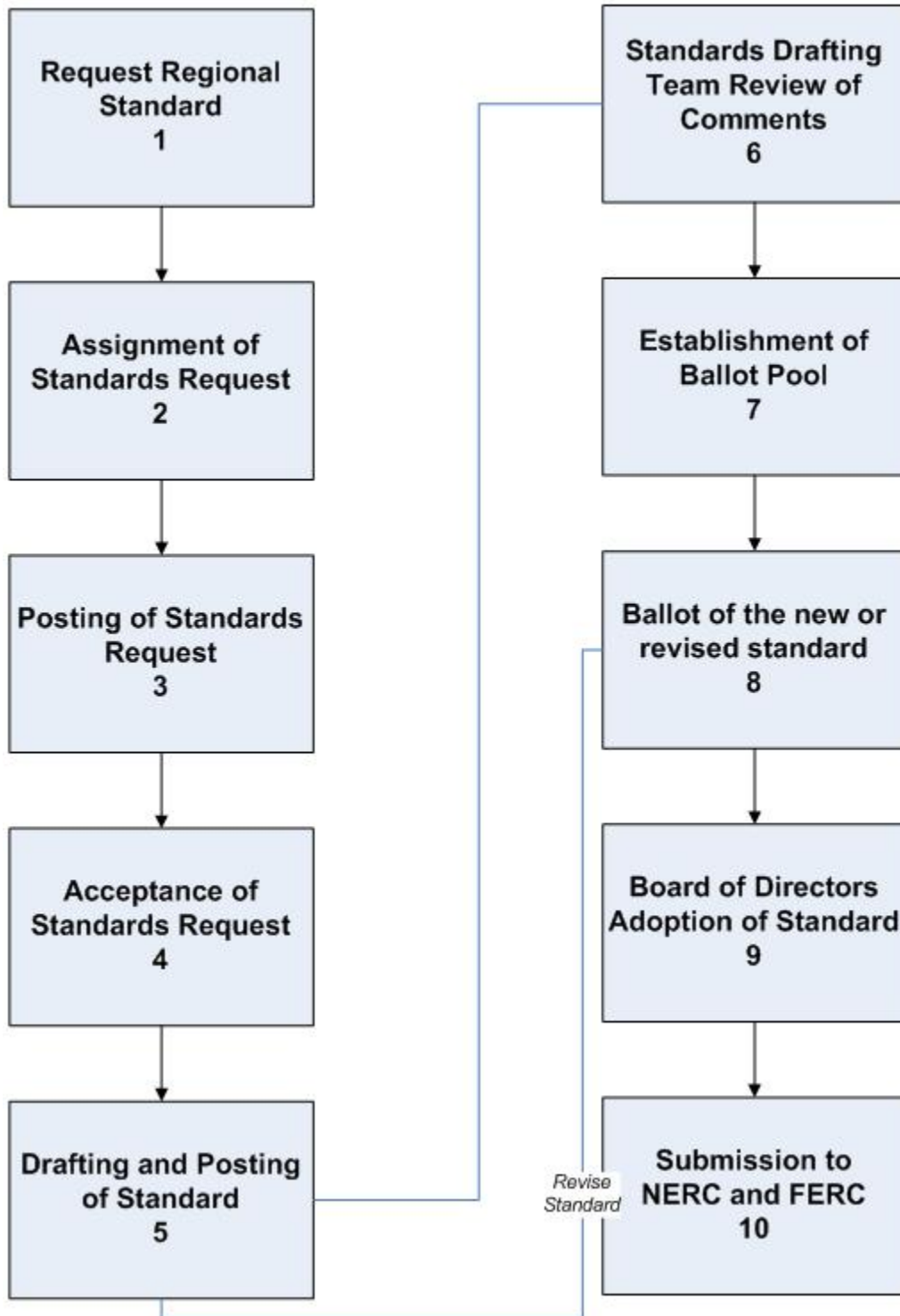
Related Standards

Standard No.	Explanation

<p>Proposed Implementation days after Board of Directors adoption or</p> <hr/> <p>On (date):</p>
--

APPENDIX B

Process Diagram



APPENDIX C

Development of and Voting of the Registered Ballot Body

1. Registration Procedures

The Registered Ballot Body (RBB) comprises all entities¹ and persons that:

- Qualify for one of the FRCC Industry Sectors, and
- Are registered with the FRCC as potential ballot participants in the voting on FRCC Regional Reliability Standards.

All registrations will be done electronically. All entities and persons will self-select to belong to the RBB. The sectors shall be identical to those in Section 1.2 of the FRCC Bylaws.

All RBB members will have the ability to vote on a standard. Voting will be done in writing (either email or facsimile) with each RBB member having one vote. The RBB representative will have the right to register and participate in ballot pools to cast their vote on a standard being considered for approval.

2. Sector Qualification Guidelines

The general guidelines are as follows:

- An entity or person may register in the RBB in any Sector in which it qualifies for provided that an entity or person registers as a potential ballot participant in only one (1) Sector.
- Any individual currently employed by an organization that is eligible to join one or more of the other five (5) sectors, shall not be qualified to join as a General Sector RBB member.

3. Ballot Pool Voting

A Ballot Pool will be established to vote on any proposed standards action. Each RBB member choosing to belong to a Ballot Pool will have one individual vote. Two-thirds of the individual votes of the Ballot Pool shall constitute a quorum.

Approval of a FRCC Regional Reliability Standard requires the affirmative vote of a two-thirds majority of the weighted sector votes cast. The number of votes cast in each sector is the sum of the affirmative and negative votes, excluding abstentions.

The following steps will be used to determine if there is sufficient affirmative votes:

1. The number of affirmative votes cast in each sector will be divided by the sum of affirmative and negative votes cast to determine the fractional affirmative vote for each sector. Abstentions will not be counted.

¹ An entity and all of its Affiliates (as defined in the FRCC Bylaws) shall be considered one entity for purposes of registering as a potential ballot participant.

2. The fractional affirmative vote for a sector will then be multiplied by the Sector Weight Factor to determine the weighted fractional affirmative vote for a sector. The Sector Weight Factors are:
 - a. Suppliers Sector: Weight Factor = 2.5
 - b. Non-Investor Owned Utility Wholesale Sector: Weight Factor = 2.0
 - c. Load Serving Entity Sector: Weight Factor = 1.0
 - d. Generating Load Serving Entity Sector: Weight Factor = 3.0
 - e. Investor Owned Utility Sector: Weight Factor = 3.5
 - f. General Sector: Weight Factor = 1.0
3. The sum of the weighted fractional affirmative votes from all sectors divided by the sum of the weights of the sectors voting will be used to determine if a two-thirds majority has been achieved. A sector will be considered as “voting” if any member of the sector in the Ballot Pool casts either an affirmative or negative vote.
4. A FRCC Regional Reliability Standard will be considered “approved” if the sum of the weighted fractional affirmative votes from all sectors divided by the sum of the weights of the voting sectors is two-thirds or greater.

History of Revisions

Approved March 2, 2006
Amended July 25, 2006
Amended October 24, 2006
Amended September 25, 2007

EXHIBIT D – COMPLIANCE MONITORING AND ENFORCEMENT PROGRAM

1.0 FRCC COMPLIANCE MONITORING AND ENFORCEMENT PROGRAM

1.1 Obligations of Florida Reliability Coordinating Council, Inc.

FRCC will implement the NERC Compliance Monitoring and Enforcement Program (Appendix 4C to the NERC Rules of Procedure) to monitor and enforce compliance with Reliability Standards by the owners, operators, and users within FRCC’s geographic boundaries set forth on **Exhibit A** of this Agreement, subject to any deviations from the NERC Compliance Monitoring and Enforcement Program described in Section 1.2 below (the “Compliance Program”).

1.2 Deviations from the NERC Compliance Monitoring and Enforcement Program

~~Florida Reliability Coordinating Council has no deviations. The FRCC has “customized” the NERC pro-forma document by changing “Compliance Enforcement Authority” and “Regional Entity” to “FRCC” where appropriate. FRCC has also removed any reference to “Applicable Governmental Authority” since our boundary is fully within the U.S. In addition, the following items are being identified to show where FRCC has provided additional process detail explaining how we will implement the NERC Compliance Monitoring and Enforcement Program. We believe these items add needed detail and clarification and do not constitute “deviations” from NERC’s Compliance Monitoring and Enforcement Program.~~

~~Section 1.1 – Definitions~~

~~The FRCC has added a definition for “Business Days”. Registered Entities may observe holidays differently than the FRCC. To ensure complete understanding of the term “business day” especially as it relates to the defined term “Required Date”, the FRCC has included the following definition:~~

~~*1.1.4 Business Days: Monday, Tuesday, Wednesday, Thursday and Friday with the following exceptions as defined by the yearly FRCC Holiday Schedule; New Years Day, Memorial Day, July 4th, Labor Day, Thanksgiving Day, the day after Thanksgiving, Christmas Eve, and Christmas Day.*~~

~~The FRCC has included a definition of “Reliability Standard”. This was missing and needed clarification:~~

~~*1.1.19 Reliability Standard: A NERC Reliability Standard or FRCC Regional Reliability Standard that has been approved by FERC for mandatory enforcement.*~~

~~Section 2.0 – Identification of Organization Responsible for complying with Reliability Standards~~

~~In the first paragraph, the FRCC removed the word “promptly” and replaced it with “within thirty (30) days” to clarify the time frame for which a Registered Entity is to notify the FRCC with changes in its registration information. Promptly is an ambiguous term and the 30 day~~

~~timeframe corresponds with the minimum compliance monitoring period currently identified in NERC's Reliability Standards.~~

~~Section 3.0—Compliance Monitoring and Enforcement Processes~~

~~The FRCC has added a paragraph that identifies the use of our FRCC Compliance Committee in a non-decisional review process. After initial determination of an alleged violation by the FRCC Compliance Staff, and after required notification to NERC and the Registered Entity, the FRCC Compliance Staff may provide their determinations to the FRCC Compliance Committee for a technical review. This review will only be initiated by FRCC Compliance Staff. Such review shall only be called when it is deemed to help provide an increased understanding of how to comply with Reliability Standards. This is especially important for those standard requirements that may lack the clarity necessary to ensure compliance and increased reliability. In addition the results of this technical review may provide information helpful to the FRCC Compliance Staff in making the final determination of an alleged violation. This review will not be used to determine penalties or sanctions for violations. The FRCC believes this process assures an increased understanding of standard requirements by both registered entities and compliance staff; helps build trust and transparency in the process and ultimately results in increased reliability to the bulk power system.~~

~~Section 5.2—Registered Entity Response~~

~~The FRCC has identified that a FRCC Board Compliance Committee will appoint a panel called the Compliance Advisory Panel to work with the Registered Entity to resolve any conflicts within the forty day period each time a Registered Entity contests an alleged violation and sanction and/or penalty. The FRCC believes this process will resolve many disputes, thereby reducing the number of costly and time-consuming formal hearings.~~

~~The FRCC has added a timeframe of 10 business days for a Registered Entity to request a hearing if the dispute was not resolved in the 40 days working with the Compliance Advisory Panel. This timing was needed to clarify the timeframe for the decision to be made.~~

~~Section 5.6—Notice of Penalty~~

~~The FRCC changed the word “The” to “Any” at the beginning of the 2nd paragraph to provide needed clarification. Words were added in the preceding paragraph to clarify that NERC may revise a penalty or sanction that the FRCC submits. The word “The” in the 2nd paragraph seemed to refer only to the revised penalty which is incorrect. The 2nd paragraph applies to any penalty that is ultimately filed with FERC.~~

~~Attachment 2—Hearing Procedures~~

~~The FRCC accepted the Hearing Procedures developed jointly by the Regional Entities in the Eastern Interconnection. However, we have made some changes to add detail or clarify the document.~~

Attachment 2 – Section 1.1.5 Definitions

~~Throughout Attachment 2 the FRCC has inserted the term “business” before days that are less than fifteen (15) to be consistent with the terminology in the body of the program document itself. This is supported by the inclusion of the definition of “business days” mentioned above. The FRCC added “and FRCC” to the first paragraph of this section to clarify that both the NERC pro-forma definitions and the FRCC added definitions are included.~~

Attachment 2 – Section 1.2.5 Computation of Time

~~The FRCC has deleted this section as we believe it to be very confusing. The definition of “business days” and the addition of the term “business” to clarify business days from calendar days eliminate the need for this section. We left it intentionally blank to keep the numbering the same for the rest of the document.~~

2.0 REGIONAL HEARING OF COMPLIANCE MATTERS

FRCC shall establish and maintain a hearing body with authority to conduct and 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, which shall be the FRCC Board Compliance Committee (BCC), a balanced compliance panel reporting directly to the FRCC’s Board of Directors.

The BCC will consist of one (1) Voting Member from each of the six (6) sectors in the FRCC, who shall be a member of the Board of Directors. Each year, two (2) members from each Sector of the FRCC Board of Directors will volunteer to serve in a BCC pool. At the time a hearing request is received, the Chair of the FRCC Board of Directors will appoint one member from each Sector to form the BCC for that hearing. The Board Member from the Registered Entity that has requested the hearing will not be selected for that BCC. In the event one (1) Sector of the FRCC declines to participate on the BCC, the Chair of the Board of Directors shall randomly select one (1) additional BCC member from the remaining five (5) Sectors to constitute the BCC. The Chair of the FRCC Board of Directors will appoint a Chair and Vice-Chair of the BCC. Terms of BCC members will be equivalent to the time it takes to complete the hearing for which they were selected. Members may be re-appointed to subsequent terms without any limits to the number of terms they serve.

FRCC Industry Sectors are as follows:

- One (1) Member from the Investor Owned Utility Sector
- One (1) Member from the Suppliers Sector
- One (1) Member from the Non-Investor Owned Utility Wholesale Sector
- One(1) Member from the Load Serving Entity Sector
- One (1) Member from the Generating Load Serving Entity Sector

- One (1) Member from the General Sector

Each member of the BCC shall be a full voting member. There will be no alternates or proxies for the BCC members. Decisions of the BCC shall require (i) a quorum to be present requiring at least fifty (50) percent of the number of members assigned to the BCC provided, however, that in each case at least four (4) eligible Sectors are represented and (ii) a majority vote of the members of the BCC voting on the decision.

3.0 OTHER DECISION-MAKING BODIES

The FRCC has engaged ~~NERC~~[the SERC Reliability Corporation \(SERC\)](#) to oversee the compliance monitoring and enforcement responsibility as related to FRCC's compliance with Reliability Standard requirements that are applicable to the functions for which FRCC is a Registered Entity.

THE SEPARATE FRCC

COMPLIANCE MONITORING AND ENFORCEMENT PROGRAM DOCUMENT

IS BEING DELETED IN ITS ENTIRETY FROM

THE DELEGATION AGREEMENT

Exhibit E — Funding

1. Scope of activities funded through the ERO funding mechanism

FRCC shall include in its annual budget submission to NERC amounts for costs it will incur in support of delegated activities and activities that are in furtherance of NERC's responsibilities as the ERO under the Act, as specified in the NERC Rules. These activities shall include:

- Reliability Standard Development (Section 300)
- Compliance Enforcement (Section 400)
- Organization Registration and Certification (Section 500)
- Reliability Readiness Evaluation and Improvement (Section 700)
- Reliability Assessment and Performance Analysis (Section 800) (including necessary data gathering activities)
- Training and Education (Section 900)
- Situational Awareness and Infrastructure Security (Section 1000)

2. Allocation of Costs

FRCC shall allocate its dues, fees, and other charges for its activities pursuant to the delegation agreement among all load-serving entities on the basis of net-energy-for load, unless a different method(s) of allocating and calculating such dues, fees and charges has been submitted to and approved by NERC and the Commission in accordance with Section 8(b) of the delegation agreement. FRCC shall submit to NERC annually at the same time it submits its budget request a list of the load-serving entities within its geographic boundaries and their proportionate net energy for load, and such other data and information as is necessary to allocate and calculate FRCC's dues, fees and charges under any such different method(s) of allocation and calculation that will be used.

3. Collection of Funding

(a) NERC shall submit invoices to the load-serving entities identified by FRCC covering the NERC and FRCC budgets approved for collection.

NERC shall pursue any non-payments and shall request assistance from applicable governmental authorities as necessary to secure collection.

(b) Upon approval of the annual funding requirements by applicable governmental authorities, NERC shall fund FRCC's costs identified in Section 1 of this Exhibit E in four equal quarterly payments.

4. Application of Penalties

All penalty monies received by FRCC ~~other than penalty monies received from an operational function or division or affiliated entity of FRCC~~ shall be applied as a general offset to the entity's budget requirements for U.S.-related activities under this Agreement

for the subsequent fiscal year. Funds from financial penalties shall not be directly applied to any program maintained by the investigating entity. ~~Any penalty monies received from an operational function or division or affiliated entity of FRCC shall be transmitted to or retained by NERC and shall be used by NERC as a general offset to NERC's budget for its activities as the ERO under the Act for the following year.~~

5. Budget and Funding for FRCC's Non-Statutory Activities

In addition to its delegated activities and activities that are in furtherance of NERC's responsibilities as the ERO under the Act, as specified in Section 1 of this **Exhibit E** (such other functions and activities being referred to herein as "statutory activities"), FRCC performs the following other functions and activities (such other functions and activities being referred to in this Section 5 as "non-statutory activities")

Non-Statutory Activities

The Member Services division of the FRCC provides, coordinates or administers a variety of services relating to the reliable planning and operation of the bulk power system in the FRCC Region. These services are carried out by the FRCC Planning Committee (PC) and the FRCC Operating Committee (OC), and its various subcommittees, task forces and working groups.

Planning Committee (PC)

The PC promotes the reliability of the bulk power system in the FRCC Region, and assesses and encourages generation and transmission adequacy. The PC, through the FRCC Regional Transmission Planning Process, provides a vehicle for ensuring that transmission planning within the FRCC will provide for the development of a robust transmission network within the FRCC Region. The activities of the PC include the activities of the following Member Services working groups: the Stability Working Group, the Transmission Working Group, the Resources Working Group, the ATG Working Group and the Fuel Reliability Working Group. The activities of these working groups pertain to the facilitated and coordinated effort for the running of engineering studies and communications in a cost effective, open and transparent manner for the members to complete common tasks to ensure future bulk power reliability. This includes any transmission planning that allows transmission owners to meet FERC's Order 890 requirement for wide area planning and implementation of data and reporting to the Florida Public Service Commission on resource adequacy and transmission reliability.

Operating Committee (OC)

The OC is responsible for the coordination, planning, operation and maintenance of reliable bulk power supply in the FRCC. Its primary reliability goals are the continuous improvement of the situational awareness of the operators interconnected within the FRCC, and ensuring that adequate physical, operational and cyber security objectives are in place for the Region's shared communications network. The OC ensures reliable operations are maintained through the development and implementation of the FRCC Security Process.

Operating Reliability Subcommittee (ORS)

The ORS provides overall administration for the development and implementation of operating procedures and other reliability matters. The ORS reviews and assesses regional import and export limits, scheduled transmission outages, real-time system reliability, events analysis, information and data exchange and other reliability issues. The ORS provides formal oversight and implementation of the Security Process which establishes the reliability responsibilities of the various entities within the Region and specifically monitors the agents responsible for performing the (RC) and Operations Planning Coordinator (OPC) functions.

Data Exchange Working Group (DEWG)

The DEWG, subordinate to the ORS, supports the real-time data needs of the FRCC Reliability Coordinator and other entities identified by the FRCC ORS, and for developing methodologies to facilitate the exchange of real-time, modeling, and other operational data to help assure reliable electric power system operations. Within the FRCC, all entities provide system data via the FRCC Reliability Data Link (RDL). The FRCC RDL receives all substation topology information, line flows, voltage levels, unit parameters, etc. from the operating entities on a real-time basis. Data is available to all.

FRCC Telecommunications Subcommittee (TS)

The TS provides formal oversight over the TS budget which is included in the OC budget. The primary purpose of the TS is to ensure that adequate and redundant communications facilities are made available to the operating entities within the FRCC. The TS administers the FRCC hotline program, Satellite phone program, RDL program and also ensures that reliable and redundant communications are maintained with NERCNet, from a Regional communications perspective. All TS programs are in support of the RC function and are therefore non-statutory, with the exception of the FRCC satellite phone program which is a tool used by the Regional Entity to perform situational awareness and thus is budgeted as statutory.

Non Statutory Situation Awareness and Infrastructure Security Program

This program maintains and enhances the situational awareness of the operators of the interconnected system by supporting the tools necessary to efficiently communicate Electricity Sector Information Sharing and Analysis Center information within and outside of the FRCC Region. The program also ensures that the FRCC entity shared communications networks, include the appropriate physical, operational, and cyber security protections in order to function reliably.

FRCC shall employ the following methods and procedures to (i) keep its funding mechanisms for its statutory activities separate from its funding mechanisms for its non-statutory activities, and (ii) record the costs it incurs in the performance of its non-statutory functions separately from the costs it incurs in the performance of its statutory functions:

(i) Separation of funding sources for statutory activities and non-statutory activities. The FRCC maintains a separate bank account for Statutory receivable collection. The statutory billing is done at the beginning of each quarter and an invoice is rendered to

NERC only for the statutory receivable. NERC wires monies due directly into the Statutory bank account. All non-statutory receivables are deposited into a separate bank account. Member Services invoices are rendered to each member quarterly and deposited into this separate account.

(ii) Separation of costs of statutory activities and non-statutory activities. FRCC has adopted the NERC Chart of Accounts for Expenses and the NERC Rules of Procedure Categories as well as Member Services Functional Categories and utilizes these in order to correctly code each invoice received for all goods and services as well as for staff to specify where their time is spent each day for their time accounting reports. These methods are used to ensure that no statutory funds are used to pay for non-statutory expenses and that no non-statutory funds are used to pay for statutory expenses.

Each employee and officer (with the exception of the President and CEO) turns in a time sheet with their time accounted for between statutory and non-statutory functions that they personally spent their time on. Within statutory and non-statutory they further break down their time by the function areas. Each employee and officer fills out their time sheet daily and turns them in every two weeks to the Controller. The employees use the department codes to split their time according to what they did that day. These times are totaled by the Controller and Full-Time Equivalents (FTE's) for each function are calculated.

Accounting personnel route to the responsible department head all invoices pertaining to their job responsibility. The department head assigns the functional category, signs the invoices and returns it to accounting for payment processing. The accounting staff evaluates and assigns the appropriate General Ledger account number based on the Chart of Accounts and enters both the account number and the department number on the accounts payable system. Expenses such as Facilities Rent, stationary, utilities and other items of a general nature are split to each of the functions based on FTE's, on a monthly basis. Only expenses that cannot be determined to be specifically for a particular function are split on an allocated basis. Any expenses received that are for a particular function within a particular area are charged directly to that area and are not split.

All expenses are reviewed by a Department Head, an Accounting Assistant and the Controller for accuracy of coding and assignment to particular functions whether that be for Statutory or Non-statutory.

FRCC shall provide its budget for such non-statutory activities to NERC at the same time that FRCC submits its annual budget request to NERC pursuant to Section 1. FRCC's budget for non-statutory activities that is provided to NERC shall contain a detailed list of FRCC's non-statutory activities, and a description of the funding sources for the non-statutory activities, FRCC agrees that no costs of non-statutory activities are to be included in the calculation of FRCC's dues, fees, and other charges for its statutory activities.

ATTACHMENT 7

PROPOSED REVISED

AMENDED AND RESTATED DELEGATION AGREEMENT

BETWEEN NERC AND

SOUTHWEST POWER POOL REGIONAL ENTITY

CLEAN VERSION

**AMENDED AND RESTATED DELEGATION AGREEMENT BETWEEN
NORTH AMERICAN ELECTRIC RELIABILITY CORPORATION
AND SOUTHWEST POWER POOL, INC.**

AMENDED AND RESTATED DELEGATION AGREEMENT (“Agreement”) made effective as of January 3, 2009, between the North American Electric Reliability Corporation (“NERC”), an organization certified by the Federal Energy Regulatory Commission (“Commission”) pursuant to Section 215(c) of the Federal Power Act to establish and enforce Reliability Standards for the bulk power system, and the Southwest Power Pool, Inc. (“SPP”), an organization established to develop and enforce Reliability Standards within the geographic boundaries identified on **Exhibit A** to this Agreement, and for other purposes. NERC and SPP may be individually referred to herein as “Party” or collectively as “Parties.”

WITNESSETH

WHEREAS, Subtitle A of the Electricity Modernization Act of 2005 added Section 215 to the Federal Power Act (16 U.S.C. § 824n) (hereafter “the Act”) and, among other things, provides for the establishment of an electric reliability organization (“ERO”) to develop and enforce Reliability Standards applicable to all owners, operators, and users of the bulk power system;

WHEREAS, the Commission has adopted regulations for the implementation of the Act set forth at Chapter I, Title 18, Code of Federal Regulations, Part 39, as adopted by Commission Order No. 672 in Docket No. RM05-30-000 on February 3, 2006 (114 FERC ¶ 61, 104; hereafter “Order 672”);

WHEREAS, the Commission has certified NERC as the ERO that will, in accordance with the Act, establish and enforce Reliability Standards for the bulk power system, subject to certain delegation provisions described below;

WHEREAS, the Act recognizes the international interdependency of electric reliability within North America and envisions the ERO and such applicable Regional Entities as international organizations;

WHEREAS, the Act and Section 39.8 of the Commission’s regulations provide for the delegation by the ERO of authority to propose and enforce Reliability Standards to regional entities such as SPP provided that:

(A) The Regional Entity is governed by —

- (i) an independent board;
- (ii) a balanced stakeholder board; or
- (iii) a combination independent and balanced stakeholder board.

(B) The Regional Entity otherwise satisfies the provisions of Section 215(c)(1) and (2) of the Act; and

(C) The agreement promotes effective and efficient administration of bulk power system reliability;

WHEREAS, certain Regional Entities are organized on an Interconnection-wide basis and are therefore entitled to the presumption set forth in the Act that: “[t]he ERO and the Commission shall rebuttably presume that a proposal for delegation to a Regional Entity organized on an Interconnection-wide basis promotes effective and efficient administration of bulk power system reliability and should be approved”;

WHEREAS, the Act further provides that the ERO shall rebuttably presume that a proposal from a Regional Entity organized on an Interconnection-wide basis for a Reliability Standard or modification to a Reliability Standard to be applicable on an Interconnection-wide basis is just, reasonable, and not unduly discriminatory or preferential, and in the public interest;

WHEREAS, SPP is not organized on an Interconnection-wide basis and therefore is not entitled to the rebuttable presumptions accorded such an entity;

WHEREAS, NERC will work through SPP to carry out certain of its activities in furtherance of its responsibilities as the electric reliability organization under the Act; and

WHEREAS, NERC has concluded that SPP meets all requirements of the Act, the Commission’s regulations, and the NERC Rules of Procedure as approved by the Commission (“NERC Rules”) necessary to qualify for delegation;

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained, NERC and SPP, agree as follows:

1. Definitions. The capitalized terms used in this Agreement shall be defined as set forth in the Act, the Commission’s regulations, or the NERC Rules or, if not so defined, shall be defined as follows:

(a) Breach means (i) the failure of a Party to perform or observe any material term, condition or covenant of the Agreement or (ii) a representation in Section 2 of the Agreement shall have become materially untrue.

(b) Cross-Border Regional Entity means a Regional Entity that encompasses a part of the United States and a part of Canada or Mexico.

(c) Delegated Authority means the authority delegated by NERC to SPP to propose and enforce Reliability Standards pursuant to the Act.

(d) SPP Rules means the bylaws, a rule of procedure or other organizational rule or protocol of SPP.

(e) Reliability Standard means a requirement approved by the Commission under Section 215 of the Federal Power Act to provide for reliable operation of the bulk power system. The term includes requirements for the operation of existing bulk power system facilities, including cyber security protection, and the design of planned additions or modifications to such facilities to the extent necessary for reliable operation of the bulk power system; but the term does not include any requirement to enlarge such facilities or to construct new transmission capacity or generation capacity.

2. Representations.

(a) For purposes of its Delegated Authority, SPP hereby represents and warrants to NERC that:

(i) SPP is and shall remain during the term of this Agreement validly existing and in good standing pursuant to all applicable laws relevant to this Agreement and that no applicable law, contract or other legal obligation prevents it from executing this Agreement and fulfilling its obligations hereunder. SPP is governed in accordance with its bylaws by an independent board. Pursuant to these bylaws, no two industry sectors can control any SPP decision and no single industry sector can veto any SPP decision. The relevant portions of such bylaws are attached hereto in **Exhibit B**¹, and as so attached are in full force and effect. No other such corporate governance documents are binding upon SPP.

(ii) As set forth in **Exhibit C** hereto², SPP has developed a standards development procedure, which provides the process that SPP may use to develop Regional Reliability Standards [and Regional Variances, if the regional entity is organized on an Interconnection-wide basis] that are proposed to NERC for adoption.

(iii) As set forth in **Exhibit D** hereto³, SPP has developed a regional compliance enforcement program, which provides for the enforcement of Reliability Standards within its geographic boundaries.

(b) NERC hereby represents and warrants to SPP that:

(i) It is and shall remain during the term of this Agreement validly existing and in good standing pursuant all applicable laws relevant to this Agreement and that no applicable law, contract or other legal obligation prevents it from executing this Agreement and fulfilling its obligations hereunder; and

(ii) It has been certified as the ERO by the Commission pursuant to the Act.

¹ The **Exhibit B** from each Regional Entity shall meet the requirements contained in **Exhibit B** to this pro forma Agreement.

² The **Exhibit C** from each Regional Entity shall meet the requirements contained in **Exhibit C** to this pro forma Agreement.

3. Covenants.

(a) During the term of this Agreement, SPP shall maintain and preserve its qualifications for delegation pursuant to the Act and shall not amend the SPP Rules without NERC's approval, which shall not be unreasonably withheld or delayed and which shall, in the case of a Regional Entity organized on an Interconnection-wide basis, be governed by the presumptions provided for in Section 215(d)(2) and (e)(4)(C) of the Act, and be subject to any required Commission approval.

(b) During the term of this agreement, NERC shall maintain its qualification and status as the ERO pursuant to the Act and, subject to the provisions of Sections 16 and 17 of this Agreement, NERC shall not adopt amendments to the NERC Rules that conflict with the rights, obligations or programs of SPP under this Agreement without first obtaining the consent of SPP, which consent shall not be unreasonably withheld or delayed.

(c) During the term of this agreement, NERC and SPP shall adhere to and require that all participants in their respective activities under this Agreement follow and comply with the NERC Antitrust Compliance Guidelines.

4. Delegation of Authority.

(a) Based upon the representations, warranties and covenants of SPP in Sections 2 and 3 above, the corporate governance documents set forth in **Exhibit B**, the standards development process set forth in **Exhibit C**, and the regional compliance enforcement program set forth in **Exhibit D**, NERC hereby delegates authority, pursuant to Section 215(e)(4) of the Act, to SPP for the purpose of proposing Reliability Standards to NERC, as set forth in Section 5 of this Agreement, and enforcing Reliability Standards, as set forth in Section 6 of this Agreement, within the geographic boundaries set forth on **Exhibit A**. No further redelegation of authority or responsibility, in total or in part, under this Agreement is allowed without NERC's express consent.

(b) For Cross-Border Regional Entities, the authority delegated by this Agreement shall extend only to the portion of the region identified on **Exhibit A** that is within the United States. Any delegation of authority by governmental authorities in Canada or Mexico shall be

³ The **Exhibit D** from each Regional Entity shall meet the requirements contained in **Exhibit D** to this pro forma Agreement.

governed by a separate agreement and is outside the scope of this Agreement; provided, however, that both SPP and NERC shall endeavor to ensure that this Agreement and such separate agreements are compatible.

(c) As a condition to this delegation of authority and subject to the provisions of section 16 of this Agreement, SPP shall comply with the applicable provisions of NERC's Certificate of Incorporation, Bylaws, Rules of Procedure, and Reliability Standards, as from time to time adopted, approved, or amended.

5. Reliability Standards.

(a) In connection with its Delegated Authority, SPP shall be entitled to:

(i) propose Reliability Standards, Regional Variances, or modifications thereof to NERC, which shall be considered by NERC through an open and inclusive process for proposing and adopting Reliability Standards that affords SPP reasonable notice and opportunity to be heard; and

(ii) develop Regional Reliability Standards [and Regional Variances, if Regional Entity is organized on an Interconnection-wide basis] through SPP's process as set forth in **Exhibit C**. Proposals approved through SPP's process shall be reviewed by the NERC Board of Trustees after NERC provides notice and an opportunity for interested persons to comment. In the case of a proposal from a Regional Entity organized on an Interconnection-wide basis, comments shall be limited to the factors identified in NERC Rule 313, section 3.1 as it may be amended from time to time. The NERC board of trustees shall promptly thereafter consider such proposed Regional Reliability Standard or Regional Variance, applying the rebuttable presumption described in subsection 5(b) if the proposed Regional Reliability Standard or Regional Variance is from a Regional Entity organized on an Interconnection-wide basis, and either approve the proposed standard and submit it to the Commission for approval, or disapprove it in writing setting forth its reasons. SPP may appeal any disapproval of a proposed Regional Reliability Standard or Regional Variance to the Commission.

(b) Pursuant to Section 215(d)(3) of the Act, NERC shall rebuttably presume that a proposal from a Regional Entity organized on an Interconnection-wide basis for a Regional Reliability Standard or Regional Variance or modification thereof to be applicable on an Interconnection-wide basis is just, reasonable, and not unduly discriminatory or preferential,

and in the public interest. Any person challenging such proposal from the INTERCONNECTION-WIDE REGIONAL ENTITY shall have the burden of proof. NERC shall not find that this presumption has been rebutted except based upon substantial evidence that has been disclosed to, and been subject to comment by, the INTERCONNECTION-WIDE REGIONAL ENTITY during NERC's review of the proposal.

6. Enforcement.

(a) In connection with its delegated authority pursuant to this Agreement, SPP shall enforce Reliability Standards (including Regional Reliability Standards and Regional Variances) within the geographic boundaries set forth in **Exhibit A** through the compliance enforcement program set forth in **Exhibit D**. NERC and SPP agree that this program meets all applicable requirements of the Act, Order 672 and the Commission's regulations, including, *inter alia*, the requirement for an audit program pursuant to Section 39.7(a) of the Commission's regulations, the assessment of penalties pursuant to Section 39.7(c) through 39.7(g) of the Commission's regulations and the requirements for due process. SPP may not change its compliance enforcement program set forth in **Exhibit D** absent NERC's approval, which shall not be unreasonably withheld or delayed. Subject to the rights and limitations of Sections 16 and 17 of this Agreement, SPP agrees to comply with the NERC Rules in implementing this program.

(b) SPP shall report promptly to NERC any self-reported violation or investigation of a violation or an alleged violation of a Reliability Standard and its eventual disposition. Such report shall include the owner's, operator's, or user's name, which Reliability Standard or Reliability Standards were violated or allegedly violated, when the violation or alleged violation occurred, other pertinent facts about the violation including circumstances surrounding the violation with any known risk to the bulk power system, when the violation was or will be mitigated, the name of a person knowledgeable about the violation or alleged violation to serve as a point of contact with the Commission, and any other information required by NERC compliance program procedures. NERC shall promptly forward such report to the Commission. NERC and SPP shall cooperate in filing such periodic summary reports as the Commission shall from time to time direct on violations of Reliability Standards and summary analyses of such violations.

(c) Each violation or alleged violation shall be treated as nonpublic until the matter is filed with the Commission as a notice of penalty or resolved by an admission that the owner, operator, or user of the bulk power system violated a Reliability Standard or by a settlement or other negotiated disposition. The disposition of each violation or alleged violation that relates to a Cybersecurity Incident or that would jeopardize the security of the bulk power system if publicly disclosed shall be nonpublic unless the Commission directs otherwise.

(d) All appeals of penalties imposed by SPP shall be filed with NERC, in accordance with the NERC Rules.

(e) SPP shall maintain the capability to conduct investigations of potential violations of Reliability Standards and to conduct such investigations in a confidential manner.

(f) SPP shall maintain a program of proactive enforcement audits including procedures for spot-checks of self-reported compliance and periodic audits of all responsible entities as defined in **Exhibit D**.

(g) As part of its compliance enforcement program, SPP shall maintain a conflict of interest policy that assures the integrity of such program and the independence of the compliance program staff from those subject to enforcement actions.

(h) As often as NERC deems necessary, but no less than every three years, NERC shall review SPP's compliance enforcement program to ensure that: (i) the program meets all applicable legal requirements; (ii) actual practices reflect the requirements; and (iii) the program administered pursuant to the Delegated Authority promotes consistent interpretations across North America of Reliability Standards and comparable levels of sanctions and penalties to violations of Reliability Standards constituting comparable levels of threat to reliability of the bulk power system.

(i) SPP shall modify its compliance enforcement program as needed to reflect additions to, deletions from, or modifications of Reliability Standards and, subject to the rights and limitations of Sections 16 and 17 of this Agreement, shall modify its compliance enforcement program as needed: (i) to reflect amendments to the NERC Rules; (ii) to comply with NERC directives resulting from the review of compliance enforcement programs as provided in Section 6(h) of this Agreement; or (iii) to resolve a conflict with a function, rule, order, tariff, rate schedule, or agreement accepted, approved, or ordered by the Commission.

(j) NERC shall conduct a review with the Regional Entities that provides for the exchange of information on practices, experiences, and lessons learned in the implementation of compliance enforcement programs.

7. Delegation-Related Services. NERC will engage SPP on its behalf to carry out certain of its activities that are in furtherance of its responsibilities as the ERO under the Act or in support of delegated functions, as specified in the NERC Rules and listed on **Exhibit E**.

8. Funding. SPP and NERC shall ensure that the delegated functions and related activities listed on **Exhibit E** have reasonable and adequate funding and resources by undertaking the following:

(a) NERC shall fund SPP activities necessary for SPP to carry out its Delegated Authority under this Agreement, including the functions listed on **Exhibit E**, and shall not impose any obligation or requirement regarding Delegated Authority upon SPP without providing appropriate funding to carry out such mandates;

(b) SPP and NERC agree that costs of carrying out SPP's responsibilities under the Delegation Agreement will be equitably allocated among end users within the geographic boundaries described in **Exhibit A** and recovered through a formula based on net energy for load, or through such other formula as is proposed by SPP and approved by NERC and the Commission. If SPP proposes to use a formula other than net energy for load beginning in the following year, SPP shall submit the proposed formula to NERC in sufficient time that NERC may review and approve the proposed formula and file it with the Commission for approval by May 15, and the proposed formula shall be effective for the following year if approved by the Commission on or before the date the Commission approves the annual business plan and budget submitted by NERC and SPP to the Commission pursuant to 18 C.F.R. §39.4 for such year;

(c) NERC will ensure that the costs for its responsibilities are first allocated fairly among the interconnections and regions according to the applicability of this work to those interconnections and regions, and then equitably among the end users of the applicable interconnections and regions as appropriate. Allocation on a net energy for load basis will be presumed to satisfy this equitability requirement.

(d) NERC shall provide SPP with the form for budget submittal no later than April 30 of the prior year.

(e) SPP shall submit its annual budget for carrying out its Delegated Authority functions and related activities listed on **Exhibit E**, as well as all other SPP activities and funding to NERC no later than June 1 of the prior fiscal year such that NERC may submit its budget to the Commission 130 days in advance of the beginning of each fiscal year. The SPP budget submission shall include supporting materials, including SPP's complete business plan and organization chart, explaining the proposed collection of all dues, fees and charges, and the proposed expenditure of funds collected in sufficient detail to justify the requested funding collection and budget expenditures. NERC shall develop, in consultation with the Regional Entities, a reasonable and consistent system of accounts, with a level of detail and record keeping comparable to the Commission's Uniform System of Accounts and sufficient to allow the Commission to compare each Commission-approved NERC fiscal year budget with the actual results at the NERC and Regional Entity level. SPP shall follow NERC's prescribed system of accounts except to the extent that NERC permits a departure from the prescribed system of accounts. NERC shall make an informational filing with the Commission describing any such waiver it permits and providing an explanation supporting the permitted departure.

(f) SPP's funding system shall include reasonable reserve funding for unforeseen and extraordinary expenses and other contingencies, consistent with generally accepted accounting principles.

(g) NERC shall review and approve SPP's budget for meeting its responsibilities under the Delegation Agreement.

(h) SPP shall submit unaudited quarterly interim financial statements in form provided by NERC no later than 20 days after the end of the fiscal quarter (March 31, June 30, September 30, and December 31).

(i) SPP shall submit audited financial statements annually including supporting materials in a form provided by NERC no later than 150 days after the end of the fiscal year.

(j) NERC shall have the right to review from time to time, in reasonable intervals but no less than every three years, the financial records of SPP in order to ensure that the documentation fairly represents in all material respects appropriate funding under this Agreement.

(k) **Exhibit E** to this Agreement sets forth the mechanism through which SPP RE shall offset penalty monies it receives against its next year's annual budget for carrying out functions under this Agreement.

9. Assignment. This Agreement may be assigned by either Party only with the prior written consent of the other, which consent shall be granted or withheld in such non-assigning Party's sole discretion, subject to approval by the Commission. Any assignment under this Agreement shall not relieve a Party of its obligations, nor shall a Party's obligations be enlarged, in whole or in part, by reason thereof. SPP may not delegate in whole or in part its Delegated Authority to any other entity; provided, however, that nothing in this provision shall prohibit SPP from contracting with other entities to assist it in carrying out its Delegated Authority, provided SPP retains control and responsibility for such Delegated Authority.

10. Default and Cure. Upon a Breach, the non-breaching Party shall give written notice of such Breach to the breaching Party (the "Default Notice"). Subject to a suspension of the following deadlines as specified below, the breaching Party shall have thirty (30) calendar days from receipt of the Default Notice within which to cure such Breach; provided however, that if such Breach is not capable of cure within thirty (30) calendar days, the breaching Party shall commence such cure within thirty (30) calendar days after notice and continuously and diligently complete such cure within ninety (90) calendar days from receipt of the Default Notice; and, if cured within such time, the Breach specified in such notice shall cease to exist. Subject to the limitation specified in the following sentence, if a Breach is not cured as provided in this article, or if a Breach is not capable of being cured within the period provided for herein, the nonbreaching Party shall have the right to declare a default and terminate this Agreement by written notice at any time until cure occurs, and be relieved of any further obligation hereunder. The deadlines for cure and the right to declare a default and terminate this Agreement shall be suspended during the pendency of any efforts or proceedings in accordance with Section 17 of this Agreement to resolve a dispute as to whether a Breach has occurred. The provisions of this article will survive termination of this Agreement.

11. Term and Termination.

(a) This Agreement is effective as of January 3, 2009 pursuant to the December 19, 2008 order of the Federal Energy Regulatory Commission (125 FERC ¶61,330).

(b) The initial term of the Agreement shall be four (4) years from the original effective date of May 2, 2007, prior to which time NERC shall conduct an audit pursuant to subsections 6(e) and 7(i) to ensure that SPP continues to meet all applicable statutory and regulatory requirements necessary to maintain its eligibility for delegation. If SPP meets such requirements, this Agreement may be renewed for another five (5) year term. If this Agreement is not renewed or becomes subject to termination for any reason, the Parties shall work to ensure a transition of SPP's Delegated Authority to NERC or to another eligible entity. The termination of this Agreement shall not take effect until such transition has been effected, unless the transition period exceeds one year, at which time SPP may unilaterally terminate.

(c) If any provision of this Agreement, or the application thereof to any person, entity or circumstance, is held by a court or regulatory authority of competent jurisdiction to be invalid, void, or unenforceable, or if a modification or condition to this Agreement is imposed by a regulatory authority exercising jurisdiction over this Agreement, the Parties shall endeavor in good faith to negotiate such amendment or amendments to this Agreement as will restore the relative benefits and obligations of the signatories under this Agreement immediately prior to such holding, modification or condition. If either Party finds such holding, modification or condition unacceptable and the Parties are unable to renegotiate a mutually acceptable resolution, either Party may unilaterally terminate this Agreement. Such termination shall be effective one year following written notice by either Party to the other Party and to the Commission, or at such other time as may be mutually agreed by SPP and NERC.

(d) Notwithstanding any termination of this Agreement, provisions contained in Limitation of Liability (Section 12), No Third Party Beneficiaries (Section 13) and Confidentiality (Section 14) shall survive this Agreement in accordance with their terms until sixty (60) days following the expiration of any applicable statute of limitations.

12. Limitation of Liability. SPP and NERC agree not to sue each other or their directors, officers, employees, and persons serving on their committees and subgroups based on any act or omission of any of the foregoing in the performance of duties pursuant to this Agreement or in conducting activities under the authority of Section 215 of the Act, other than seeking a review

of such action or inaction by the Commission. NERC and SPP shall not be liable to one another for any damages whatsoever, including without limitation, direct, indirect, incidental, special, multiple, consequential (including attorneys' fees and litigation costs), exemplary, or punitive damages arising out of or resulting from any act or omission associated with the performance of the SPP's or NERC's responsibilities under this Agreement or in conducting activities under the authority of Section 215 of the Act, except to the extent that the SPP or NERC is found liable for gross negligence or intentional misconduct, in which case SPP or NERC shall not be liable for any indirect, incidental, special, multiple, consequential (including without limitation attorneys' fees and litigation costs), exemplary, or punitive damages.

13. No Third Party Beneficiaries. Nothing in this Agreement shall be construed to create any duty to, any standard of care with reference to, or any liability to any third party.

14. Confidentiality. During the course of the Parties' performance under this Agreement, a Party may receive Confidential Information, as defined in Section 1500 of NERC's Rules of Procedure. Except as set forth herein, the Parties agree to keep in confidence and not to copy, disclose, or distribute any Confidential Information or any part thereof, without the prior written permission of the issuing Party, unless disclosure is required by subpoena, law, or other directive of a court, administrative agency, or arbitration panel, in which event the recipient hereby agrees to provide the Party that provided the Confidential Information with prompt notice of such request or requirement in order to enable such issuing Party to (a) seek an appropriate protective order or other remedy, (b) consult with the recipient with respect to taking steps to resist or narrow the scope of such request or legal process, or (c) waive compliance, in whole or in part, with the terms of this Section. In the event a protective order or other remedy is not obtained or the issuing Party waives compliance with the provisions, the recipient agrees to furnish only that portion of the Confidential Information which the recipient's counsel advises is legally required and to exercise best efforts to obtain assurance that confidential treatment will be accorded to such Confidential Information. In addition, each Party shall ensure that its officers, trustees, directors, employees, subcontractors and subcontractors' employees, and agents to whom Confidential Information is exposed are under obligations of confidentiality that are at least as restrictive as those contained herein. This

confidentiality provision does not prohibit reporting and disclosure as directed by NERC, as set forth in Section 6 of this Agreement.

15. Amendment. Neither this Agreement nor any of the terms hereof, may be amended unless such amendment is made in writing, signed by the Parties, and filed with and approved by the Commission.

16. Amendments to the NERC Rules. NERC shall not adopt amendments to the NERC Rules that conflict with the rights, obligations, or programs of SPP under this Agreement without first obtaining the consent of SPP, which consent shall not be unreasonably withheld or delayed. To the extent SPP does not consent, NERC shall have the right to invoke the dispute resolution provisions of Section 17 and, if such effort fails to resolve the dispute, to petition the Commission to adopt the amendment to the NERC Rules. To the extent that the Commission issues an order amending or materially affecting the rights or obligations of SPP under this Agreement, SPP shall have the option, exercisable no later than 60 days after issuance of such order, to terminate this Agreement. Such termination shall be effective one year following written notice by SPP to NERC and the Commission, or at such other time as may be mutually agreed by SPP and NERC.

17. Dispute Resolution. In the event a dispute arises under this Agreement between NERC and SPP, representatives of the Parties with authority to settle the dispute shall meet and confer in good faith in an effort to resolve the dispute in a timely manner. In the event the designated representatives are unable to resolve the dispute within thirty (30) days or such other period as the Parties may agree upon, each Party shall have all rights to pursue all remedies, except as expressly limited by the terms of this Agreement. Neither Party shall have the right to pursue other remedies until the Dispute Resolution procedures of this Section 17 have been exhausted. This Section 17 shall not apply to enforcement actions against individual entities.

18. Notice. Whether expressly so stated or not, all notices, demands, requests, and other communications required or permitted by or provided for in this Agreement shall be given in writing to a Party at the address set forth below, or at such other address as a Party shall

designate for itself in writing in accordance with this Section, and shall be delivered by hand or reputable overnight courier:

If to NERC:

North American Electric
Reliability Corporation
116-390 Village Blvd.
Princeton, NJ 08540-5721
Attn: David Nevius
Facsimile: (609) 452-9550

If to SPP:

Southwest Power Pool, Inc.
415 N. McKinley
Suite 140
Little Rock, AR 72205
Attn: Michael Desselle
Facsimile: (501) 664-9553

19. Governing Law. When not in conflict with or preempted by federal law, this Agreement will be governed by and construed in accordance with the laws of New Jersey without giving effect to the conflict of law principles thereof. The Parties recognize and agree not to contest the exclusive or primary jurisdiction of the Commission to interpret and apply this Agreement; provided however that if the Commission declines to exercise or is precluded from exercising jurisdiction of any action arising out of or concerning this Agreement, such action shall be brought in any state or federal court of competent jurisdiction in New Jersey. All Parties hereby consent to the jurisdiction of any state or federal court of competent jurisdiction in New Jersey for the purpose of hearing and determining any action not heard and determined by the Commission.

20. Headings. The headings and captions in this Agreement are for convenience of reference only and shall not define, limit, or otherwise affect any of the terms or provisions hereof.

21. Savings Clause. Nothing in this Agreement shall be construed to preempt or limit any authority that SPP may have to adopt reliability requirements or take other actions to ensure reliability of the bulk power system within the geographic boundaries described in **Exhibit A** that are outside the authority delegated from NERC, as long as such reliability requirements and actions are not inconsistent with Reliability Standards applicable to the region described in **Exhibit A** and do not result in a lessening of reliability outside the region described in **Exhibit A**.

22. **Entire Agreement.** This Agreement constitutes the entire agreement, and supersedes all prior agreements and understandings, both written and oral, among the parties with respect to the subject matter of this Agreement.

23. **Execution of Counterparts.** This Agreement may be executed in counterparts and each shall have the same force and effect as the original.

NOW THEREFORE, the parties have caused this Agreement to be executed by its duly authorized representatives, effective as of the date first above written.

NORTH AMERICAN
ELECTRIC RELIABILITY CORPORATION

SOUTHWEST POWER POOL, INC.

By: _____

By: _____

Name: David A. Whiteley

Name: Nicholas A. Brown

Title: Executive Vice President

Title: President

Date: _____, 2009

Date: _____, 2009

Regional Boundaries

Exhibit A Regional Boundaries

The geographic boundaries of Southwest Power Pool (SPP) are determined by the service areas of its membership, comprised of investor-owned utilities, municipal, cooperative, state and federal systems, merchant electricity generators and power marketers.

SPP covers an area of approximately 255,000 square miles of service territory (purple region depicted below) in all or part of eight states: Arkansas, Kansas, Louisiana, New Mexico, Mississippi, Missouri, Oklahoma, and Texas.

Service provided by SPP members in areas which overlap with neighboring regions:

- ◆ The area in northeastern Oklahoma is served by Western Farmers Electric Cooperative, Oklahoma Gas & Electric Company, Oklahoma Municipal Power Authority, Grand River Dam Authority, and AEP West.
- ◆ The area in Arkansas is served by Arkansas Electric Cooperative Corporation, Oklahoma Gas & Electric Company, and AEP West.
- ◆ The area in western Missouri is served by Aquila, Empire District Electric Company, City Power & Light (Independence, MO), City Utilities (Springfield, MO), Grand River Dam Authority, Kansas City Power & Light Company, City Power & Light (Independence, MO), and Southwestern Power Administration.

Within the SPP Region, compliance monitoring and enforcement functions with respect to reliability functions for which SPP is the registered entity are performed by SERC Reliability Corporation (SERC) pursuant to a contract between SPP and SERC dated as of (date).

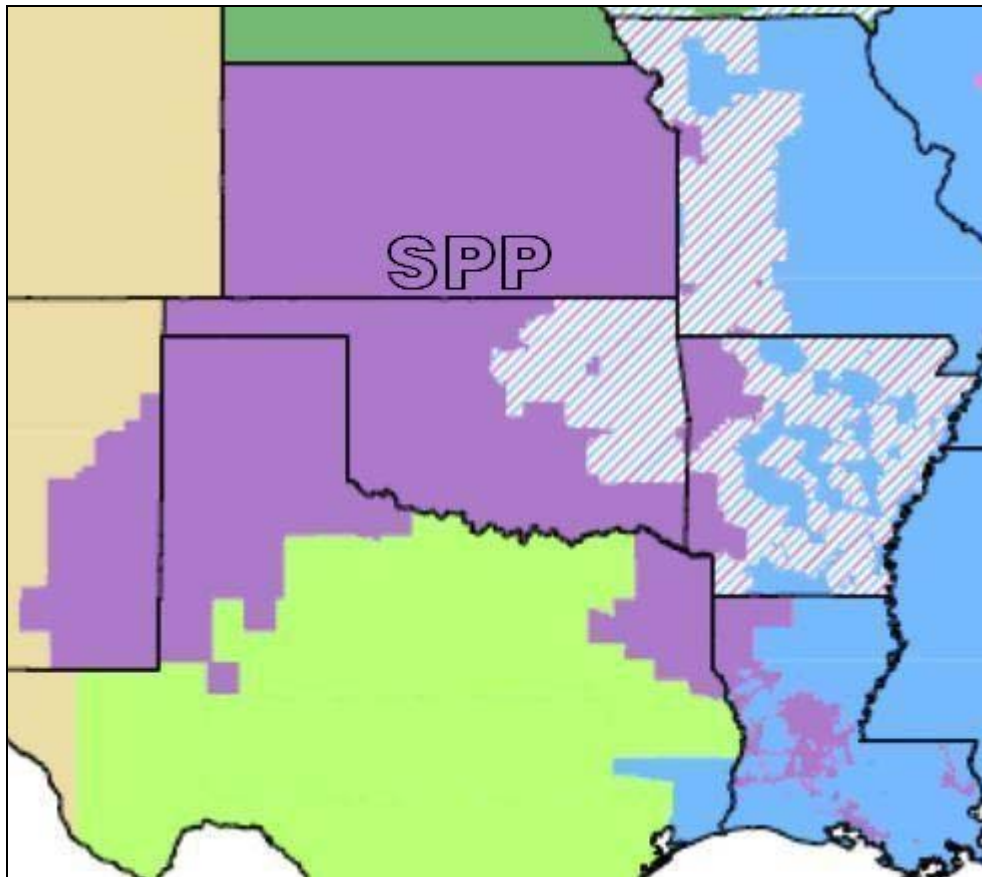


Exhibit B – Governance

Exhibit B shall set forth the Regional Entity’s bylaws, which NERC agrees demonstrate that the Regional Entity 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).)

Southwest Power Pool, Inc.
Bylaws
Original Volume No. 4

Southwest Power Pool, Inc.

B Y L A W S

Issued by: L. Patrick Bourne, Manager
Transmission and Regulatory Policy

Effective: May 1, 2004

Issued on: August 2, 2004

Filed to comply with order of the Federal Energy Regulatory Commission, Docket Nos. RT04-1-002 and ER04-48-002, issued July 2, 2004, 108 FERC ¶ 61,003.

Southwest Power Pool Bylaws
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BYLAWS
of
Southwest Power Pool, Inc.

PREAMBLE

The values and principles upon which SPP is incorporated and formed include: a relationship-based organization; member-driven processes; independence through diversity of Organizational Group membership; recognition that reliability and economic/equity issues are inseparable; and, deliberate evolutionary, as opposed to revolutionary, implementation of new concepts. These values and principles should guide those serving this organization. The Board of Directors will endeavor to ensure equity to all Members while also assuring the continuous adaptation to controlling conditions within these stated values and principles.

1.0 DEFINITIONS

1.1 Affiliate Relationships

Affiliate Relationships are relationships between SPP Members that have one or more of the following attributes in common:

- (a) are subsidiaries of the same company;
- (b) one Member is a subsidiary of another Member;
- (c) have, through an agency agreement, turned over control of a majority of their generation facilities to another Member;
- (d) have, through an agency agreement, turned over control of a majority of their transmission system to another Member, except to the extent that the facilities are turned over to an independent transmission company recognized by FERC;
- (e) have an exclusive marketing alliance between Members; or
- (f) ownership by one Member of ten percent or greater of another Member.

1.2 Articles of Incorporation

SPP's articles of incorporation as filed with the state of Arkansas.

1.3 Board of Directors

The Board of Directors of SPP, which shall manage the general business of SPP pursuant to these Bylaws.

1.4 Bylaws

These bylaws.

1.5 Criteria

Planning and operating standards and procedures as approved by the Board of Directors.

1.5a Existing Obligations

Certain financial obligations as defined in Section 8.7.1 of these Bylaws.

1.5b ERO

The Electric Reliability Organization under FERC jurisdiction that regulates reliability of the electric power grid.

1.6 Member

An entity that has met the requirements of Section 2.2 of these Bylaws.

1.7 Membership

The collective Members of SPP.

1.8 Membership Agreement

The contract, that specifies the rights and obligations of the parties, executed between SPP and an entity seeking to become an SPP member.

1.9 NERC

The North American Electric Reliability Corporation or successor organizations.

1.10 Net Energy for Load

The electrical energy requirements of an electric system are defined as system net generation plus energy received from others, less energy delivered to others through interchange. It includes system losses but excludes energy required for the storage at energy storage facilities.

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Filed to comply with order of the Federal Energy Regulatory Commission, Docket No. ER08-1380-000, Letter Order, Issued October 6, 2008.

1.11 Officers

The officers of SPP as elected by the Board of Directors. The Officers consist of the President and the Corporate Secretary, at a minimum. Any Officer must be independent of any Member organization.

1.12 Organizational Group

A group, other than the Board of Directors, comprising a committee or working group that is charged with specific responsibilities toward accomplishing SPP's mission.

1.13 Regional Criteria

SPP planning and operating standards and procedures as approved by the Board of Directors.

1.14 Regional Entity Trustees

A governing body of SPP, independent of the Board of Directors, which specifically oversees SPP's function as an ERO Regional Entity pursuant to the Delegation Agreement between SPP and the ERO.

1.15 Regional Reliability Standards

Electric reliability requirements submitted to the ERO by the Regional Entity Trustees; and once approved, implemented and enforced by SPP under authority as the Regional Entity.

1.16 Registered Entity(ies)

A bulk electric system owner, operator or user that is required to comply with ERO reliability standards pursuant to the Energy Policy Act of 2005.

1.17 SPP

Southwest Power Pool, Inc.

1.18 SPP Regional Entity

That part of SPP responsible for the delegated functions pursuant to the Delegation Agreement between SPP and the ERO.

1.19 SPP Compliance Monitoring and Enforcement Program

The program used by the North American Electric Reliability Corporation ("NERC") and the Regional Entities to monitor, assess, and enforce compliance with Reliability Standards within the United States.

1.20 Staff

The technical and administrative staff of SPP as hired by the Officers to accomplish SPP's mission.

1.21 Standards Development Team

An SPP Organizational Group assigned or choosing to develop an SPP Regional Reliability Standard for submission to the ERO for approval for enforcement.

1.22 Transmission Owning Member

A Member that has placed more than 500 miles of non-radial facilities operated at or above 60 kV under the independent administration of SPP for the provision of regional transmission service as set forth in the Membership Agreement.

1.23 Transmission Using Member

A Member that does not meet the definition of a Transmission Owning Member.

2.0 MEMBERSHIP

2.1 Qualifications

Membership in SPP is voluntary and is open to any electric utility, Federal power marketing agency, transmission service provider, any entity engaged in the business of producing, selling and/or purchasing electric energy for resale, and any entity willing to meet the membership requirements, including execution of the Membership Agreement. Membership also is open to any entity eligible to take service under the SPP Open Access Transmission Tariff (OATT). These entities desire the greater efficiency and service reliability gained through better coordination by voluntary association in SPP as constituted herein and in the SPP Articles of Incorporation. Members recognize that such association has a significant effect upon the availability and reliability of the bulk electric power supply of the region, and thereby affects the reliability of the nation's electric power supply.

2.2 Applications

Membership by an entity shall be obtained upon meeting the following requirements:

- (a) Meeting membership qualifications;
- (b) Providing an application for membership to the SPP President; and
- (c) Executing the Membership Agreement and delivering a signed copy to the President.

The President shall review applications, approve those meeting membership qualifications and promptly give written notice of the new Member to all other Members. The Board of Directors will review any disputes arising as to the qualifications of the new Member. Membership will commence at the beginning of the next calendar month following completion of these requirements or some other date as may be mutually agreed upon.

2.3 Member Responsibilities and Obligations

Members recognize that SPP exists and operates for the benefit of the bulk electric transmission system and to ensure the reliability of the nation's power supply. As such, Members are required to act to further these goals by participating in projects, and complying with regulatory requirements. Failure to comply with these provisions will be considered a violation of these Bylaws and the Member may be removed in accordance with the provisions for *Removal of Members* in the Membership Agreement.

2.4 Termination, Removal and Reinstatement

The Board of Directors may terminate the membership of any Member in accordance with the Membership Agreement. The President shall promptly give written notice of the removal to all other Members. Any former Member seeking to rejoin SPP shall apply to the Board of Directors for reinstatement. In its application for reinstatement, the former Member shall:

- (a) provide evidence that it has fully paid any accrued financial obligation to SPP;
- (b) demonstrate it has corrected the reason for its removal;
- (c) establish that it will be in compliance with SPP membership requirements; and
- (d) deliver an executed Membership Agreement to the President.

2.5 Participation in Regional Entity Activities

Participation in SPP Regional Entity activities is open to the public and does not require membership in SPP, Inc. nor any of the obligations of membership, including SPP, Inc.'s annual fee.

3.0 ORGANIZATIONAL ADMINISTRATION

3.1 Structure

Member input on decision-making shall be accomplished primarily through Membership participation in Organizational Groups. Members are expected to provide representation to Organizational Groups as requested. Unless otherwise provided in these Bylaws, Organizational Group representation will be appointed by the Board of Directors, who shall consider the various types and expertise of Members and their geographic locations, to achieve a widespread and effective representation of the Membership. The Chair of any Organizational Group may appoint any ad hoc task forces as necessary to fulfill its mission. Task force appointments shall be made with due consideration of the various types and expertise of Members and their geographic locations. Criteria for serving on an Organizational Group will be determined in the group's scope. Except for any full representation group, an appointment to an Organizational Group is for an individual, not a corporate entity. Participation in certain sessions of Organizational Group meetings where market sensitive issues are discussed may be restricted to persons representing entities that have executed ERO's Confidentiality Agreement. Representatives on all Organizational Groups will be documented in the SPP directory maintained by the Staff. Organizational Group vacancies will be filled on an interim basis by appointment of the President unless otherwise provided for in these Bylaws.

3.2 Attendance and Proxy

Except for the Market and Operations Policy Committee (MOPC), if a representative does not attend three consecutive Organizational Group meetings, he/she will be considered to have resigned from the group, absent express waiver of this requirement by the chair of the group. Any appeal of removal from the roster of an Organizational Group should be directed to the Corporate Secretary. Any resulting vacancy will be filled in accordance with Section 3.1 *Structure* of these Bylaws.

If a representative is unable to attend an Organizational Group meeting, he/she may in writing appoint a substitute representative who shall have such rights to participate and vote as the representative specifies. The substitute representative may be another member of the Organizational Group or another person who has the authority to act on behalf of the representative. A representative may not grant a proxy for more than three consecutive meetings without the express consent of the chair of the Organizational Group. If a representative exceeds the proxy limit, he/she will be considered to have resigned from the Organizational Group and the vacancy will be filled in accordance with these Bylaws; except, in the case of any full representation Organizational Group, in which case a new representative will be solicited from the member company.

A proxy provided to another representative of the Organizational Group will not be recorded as attendance at the meeting and will not serve to meet or maintain the quorum requirements. A proxy provided to another person with the authority to act on behalf of the representative will be recorded as attendance at a meeting for the purpose of meeting or maintaining the quorum requirements.

3.3 Leadership

3.3.1 Appointment

The Chair of all Organizational Groups shall be nominated by the Corporate Governance Committee for consideration and appointment by the Board of Directors. A Vice Chair shall be elected by the members of an Organizational Group, unless provided otherwise in these Bylaws. A Vice Chair shall act for a Chair:

- (a) at the request of the Chair;
- (b) if the Chair becomes incapacitated and unable to discharge the functions of the position; or
- (c) if the position of the Chair becomes vacant, until a new Chair takes office.

3.3.2 Terms

The terms of the Chair and Vice Chair of all Organizational Groups shall coincide with the two-year term of the Chair of the Board of Directors. Organizational Group representation will be reviewed annually for compliance with the Bylaws by the Corporate Governance Committee.

3.3.3 Vacancies

Should any individual having been appointed as a Chair of any Organizational Group be unable to serve for the term specified, or be unable to serve on a NERC Organizational Group under provisions of these Bylaws, a replacement shall be appointed by the Chair of the Board of Directors for the unexpired term of office.

3.4 Executive Authority

The Officers shall carry out the rights, duties, and obligations of SPP pursuant to the authority granted by the Board of Directors. Officers will execute the SPP Standards of Conduct upon employment. The Standards of Conduct outline the independence requirements for all employees of SPP. The Officers shall be empowered to:

- (a) employ qualified technical and administrative employees;
- (b) engage office space;
- (c) employ outside technical and special service organizations;
- (d) execute contracts;
- (e) provide for independent regional reliability coordination, transmission service administration, and other services as may be directed by the Board of Directors;
- (f) serve as SPP's representative before regulatory bodies, NERC, and in other public forums;
- (g) incur reasonable expenses; and
- (h) make Staff resources available to individual Members or groups of Members on a non-firm, non-priority, first-come-first-serve basis so as not to interfere with current or future needs and priorities established by SPP.

3.5 Meetings

Organizational Groups shall meet as necessary. SPP meetings shall be open, however, any Organizational Group may limit attendance at a meeting by an affirmative vote of the Organizational Group as necessary to safeguard confidentiality of sensitive information, including but not limited to Order 889 Code of Conduct requirements, personnel, financial, or legal matters. Representatives shall be given at least fifteen days written notice of the date, time, place and purpose of each regular or special meeting. Telephone conference meetings may be called as appropriate by the Chair of any Organizational Group with at least one-day prior notice.

3.6 Order of Business

The latest edition of Robert's Rules of Order will generally govern all SPP meetings on any point not specifically covered in these Bylaws.

3.7 Expenses

The expenses of a representative participating in the activities of SPP Organizational Groups and task forces shall be borne by that representative.

3.8 Quorum

The quorum for a meeting of the Markets and Operations Policy Committee or the Membership shall be those Members present. The quorum for any other Organizational Group or task force shall be one-half of the representatives thereof, but not less than three representatives; provided, that a lesser number may adjourn the meeting to a later time. The quorum for a meeting must be established and maintained throughout the meeting in order for the Organizational Group to take any binding action(s). Notwithstanding the above, any actions taken before a quorum is lost are considered valid and binding. A proxy will serve to meet the quorum requirements as described in Section 3.2 *Proxy* of these Bylaws.

3.9 Voting

3.9.1 Markets and Operations Policy Committee and Membership

Upon joining, Members shall be assigned to one of two Membership sectors for the sole purpose of voting on matters before the Markets and Operations Policy Committee or the Membership: Transmission Owning Members, or Transmission Using Members. Each sector votes separately with the result for that sector being a percent of approving votes to the total number of Members voting. An action is approved if the average of these two percentages is at

least sixty-six percent. If no Members are present within a sector, the single present sector-voting ratio will determine approval. Unless otherwise stated in these Bylaws, the Markets and Operations Policy Committee or the Membership may determine to vote on an issue by email. The outcome of any email vote must be recorded in the minutes for the group.

3.9.2 Organizational Groups and Task Forces

Each representative of an Organizational Group or Task Force shall have one vote. A simple majority of participants present or represented by proxy and voting shall be required for approval of an action for all other Organizational Group and Task Force action(s). Unless otherwise stated in these Bylaws, an Organizational Group or Task Force may determine to vote on an issue by email. The outcome of any email vote must be recorded in the minutes for the group.

If an Organizational Group is acting as a Standards Development Team as defined in Section 9.5 *Regional Reliability Standards Development Process* of these Bylaws, it will vote in accordance with the SPP Standards Development Process as approved by FERC.

3.10 Appeal

Should any Member or group of Members disagree on an action taken or recommended by any Organizational Group, such Member(s) may, in writing, appeal and submit an alternate recommendation to the Board of Directors prior to the meeting at which consideration of the action by the Board of Directors is scheduled.

3.11 Staff Independence and Support

SPP Staff members will be required to execute the SPP Standards of Conduct upon employment and annually thereafter. The Standards of Conduct outline the independence requirements for employees of SPP. The President shall assign to each Organizational Group an SPP Staff member, who shall attend all meetings and act as secretary to the Organizational Group and any ad hoc task forces of that group. Staff secretaries of all Organizational Groups and task forces shall be non-voting. Minutes shall be kept of pertinent discussion, business transacted, decisions reached, and actions taken at each meeting of SPP Organizational Groups or task forces by the secretary. Minutes shall be published within seven calendar days following a meeting but in any event in advance of the next meeting, and considered final documents upon their approval by the Organizational Group or task force.

3.12 Publications and Data Bases

SPP shall publish and distribute reports as necessary to fulfill the SPP mission. SPP shall also develop and maintain electronic databases of relevant technical information. The release of member-specific proprietary information will be governed by the appropriate SPP governing document (the OATT, the Membership Agreement, the Bylaws, the SPP Criteria) and/or a properly executed confidentiality agreement. Standard publications and standard forms of non-proprietary information will be made available at no charge

3.13 Dispute Resolution

These procedures are established for the equitable, efficient and expeditious resolution of disputes. These procedures are intended to cover disputes between any two or more Members, between Members and consenting non-members, or between SPP and any Member(s) or consenting non-member(s). SPP and Members are strongly encouraged to take part in the complete process herein described prior to litigation or the utilization of other dispute resolution processes. SPP administrative involvement in the proceeding is to coordinate with an appropriate firm or panel to facilitate the resolution of the dispute and to provide meeting coordination and facilities. These procedures do not apply to disputes that are covered by the dispute resolution procedures of the SPP OATT or the SPP Compliance Monitoring and Enforcement Program.

3.13.1 Instigation

Any Member may begin these dispute resolution procedures by making a request in writing to the President. The President will inform the Board of Directors of the initiation of any dispute resolution proceedings. This written request must contain the authorized signatures of all parties to the dispute. The request must contain:

- (a) a statement of the issues in dispute;
- (b) the positions of each of the parties relating to each of the issues;
- (c) the specific dispute resolution procedure desired; and
- (d) any agreed-upon modifications or specific additions to the proceedings described in these Bylaws by which the dispute may be resolved.

3.13.2 Dispute Resolution Process

In the event SPP is a party to the dispute, the parties shall engage a firm specializing in alternative dispute resolution to administer the dispute resolution process. The firm will be mutually determined by the parties and the process will be administered in accordance with these Bylaws and such other SPP governing documents as may be relevant to the proceeding. In the event the parties cannot mutually agree to the engagement of a firm, the dispute resolution process will be abandoned and other available means for resolution will be pursued.

In the event SPP is not a party to the dispute, the parties to the dispute may engage a firm specializing in alternative dispute resolution to administer the dispute resolution process. The firm will be mutually determined by the parties and the process will be administered in accordance with these Bylaws and such other SPP governing documents as may be relevant to the proceeding. In the event the parties cannot mutually agree to the engagement of a firm, and do not determine some other mutually acceptable procedure, the President of SPP shall provide to each party to the dispute a list of candidates to be used in forming a three-person dispute resolution panel. The candidates shall be persons meeting the requirements for directors. The President shall then call a telephone conference meeting during which each party shall alternate striking names from the list

until those remaining constitute the dispute resolution panel. This panel shall select a chair from its membership. Should any candidate decline to serve or resign from a current appointment for any reason, the candidate whose name was last struck from the list shall be contacted to serve. The President shall assign a Staff representative to assist the panel as secretary. The President shall manage the panel selection process to ensure its timely completion.

3.13.3 Resolution Procedures

The types of proceedings available for the resolution of disputes are:

- (a) An Advisory Proceeding to assist each party through discussion and advice, on a separate and individual basis without active participation in the joint discussions and negotiations, to resolve the dispute informally by mutual agreement;
- (b) A Mediation Proceeding to assist the parties through active participation in the joint discussions and negotiations (including specific recommendations of the issues in dispute) through which the parties indirectly attempt to resolve the dispute informally by mutual agreement;
- (c) A non-binding Dispute Resolution Proceeding to hear formal evidence on factual matters related to the issues submitted, make written findings and conclusions of fact, and issue specific written recommendations for resolution of each issue in dispute.
- (d) A binding Dispute Resolution Proceeding to hear formal evidence on factual matters related to the issues submitted, make written findings and conclusions of fact, and issue directives and awards for resolution of each issue in dispute.

The panel chair shall determine meeting arrangements and format necessary to efficiently expedite the resolution of the dispute, and the Staff secretary shall notify the parties of these details. Each party to the dispute must have at least one representative present at all related meetings with full authority to resolve the dispute. Upon conclusion of this process, the panel chair shall notify the President of its outcome. After consultation with the parties to the dispute

and the panel chair to determine the completion of the process as described herein, and/or as modified by the parties, the President shall discharge the panel, and notify the Board of Directors of the results. The parties to the dispute agree to complete the process within 90 days from selection of the panel. Final determinations may be subject to corporate or regulatory approvals, which the parties should disclose at the outset of the process. The Staff secretary shall maintain minutes of the panel meetings, which shall become part of SPP's historical records.

3.13.4 Expenses

The parties to the dispute shall share equally all reasonable charges for the meeting location, administrative costs, and related travel expenses of panel members. The parties to the dispute shall also share equally all reasonable compensation for time and service of panel members and related incremental expenses of the SPP Staff. The President shall determine reasonableness of time and service costs for panel members prior to process implementation. The SPP Staff secretary shall account for these expenses. Each party to the dispute shall be responsible for their respective associated expenses.

3.13.5 Liability

The parties to any dispute which is the subject of these dispute resolution procedures shall hold harmless SPP, its Members, Organizational Groups and each of their directors, officers, agents, employees or other representatives, and the panel members from any liabilities, claims, or damages resulting from any agreement or lack of agreement as a result of the dispute resolution proceedings. The foregoing hold harmless right shall not be extended to the parties to any given dispute or to their directors, officers, agents, employees or other representatives.

3.14 Meeting of Members

The Chair of the Board of Directors shall convene and preside over meetings of Members for the purpose of electing Directors, Members Committee representatives, and Regional Entity Trustees to positions becoming vacant in the ensuing year, and any other necessary business. The Membership shall meet at least once per calendar year.

3.15 Liability, Insurance and Indemnification

For purposes of this section “SPP” refers to SPP and its officers, directors, Regional Entity Trustees, employees or agents, and “Member” refers to the Members of SPP as defined in these Bylaws. None of the provisions of this section, including the waiver of liability in Section 3.15.1 below, absolving SPP or its Members, directors, Regional Entity Trustees, officer, agents, employees or other representatives of liability or any provisions for insurance or indemnification apply to actions which are unlawful, undertaken in bad faith, or are the result of gross negligence or willful misconduct.

3.15.1 Waiver of Liability

- (a) SPP shall not be liable to any Member for damages arising out of or related to any directive, order, procedure, action, or requirement of SPP, under the then effective Bylaws and Criteria.
- (b) No Member shall be liable to any other Member or to SPP for damages arising out of or related to any action by the Member pursuant to any directive, order, procedure, action or requirement of SPP, under the then effective Bylaws and Criteria.
- (c) Each Member waives any future claim it might have against SPP or other Members arising out of or resulting from any directive, order, procedure, action or requirement of SPP, under the then effective Bylaws and Criteria.
- (d) SPP waives any future claim it might have against any Member arising out of or resulting from any actions taken by a Member pursuant to any directive, order, procedure, action or requirement of SPP, under the then effective Bylaws and Criteria.

3.15.2 Insurance

The President is authorized to procure insurance to protect SPP, its directors, Regional Entity Trustees, officers, agents, employees, or other representatives against damages arising out of or related to any directive, order, procedure, action or requirement of SPP, under the then effective Bylaws and Criteria or pursuant to the OATT.

3.15.3 Indemnification of Directors, Officers, Agents and Employees

Except for actions which are unlawful, undertaken in bad faith, or are the result of gross negligence or willful misconduct, SPP shall indemnify its directors, officers, agents, employees, or other representatives to the maximum extent allowed by law consistent with these Bylaws. Each director, Regional Entity Trustee, officer, agent, employee, or other representative of SPP shall be indemnified by SPP against all judgments, penalties, fines, settlements, and reasonable expenses, including legal fees, incurred as a result of, or in connection with, any threatened, pending or completed civil, criminal, administrative, or investigative proceedings to which the incumbent may be made a party by reason of acting or having acted in official capacity as a director, Regional Entity Trustee, officer, agent, employee, or representative of SPP, or in any other capacity which the incumbent may hold at the request of SPP, as its representative in any other organization, subject to the following conditions:

- (a) Such director, Regional Entity Trustee, officer, agent, employee, or other representative must have acted in good faith and, in the case of criminal proceedings, must have had no reasonable cause to believe that conduct was unlawful; provided, that SPP shall not provide indemnification of any conduct judged unlawful in criminal proceedings. When acting in official capacity, the incumbent must have reasonably believed that conduct was in the best interests of SPP, and, when acting in any other capacity, must have reasonably believed that conduct was at least not opposed to the best interests of SPP.
- (b) If the proceeding was brought by or on behalf of SPP, however, indemnification shall be made only with respect to reasonable expenses referenced above. No indemnification of any kind shall be made in any such proceeding in which the director, Regional Entity Trustee, officer, agent, employee, or other representative shall have been adjudged liable to SPP.

- (c) In no event, however, will indemnification be made with respect to any described proceeding which charges or alleges improper personal benefit to a director, Regional Entity Trustee, officer, agent, employee, or other representative and where liability is imposed on the basis of the receipt of such improper personal benefit.
- (d) In order for any director, Regional Entity Trustee, agent, employee, or other representative to receive indemnification under this provision, the person shall vigorously assert and pursue any and all defenses to those claims, charges, or proceedings covered herein which are reasonable and legally available and shall fully cooperate with SPP or any attorneys involved in the defense of any such claim, charges, or proceedings on behalf of SPP.
- (e) No indemnification shall be made in any specific instance until it has been determined by SPP that indemnification is permissible in that specific case, under the standards set forth herein and that any expenses claimed or to be incurred are reasonable. These two (2) determinations shall be made by a majority vote of at least a quorum of the Board of Directors consisting solely of directors who were not parties to the proceeding for which indemnification or reimbursement of expenses is claimed. If such a quorum cannot be obtained, a majority of at least a quorum of the full Board of Directors, including directors who are parties to said proceeding, shall designate a special legal counsel who shall make said determinations on behalf of SPP.
- (f) Any reasonable expenses, as shall be determined above, that have been incurred by a director, Regional Entity Trustee, officer, agent, employee, or other representative who has been made a party to a proceeding as defined herein, may be paid or reimbursed in advance upon a majority vote of a quorum of the full Board of Directors, including those who may be a party to the same proceeding. However, such director, Regional Entity Trustee, officer, agent, employee, or other representative shall have provided SPP with (i) a written affirmation under oath that the incumbent, in good faith, believes the

conditions of indemnification herein have been met; and (ii) a written undertaking that the incumbent shall repay any amounts advanced, with interest accumulated at a reasonable rate, if it is ultimately determined that such conditions are not met.

3.15.4 Limitations

The provisions of this section 3.15 are subject to applicable state and federal laws, if any, which limit the ability of a Member to waive liability or enter into agreements of indemnity. Any benefits under this Section 3.15 shall not extend to any Member so limited by state or federal law in complying with the provisions thereof.

3.16 Compliance with Membership Requirements

Compliance monitoring of Members and Staff shall be performed to ensure compliance with all requirements of Membership. Certain SPP compliance monitoring and enforcement functions, as detailed in Section 9.0, shall be performed in concert with related ERO programs, and will be overseen by the Regional Entity Trustees. Other monitoring functions shall be provided by appropriate SPP staff under the oversight of the Oversight Committee and the Board of Directors. Compliance monitoring shall be an after-the-fact investigative and assessment function.

Monitoring functions shall include but are not limited to:

- (a) Investigation of all reports or discoveries of non-compliance with approved Bylaws, Regional Criteria, OATT, and agreements between SPP and its Members;
- (b) Obtaining all information needed to investigate all facets of possible non-compliance with Membership requirements;
- (c) Performance of in-depth reviews of operations in order to investigate non-compliance with Membership requirements upon approval from the Oversight Committee;
- (d) Comprehensive audits when recurring issues covering a broad spectrum of violations of Membership requirements are determined and documented;
- (e) Imposition of financial penalties and/or sanctions for non-compliance associated with the results of investigations or audits pursuant to approved standards, policies and/or Criteria;
- (f) Confirmation that SPP is conforming to its own Regional Criteria, OATT, business practices, and reliability operations in a manner that does not stifle the efficiency of the energy markets;
- (g) Utilization of dispute resolution procedures as necessary to resolve conflicts or appeals; and
- (h) Coordination of policy modifications to clearly define requirements and penalties in order to objectively monitor compliance with Membership requirements.

Issued by: L. Patrick Bourne, Director – Regulatory Policy

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3.17 Market Monitoring

SPP shall establish and provide appropriate support to a market monitoring function in accordance with its OATT. Market monitoring functions shall be carried out in a manner consistent with the safe and reliable operation of the SPP transmission system, the operation of a robust, competitive and non-discriminatory electric power market, and the principle that a Market Participant as defined in the SPP OATT, or group of Market Participants, shall not have undue influence or impact.

The market monitoring unit shall report to the Board of Directors. Any public reports submitted shall be provided to the Board of Directors and concurrently to the appropriate regulatory body or bodies. The President shall ensure that the market monitoring entity has adequate resources, access to information, and the full cooperation of Staff and Organizational Groups for the effective execution of its duties.

Market monitoring functions shall include but are not limited to:

- (a) Monitoring and reporting on compliance and market power issues relating to transmission services, including compliance and market power issues involving congestion management and ancillary services and the potential of any market participant(s) to exercise market power within the region by affecting available transmission capacity;
- (b) Evaluation and recommendation of any required modifications to the OATT, standards or Criteria;

- (c) Ensuring that the monitoring program is conducted in an independent and objective manner;
- (d) Development of reporting procedures to inform governmental agencies and others concerning market monitoring activities;
- (e) Monitoring the behavior of market participants to determine whether there is any behavior that hinders the reliable, efficient and non-discriminatory provision of transmission service by SPP;
- (f) Ensuring that SPP's involvement in markets does not discriminate in favor of any market participant or its own interests; and
- (g) Recommend plans for mitigating market power, subject to appropriate regulatory approval.

4.0 BOARD OF DIRECTORS

4.1 Duties

The Board of Directors shall at all times act in the best interest of SPP in its management, control and direction of the general business of SPP. The Board of Directors shall solicit and consider a straw vote from the Members Committee as an indication of the level of consensus among Members in advance of taking any actions other than those occurring in executive session. Its duties shall include, but are not limited to the following:

- (a) Direct activities of all SPP Organizational Groups;
- (b) Serve on SPP Organizational Groups;
- (c) Remove Members, and approve the re-entry of Members that have been removed;
- (d) Authorize all substantive contracts and debt instruments;
- (e) Select and review the performance of SPP Officers, who shall serve at the pleasure of the Board of Directors;
- (f) Approve policies by which positions, duties, qualifications, salaries, benefits and other necessary matters pertaining to the SPP Officers are determined;
- (g) Review, approve, disapprove or recommend revision to the actions of any Organizational Group;
- (h) Act on appeals pursuant to Section 3.10;

- (i) Approve and implement Regional Criteria for enforcement under the terms and conditions of the SPP Membership Agreement;
- (j) Provide input with the Members Committee to the Regional Entity Trustees, on SPP Regional Reliability Standards presented by the MOPC to the Trustees or otherwise developed under the auspices of the Trustees for submission to the ERO for its approval;
- (k) Approve or revise the operating and capital budgets and any additional expenditures;
- (l) Convene a meeting of Members at least annually;
- (m) Approve amendments to these Bylaws as permitted by these Bylaws;
- (n) Approve amendments to the Membership Agreement as permitted by the Membership Agreement;
- (o) Approve Regional Criteria pertaining to planning and operating standards and policies and penalties for non-compliance with such Criteria; and
- (p) Authorize filings with regulatory bodies.

4.2 Composition and Qualifications

4.2.1 Composition

The Board of Directors shall consist of seven persons. The seven directors shall be independent of any Member; one director shall be the President of SPP. A Director shall not be limited in the number of terms he/she may serve. The President shall be excluded from voting on business related to the office of President or the incumbent of that office. No other Staff member shall be permitted to serve as a director

4.2.2 Qualifications

Directors shall have recent and relevant senior management expertise and experience in one or more of the following disciplines: finance, accounting, electric transmission or generation planning or operation, law and regulation, commercial markets, and trading and associated risk management.

4.2.3 Conflicts of Interest

Directors shall not be a director, officer, or employee of, and shall have no direct business relationship, financial interest in, or other affiliation with, a Member or customer of services provided by SPP. Directors may invest in accordance with SPP's Standards of Conduct. Participation in a pension plan of a Member or customer shall not be deemed to be a direct financial benefit if the Member's or customer's financial performance has no material effect on such pension plan.

4.3 Term and Election

Except for the President, a director shall be elected at the meeting of Members to a three-year term commencing upon election and continuing until his/her duly elected successor takes office. The election process shall be as follows:

- (a) At least 90 calendar days prior to the meeting of Members when election of new directors is required, the Corporate Governance Committee shall commence the process to nominate persons equal in number to the directors to be elected;
- (b) At least 45 calendar days prior to the meeting of Members, the Corporate Governance Committee shall determine the persons it nominates for election as directors, specifying the nominee for any vacancy to be filled. The Corporate Secretary shall prepare the ballot accordingly and shall deliver same to Members at least 30 calendar days prior to the meeting of Members;
- (c) For purposes of electing or removing directors only, each group of Members with Affiliate Relationships shall be considered a single Member;
- (d) Any additional nominee(s) may be added to the ballot if a petition is received by the Corporate Secretary at least 15 calendar days prior to the meeting of Members and evidencing support of at least 20 percent of the existing Membership; and

- (e) 1) If only one candidate is nominated for a seat, each Member shall be entitled to cast a vote for or against the nominee. The votes will be calculated in accordance with Section 3.9 *Voting* of these Bylaws, which requires a super majority. In the event a director position is not filled, the Corporate Governance Committee will determine a new nominee for recommendation for election by the Membership at a special meeting of Members to be held no later than the next regular Board of Directors/Members Committee meeting;
- 2) If multiple candidates are nominated for a seat, each Member shall be entitled to cast a vote for only one nominee, but may vote against each candidate. The votes will be calculated in accordance with Section 3.9 *Voting* of these Bylaws, with the exception that a simple majority of votes cast will determine which nominee is elected. In the event a director position is not filled, the Corporate Governance Committee will determine a new nominee for recommendation for election by the Membership at a special meeting of Members to be held no later than the next regular Board of Directors/Members Committee meeting.

4.4 Resignation and Removal of Directors

Any director may resign by written notice to the President noting the effective date of the resignation. The Membership may remove a director with cause by vote in accordance with Section 3.9 *Voting* of these Bylaws. Removal proceedings may only be initiated by a petition signed by not less than twenty percent of the Members. The petition shall state the specific grounds for removal and shall specify whether the removal vote is to be taken at a special meeting of Members or at the next regular meeting of Members. A director who is the subject of removal proceedings shall be given fifteen days to respond to the Member petition in writing to the President.

4.5 Vacancies

If a vacancy occurs, the Corporate Governance Committee will present a nominee to the Membership for consideration and election to fill the vacancy for the unexpired term at a special meeting of Members following 30 calendar days notice from the Corporate Secretary. The election will be held in accordance with Section 4.3 *Term and Election* of these Bylaws. The replacement director shall take office immediately upon election.

4.6 Functioning of the Board of Directors

In reaching any decision and in considering the recommendations of any Organizational Group or task force, the Board of Directors shall abide by the principles in these Bylaws.

4.6.1 Meetings and Notice of Meetings

The Board of Directors shall meet at least three times per calendar year and additionally upon the call of the Chair or upon concurrence of at least four directors. At least fifteen days' written notice shall be given by the President to each director, the Members Committee, and the Regional State Committee of the date, time, place and purpose of a meeting of the Board of Directors, unless such notice is waived by the Board of Directors. Telephone conference meetings may be called as appropriate by the Chair with at least one-day prior notice. Board of Directors' meetings shall include the Members Committee, a representative from the Regional Entity Trustees, and a representative from the Regional State Committee (as defined in Section 7.2) for all meetings except when in executive

session; provided however, the failure of representatives of the Members Committee and/or of the Regional Entity Trustees and/or of the Regional State Committee to attend, in whole or in part, shall not prevent the Board of Directors from convening and conducting business, and taking binding votes. The Chair shall grant any Member's request to address the Board of Directors.

4.6.2 Chair and Vice Chair; Election and Terms

The Board of Directors shall elect from its membership a Chair and Vice Chair for two-year terms commencing upon election and continuing until their duly elected successors take office or until their term as a director expires without re-election. The President of SPP may not serve as the Chairman of the Board of Directors. The Vice Chair shall act for the Chair:

- (a) at the request of the Chair;
- (b) in the event the Chair should become incapacitated and unable to discharge the functions of the office; or
- (c) if the office of Chair becomes vacant, until the next regularly scheduled meeting of the Board of Directors, at which meeting a new Chair shall be elected by the Board of Directors to fill the vacancy. The Chair shall appoint a director to fill a vacant Vice Chair position until the next meeting of the Board of Directors, at which meeting a new Vice Chair shall be elected by the Board of Directors to fill the vacancy.

4.6.3 Quorum and Voting

Five of the directors shall constitute a quorum of the Board of Directors; provided, that a lesser number may adjourn the meeting to a later time. Decisions of the Board of Directors shall be by simple majority vote of the directors present and voting. Directors must be present at a meeting to vote; no votes by proxy are permitted. Voting will be by secret ballot. The Corporate Secretary will collect and tally the ballots, and announce the results of a vote. Only voting results will be announced and recorded in the minutes; individual votes will not be announced or recorded.

4.6.4 Compensation of Directors

Directors shall receive compensation as recommended by the Corporate Governance Committee, and approved by the Membership, and shall be reimbursed for actual expenses reasonably incurred or accrued in the performance of their duties.

4.6.5 Executive Session

Executive sessions (open only to directors and to parties invited by the Chair) shall be held as necessary upon agreement of the Board of Directors to safeguard confidentiality of sensitive information regarding employee, financial, or legal matters.

5.0 COMMITTEES ADVISING THE BOARD OF DIRECTORS

5.1 Members Committee

The Members Committee shall work with the Board of Directors to manage and direct the general business of SPP. Its duties shall include, but are not limited to the following:

- (a) Provide individual and collective input to the Board of Directors, including but not limited to a straw vote from the Members Committee representatives as an indication of the level of consensus among Members, on all actions pending before the Board of Directors; and
- (b) Serve on committees reporting to the Board of Directors as appointed by the Board of Directors.
- (c) Provide input with the Board of Directors to the Regional Entity Trustees on SPP Regional Reliability Standards presented by the MOPC to the Trustees or otherwise developed under the auspices of the Trustees for submission to the ERO for its approval.

5.1.1 Composition and Qualifications

5.1.1.1 Composition

Provided that Membership is sufficient to accommodate these provisions, the Members Committee shall consist of up to 19 persons. Four representatives shall be investor owned utilities Members; four representatives shall be cooperatives Members; two representatives shall be municipals Members (including municipal joint action agencies); three representatives shall

be independent power producers/marketers Members; two representatives shall be state/federal power agencies Members; two representatives shall be alternative power/public interest Members; one representative shall be a large retail customer Member; defined as non-residential end-use customers with individual or aggregated loads of 1-MW or more; and one representative shall be a small retail customer Member, defined as residential customers and other customers with individual or aggregated loads of less than 1-MW. Representatives will be elected in accordance with Section 5.1.2 of these Bylaws.

5.1.1.2 Qualifications

A representative shall be an officer or employee of a Member with decision-making responsibility over SPP related activities, and must be the Member's representative to the Membership.

5.1.2 Term and Election

Representatives shall be nominated by the Corporate Governance Committee and elected each year at the meeting of Members to staggered three-year terms commencing upon election and continuing until their duly elected successors take office. The election process shall be as follows:

- (a) At least 90 calendar days prior to the meeting of Members at which election of new representatives is required, the Corporate Governance Committee shall nominate persons equal in number to the representatives to be elected;
- (c) At least 30 calendar days prior to the meeting of Members, the Corporate Governance Committee shall determine the persons it nominates for election as representatives, specifying the nominee for any vacancy to be filled. The Corporate Secretary shall prepare the ballot accordingly, leaving space for additional names, and shall deliver same to Members at least two weeks prior to the meeting of Members;
- (c) For purposes of electing and removing representatives only, each group of Members with Affiliate Relationships shall be considered a single vote;
- (d) At the meeting of Members, any additional nominee or nominees may be added to the ballot if a motion is made and seconded to add such nominee or nominees; and
- (e) The required number of representatives shall be elected by written ballot. A Member shall be entitled to cast a number of votes equal to the number of representatives to be elected. A Member may not cumulate votes. The candidates in each sector receiving the greatest number of votes will fill vacancies.

5.1.3 Resignation and Removal of Members Committee Representatives

Any representative may resign by written notice to the President noting the effective date of the resignation. A representative may be removed, with cause, by the affirmative vote of a majority of the Members at a meeting of Members. Removal proceedings may only be initiated by a petition signed by not less than twenty percent of the Members. The petition shall state the specific grounds for removal and shall specify whether the removal vote is to be taken at a special meeting of Members or at the next regular meeting of Members. A representative who is the subject of removal proceedings shall be given fifteen days to respond to the Member petition in writing to the President.

5.1.4 Vacancies

If a vacancy occurs the Corporate Governance Committee may elect an interim representative from the same sector to serve until a replacement representative from the same sector is elected and takes office. A special election shall be held at the next meeting of Members to fill the vacancy for the unexpired term. The replacement representative shall take office immediately following the election.

5.1.5 Meetings

The Members Committee shall meet only with the Board of Directors.

6.0 COMMITTEES REPORTING TO THE BOARD OF DIRECTORS

This section describes the general scopes and responsibilities of the Organizational Groups reporting directly to the Board of Directors. Nothing in this section is meant to limit these responsibilities or activities in the effort to fulfill SPP's mission.

6.1 Markets and Operations Policy Committee

Each SPP Member shall appoint a representative to the Markets and Operations Policy Committee (MOPC). Each representative designated shall be an officer or employee of

the Member. The Board of Directors will appoint the Chair and Vice Chair of the MOPC. Each member of the MOPC may continue to be a member thereof until the appropriate Member appoints a successor.

The MOPC shall meet at least three times per calendar year, and additionally as needed. The MOPC shall report to the Board of Directors following each MOPC meeting with respect to its activities and with such recommendations, as the MOPC deems necessary.

The responsibilities of the Markets and Operations Policy Committee shall include:

- (a) Recommend practices for system design, planning, adequacy, regional transmission service tariff, interconnections, operation, reliability, market designs and efficiency, and market power mitigation that will help to assure efficient and reliable power supply among the systems in SPP and SPP transmission customers;
- (b) Coordinate and review with ERO Policies and Standards and their applicability to SPP, its Members, and Registered Entities in the SPP footprint;
- (c) Present any Regional Reliability Standards for ERO adoption in accordance with SPP's Standards Development Process.
- (d) Coordinate and oversee the work of any Standards Development Team(s).
- (e) Report to the Trustees on all standards recommended by working groups reporting to the MOPC.
- (f) Make appropriate recommendations to the Board of Directors and Regional Entity Trustees regarding SPP's compliance with ERO Policies and Standards;
- (g) Review Member operating plans and problems that are pertinent to SPP planning and operation;
- (h) Maintain an annual series of load flow and short circuit models and associated stability data bases representing the current and planned electric network of the region, and maintain a data base of all transmission, generation, and supporting facilities within SPP;
- (i) Review and assess the current and planned electric system of the region;
- (j) Make use of studies available from other regions;
- (k) Recommend to the Board of Directors criteria for planning, operations, and to assist in the efficiency and vitality of the wholesale electricity market;

- (l) Coordinate inter-regional and intra-regional plans and facilitate planning, information exchange, and operations between inter-regional and intra-regional groups;
- (m) Develop a coordinated plan for intra-regional transmission for greater efficiency and reliability of electric power supply;
- (n) Recommend to the Board of Directors and Members individual or joint action to improve the operation of the systems comprising SPP;
- (o) Respond to activities as requested by the Strategic Planning Committee and the Board of Directors;
- (p) Monitor the current state and evolution of the electric energy supply industry and proactively recommend commercial practices that meet industry needs and promote commerce;
- (q) Work with all SPP Organizational Groups to promote a high standard of operational reliability;
- (r) Continue coordination of its efforts with the efforts of North American Energy Standards Board (NAESB) and the ISO/RTO Council (IRC), including periodic review of NAESB business practices and IRC policies and their applicability to SPP and its Members;
- (s) Complete a self-assessment annually to determine how effectively the MOPC is meeting its responsibilities; and
- (t) Perform such other functions as the Board of Directors may delegate or direct.

6.2 Strategic Planning Committee

The Strategic Planning Committee (SPC) shall be comprised of eleven members. Three representatives shall be from the Board of Directors; four representatives from the Transmission Owning Member sector as nominated by the Corporate Governance Committee; and four representatives from the Transmission Using Member sector as nominated by the Corporate Governance Committee.

The Board of Directors shall appoint the representatives of the SPC. Each representative of the SPC shall continue to be a representative thereof until the Board of

Directors appoints his/her successor. Where a vacancy occurs, the Corporate Governance Committee will fill the vacancy on an interim basis until the next meeting of the Board of Directors.

The SPC shall meet at least twice per calendar year, and additionally as needed, provided that a quorum, as defined in these Bylaws, is present. The SPC shall report to the Board of Directors following each SPC meeting with respect to its activities and with such recommendations, as the SPC deems necessary.

The responsibilities of the Strategic Planning Committee shall include:

- (a) Gather information from SPP Members, customers, Staff, regulatory jurisdictions, market monitors, and legislative bodies on industry trends, forecasts and directions;
- (b) Assess the industry environment in which SPP will be operating;
- (c) Assess SPP's capabilities and competencies against the industry environment, including coordination with neighboring entities;
- (d) Develop and recommend to the Board of Directors a mission and vision statement and accompanying goals and objectives;
- (e) Formulate strategies to ensure achievement of SPP's mission statement, goals, objectives, and responsibilities, and recommend necessary modifications to SPP processes to carry out these strategies;
- (f) Work with other Organizational Groups in developing related action plans, schedules and budgets;
- (g) Complete a self-assessment annually to determine how effectively the SPC is meeting its responsibilities; and
- (h) Perform such other functions as the Board of Directors may delegate or direct.

6.3 Human Resources Committee

The Human Resources Committee (HRC) shall be comprised of six members. Two representatives shall be from the Board of Directors, one of whom shall serve as the Chair; two representatives from the Transmission Owning Member sector as nominated by the Corporate Governance Committee; and two representatives from the Transmission Using Member sector as nominated by the Corporate Governance Committee.

The Board of Directors shall appoint the representatives of the HRC. Each representative of the HRC shall continue to be a representative thereof until the Board of Directors appoints his/her successor. Where a vacancy occurs the Corporate Governance Committee will fill the vacancy on an interim basis until the next meeting of the Board of Directors.

The HRC shall meet at least twice per calendar year, and additionally as needed, provided that a quorum, as defined in these Bylaws, is present. The HRC shall report to the Board of Directors following each HRC meeting with respect to its activities and with such recommendations, as the HRC deems necessary.

The responsibilities of the Human Resources Committee shall include assistance to the Board of Directors in fulfilling its responsibility to the Members, and investment community with respect to the oversight of:

- (a) The development and administration of employee benefit programs;
- (b) The effectiveness of SPP's compensation plan for employees;
- (c) The activities of investment managers charged with managing employee benefit assets, including evaluation of performance;
- (d) Approve and monitor SPP staffing structure to ensure it accomplishes organizational mission;
- (e) Maintain current job description for the President and conduct annual performance evaluation;
- (f) Recommend policies by which positions, duties, qualifications, salaries, benefits and other necessary matters pertaining to the SPP Officers are determined;

- (g) Other duties and responsibilities detailed in the Human Resources Committee charter; and
- (h) Perform such other functions as the Board of Directors may delegate or direct.

6.4 Oversight Committee

The Oversight Committee (OC) shall be comprised of three members from the Board of Directors.

The Board of Directors shall appoint the representatives of the OC. Each representative of the OC shall continue to be a representative thereof until the Board of Directors appoints his/her successor. Where a vacancy occurs, the Board of Directors will fill the vacancy.

The OC shall meet as needed, provided that a quorum, as defined in these Bylaws, is present. The OC shall report to the Board of Directors following each OC meeting with respect to its activities and with such recommendations, as the OC deems necessary.

The responsibilities of the Oversight Committee shall include:

- (a) Oversee the process of monitoring compliance to SPP and NERC policies other than that assigned to the Regional Entity Trustees under these Bylaws;
- (b) Independently review activities of the Staff;
- (c) Hear and rule on appeals from Members regarding penalty assessment or fine distribution prior to dispute resolution proceedings;
- (d) Recommend Regional Criteria changes necessary for enforcement of mandatory compliance and in response to unclear enforcement provisions of Regional Criteria;
- (e) Grant specific additional authority to the Staff responsible for the oversight monitoring function when needed to perform challenging investigations;
- (f) Oversee the Internal Audit function and receive regular reports, except for that work associated with SAS70 Audit requirements and other financial matters;
- (g) Complete a self-assessment annually to determine how effectively the OC is meeting its responsibilities; and
- (h) Perform such other functions as the Board of Directors may delegate or direct.

6.5 Finance Committee

The Finance Committee (FC) shall be comprised of six members. Two representatives shall be from the Board of Directors, one of whom shall serve as the Chair; two representatives from the Transmission Owning Member sector as nominated by the Corporate Governance Committee; and two representatives from the Transmission Using Member sector as nominated by the Corporate Governance Committee.

The Board of Directors shall appoint the representatives of the FC. Each representative of the FC shall continue to be a representative thereof until the Board of Directors appoints his/her successor. Where a vacancy occurs the Corporate Governance Committee will fill the vacancy on an interim basis until the next meeting of the Board of Directors.

The FC shall meet at least twice per calendar year, and additionally as needed, provided that a quorum, as defined in these Bylaws, is present. The FC shall report to the Board of Directors following each FC meeting with respect to its activities and with such recommendations, as the FC deems necessary.

The responsibilities of the Finance Committee shall include assistance to the Board of Directors in fulfilling its responsibility to the Members, and investment community with respect to its oversight of:

- (a) The quality and integrity of SPP's financial statements;
- (b) SPP's compliance with financially-based legal and regulatory requirements;
- (c) The independent auditor's qualifications, selection, and independence;
- (d) The performance of SPP's internal audit function and independent auditors as relates to SAS70 Audit requirements;
- (e) The development and implementation of annual and long-term operating and capital budgets;
- (f) The management of risk;
- (g) Develop policies for management of debt financing and for long-term contracting;
- (h) Monitoring methodology for cost recovery to ensure continuing equity for Members;

- (i) Other duties and responsibilities detailed in the Finance Committee charter; and
- (j) Perform such other functions as the Board of Directors may delegate or direct.

6.6 Corporate Governance Committee

To the extent that the membership allows, the Corporate Governance Committee (CGC) shall be comprised of nine members. One representative shall be the President of SPP who will serve as the Chair; one representative shall be the Chairman of the Board, unless his/her position is under consideration, in which case the Vice Chairman of the Board; one representative shall be representative of and selected by investor owned utilities Members; one representative shall be representative of and selected by co-operatives Members; one representative shall be representative of and selected by municipals Members; one representative shall be representative of and selected by independent power producers/marketers Members; one representative shall be representative of and selected by state/federal power agencies Members; one representative shall be representative of and selected by alternative power/public interest Members; and one representative shall be representative of and selected by large/small retail Members.

Where a vacancy occurs with respect to a representative of a sector, the representatives from the appropriate sector will fill the vacancy.

The CGC shall meet at least once per calendar year, and additionally as needed, provided that a quorum, as defined in these Bylaws, is present. The CGC shall report to the Board of Directors following each CGC meeting with respect to its activities and with such recommendations, as the CGC deems necessary.

The responsibilities of the Corporate Governance Committee shall include:

- (a) Seek input from the Board of Directors, the Members Committee, or the Trustees as to the skills needed to fill any vacancy under consideration;
- (b) In the event of a vacancy or the replacement of an existing director, provide candidates identified by an independent executive search firm for consideration to the Members for election to the Board of Directors;
- (c) In the event of a vacancy or the replacement of an existing Trustee, provide candidates for consideration to the Members for election to the Regional Entity Trustees;

- (d) In the event of a vacancy or the replacement of an existing Members Committee representative, provide candidates for consideration to the Membership for election to the Members Committee;
- (e) Fill vacancies for Organizational Groups in accordance with these Bylaws;
- (f) Monitor the composition of the Board of Directors to ensure balance, independence, maintenance of qualifications under any applicable laws, avoidance of conflict of interest, and periodic review of the criteria for independence set out in the Bylaws and appropriate regulatory bodies, recommending changes, as appropriate;
- (g) Recommend to the Board of Directors the appointment of Organizational Group representatives and leadership except for the Corporate Governance Committee, whose representatives are elected by members in each category; the Members Committee, whose representatives are elected by the Membership; and the Market and Operations Policy Committee, whose representatives are appointed by the Members;
- (h) Develop criteria governing the overall composition of the Board of Directors for recommendation to the Membership;
- (i) Develop criteria governing the overall composition of the Regional Entity Trustees for recommendation to the Membership;
- (j) Coordinate an annual review and assessment of the effectiveness of the Board of Directors, its structure, and process;
- (k) Coordinate an annual review and assessment of the effectiveness of the Regional Entity Trustees, its structure, and process;
- (l) Review annually the structure of the Organizational Groups, and together with the Organizational Group Chairs, the charters of each Organizational Group, and recommend changes to the Board of Directors, as appropriate;
- (m) Review the self-assessments of the Organizational Groups to assure that they are being done on a consistent basis;

- (n) Develop recommendations for the Board of Directors regarding a Chair/Vice Chair succession policy;
- (o) Recommend compensation levels for the Board of Directors and Regional Entity Trustees to the Membership;
- (p) Complete a self-assessment annually to determine how effectively the CGC is meeting its responsibilities; and
- (q) Perform such other functions as the Board of Directors may delegate or direct.

7.0 REGULATORY INVOLVEMENT AND REGIONAL STATE COMMITTEE

Any regulatory agency having utility rates or services jurisdiction over a Member may participate fully in all SPP activities, including participation at the SPP Board of Directors meetings. These representatives shall have all the same rights as Members except the right to vote. Participation includes the designation of representatives by each of the regulatory jurisdictions to participate in any type of committee, working group, task force, and Board of Directors meetings.

7.1 Retention of State Regulatory Jurisdiction

Nothing in the formation or operation of SPP as a FERC recognized regional transmission organization is in any way intended to diminish existing state regulatory jurisdiction and authority. Each state regulatory agency is expressly reserved the right to exercise all lawful means available to protect its existing jurisdiction and authority.

7.2 Regional State Committee

An RSC, to be comprised of one designated commissioner from each state regulatory commission having jurisdiction over an SPP Member, shall be established to provide both direction and input on all matters pertinent to the participation of the Members in SPP. This direction and input shall be provided within the context of SPP's organizational group meetings as well as Board of Directors meetings. The SPP Staff will assist the RSC in its collective responsibilities and requests by providing information and analysis. SPP will fund the costs of the RSC pursuant to an annual budget developed by the RSC and submitted to SPP as part of its budgeting process, which budget must ultimately be approved by the Board of Directors.

The RSC has primary responsibility for determining regional proposals and the transition process in the following areas:

- (a) whether and to what extent participant funding will be used for transmission enhancements;
- (b) whether license plate or postage stamp rates will be used for the regional access charge;
- (c) FTR allocation, where a locational price methodology is used; and
- (d) the transition mechanism to be used to assure that existing firm customers receive FTRs equivalent to the customers' existing firm rights.

The RSC will also determine the approach for resource adequacy across the entire region. In addition, with respect to transmission planning, the RSC will determine whether transmission upgrades for remote resources will be included in the regional transmission planning process and the role of transmission owners in proposing transmission upgrades in the regional planning process.

As the RSC reaches decisions on the methodology that will be used to address any of these issues, SPP will file this methodology pursuant to Section 205 of the Federal Power Act. However, nothing in this section prohibits SPP from filing its own related proposal(s) pursuant to Section 205 of the Federal Power Act.

Issued by: L. Patrick Bourne, Manager
Transmission and Regulatory Policy

Effective: May 1, 2004

Issued on: August 2, 2004

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7.3 Retention of Other Regulatory Jurisdiction

Nothing in the formation or operation of SPP as a FERC recognized regional transmission organization is in any way intended to diminish the jurisdiction or authority of any other regulatory body. Any regulatory agency having utility rates or services jurisdiction over a Member or the regional transmission organization reserves the right to exercise all lawful means available to protect its existing jurisdiction and authority.

8.0 FISCAL ADMINISTRATION

The fiscal year shall coincide with the calendar year.

8.1 Operating Budget

SPP Staff and the Finance Committee will prepare an annual budget of expenditures for the next fiscal year and an estimate for an additional two years. The proposed budget shall be submitted to the Board of Directors not less than two weeks prior to the meeting at which the budget is to be considered for approval. Except as addressed in Section 9.0 *Regional Entity Function*, once approved by the Board of Directors, the budget shall constitute the authority required by the Officers for expenditures for the ensuing year. Modifications to the budget during the fiscal year must be recommended to the Board of Directors by the Finance Committee. The President shall have the authority to approve expenditures in accordance with SPP policy as approved by the Board of Directors.

8.2 Annual Membership Fee

All SPP Members will be subject to an annual membership fee in the amount of \$6,000, or other amount established by the Board of Directors. Unless otherwise agreed, Membership fees for new Members are due at the execution of the Membership Agreement. Membership fees are not subject to refund. The Board of Directors shall determine the annual membership fee for the upcoming year in advance of the last meeting of Members in a calendar year. Legitimate public interest groups (e.g. consumer advocates, environmental groups, or citizen participation groups) may seek a waiver of the annual membership fee. The request for waiver must be directed to the President in writing 90 days in advance of the start of each fiscal year.

8.3 ERO and Regional Entity Costs

SPP is a Regional Entity of the Electric Reliability Organization and is subject to the terms of the Delegation Agreement executed by SPP and the ERO. SPP will have certain functions as signatory to the Delegation Agreement related to the establishment and submission of annual budgets related to fulfillment of Regional Entity functions as well as participation in the costs incurred by ERO. The Delegation Agreement may specify SPP's responsibility to collect ERO costs from SPP's Regional Entity footprint, and may specify ERO's responsibility to fund SPP's Regional Entity budget.

SPP will clearly set out the costs associated with its operation as a Regional Entity within SPP's annual budget.

8.4 Monthly Assessments

SPP will assess certain Members described herein on a monthly basis all costs not otherwise collected. Costs recovered under the assessment will include but are not limited to all operating costs, financing costs, debt repayment, and capital expenditures associated with the performance of SPP's functions as assigned by the Board of Directors. Significant among these are costs associated with regional reliability coordination and the provision of transmission service. SPP shall determine the assessment rate based on its annual budgeted net expenditures divided by estimated annual Schedule 1 billing units for service sold under SPP's OATT and Member load eligible to take, but not taking, Network Integration Transmission Service under SPP's OATT. The Board of Directors may review the assumptions used in determining the assessment rate at any time and may adjust the assessment rate appropriately should conditions warrant. Each load-serving Member shall then be assessed the monthly assessment rate applied to its load eligible to take Network Integration Transmission Service under the SPP OATT. Further, each load-serving Member shall receive a credit against the monthly assessment for that month's Schedule 1 fees paid for Network Integration Transmission Service and for Point-to-Point Transmission Service that had a delivery point within the SPP region, under the SPP OATT.

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Effective: May 18, 2007

Filed to comply with order of the Federal Energy Regulatory Commission, Docket No. ER08-1380-000, Letter Order, Issued October 6, 2008.

8.5 Fiscal Agent

The President shall serve as the fiscal agent of SPP. The President shall keep an up-to-date record of receipts and disbursements and furnish reports to the Board of Directors and the Finance Committee.

8.6 Auditors

The Board of Directors shall annually engage an independent certified public accounting firm to perform an annual audit of SPP's financial records and prepare a report on the financial condition of SPP. The Finance Committee shall present the audit report to the Board of Directors upon completion.

8.7 Financial Obligation of Withdrawing Members

8.7.1 Existing Obligations

“Existing Obligations” are the following:

- a. Member's unpaid annual membership fee.
- b. Member's unpaid dues, assessments, and other amounts charged under Section 3.8 or otherwise under the Bylaws, plus the Member's share of costs SPP customarily includes in such dues, assessments or other charges, but which as of the Termination Date SPP had not included in such dues, assessments or other charges.
- c. Member's share (computed in accordance with the Bylaws) of the entire principal amounts of all SPP Financial Obligations outstanding as of the Termination Date. “Financial Obligations” are all long-term (in excess of six (6) months) financial obligations of SPP, including but not limited to the following:
 - i. debts under all loans, loan agreements, borrowings, promissory notes, bonds, and credit lines, under which SPP is obligated, including principal and interest;
 - ii. all payment obligations under equipment leases, financing leases, capital leases, real estate and office space leases, consulting contracts, and contracts for outsourced services;

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- iii. any unfunded liabilities of any SPP employee pension funds, whether or not liquidated or demanded; and
 - iv. the general and administrative overhead of SPP for a period of three (3) months.
- d. Any costs, expenses or liabilities incurred by SPP directly due to the Termination, regardless of when incurred or payable, and including without limitation prepayment premiums or penalties arising under SPP Financial Obligations.
- e. Member's share (computed in accordance with the Bylaws) of all interest that will become due for payment with respect to all interest bearing Financial Obligations after the Termination Date and until the maturity of all Financial Obligations in accordance with their respective terms ("Future Interest"). In the event that a Financial Obligation carries a variable interest rate, the interest rate in effect at the Termination Date shall be used to calculate the applicable Future Interest. In determining the Member's share of Future Interest, SPP shall take into account any reduction of Financial Obligations due to mitigation under this Section.

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Transmission and Regulatory Policy

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8.7.2 Computation of a Member's Existing Obligations

For purposes of computing the Existing Obligations of any withdrawing or terminated Member in accordance with the Membership Agreement, such "Member's share" is a percentage calculated as follows:

$$A = 100 [0.25(1/N) + 0.75(B/C)]$$

Where: A = Member's share (expressed as a percentage)

N = Total number of Members

B = The Member's previous year Net Energy for Load within SPP

C = Total of factor B for all Members

The Finance Committee shall have the discretion to reduce the Existing Obligations of any withdrawing or terminated Member, to reflect any SPP costs or expenses that may be mitigated in connection with such Member's withdrawal or termination. In the event of consolidation of affiliate memberships or the transfer of membership from one corporate entity to another, whereby one entity remains a member of SPP, the withdrawal obligation for the departing company(ies) may be waived at SPP's sole discretion.

9.0 REGIONAL ENTITY FUNCTION

9.1 Regional Entity

SPP operates as a Regional Entity under FERC jurisdiction with oversight powers delegated to it by the ERO. The Regional Entity Trustees shall appoint representatives to ERO organizational groups as necessary to represent the interests of the SPP Regional Entity. SPP may pay appropriate associated travel expenses of those appointed representatives upon receipt by the Secretary to the Trustees of an expense report as normally filed within the representative's system.

9.2 Regional Entity Staff

The Regional Entity Trustees will oversee staffing requirements for the SPP Regional Entity. All SPP Regional Entity staff shall report through the Regional Entity (RE) General Manager to the Trustees.

9.3 RE General Manager

The RE General Manager shall be selected by and report to the SPP Regional Entity Trustees, and will provide leadership and vision, oversee the execution of RE strategic direction, and direct the day-to-day operations of the RE. The RE General Manager shall carry out the rights, duties and obligations of the SPP RE pursuant to the authority granted by these Bylaws, the Regional Entity Trustees, and SPP corporate policies. The RE General Manager's responsibilities shall include but are not limited to:

- (a) Providing guidance and oversight of the execution of the performance of delegated statutory functions from the ERO;
- (b) Developing and managing an appropriate organizational structure and staffing levels to accomplish the RE functions;
- (c) Developing an annual RE business plan and budget for RE Trustee, NERC and FERC approval;
- (d) Providing sound fiscal management;
- (e) Ensuring compliance with SPP's Bylaws and Regional Entity Delegation Agreement, as well as other applicable federal, state, and local laws; and
- (f) Interfacing with SPP members and stakeholders, federal and state regulators, other Regional Entities, and NERC on matters related to the reliability of the bulk power system.

The President shall ensure that the RE General Manager has adequate resources, access to information, and the full cooperation of Staff and Organizational Groups for the effective execution of his/her duties.

9.4 Duties of Regional Entity Staff

Regional Entity functions related to compliance monitoring and enforcement shall include but are not limited to:

- (a) Investigation of all reports or discoveries of non-compliance with approved ERO policies and standards;
- (b) Obtaining all information needed to investigate all facets of possible noncompliance with ERO policies and standards;
- (c) Performance of in-depth reviews of operations in conjunction with the Compliance Monitoring and Enforcement Program (CMEP);
- (d) Comprehensive audits when recurring issues covering a broad spectrum of violations of ERO policies and standards are determined and documented;
- (e) Recommendation of financial penalties and/or sanctions for non-compliance with ERO policies and standards pursuant to ERO guidelines;
- (f) Assist the Regional Entity Trustees with third party audits to confirm that SPP is conforming to ERO policies and standards;
- (g) Utilization of dispute resolution procedures as necessary to resolve conflicts or appeals; and
- (h) Coordination of policy modifications to clearly define ERO requirements, and penalties in order to objectively monitor compliance.

9.5 Regional Reliability Standards Development Process

When an SPP working group or task force is considering an SPP Regional Reliability Standard, it will be designated the Standards Development Team (SDT) for that Standard in accordance with the SPP Regional Entity Standards Development Process Manual. For purposes of an SDT, participation and voting will be open to any interested party in accordance with the Standards Development Process and without regard to membership status in SPP.

9.6 Compliance Monitoring and Enforcement Program

The Regional Entity Trustees will oversee SPP's Compliance Monitoring and Enforcement Program (CMEP). The CMEP will enforce compliance according to ERO reliability standards

for Registered Entities. Regional Entity staff shall oversee compliance auditing of registered entities, and will report audit results to the Regional Entity Trustees. All audits of SPP's compliance with ERO reliability standards will be performed by external third party auditors as coordinated and managed by the Regional Entity Trustees.

9.7 Regional Entity Trustees

9.7.1 Functions and Duties of the Regional Entity Trustees

The Regional Entity Trustees shall at all times act in the best interests of SPP's role as the SPP Regional Entity in its management, control, and direction of the general business of the Regional Entity functions. In reaching any decision and in considering the recommendations of an appropriate entity, the Regional Entity Trustees shall abide by the principles in these Bylaws. Its duties shall include, but are not limited to oversight of the following:

- (a) Select, oversee and review the performance of the SPP RE General Manager in carrying out the statutory functions and duties as defined in the Delegation Agreement between ERO and SPP;
- (b) Approve the annual RE business plan and budget;
- (c) Perform function assigned by the SPP Compliance Monitoring and Enforcement Program;
- (d) Track and review Regional Standards from MOPC for submission to the ERO and FERC for approval and implementation.
- (e) Complete a self-assessment annually to determine how effectively the Regional Entity Trustees are meeting their responsibilities; and
- (f) Provide an annual report to the Board of Directors regarding the effectiveness of the Regional Entity function and processes.

9.7.2 Composition and Qualifications

9.7.2.1 Composition

The Regional Entity Trustees shall consist of three (3) persons. The trustees shall be independent of the SPP Board of Directors, any Member, industry stakeholder, or SPP organizational group. Regional Entity Trustees do not serve as members of the SPP Board of Directors. A trustee shall not be limited in the number of terms he/she may serve.

9.7.2.2 Qualifications

Regional Entity Trustees shall have relevant senior management expertise and experience in the reliable operation of the bulk electric transmission system in North America.

9.7.2.3 Conflicts of Interest

Regional Entity Trustees shall not be a director, officer, or employee of, and shall have no direct business relationship, financial interest in, or other affiliation with, a Member, a customer of services provided by SPP, or a Registered Entity in the SPP footprint. Trustees may invest in accordance with the SPP Standards of Conduct. Participation in a pension plan of a Member, customer, or Registered Entity in the SPP footprint shall not be deemed to be a direct financial benefit if the Member's, customer's, or Registered Entity's financial performance has no material effect on such pension plan.

9.7.3 Term and Election

Regional Entity Trustees shall be elected at the meeting of Members to a three-year term commencing upon election and continuing until his/her duly elected successor takes office. The election process shall be as follows:

- (a) At least 90 calendar days prior to the meeting of Members when election of a new trustee is required, the Corporate Governance Committee shall commence the process to nominate persons for the position to be elected;

- (b) At least 45 calendar days prior to the meeting of Members, the Corporate Governance Committee shall determine the person it nominates for election as a trustee, specifying the nominee for any vacancy to be filled. The Corporate Secretary shall prepare the ballot accordingly, leaving space for additional names, and shall deliver same to Members at least 30 calendar days prior to the meeting of Members;
- (c) For purposes of electing or removing trustees only, Members with Affiliate Relationships shall be considered a single Member;
- (d) Any additional nominee(s) may be added to the ballot if a petition is received by the Corporate Secretary at least 15 calendar days prior to the meeting of Members and evidencing support of at least 20 percent of the existing Membership; and
- (e) 1) If only one candidate is nominated for a seat, each Member shall be entitled to cast a vote for or against the nominee. The votes will be calculated in accordance with Section 3.9 *Voting* of these Bylaws, which requires a super majority. In the event a trustees position is not filled the Corporate Governance Committee will determine a new nominee for recommendation for election by the Membership at a special meeting of Members to be held but no later than the next regular Board of Directors/Members Committee meeting;

2) If multiple candidates are nominated for a seat, each Member shall be entitled to cast a vote for only one nominee, but may vote against each candidate. The votes will be calculated in accordance with Section 3.9 *Voting* of these Bylaws, with the exception that a simple majority of votes cast will determine which nominee is elected. In the event a trustee position is not filled, the Corporate Governance Committee will determine a new nominee for recommendation for election by the Membership at a special meeting of Members to be held no later than the next regular Board of Directors/Members Committee meeting.

9.7.4 Resignation and Removal of Regional Entity Trustees

Any Regional Entity Trustee may resign by written notice to the President noting the effective date of the resignation. The Membership may remove a trustee with cause in accordance with Section 3.9 *Voting* of these Bylaws. Removal proceedings may only be initiated by a petition signed by not less than twenty percent of the Members. The petition shall state the specific grounds for removal and shall specify whether the removal vote is to be taken at a special meeting of Members or at the next regular meeting of Members. A trustee who is the subject of removal proceedings shall be given fifteen days to respond to the Member petition in writing to the President.

9.7.5 Vacancies

If a vacancy occurs, the Corporate Governance Committee will present a nominee to the Membership for consideration and election to fill the vacancy for the unexpired term at a special meeting of Members following 30 calendar days notice from the corporate Secretary. The election will be held in accordance with Section 9.7.3 *Term and Election* of these Bylaws. The replacement trustee shall take office immediately upon election.

9.7.6 Meetings and Notice of Meetings

Regular Regional Entity Trustees' meetings will be scheduled in conjunction with the regularly scheduled SPP Board of Directors meetings, provided the meeting schedule may be adjusted for good cause and with sufficient notice, and additionally upon the call of the chair or upon concurrence of at least two trustees. Except as otherwise provided in these Bylaws, all meetings will be open to any interested party. At least fifteen days' written notice shall be given by the chair to each trustee, the Board of Directors, and the Members Committee of the date, time, place and purpose of a meeting, unless such notice is waived by the trustees. Telephone conference meetings may be called as appropriate by the chair with at least one-day prior notice. The chair shall grant any party's request to address the Regional Entity Trustees.

9.7.7 Chair

The Regional Entity Trustees shall elect from its membership a chair for a two-year term commencing upon election and continuing until the chair's duly elected successor takes office or until the chair's term as a trustee expires without re-election. The panel may elect to rotate the chair to the senior member of the panel when the initial, or subsequent, chair's term expires.

9.7.8 Quorum and Voting

Two trustees shall constitute a quorum of the Regional Entity Trustees necessary for a binding vote. Decisions of the Regional Entity Trustees require two affirmative votes. Trustees must be present at a meeting to vote; no votes by proxy are permitted. All Regional Entity Trustee decisions regarding the Regional Entity are final except as subject to oversight by the ERO and FERC.

9.7.9 Compensation of Regional Entity Trustees

Regional Entity Trustees shall receive compensation as recommended by the Corporate Governance Committee, and approved by the Membership submitted for approval as part of the ERO budget process. Trustees shall be reimbursed for actual expenses reasonably incurred or accrued in the performance of their duties.

9.7.10 Executive Session

Executive sessions (open only to Trustees and parties invited by the chair of the Regional Entity Trustees) shall be held as necessary upon agreement of the Regional Entity Trustees to safeguard confidentiality of sensitive information regarding employee, financial or legal matters, or confidential information related to compliance matters.

10.0 AMENDMENTS TO THESE BYLAWS, THE ARTICLES OF INCORPORATION, AND MEMBERSHIP AGREEMENT

Except for modifications to Section 4.0 BOARD OF DIRECTORS, Section 5.0 COMMITTEES ADVISING THE BOARD OF DIRECTORS, Section 9.0 REGIONAL ENTITY FUNCTION and Section 10.0 AMENDMENTS, these Bylaws may be amended, repealed, or added to by the Board of Directors only upon 30 days written notice to the Membership of the proposed modification(s). Approval of amendments to the Bylaws by the Board of Directors must be by an affirmative vote of at least five directors. Sections 4.0, 5.0, 9.0, and 10.0 of these Bylaws and the Articles of Incorporation may be amended, repealed, or added to only by approval of the Membership. All amendments are subject to the requisite regulatory approval(s).

11.0 EFFECTIVE DATE AND TRANSITION PROVISIONS

These Bylaws shall become effective the day following acceptance at FERC and remain in force thereafter as may be amended. These Bylaws hereby cancel and supersede SPP Bylaws; provided, that these Bylaws do not relieve any Member from any financial obligation incurred thereunder. Binding obligations entered into by authority of Officers or the Board of Directors, or the Regional Entity Trustees under these Bylaws are hereby assumed and confirmed as obligations of SPP under these Bylaws.

Exhibit C – Regional Standard Development Procedure

Exhibit C shall set forth the Regional Entity’s standards development procedure, which NERC agrees meets the following common attributes:

COMMON ATTRIBUTE 1

Proposed regional reliability standards shall be subject to approval by NERC, as the electric reliability organization, and by FERC before becoming mandatory and enforceable under Section 215 of the FPA [add reference to any applicable authorities in Canada and Mexico]. No regional reliability standard shall be effective within the SPP area unless filed by NERC with FERC [and applicable authorities in Canada and Mexico] and approved by FERC [and applicable authorities in Canada and Mexico].

COMMON ATTRIBUTE 2

SPP regional reliability standards shall provide for as much uniformity as possible with reliability standards across the interconnected bulk power system of the North American continent. A SPP reliability standard shall be more stringent than a continent-wide reliability standard, including a regional difference that addresses matters that the continent-wide reliability standard does not, or shall be a regional difference necessitated by a physical difference in the bulk power system. A regional reliability standard that satisfies the statutory and regulatory criteria for approval of proposed North American reliability standards, and that is more stringent than a continent-wide reliability standard, would generally be acceptable.

COMMON ATTRIBUTE 3

SPP regional reliability standards, when approved by FERC [add applicable authorities in Canada], shall be made part of the body of NERC reliability standards and shall be enforced upon all applicable bulk power system owners, operators, and users within the SPP area, regardless of membership in the region.

COMMON ATTRIBUTE 4

Requester — The requester is the sponsor of the regional reliability standard request may assist in the development of the standard. Any member of SPP, or group within SPP shall be allowed to request that a regional reliability standard be developed, modified, or withdrawn. Additionally, any entity (person, organization, company, government agency, individual, etc.) that is directly and materially affected by the reliability of the bulk power system in the SPP area shall be allowed to request a regional reliability standard be developed, modified, or withdrawn.

COMMON ATTRIBUTE 5

[Standards or other named] committee — The SPP [standards] committee manages the standards development process. The [standards] committee will consider which requests for new or revised standards shall be assigned for development (or existing standards considered for deletion). The [standards] committee will advise the SPP board on standards presented for adoption.

COMMON ATTRIBUTE 6

[Registered ballot body] — The registered ballot body comprises all entities or individuals that a) qualify for one of the stakeholder segments; are registered with SPP as potential ballot participants in the voting on standards; and are current with any designated fees. Each member of the registered ballot body is eligible to vote on standards. [Each standard action has its own ballot pool formed of interested members of the registered ballot body. Each ballot pool comprises those members of the registered ballot body that respond to a pre-ballot survey for that particular standard action indicating their desire to participate in such a ballot pool.] The representation model of the registered ballot body is provided in Appendix A.]

COMMON ATTRIBUTE 7

SPP will coordinate with NERC such that the acknowledgement of receipt of a standard request identified in step 1, notice of comment posting period identified in step 4, and notice for vote identified in step 5 below are concurrently posted on both the SPP and NERC websites.

COMMON ATTRIBUTE 8

An acceptable standard request shall contain a description of the proposed regional reliability standard subject matter containing sufficiently descriptive detail to clearly define the purpose, scope, impacted parties, and other relevant information of the proposed standard.

COMMON ATTRIBUTE 9

Within [no greater than 60] days of receipt of a completed standard request, the [standards] committee shall determine the disposition of the standard request.

COMMON ATTRIBUTE 10

The [standards] committee may take one of the following actions:

- Accept the standard request as a candidate for development of a new standard, revision of an existing standard, or deletion of an existing standard. The [standards] committee may, at its discretion, expand or narrow the scope of the standard request under consideration. The [standards] committee shall prioritize the development of standard in relation to other proposed standards, as may be required based on the volume of requests and resources.
- Reject the standard request. If the [standards] committee rejects a standard request, a written explanation for rejection will be delivered to the requester within [no greater than 30] days of the decision.
- Remand the standard request back to the requester for additional work. The standards process manager will make reasonable efforts to assist the requester in addressing the deficiencies identified by the [standards] committee. The requester may then resubmit the modified standard request using the process above. The requester may choose to withdraw the standard request from further consideration prior to acceptance by the [standards] committee.

COMMON ATTRIBUTE 11

Any standard request that is accepted by the [standards] committee for development of a standard (or modification or deletion of an existing standard) shall be posted for public viewing on the SPP website within [no greater than 30] days of acceptance by the committee.

COMMON ATTRIBUTE 12

The standards process manager shall submit the proposed members of the drafting team to the [standards] committee. The [standards] committee shall approve the drafting team membership within 60 days of accepting a standard request for development, modifying the recommendations of the standards process manager as the committee deems appropriate, and assign development of the proposed standard to the drafting team.

COMMON ATTRIBUTE 13

At the direction from the [standards] committee, the standards process manager shall facilitate the posting of the draft standard on the SPP website, along with a draft implementation plan and supporting documents, for a no less than a [30]-day] comment period. The standards process manager shall provide notice to SPP stakeholders and other potentially interested entities, both within and outside of the SPP area, of the posting using communication procedures then currently in effect or by other means as deemed appropriate.

COMMON ATTRIBUTE 14

The drafting team shall prepare a summary of the comments received and the changes made to the proposed standard as a result of these comments. The drafting team shall summarize comments that were rejected by the drafting team and the reason(s) that these comments were rejected, in part or whole. The summary, along with a response to each comment received will be posted on the SPP website no later than the next posting of the proposed standard.

COMMON ATTRIBUTE 15

Upon recommendation of the drafting team, and if the [standards] committee concurs that all of the requirements for development of the standard have been met, the standards process manager shall post the proposed standard and implementation plan for ballot and shall announce the vote to approve the standard, including when the vote will be conducted and the method for voting. Once the notice for a vote has been issued, no substantive modifications may be made to the proposed standard unless the revisions are posted and a new notice of the vote is issued.

COMMON ATTRIBUTE 16

The standards process manager shall schedule a vote by the SPP [registered ballot body/[standards] committee]. The vote shall commence no sooner than [15] days and no later than [30] days following the issuance of the notice for the vote.

COMMON ATTRIBUTE 17

The SPP registered ballot body shall be able to vote on the proposed standard during a period of [not less than 10] days.

COMMON ATTRIBUTE 18

All members of SPP are eligible to participate in voting on proposed new standards, standard revisions or standard deletions. [Alternatively: Each standard action requires formation of a ballot pool of interested members of the registered ballot body.]

COMMON ATTRIBUTE 19

Approval of the proposed regional reliability standard shall require a [two thirds] majority in the affirmative (affirmative votes divided by the sum of affirmative and negative votes). Abstentions and non-responses shall not count toward the results, except that abstentions may be used in the determination of a quorum. A quorum shall mean [XX%] of the members of the [registered ballot body/ballot pool] submitted a ballot.

COMMON ATTRIBUTE 20

Under no circumstances may the board substantively modify the proposed regional reliability standard.

COMMON ATTRIBUTE 21

Once a regional reliability standard is approved by the board, the standard will be submitted to NERC for approval and filing with FERC [and applicable authorities in Canada and Mexico.]

COMMON ATTRIBUTE 22

- **Open** - Participation in the development of a regional reliability standard shall be open to all organizations that are directly and materially affected by the SPP bulk power system reliability. There shall be no undue financial barriers to participation. Participation shall not be conditioned upon membership in SPP, and shall not be unreasonably restricted on the basis of technical qualifications or other such requirements. Meetings of drafting teams shall be open to the SPP members and others.

COMMON ATTRIBUTE 23

- **Balanced** - The SPP standards development process strives to have an appropriate balance of interests and shall not be dominated by any two interest categories and no single interest category shall be able to defeat a matter.

COMMON ATTRIBUTE 24

- **Inclusive** — Any entity (person, organization, company, government agency, individual, etc.) with a direct and material interest in the bulk power system in the SPP area shall have a right to participate by: a) expressing a position and its basis, b) having that position considered, and c) having the right to appeal.

COMMON ATTRIBUTE 25

- **Fair due process** — The regional reliability standards development procedure shall provide for reasonable notice and opportunity for public comment. At a minimum, the procedure shall include public notice of the intent to develop a standard, a public comment period on the proposed standard, due consideration of those public comments, and a ballot of interested stakeholders.

COMMON ATTRIBUTE 26

- **Transparent** — All actions material to the development of regional reliability standards shall be transparent. All standards development meetings shall be open and publicly noticed on the regional entity's Web site.

COMMON ATTRIBUTE 27

- Does not unnecessarily delay development of the proposed reliability standard.

COMMON ATTRIBUTE 28

Each standard shall enable or support one or more of the reliability principles, thereby ensuring that each standard serves a purpose in support of the reliability of the regional bulk power system. Each standard shall also be consistent with all of the reliability principles, thereby ensuring that no standard undermines reliability through an unintended consequence.

COMMON ATTRIBUTE 29

While reliability standards are intended to promote reliability, they must at the same time accommodate competitive electricity markets. Reliability is a necessity for electricity markets, and robust electricity markets can support reliability. Recognizing that bulk power system reliability and electricity markets are inseparable and mutually interdependent, all regional reliability standards shall be consistent with NERC's market interface principles. Consideration of the market interface principles is intended to ensure that standards are written such that they achieve their reliability objective without causing undue restrictions or adverse impacts on competitive electricity markets.

COMMON ATTRIBUTE 30

To ensure uniformity of regional reliability standards, a regional reliability standard shall consist of the elements identified in this section of the procedure. These elements are intended to apply a systematic discipline in the development and revision of standards. This discipline is necessary to achieving standards that are measurable, enforceable, and consistent.

COMMON ATTRIBUTE 31

All mandatory requirements of a regional reliability standard shall be within the standard. Supporting documents to aid in the implementation of a standard may be referenced by the standard but are not part of the standard itself.

COMMON ATTRIBUTE 32

Clear identification of the functional classes of entities responsible for complying with the standard, noting any specific additions or exceptions. If not applicable to the entire SPP area, then a clear identification of the portion of the bulk power system to which the standard applies. Any limitation on the applicability of the standard based on electric facility requirements should be described.

COMMON ATTRIBUTE 33

Measure(s)

Each requirement shall be addressed by one or more measures. Measures are used to assess performance and outcomes for the purpose of determining compliance with the requirements stated above. Each measure will identify to whom the measure applies and the expected level of performance or outcomes required demonstrating compliance. Each measure shall be tangible, practical, and as objective as is practical. It is important to realize that measures are proxies to assess required performance or outcomes. Achieving the measure should be a necessary and sufficient indicator that the requirement was met. Each measure shall clearly refer to the requirement(s) to which it applies.

COMMON ATTRIBUTE 34

Compliance Monitoring Process

Defines for each measure:

- The specific data or information that is required to measure performance or outcomes.
- The entity that is responsible for providing the data or information for measuring performance or outcomes.
- The process that will be used to evaluate data or information for the purpose of assessing performance or outcomes.
- The entity that is responsible for evaluating data or information to assess performance or outcomes.
- The time period in which performance or outcomes is measured, evaluated, and then reset.
- Measurement data retention requirements and assignment of responsibility for data archiving.
- Violation severity levels.



Southwest Power Pool
Regional Entity
Standards Development Process
Manual

October 2, 2007

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I. Introduction

This manual defines the fair and open process for adoption, approval, revision, reaffirmation, and deletion of a regional reliability standard (Standard) by Southwest Power Pool, a regional entity (RE). Standards provide for the reliable regional and sub-regional planning and operation of the Bulk Power System (BPS), consistent with Good Utility Practice within an RE's geographical footprint.

Due process is the key to ensuring that Standards are developed in an environment that is equitable, accessible and responsive to the requirements of all interested and affected parties. An open and fair process ensures that all interested and affected parties have an opportunity to participate in a Standard's development.

Any entity (person, organization, company, government agency, individual, etc.) with a direct and material interest in the Bulk Power System has a right to participate by: a) expressing a position and its basis, b) having that position considered, c) voting on a proposed regional reliability standard through a segment weighted balanced process, and d) having the right to appeal.

II. Background

An RE may develop, through its own processes, separate Standards that go beyond, add detail to, or implement NERC reliability standards, or otherwise address issues that are not addressed in NERC reliability standards.

NERC reliability standards and the RE's Standards are all to be included within the RE's Compliance Program.

RE Standards are developed consistent with the following philosophies and according to the process defined in this manual:

- A fair and open process that provides an opportunity for all interested parties to participate;
- Avoid any impact on commerce that is not necessary for reliability;
- Provide a level of BPS reliability that is adequate to protect public health, safety, welfare, and national security and do not have a significant adverse impact on reliability; and
- A justifiable difference between regions or between sub-regions within the Regional geographic area.

The NERC Board of Trustees has adopted reliability principles and market interface principles to define the purpose, scope, and nature of reliability standards. These principles are fundamental to reliability and the market interface, and provide a constant beacon to guide the development of reliability standards. The NERC Board of Trustees may modify these principles from time to time, as necessary, to adapt its vision for reliability standards. Persons and committees that are responsible for the RE Standards process shall consider these NERC principles in the execution of those duties.

NERC reliability standards are based on certain reliability principles that define the foundation of reliability for the North American BPS. Each Standard shall enable or support one or more of the reliability principles, thereby ensuring that it serves a purpose in support of reliability of the North American BPS. Each Standard shall also be consistent with all of the reliability principles, thereby ensuring that no Standard undermines reliability through an unintended consequence.

While NERC reliability standards are intended to promote reliability, they must at the same time accommodate competitive electricity markets. Reliability is a necessity for electricity markets, and robust electricity markets can support reliability. Recognizing that BPS reliability and electricity markets are inseparable and mutually interdependent, all Standards shall be consistent with the market interface principles. Consideration of the market interface principles is intended to ensure that Standards are written such that they achieve their reliability objective without causing undue restrictions or adverse impacts on competitive electricity markets.

III. Regional Reliability Standard Definition, Characteristics, and Elements

A. Definition of a Regional Reliability Standard

A NERC reliability standard defines certain obligations or requirements of entities that operate, plan, and use the Bulk Power Systems of North America. The obligations or requirements must be material to reliability and measurable. Each obligation and requirement shall support one or more of the stated reliability principles and shall be consistent with all of the stated reliability and market interface principles in the NERC Standards Process Manual.

SPP RE may develop, through the process described in this manual, separate SPP Regional Reliability Standards (Standard) that go beyond, add detail to, or implement NERC reliability standards, or that cover matters not addressed in NERC continent-wide reliability standards. SPP Regional Reliability Standards may be developed and exist separately from NERC continent-wide reliability standards, or may be proposed as NERC reliability standards. Standards that exist separately from NERC reliability standards shall be more stringent than a NERC continent-wide reliability standard, including a regional difference that addresses matters that the NERC continent-wide reliability standard does not, or shall be a regional difference necessitated by a physical difference in the bulk power system. These regional reliability standards, if approved by the RE Trustees, are forwarded to NERC for review and submittal to FERC for approval.

B. Definition of SPP Criteria

SPP Criteria are those requirements used by SPP members that are for purposes others than those specified for SPP Regional Reliability Standards (Standards). SPP Criteria are enforceable only under the terms and conditions of the SPP Membership Agreement. SPP Criteria may be developed in accordance with SPP Bylaws outside the process described within this manual since these criteria are not intended to be used by the SPP Regional Entity for compliance and enforcement under the authority delegated under the NERC – SPP Regional Delegation Agreement.

C. Characteristics of a Regional Reliability Standard

Standards define obligations or requirements for the operation and planning of interconnected systems and market interface practices that will be enforceable under the authority of the SPP RE. The format and process defined by this manual applies to all Standards.

A Standard shall have the following characteristics:

- **Material to Reliability** - A Standard shall be material to the reliability of bulk power systems of the RE's region. If the reliability of the bulk power systems could be compromised without a particular standard or by a failure to comply with that standard, then the standard is material to reliability.
- **Measurable** - A Standard shall establish technical or performance requirements that can be practically measured.

- **Relative to NERC Reliability Standards** - A Standard must go beyond, add detail to, or implement NERC reliability standards, or cover matters not addressed in NERC reliability standards.

D. Elements of a Regional Reliability Standard

An RE Standard shall consist of the elements identified in this section of this manual. These elements are intended to apply a systematic discipline in the development and revision of Standards. This discipline is necessary to achieve standards that are measurable, enforceable, and consistent. The format allows a clear statement of the purpose, requirements, measures, and penalties for non-compliance associated with each Standard. Supporting documents to aid in the implementation of a Standard may be referenced by the Standard but are not part of the Standard itself. All mandatory requirements of a Standard shall be within an element of the standard.

Performance Elements of a Regional Reliability Standard

Identification Number	A unique identification number assigned in accordance with an administrative classification system to facilitate tracking and reference RE documentation. Format for Regional Standard Request will be: RSR-000
Title	A brief, descriptive phrase identifying the topic of the Standard.
Effective Date and Status	The effective date of the Standard or, prior to adoption of the Standard by the RE through its own processes, the proposed effective date. The status of the standard will be indicated as active or by reference to one of the numbered steps in the standards process.
Purpose	The purpose of the Standard. The purpose shall explicitly state what outcome will be achieved or is expected by this Standard. The purpose is agreed to early in the process as a step toward obtaining approval to proceed with the development of the standard. The purpose should link the standard to the relevant principle(s).
Requirement(s)	Explicitly stated technical, performance, and preparedness requirements. Each requirement identifies the responsible entity and the action to be performed or outcome to be achieved. Each statement in the requirements section shall be a statement for which compliance is mandatory. Any additional comments or statements for which compliance is not mandatory such as background or explanatory information should be placed in a separate document and referenced. (See Supporting References).

Applicability	<p>Clear identification of the functional classes of entities responsible for complying with the standard, noting any specific additions or exceptions.</p> <p>If not applicable to the entire SPP area, then a clear identification of the portion of the bulk power system to which the standard applies. Any limitation on the applicability of the standard based on electric facility requirements should be described.</p>
Risk Factor(s)	<p>The potential reliability significance of each requirement, designated as a High, Medium, or Lower Risk Factor in accordance with the criteria listed below:</p> <p>A High Risk Factor requirement (a) is one that, if violated, could directly cause or contribute to bulk power system instability, separation, or a cascading sequence of failures, or could place the bulk power system at an unacceptable risk of instability, separation, or cascading failures; or (b) is a requirement in a planning time frame that, if violated, could, under emergency, abnormal, or restorative conditions anticipated by the preparations, directly cause or contribute to bulk power system instability, separation, or a cascading sequence of failures, or could place the bulk power system at an unacceptable risk of instability, separation, or cascading failures, or could hinder restoration to a normal condition.</p> <p>A Medium Risk Factor requirement (a) is a requirement that, if violated, could directly affect the electrical state or the capability of the bulk power system, or the ability to effectively monitor and control the bulk power system, but is unlikely to lead to bulk power system instability, separation, or cascading failures; or (b) is a requirement in a planning time frame that, if violated, could, under emergency, abnormal, or restorative conditions anticipated by the preparations, directly affect the electrical state or capability of the bulk power system, or the ability to effectively monitor, control, or restore the bulk power system, but is unlikely, under emergency, abnormal, or restoration conditions anticipated by the preparations, to lead to bulk power system instability, separation, or cascading failures, nor to hinder restoration to a normal condition.</p> <p>A Lower Risk Factor requirement is administrative in nature and (a) is a requirement that, if violated, would not be expected to affect the electrical state or capability of the bulk power system, or the ability to effectively monitor and control the bulk power system; or (b) is a requirement in a planning time frame that, if violated, would not, under the emergency, abnormal, or restorative conditions anticipated by the preparations, be expected to affect the electrical state or capability of the bulk power system, or the ability to effectively monitor, control, or restore the bulk power system.</p>

Measure(s)	Each requirement shall be addressed by one or more measurements. Measurements will be used to assess performance and outcomes for the purpose of determining compliance with the requirements stated above. Each measurement identifies to whom the measurement applies and the expected level of performance or outcomes required to demonstrate compliance. Each measurement shall be tangible, practical, and as objective as is practical. Measures are proxies to assess required performance or outcomes. Achieving the measures should be a necessary and sufficient indicator that the requirement was met. Each measure shall clearly refer to the requirements(s) to which it applies.
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Compliance Elements of a Regional Reliability Standard

Compliance Monitoring Process	<p>The following compliance elements, which are part of the standard and are balloted with the standard are developed for each measure in a standard by the NERC compliance program in coordination with the standard drafting team:</p> <ul style="list-style-type: none"> • The specific data or information required to measure performance or outcomes. • The entity responsible for providing the data or information for measuring performance or outcomes. • The process used to evaluate data or information for the purpose of assessing performance or outcomes. • The entity responsible for evaluating data or information to assess performance or outcomes. • The time period in which performance or outcomes is measured, evaluated, and then reset. • Measurement data retention requirements and assignment of responsibility for data archiving.
Violation Severity Levels	Defines the degree to which compliance with a requirement was not achieved. The violation severity levels, are part of the standard and are balloted with the standard, and developed by the NERC compliance program in coordination with the standard drafting team.

Supporting Information Elements

Interpretations	Formally approved interpretations of the reliability standard. Interpretations are temporary, as the standard should be revised to incorporate the interpretation. Interpretations are developed and approved through a process described in the section Interpretations of Standards.
Implementation Plan	Each standard shall have an associated implementation plan describing the effective date of the standard or effective dates if there is a phased implementation. The implementation plan may also describe the implementation of the standard in the compliance program and other considerations in the initial use of the standard, such as necessary tools, training, etc. The implementation plan must be posted for at least one public comment period and is approved as part of the ballot of the standard.
Supporting References	This section references related documents that support reasons for, or otherwise provide additional information related to, the Standard. Examples include, but are not limited to: <ul style="list-style-type: none">• Development history of the Standard and prior versions• Notes pertaining to implementation or compliance• Standard references• Standard supplements• Procedures• Practices• Training references• Technical references• White papers• Internet links to related information

IV. Roles in the Regional Reliability Standards Development Process

Any member of NERC, including any member of a regional reliability organization, regional entity, or group within NERC shall be allowed to request that a Standard be developed, modified, or withdrawn. Additionally, any entity (person, organization, company, government agency, individual, etc.) who is directly and materially affected by the reliability of the North American Bulk Power Systems shall be allowed to request a Standard be developed, modified, or withdrawn.

Originator - Any entity (person, organization, company, governmental agency, individual, etc.) that is directly and materially affected by the operation of an RE's BPS, is allowed to request a Standard be developed or an existing Standard be modified, or deleted.

Registered ballot body — The registered ballot body comprises all entities or individuals that qualify for one of the voting segments and are registered with SPP as a ballot participant in the voting of a proposed standard. Membership in SPP is not a requirement for registration. Registration in a ballot body must be done via the SPP website by close of business the day prior to the day voting begins on the standard. [Each standard action has its own registered ballot body.] The representation model of the registered ballot body is provided in Sec V. B. Regional Reliability Standards Development Process Steps, Step 5 – Open Voting.] The outcome of the vote of the registered ballot body is forwarded to the RE Trustees regardless of advisory voting outcomes at the MOPC or SPP Board level.

SPP Regional Entity Trustees (RE Trustees) – The SPP Regional Entity Trustees shall act on any proposed Standard that has gone through the process contained in this manual. Upon approval by the RE Trustees, the Standard will be submitted to NERC for approval under the ERO. RE Trustees are notified of all proposed regional reliability standards requests and receive progress reports from the RE Staff. They also receive notice of the outcome of votes by the ballot body and any recommendations and reports on proposed standards made by the SDT, MOPC and SPP Board.

Regional Entity Staff (RE Staff)- RE Staff shall support the RE Trustees in their oversight authority over the Standards Development Process and any other function or responsibility ascribed to them in the NERC- Southwest Power Pool, Inc. Delegation Agreement.

SPP Markets and Operations Policy Committee (MOPC) - The SPP Markets and Operations Policy Committee will assign Standards to a Standards Development Team for development or revision

SPP Board of Directors and Members Committee (BOD/MC) – The SPP Board of Directors in conjunction with the Members Committee provides advisory votes to the RE Trustees on reliability matters as they pertain to the RE. The BOD/MC votes on proposed regional standards or changes to regional standards for the sole purpose of providing an additional stakeholder forum for review, and valuable input to the RE Trustees decision on a regional standard based on the groups expertise on reliability, operations and market matters as well as its wide diverse representation of the SPP membership.

Compliance Director – The RE office responsible for the administration of the SPP Compliance Program. The duties of this office includes but are not limited to, providing inputs and comments during the standards development process to ensure the measures will be effective and can be practically implemented.

Standard Drafting Team (SDT) – Usually an existing SPP Working Group or Task Force that is comprised of technical experts. Any interested party may attend meetings, provide input and comments, and vote under provisions of the SPP Regional Standards Process Manual.

V. Regional Reliability Standards Development Process

A. Assumptions and Prerequisites

The process for developing and approving Standards is similar to procedures accredited by the American National Standards Institute (ANSI), like that employed by the North American Energy Standards Board (NAESB). The Standards development process has the following characteristics:

- **Inclusive** - Any entity (person, organization, company, governmental agency, individual, etc.) representing an organization with a direct and material interest has a right to participate by:
 - a) Expressing an opinion and its basis,
 - b) Having that position considered,
 - c) Voting on a proposed regional reliability standard through a segment weighted balanced process, and
 - d) Appealing any negative decision

- **Openness** - Participation is open to all organizations that are directly and materially affected by the RE's BPS reliability. There shall be no undue financial barriers to participation. Participation shall not be conditioned upon membership in the RE, and shall not be unreasonably restricted on the basis of technical qualifications or other such requirements. Meetings of SDT's are open to all interested parties and are noticed on the SPP website at least 15 days in advance. Since pre-existing SPP committees, working groups, or task forces may be assigned the responsibilities of a SDT, the agenda for meetings will note that an SDT activity is being undertaken to distinguish such activity from other non-SDT related agenda items. The openness provisions of this manual apply only and explicitly to the SDT activities. Meetings of subcommittees and working groups serving as a SDT shall follow the SPP Bylaws Sec 3.5 Meetings.
- **Balance** - The RE Standards development process strives to have an appropriate balance of interests. The process prevents any two voting sectors from dominating voting outcomes and no single voting sectors from defeating a proposed reliability standard.
- **Due Process** – The SPP Regional Reliability Standards Development Process provides reasonable notice and opportunity for public comment. At the minimum, the procedure shall include public notice of the intent to develop a standard, a public comment period on the proposed standard, due consideration of those public comments, and a ballot of interested stakeholders.

- **Transparent** – All actions material to the development of a SPP regional reliability standard shall be transparent. All standards development meetings shall be open and publicly noticed on the SPP website.

B. Regional Reliability Standards Development Process Steps

Note: The term “days” below refers to calendar days.

Step 1 – Request to Develop, Revise or Delete a Regional Reliability Standard

Any individual representing an organization (Originator) that is directly or materially impacted by the operation of the BPS within the geographical footprint of the RE may submit a request to the Markets and Operations Policy Committee (MOPC) for the development, modification, or deletion of an RE Standard. Any such request shall be submitted to the MOPC Chairman, or his/her designee, or by another process as otherwise posted on the SPP website. The request should be made using the SPP Regional Standard Request Form (RSR) in Appendix B.

The MOPC or a designee will work with the Originator to develop a description of the proposed Standard subject matter containing sufficient detail to clearly define the purpose, scope, impacted parties, and other relevant information related to the proposed Standard.

Step 2 – Notification to Regional Entity Trustees & Public Notice

The Chairman of the MOPC or his/her designee will forward the request to the RE Trustees. SPP staff will also post the request on the SPP website for public notice and may utilize any appropriate SPP email distribution lists within 30 days. The request is not to be judged as appropriate or useful at this stage.

The MOPC will assign the drafting and scoping responsibility to an appropriate SPP Working Group or Task Force. This group will become the Standards Drafting Team (SDT) for this particular Standard request. The assignment will include any necessary deadlines and due dates for the Standard.

Any documentation of the deliberations of the SDT concerning the Standard shall be made available in accordance with the SPP Bylaws requirements for meeting and organizational groups then in effect. Meetings of the SDT are open to any interested party. Meeting dates and actions on the regional reliability standard are publicly noticed on SPP's public Web site.

The SDT shall provide a report to the RE Trustees and the MOPC on a periodic basis (at least at every regularly scheduled meeting) noting the status of the Standard that has been assigned to it for consideration.

Step 3 – Scoping and Drafting

The SDT will draft the language of the Standard per the Standard description provided by the MOPC and the Originator. The SDT may recommend changes to the scope, purpose, need or other relevant aspects of the Standard through consultation with the MOPC.

The SDT develops a work plan for completing the Standard development work, including the establishment of milestones for completing critical elements of the work in sufficient detail to ensure that the SDT will meet the date objective in the assignment, or an alternative date. This plan will be provided to the RE Trustees and the MOPC.

The SDT may meet in person or via electronic means as necessary; may establish sub-work teams (made up of members of the SDT) as necessary; and perform other activities to address the parameters of the Standard and the established milestone date(s).

The SDT should consider:

- The impact of the Standard on neighboring regions, and seek appropriate input from the neighboring regions if the Standard is determined to have such an impact.
- An implementation plan, including the nature, extent and duration of field-testing, if any.
- The need for any existing Standard to be deleted, in part or whole, or otherwise impacted by the implementation of the draft Standard.
- Technical reports, white papers and/or work papers that provide technical support for the draft Standard under consideration.
- Documenting the perceived reliability impact should the Standard be approved.

The SDT will regularly (at least at every regularly scheduled meeting) report to the RE Trustees and the MOPC on its progress in meeting a timely completion of the draft Standard. The SDT may request consideration of scope changes of the Standard at any point in the Standard development process.

The RE Trustees or the MOPC may, at any time direct the SDT move to Step 4 and post for comment the current work product, or to terminate the activity if there is no further need for the Standard. If the activity is terminated RE Staff will notify the Originator and the RE Trustees within 30 days.

If there are competing drafts all will be posted on the SPP website for comment. The MOPC may take this step at any time after a SDT has been commissioned to develop the Standard.

For Standards in progress, the MOPC must take action to move to Step 4. *Public Comments*, or to reject the proposal. If the MOPC votes to terminate the activity, the RE Trustees must be notified with supporting reasons provided to them. The proposed standard would then go directly to Step 11. (See Step 11. *RE Trustees Action*)

Step 4 – Post Draft for 30 Day Public Comments

RE Staff will post the draft Standard on the SPP website, along with any supporting documents, for a 30-day comment period. RE Staff shall also inform registered entities and other potentially interested stakeholders of the posting using available SPP communication resources, or by other means deemed appropriate. Comments may be submitted using the RSR Comment Form in Appendix B available on the SPP internet website.

Within 30 days of the conclusion of 30-day comment posting period the SDT shall convene and consider changes to the draft Standard, the implementation plan and/or supporting technical documents. The SDT may elect to return to Step 3. *Scoping and Drafting* to revise the draft Standard, and/or any supporting documentation. The SDT shall summarize the comments received and any changes made as a result. This summary will be and posted on the SPP website when completed.

Step 5 – Open Voting

The SDT shall direct the RE Staff to post the revised draft Standard and other relevant documents including, implementation plan, supporting technical documentation, and summary of comments.

RE Staff will schedule a vote by interested parties to commence no sooner than 15 days and no later than 30 days following the posting of the revised draft.

Members of the ballot body shall be allowed to vote over a period of 15 days. Voting will be through electronic means or other means provided by SPP.

SPP Segment Weighted Voting

Registration in a ballot body created for a specific proposed regional standard is required to vote. Registration for a proposed Standard is noticed on the SPP website and through a Standards email exploder for a period of 15 days prior to the start of the ballot (subscription to the Standards email exploder is open to any interested party through the SPP website). All interested parties who register with the ballot body may vote on the proposed new Standard, Standard revision or Standard deletion. An interested party may only register in one segment.

The five SPP voting segments for Regional Reliability Standards are:

- 1) Transmission
- 2) Generation
- 3) Marketer/Broker
- 4) Distribution/Load Serving Entity
- 5) End User and Public Interest

RE Staff will accept votes any time during the 15-day ballot period for the Standard. Votes will be counted by voting segment. Each voting segment will receive 20% of the vote. A weighted vote of 2/3 affirmative of those voting will pass a Standard for further consideration (Step 7). If the vote fails to achieve a 2/3 majority of those voting, the Standard will be returned to the SDT for consideration for future action (Step 3). The SDT may: revise the Standard; post the Standard again for comments; reballot the Standard; ask the RE Trustees to terminate the request; or any other action it deems appropriate.

The RE Trustees are notified of the outcome of the vote and any actions taken by the SDT as a result of the vote. The RE Trustees will determine any additional action to be taken. (See Step 11. *RE Trustees Action*)

Step 6 – Prepare Consensus Draft & Minority Report

When a Standard is approved, the SDT will prepare a consensus draft representing the version of the Standard to be presented to the MOPC and the BOD/MC before final action by the RE Trustees.

Minority Report and Appeals

- A minority report will be prepared if there are significant issues that cannot be resolved within the SDT during the drafting phase (Step 3) or from the public comments (Step 4).
- A minority report will include any appeals from interested parties that the SPP Standards Procedure Manual was violated in the development of the Standard.
- The minority report remains a part of the record of the Standard and is available to any interested party during any subsequent steps.
- The consensus draft and any minority reports are presented to the MOPC for its consideration and an advisory vote.

Step 7 – Post Draft Standard for Action on the MOPC Agenda

A recommended Standard is noticed for consideration on the MOPC agenda. The agenda materials are made available per the SPP Bylaws, Section 3.5.

If a Standard requires consideration by the MOPC prior to a regularly scheduled meeting, the RE Staff will notify the MOPC Chairman who will notice a special meeting in accordance with the SPP Bylaws.

Step 8 – MOPC Review

The MOPC will provide an advisory vote on the Standard under the governance provisions of the SPP Bylaws, Section 3.9 Voting.

If the MOPC opposes the Standard, the MOPC may request revision of the Standard or termination of further activity on the Standard. If the Standard is terminated, notice is provided (described in Step 9) to the RE Trustees for further action (Step 11).

If the MOPC concurs with the Standard, the Standard proceeds to the SPP Board of Directors and Members Committee for review (Step 9).

The RE Trustees are notified of the outcome of the MOPC review.

Step 9 – SPP Board of Directors/Members Committee Review

A draft Standard submitted to the SPP Board of Directors/Members Committee (BOD/MC) for review must be publicly posted at least 10 days prior to consideration by the BOD/MC. The BOD/MC may consider the Standard at a regularly scheduled meeting, or as determined by the Chairman of the BOD/MC.

The BOD/MC shall be provided:

- The consensus draft Standard and any modification or deletion of other related existing Standard(s)
- Implementation Plan (including recommended field testing and effective dates)

- Technical Documentation supporting the draft Standard
- A summary of the registered ballot body vote and summary of the comments and responses that accompanied the votes including a Minority Report if applicable.
- The results of the MOPC advisory vote and any comments
- Any other information relevant to the Standard

The BOD/MC will:

- Provide an advisory vote to the RE Trustees on the Standard (Step 10); or
- Return the Standard to the MOPC with comments

In the case of a second return of a Standard, the proposed Standard is forwarded to the RE Trustees for action. (The proposed Standard would go directly to Step 11).

Step 10 –Presentation to RE Trustees

A draft Standard submitted to the RE Trustees for action must be publicly posted at least 10 days prior to consideration by the RE Trustees.

The RE Trustees shall be provided:

- The consensus draft Standard and any modification or deletion of other related existing Standard(s)
- Implementation Plan (including recommended field testing and effective dates)
- Technical Documentation supporting the draft Standard
- A summary of the registered ballot body vote and summary of the comments and responses that accompanied the vote including a Minority Report if applicable
- The results of the MOPC advisory vote and any comments
- The result of the BOD/MC advisory vote and any comments
- Any other information relevant to the Standard

Step 11 - RE Trustees Action

The RE Trustees will:

- Recommend NERC approve the Standard through the NERC process; or
- Remand the Standard to the SDT through the MOPC with comments and instructions; or
- Determine there is no need for the Standard and terminate any future activity.

The RE Trustees may consider the Standard at a regularly scheduled meeting, or as determined by the Chairman of the RE Trustees.

If a Standard is forwarded to the RE Trustees for action as a result of an opposing MOPC vote (Step 8), or if automatically forwarded to them as a result of two or more returns by the MOPC

or SPP Board (Step 9), the RE Trustees will take definitive action, including initiating the process from Step 3, Scoping and Drafting. The RE Trustees may not submit a Standard to NERC for approval without a positive outcome from open and balanced voting in Step 5.

Advisory votes of the MOPC and the BOD/MC do not impact the RE Trustees' authority to submit a Standard to NERC.

Step 12 – Submit to NERC for Approval as Regional Standard

RE Staff will notify interested parties of submission of Standard to NERC by the RE Trustees through the normal and customary communication procedures and processes then in effect.

The RE Staff will publicly notice any further steps necessary to have a Standard reviewed and/or approved through the NERC or any successor organization standards process.

C. Filing of Regional Reliability Standards with Regulatory Agencies

The development of Standards must be administered in coordination with the NERC Standards Development Procedure. At the discretion of the NERC Board of Trustees, adopted Standards may be filed with applicable regulatory agencies in the United States, Canada, and Mexico. Regional Reliability Standards once approved by FERC, are made part of the NERC standards and shall be enforced accordingly.

Appendix A

I. Maintenance of the Regional Reliability Standards Development Process Manual

Any interested party may propose changes to this Manual. Such Process Manual change requests will follow all the steps of the Regional Reliability Standards Process outlined in Section V., Part B of this Manual.

II. Appeals

Persons who have directly and materially affected interests and who have been or will be adversely affected by any substantive or procedural action or inaction related to the development, approval, revision, reaffirmation, or withdrawal of a Standard shall have the right to appeal. This appeals process applies only to the Standards process as defined in this procedure.

The burden of proof to show adverse effect shall be on the appellant. Appeals shall be made within 30 days of the date of the action purported to cause the adverse effect, except appeals for inaction, which may be made at any time. In all cases, the request for appeal must be made prior to the next step in the process.

The appeal will be addressed by the RE Trustees. The appeal is included in a Minority Report of the Standard which remains a part of the record for the Standard throughout the SPP Regional Standards Procedure.

The final decisions of any appeal shall be documented in writing and made public.

A complaint will be noted in a Minority Report including the substantive or procedural action or inaction associated with a reliability standard or the standards process. The complaint should describe the actual or potential adverse impact to the appellant. The RE Trustees will provide a written response to the complaint. The appellants response to the RE Trustees determination will be included in the Minority Report.

The RE Trustees shall provide a response to any remaining open complaints.

Appendix B: SPP Regional Standard Request Form

RSR Number		RSR Title	
SPP Regional Standard Name (include Section No., Title, and existing Standard Version if any)			
Requested Resolution Date (if applicable)			
Description			
Reliability Need or Purpose – Try to identify if known: Technical requirements, reliability risk factor, measurements (refer to SPP Standards Process Manual for descriptions).			
Tariff Implications or Changes (Yes or No; If yes include a summary of impact and/or specific changes)			
Criteria Implications or Changes (Yes or No; If yes include a summary of impact and/or specific changes)			
NERC Standard Implications (Yes or No, and summary of impact)			

Sponsor	
Name	
E-mail Address	
Company	
Company Address	
Phone Number	
Fax Number	

Proposed Regional Standard Language

Appendix C: SPP Regional Standard Request Comment Form

RSR Number		RSR Title	
-------------------	--	------------------	--

Date	
-------------	--

Submitter's Information	
Name	
E-mail Address	
Company	
Company Address	
Phone Number	
Fax Number	

Comment Form Instructions (please delete before submitting comments):

Comments are to be submitted electronically and are due by close of business of the comment due date. Please follow this file naming convention:
 ###PRR <Company Name> Comments<date>.doc.

Comments

Revised Regional Standard Language

EXHIBIT D – COMPLIANCE MONITORING AND ENFORCEMENT PROGRAM

1.0 REGIONAL COMPLIANCE MONITORING AND ENFORCEMENT PROGRAM

1.1 Obligations of SPP

SPP will implement the NERC Compliance Monitoring and Enforcement Program (Appendix 4C to the NERC Rules of Procedure) to monitor and enforce compliance with Reliability Standards by the owners, operators, and users within **SPP's** geographic boundaries set forth on **Exhibit A** of this Agreement, subject to any deviations from the NERC Compliance Monitoring and Enforcement Program described in Section 1.2 below (the "Compliance Program").

1.2 Deviations from the NERC Compliance Monitoring and Enforcement Program

SPP's Compliance Monitoring and Enforcement Program has no deviations from the NERC Compliance Monitoring and Enforcement Program.

2.0 REGIONAL HEARING OF COMPLIANCE MATTERS

SPP shall establish and maintain a hearing body with authority to conduct and 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, which shall be **SPP's** Regional Entity Trustees.

3.0 OTHER DECISION-MAKING BODIES

SPP RE has engaged the SERC Reliability Corporation (SERC) to oversee the compliance monitoring and enforcement responsibility within the SPP RE Region as related to **SPP's** compliance with Reliability Standards requirements that are applicable to the functions for which **SPP** is a Registered Entity.

Exhibit E — Funding

1. Scope of activities funded through the ERO funding mechanism

SPP shall include in its annual budget submission to NERC amounts for costs it will incur in support of delegated activities and activities that are in furtherance of NERC's responsibilities as the ERO under the Act, as specified in the NERC Rules. These activities shall include:

- Reliability Standard Development (Section 300)
- Compliance Enforcement (Section 400)
- Organization Registration and Certification (Section 500)
- Reliability Readiness Evaluation and Improvement (Section 700)
- Reliability Assessment and Performance Analysis (Section 800) (including necessary data gathering activities)
- Training and Education (Section 900)
- Situational Awareness and Infrastructure Security (Section 1000)

2. Allocation of Costs

SPP shall allocate its dues, fees and other charges for its activities pursuant to the delegation agreement among all load-serving entities on the basis of net-energy-for load, unless a different method(s) of allocating and calculating such dues, fees and charges has been submitted to and approved by NERC and the Commission in accordance with Section 8(b) of the delegation agreement. SPP shall submit to NERC annually at the same time it submits its budget request a list of the load-serving entities within its geographic boundaries and their proportionate net energy for load, and such other data and information as is necessary to allocate and calculate SPP's dues, fees and charges under any such different method(s) of allocation and calculation that will be used.

3. Collection of Funding

(a) NERC shall submit invoices to the load-serving entities identified by SPP covering the NERC and SPP budgets approved for collection.

NERC shall pursue any non-payments and shall request assistance from applicable governmental authorities as necessary to secure collection.

(b) Upon approval of the annual funding requirements by applicable governmental authorities, NERC shall fund SPP's costs identified in Section 1 of this Exhibit E in four equal quarterly payments.

4. Application of Penalties

All penalty monies received by SPPRE shall be applied as a general offset to the entity's budget requirements for U.S.-related activities under this Agreement for the subsequent fiscal

year. Funds from financial penalties shall not be directly applied to any program maintained by the investigating entity.

5. Budget and Funding for SPP's Non-Statutory Activities

In addition to SPP's delegated activities and activities that are in furtherance of NERC's responsibilities as the ERO under the Act, as specified in Section 1 of this **Exhibit E** (such functions and activities referred to in this Section 5 as "statutory activities"), SPP performs the following other functions and activities (such other functions and activities being referred to herein as "non-statutory activities"):

SPP's performs non-statutory activities as a Regional Transmission Organization ("RTO"). As a RTO, SPP is mandated by the Commission to ensure reliable supplies of power, adequate transmission infrastructure, and competitive wholesale prices of electricity. In furtherance of this mandate, SPP's specific non-statutory activities are the following primary services:

1. Tariff Administration: Independent administration of the Open Access Transmission Tariff that provides one-stop shopping for regional transmission service with consistent rates and terms.
2. Reliability Coordination: SPP monitors power flow throughout our footprint. We anticipate problems and take preemptive action to mitigate operating limit violations. SPP coordinates regional response in emergency situations or blackouts.
3. Regional Scheduling: SPP ensures that the amount of power sent is coordinated and matched with power received. SPP's regional scheduling service reduces the number of entities with which SPP members and customers have to coordinate.
4. Market Operations: SPP administers an Energy Imbalance Marketplace, monitors resource/load balance and ensures that less expensive power is used to serve load before expensive power, all while ensuring system reliability is met.
5. Expansion Planning: SPP's planning process seeks to identify system limitations and develop transmission upgrades for increased capacity.
6. Contract Services: SPP provides reliability, tariff administration, and scheduling for non-members on a contract basis.

SPP shall employ the following methods and procedures to (i) keep its funding mechanisms for its statutory activities separate from its funding mechanisms for its non-statutory activities and (ii) record the costs it incurs in the performance of its non-statutory activities separate from the costs it incurs in the performance of its statutory activities:

- (i) Separation of funding sources for statutory activities and non-statutory activities. As a RTO, SPP is a public utility under the Federal Power Act, and is required to submit its

budget to the Commission. The Commission already has approved SPP's RTO activities and has ordered that SPP's budgets be filed with the Commission.

SPP's non-statutory activities are funded separately from its Regional Entity statutory activities through the imposition of a Commission-approved Tariff Administration Fee charged by SPP to all load under the SPP Open Access Tariff, except for Contract Services activities, which are funded by contract fees. Additionally, SPP's members are assessed an annual membership fee.

SPP shall provide its budget for such non-statutory activities to NERC at the same time that SPP submits its annual budget to FERC. SPP agrees that no costs of non-statutory activities are to be included in the calculation of SPP's dues, fees, and other charges for its statutory activities.

As provided in section 3(b) of this Exhibit E, on a quarterly basis, SPP will invoice NERC, an amount equal to one-fourth of the current year approved annual funding amount for SPP's statutory activities. Upon receipt of payment from NERC, SPP will deposit these funds into an account established solely to receive and hold funding received from NERC pursuant to SPP's performance of statutory activities under the Delegation Agreement. On a monthly basis, all expenses incurred by SPP for statutory activities and for non-statutory activities are recorded and paid from the SPP operating account. Throughout the year, as expenses incurred for SPP statutory activities are paid from the SPP operating account, transfers are made from the account established solely to receive and hold funding received from NERC to the SPP operating account in the amounts of payments made for expenses incurred for SPP statutory activities.

(ii) Separation of costs of statutory activities and non-statutory activities. All employees performing functions directly attributed to SPP's delegated responsibilities who also perform functions related to SPP's non-statutory activities will utilize a time tracking system to accurately reflect their time spent on statutory activities. Periodically, but no less frequently than annually, SPP will input the time associated with its direct function staff performing statutory activities into a cost calculation model. Specific, direct costs attributable to the direct function staff performing statutory activities are salary, SPP-paid medical insurance, Medicare and Social Security taxes, and other SPP-paid benefits. These costs are then combined with other directly assignable costs of statutory activities, such as travel, meetings, contractors, professional services, fees and expenses of Regional Entity independent trustees, and other direct administrative expenses, and reported on the NERC Statement of Activities (formerly the NERC Treasurer's Report).

In addition, an allocation of SPP overhead costs to statutory activities is calculated and the allocated overhead costs are recorded on the NERC Statement of Activities. These overhead costs are shared throughout the SPP organization and include costs for payroll and accounts payable processing, human resources and benefits management, accounting, information technology, executive leadership, corporate affairs and communications, office costs and other support services and expenditures. This allocation is calculated using a standard hourly rate multiplied by the number of SPP staff hours spent directly performing SPP's statutory

activities. The hourly rate for allocated overhead costs is developed using SPP's current year operating budget, by separating SPP's shared services support costs which support all of SPP's functions (*i.e.*, the costs for the activities identified in the second sentence of this paragraph) from SPP's operational resource pool. The total shared services support costs are then divided by estimated total annual available work hours for SPP's operational resource pool. The average annual employee utilization rate assumes each employee works an eight-hour work day with adjustments to reflect SPP's employment policies related to vacation allotment, SPP holidays and other non-productive leave.

The total expenses for statutory activities in a month as recorded on the NERC Statement of Activities are used to determine the amount of transfer to be made to the SPP operating account to reimburse the SPP operating account for the payment of expenses of SPP's statutory activities.

ATTACHMENT 8

PROPOSED REVISED

AMENDED AND RESTATED DELEGATION AGREEMENT

BETWEEN NERC AND

SOUTHWEST POWER POOL REGIONAL ENTITY

REDLINED VERSION

**AMENDED AND RESTATED DELEGATION AGREEMENT BETWEEN
NORTH AMERICAN ELECTRIC RELIABILITY CORPORATION
AND SOUTHWEST POWER POOL, INC.**

AMENDED AND RESTATED DELEGATION AGREEMENT (“Agreement”) made effective as of January 3, 2009, between the North American Electric Reliability Corporation (“NERC”), an organization certified by the Federal Energy Regulatory Commission (“Commission”) pursuant to Section 215(c) of the Federal Power Act to establish and enforce Reliability Standards for the bulk power system, and the Southwest Power Pool, Inc. (“SPP”), an organization established to develop and enforce Reliability Standards within the geographic boundaries identified on **Exhibit A** to this Agreement, and for other purposes. NERC and SPP may be individually referred to herein as “Party” or collectively as “Parties.”

WITNESSETH

WHEREAS, Subtitle A of the Electricity Modernization Act of 2005 added Section 215 to the Federal Power Act (16 U.S.C. § 824n) (hereafter “the Act”) and, among other things, provides for the establishment of an electric reliability organization (“ERO”) to develop and enforce Reliability Standards applicable to all owners, operators, and users of the bulk power system;

WHEREAS, the Commission has adopted regulations for the implementation of the Act set forth at Chapter I, Title 18, Code of Federal Regulations, Part 39, as adopted by Commission Order No. 672 in Docket No. RM05-30-000 on February 3, 2006 (114 FERC ¶ 61, 104; hereafter “Order 672”);

WHEREAS, the Commission has certified NERC as the ERO that will, in accordance with the Act, establish and enforce Reliability Standards for the bulk power system, subject to certain delegation provisions described below;

WHEREAS, the Act recognizes the international interdependency of electric reliability within North America and envisions the ERO and such applicable Regional Entities as international organizations;

WHEREAS, the Act and Section 39.8 of the Commission’s regulations provide for the delegation by the ERO of authority to propose and enforce Reliability Standards to regional entities such as SPP provided that:

(A) The Regional Entity is governed by —

- (i) an independent board;
- (ii) a balanced stakeholder board; or
- (iii) a combination independent and balanced stakeholder board.

(B) The Regional Entity otherwise satisfies the provisions of Section 215(c)(1) and (2) of the Act; and

(C) The agreement promotes effective and efficient administration of bulk power system reliability;

WHEREAS, certain Regional Entities are organized on an Interconnection-wide basis and are therefore entitled to the presumption set forth in the Act that: “[t]he ERO and the Commission shall rebuttably presume that a proposal for delegation to a Regional Entity organized on an Interconnection-wide basis promotes effective and efficient administration of bulk power system reliability and should be approved”;

WHEREAS, the Act further provides that the ERO shall rebuttably presume that a proposal from a Regional Entity organized on an Interconnection-wide basis for a Reliability Standard or modification to a Reliability Standard to be applicable on an Interconnection-wide basis is just, reasonable, and not unduly discriminatory or preferential, and in the public interest;

WHEREAS, SPP is not organized on an Interconnection-wide basis and therefore is not entitled to the rebuttable presumptions accorded such an entity;

WHEREAS, NERC will work through SPP to carry out certain of its activities in furtherance of its responsibilities as the electric reliability organization under the Act; and

WHEREAS, NERC has concluded that SPP meets all requirements of the Act, the Commission’s regulations, and the NERC Rules of Procedure as approved by the Commission (“NERC Rules”) necessary to qualify for delegation;

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained, NERC and SPP, agree as follows:

1. Definitions. The capitalized terms used in this Agreement shall be defined as set forth in the Act, the Commission’s regulations, or the NERC Rules or, if not so defined, shall be defined as follows:

(a) Breach means (i) the failure of a Party to perform or observe any material term, condition or covenant of the Agreement or (ii) a representation in Section 2 of the Agreement shall have become materially untrue.

(b) Cross-Border Regional Entity means a Regional Entity that encompasses a part of the United States and a part of Canada or Mexico.

(c) Delegated Authority means the authority delegated by NERC to SPP to propose and enforce Reliability Standards pursuant to the Act.

(d) SPP Rules means the bylaws, a rule of procedure or other organizational rule or protocol of SPP.

(e) Reliability Standard means a requirement approved by the Commission under Section 215 of the Federal Power Act to provide for reliable operation of the bulk power system. The term includes requirements for the operation of existing bulk power system facilities, including cyber security protection, and the design of planned additions or modifications to such facilities to the extent necessary for reliable operation of the bulk power system; but the term does not include any requirement to enlarge such facilities or to construct new transmission capacity or generation capacity.

2. Representations.

(a) For purposes of its Delegated Authority, SPP hereby represents and warrants to NERC that:

(i) SPP is and shall remain during the term of this Agreement validly existing and in good standing pursuant to all applicable laws relevant to this Agreement and that no applicable law, contract or other legal obligation prevents it from executing this Agreement and fulfilling its obligations hereunder. SPP is governed in accordance with its bylaws by an independent board. Pursuant to these bylaws, no two industry sectors can control any SPP decision and no single industry sector can veto any SPP decision. The relevant portions of such bylaws are attached hereto in **Exhibit B**¹, and as so attached are in full force and effect. No other such corporate governance documents are binding upon SPP.

(ii) As set forth in **Exhibit C** hereto², SPP has developed a standards development procedure, which provides the process that SPP may use to develop Regional Reliability Standards [and Regional Variances, if the regional entity is organized on an Interconnection-wide basis] that are proposed to NERC for adoption.

(iii) As set forth in **Exhibit D** hereto³, SPP has developed a regional compliance enforcement program, which provides for the enforcement of Reliability Standards within its geographic boundaries.

(b) NERC hereby represents and warrants to SPP that:

(i) It is and shall remain during the term of this Agreement validly existing and in good standing pursuant all applicable laws relevant to this Agreement and that no applicable law, contract or other legal obligation prevents it from executing this Agreement and fulfilling its obligations hereunder; and

(ii) It has been certified as the ERO by the Commission pursuant to the Act.

¹ The **Exhibit B** from each Regional Entity shall meet the requirements contained in **Exhibit B** to this pro forma Agreement.

² The **Exhibit C** from each Regional Entity shall meet the requirements contained in **Exhibit C** to this pro forma Agreement.

3. Covenants.

(a) During the term of this Agreement, SPP shall maintain and preserve its qualifications for delegation pursuant to the Act and shall not amend the SPP Rules without NERC's approval, which shall not be unreasonably withheld or delayed and which shall, in the case of a Regional Entity organized on an Interconnection-wide basis, be governed by the presumptions provided for in Section 215(d)(2) and (e)(4)(C) of the Act, and be subject to any required Commission approval.

(b) During the term of this agreement, NERC shall maintain its qualification and status as the ERO pursuant to the Act and, subject to the provisions of Sections 16 and 17 of this Agreement, NERC shall not adopt amendments to the NERC Rules that conflict with the rights, obligations or programs of SPP under this Agreement without first obtaining the consent of SPP, which consent shall not be unreasonably withheld or delayed.

(c) During the term of this agreement, NERC and SPP shall adhere to and require that all participants in their respective activities under this Agreement follow and comply with the NERC Antitrust Compliance Guidelines.

4. Delegation of Authority.

(a) Based upon the representations, warranties and covenants of SPP in Sections 2 and 3 above, the corporate governance documents set forth in **Exhibit B**, the standards development process set forth in **Exhibit C**, and the regional compliance enforcement program set forth in **Exhibit D**, NERC hereby delegates authority, pursuant to Section 215(e)(4) of the Act, to SPP for the purpose of proposing Reliability Standards to NERC, as set forth in Section 5 of this Agreement, and enforcing Reliability Standards, as set forth in Section 6 of this Agreement, within the geographic boundaries set forth on **Exhibit A**. No further redelegation of authority or responsibility, in total or in part, under this Agreement is allowed without NERC's express consent.

(b) For Cross-Border Regional Entities, the authority delegated by this Agreement shall extend only to the portion of the region identified on **Exhibit A** that is within the United States. Any delegation of authority by governmental authorities in Canada or Mexico shall be

³ The **Exhibit D** from each Regional Entity shall meet the requirements contained in **Exhibit D** to this pro forma Agreement.

governed by a separate agreement and is outside the scope of this Agreement; provided, however, that both SPP and NERC shall endeavor to ensure that this Agreement and such separate agreements are compatible.

(c) As a condition to this delegation of authority and subject to the provisions of section 16 of this Agreement, SPP shall comply with the applicable provisions of NERC's Certificate of Incorporation, Bylaws, Rules of Procedure, and Reliability Standards, as from time to time adopted, approved, or amended.

5. **Reliability Standards.**

(a) In connection with its Delegated Authority, SPP shall be entitled to:

(i) propose Reliability Standards, Regional Variances, or modifications thereof to NERC, which shall be considered by NERC through an open and inclusive process for proposing and adopting Reliability Standards that affords SPP reasonable notice and opportunity to be heard; and

(ii) develop Regional Reliability Standards [and Regional Variances, if Regional Entity is organized on an Interconnection-wide basis] through SPP's process as set forth in **Exhibit C**. Proposals approved through SPP's process shall be reviewed by the NERC Board of Trustees after NERC provides notice and an opportunity for interested persons to comment. In the case of a proposal from a Regional Entity organized on an Interconnection-wide basis, comments shall be limited to the factors identified in NERC Rule 313, section 3.1 as it may be amended from time to time. The NERC board of trustees shall promptly thereafter consider such proposed Regional Reliability Standard or Regional Variance, applying the rebuttable presumption described in subsection 5(b) if the proposed Regional Reliability Standard or Regional Variance is from a Regional Entity organized on an Interconnection-wide basis, and either approve the proposed standard and submit it to the Commission for approval, or disapprove it in writing setting forth its reasons. SPP may appeal any disapproval of a proposed Regional Reliability Standard or Regional Variance to the Commission.

(b) Pursuant to Section 215(d)(3) of the Act, NERC shall rebuttably presume that a proposal from a Regional Entity organized on an Interconnection-wide basis for a Regional Reliability Standard or Regional Variance or modification thereof to be applicable on an Interconnection-wide basis is just, reasonable, and not unduly discriminatory or preferential,

and in the public interest. Any person challenging such proposal from the INTERCONNECTION-WIDE REGIONAL ENTITY shall have the burden of proof. NERC shall not find that this presumption has been rebutted except based upon substantial evidence that has been disclosed to, and been subject to comment by, the INTERCONNECTION-WIDE REGIONAL ENTITY during NERC's review of the proposal.

6. Enforcement.

(a) In connection with its delegated authority pursuant to this Agreement, SPP shall enforce Reliability Standards (including Regional Reliability Standards and Regional Variances) within the geographic boundaries set forth in **Exhibit A** through the compliance enforcement program set forth in **Exhibit D**. NERC and SPP agree that this program meets all applicable requirements of the Act, Order 672 and the Commission's regulations, including, *inter alia*, the requirement for an audit program pursuant to Section 39.7(a) of the Commission's regulations, the assessment of penalties pursuant to Section 39.7(c) through 39.7(g) of the Commission's regulations and the requirements for due process. SPP may not change its compliance enforcement program set forth in **Exhibit D** absent NERC's approval, which shall not be unreasonably withheld or delayed. Subject to the rights and limitations of Sections 16 and 17 of this Agreement, SPP agrees to comply with the NERC Rules in implementing this program.

(b) SPP shall report promptly to NERC any self-reported violation or investigation of a violation or an alleged violation of a Reliability Standard and its eventual disposition. Such report shall include the owner's, operator's, or user's name, which Reliability Standard or Reliability Standards were violated or allegedly violated, when the violation or alleged violation occurred, other pertinent facts about the violation including circumstances surrounding the violation with any known risk to the bulk power system, when the violation was or will be mitigated, the name of a person knowledgeable about the violation or alleged violation to serve as a point of contact with the Commission, and any other information required by NERC compliance program procedures. NERC shall promptly forward such report to the Commission. NERC and SPP shall cooperate in filing such periodic summary reports as the Commission shall from time to time direct on violations of Reliability Standards and summary analyses of such violations.

(c) Each violation or alleged violation shall be treated as nonpublic until the matter is filed with the Commission as a notice of penalty or resolved by an admission that the owner, operator, or user of the bulk power system violated a Reliability Standard or by a settlement or other negotiated disposition. The disposition of each violation or alleged violation that relates to a Cybersecurity Incident or that would jeopardize the security of the bulk power system if publicly disclosed shall be nonpublic unless the Commission directs otherwise.

(d) All appeals of penalties imposed by SPP shall be filed with NERC, in accordance with the NERC Rules.

(e) SPP shall maintain the capability to conduct investigations of potential violations of Reliability Standards and to conduct such investigations in a confidential manner.

(f) SPP shall maintain a program of proactive enforcement audits including procedures for spot-checks of self-reported compliance and periodic audits of all responsible entities as defined in **Exhibit D**.

(g) As part of its compliance enforcement program, SPP shall maintain a conflict of interest policy that assures the integrity of such program and the independence of the compliance program staff from those subject to enforcement actions.

(h) As often as NERC deems necessary, but no less than every three years, NERC shall review SPP's compliance enforcement program to ensure that: (i) the program meets all applicable legal requirements; (ii) actual practices reflect the requirements; and (iii) the program administered pursuant to the Delegated Authority promotes consistent interpretations across North America of Reliability Standards and comparable levels of sanctions and penalties to violations of Reliability Standards constituting comparable levels of threat to reliability of the bulk power system.

(i) SPP shall modify its compliance enforcement program as needed to reflect additions to, deletions from, or modifications of Reliability Standards and, subject to the rights and limitations of Sections 16 and 17 of this Agreement, shall modify its compliance enforcement program as needed: (i) to reflect amendments to the NERC Rules; (ii) to comply with NERC directives resulting from the review of compliance enforcement programs as provided in Section 6(h) of this Agreement; or (iii) to resolve a conflict with a function, rule, order, tariff, rate schedule, or agreement accepted, approved, or ordered by the Commission.

(j) NERC shall conduct a review with the Regional Entities that provides for the exchange of information on practices, experiences, and lessons learned in the implementation of compliance enforcement programs.

7. Delegation-Related Services. NERC will engage SPP on its behalf to carry out certain of its activities that are in furtherance of its responsibilities as the ERO under the Act or in support of delegated functions, as specified in the NERC Rules and listed on **Exhibit E**.

8. Funding. SPP and NERC shall ensure that the delegated functions and related activities listed on **Exhibit E** have reasonable and adequate funding and resources by undertaking the following:

(a) NERC shall fund SPP activities necessary for SPP to carry out its Delegated Authority under this Agreement, including the functions listed on **Exhibit E**, and shall not impose any obligation or requirement regarding Delegated Authority upon SPP without providing appropriate funding to carry out such mandates;

(b) SPP and NERC agree that costs of carrying out SPP's responsibilities under the Delegation Agreement will be equitably allocated among end users within the geographic boundaries described in **Exhibit A** and recovered through a formula based on net energy for load, or through such other formula as is proposed by SPP and approved by NERC and the Commission. If SPP proposes to use a formula other than net energy for load beginning in the following year, SPP shall submit the proposed formula to NERC in sufficient time that NERC may review and approve the proposed formula and file it with the Commission for approval by May 15, and the proposed formula shall be effective for the following year if approved by the Commission on or before the date the Commission approves the annual business plan and budget submitted by NERC and SPP to the Commission pursuant to 18 C.F.R. §39.4 for such year;

(c) NERC will ensure that the costs for its responsibilities are first allocated fairly among the interconnections and regions according to the applicability of this work to those interconnections and regions, and then equitably among the end users of the applicable interconnections and regions as appropriate. Allocation on a net energy for load basis will be presumed to satisfy this equitability requirement.

(d) NERC shall provide SPP with the form for budget submittal no later than April 30 of the prior year.

(e) SPP shall submit its annual budget for carrying out its Delegated Authority functions and related activities listed on **Exhibit E**, as well as all other SPP activities and funding to NERC no later than June 1 of the prior fiscal year such that NERC may submit its budget to the Commission 130 days in advance of the beginning of each fiscal year. The SPP budget submission shall include supporting materials, including SPP's complete business plan and organization chart, explaining the proposed collection of all dues, fees and charges, and the proposed expenditure of funds collected in sufficient detail to justify the requested funding collection and budget expenditures. NERC shall develop, in consultation with the Regional Entities, a reasonable and consistent system of accounts, with a level of detail and record keeping comparable to the Commission's Uniform System of Accounts and sufficient to allow the Commission to compare each Commission-approved NERC fiscal year budget with the actual results at the NERC and Regional Entity level. SPP shall follow NERC's prescribed system of accounts except to the extent that NERC permits a departure from the prescribed system of accounts. NERC shall make an informational filing with the Commission describing any such waiver it permits and providing an explanation supporting the permitted departure.

(f) SPP's funding system shall include reasonable reserve funding for unforeseen and extraordinary expenses and other contingencies, consistent with generally accepted accounting principles.

(g) NERC shall review and approve SPP's budget for meeting its responsibilities under the Delegation Agreement.

(h) SPP shall submit unaudited quarterly interim financial statements in form provided by NERC no later than 20 days after the end of the fiscal quarter (March 31, June 30, September 30, and December 31).

(i) SPP shall submit audited financial statements annually including supporting materials in a form provided by NERC no later than 150 days after the end of the fiscal year.

(j) NERC shall have the right to review from time to time, in reasonable intervals but no less than every three years, the financial records of SPP in order to ensure that the documentation fairly represents in all material respects appropriate funding under this Agreement.

(k) **Exhibit E** to this Agreement sets forth the mechanism through which SPP RE shall offset penalty monies it receives (~~other than penalty monies received from an operational function or division or affiliated entity~~) against its next year's annual budget for carrying out functions under this Agreement, ~~and the mechanism by which SPP shall transmit to NERC any penalty monies received from an operational function or division or affiliated entity of SPP.~~

9. Assignment. This Agreement may be assigned by either Party only with the prior written consent of the other, which consent shall be granted or withheld in such non-assigning Party's sole discretion, subject to approval by the Commission. Any assignment under this Agreement shall not relieve a Party of its obligations, nor shall a Party's obligations be enlarged, in whole or in part, by reason thereof. SPP may not delegate in whole or in part its Delegated Authority to any other entity; provided, however, that nothing in this provision shall prohibit SPP from contracting with other entities to assist it in carrying out its Delegated Authority, provided SPP retains control and responsibility for such Delegated Authority.

10. Default and Cure. Upon a Breach, the non-breaching Party shall give written notice of such Breach to the breaching Party (the "Default Notice"). Subject to a suspension of the following deadlines as specified below, the breaching Party shall have thirty (30) calendar days from receipt of the Default Notice within which to cure such Breach; provided however, that if such Breach is not capable of cure within thirty (30) calendar days, the breaching Party shall commence such cure within thirty (30) calendar days after notice and continuously and diligently complete such cure within ninety (90) calendar days from receipt of the Default Notice; and, if cured within such time, the Breach specified in such notice shall cease to exist. Subject to the limitation specified in the following sentence, if a Breach is not cured as provided in this article, or if a Breach is not capable of being cured within the period provided for herein, the nonbreaching Party shall have the right to declare a default and terminate this Agreement by written notice at any time until cure occurs, and be relieved of any further obligation hereunder. The deadlines for cure and the right to declare a default and terminate this Agreement shall be suspended during the pendency of any efforts or proceedings in accordance with Section 17 of this Agreement to resolve a dispute as to whether a Breach has occurred. The provisions of this article will survive termination of this Agreement.

11. Term and Termination.

(a) This Agreement is effective as of January 3, 2009 pursuant to the December 19, 2008 order of the Federal Energy Regulatory Commission (125 FERC ¶61,330).

(b) The initial term of the Agreement shall be four (4) years from the original effective date of May 2, 2007, prior to which time NERC shall conduct an audit pursuant to subsections 6(e) and 7(i) to ensure that SPP continues to meet all applicable statutory and regulatory requirements necessary to maintain its eligibility for delegation. If SPP meets such requirements, this Agreement may be renewed for another five (5) year term. If this Agreement is not renewed or becomes subject to termination for any reason, the Parties shall work to ensure a transition of SPP's Delegated Authority to NERC or to another eligible entity. The termination of this Agreement shall not take effect until such transition has been effected, unless the transition period exceeds one year, at which time SPP may unilaterally terminate.

(c) If any provision of this Agreement, or the application thereof to any person, entity or circumstance, is held by a court or regulatory authority of competent jurisdiction to be invalid, void, or unenforceable, or if a modification or condition to this Agreement is imposed by a regulatory authority exercising jurisdiction over this Agreement, the Parties shall endeavor in good faith to negotiate such amendment or amendments to this Agreement as will restore the relative benefits and obligations of the signatories under this Agreement immediately prior to such holding, modification or condition. If either Party finds such holding, modification or condition unacceptable and the Parties are unable to renegotiate a mutually acceptable resolution, either Party may unilaterally terminate this Agreement. Such termination shall be effective one year following written notice by either Party to the other Party and to the Commission, or at such other time as may be mutually agreed by SPP and NERC.

(d) Notwithstanding any termination of this Agreement, provisions contained in Limitation of Liability (Section 12), No Third Party Beneficiaries (Section 13) and Confidentiality (Section 14) shall survive this Agreement in accordance with their terms until sixty (60) days following the expiration of any applicable statute of limitations.

12. Limitation of Liability. SPP and NERC agree not to sue each other or their directors, officers, employees, and persons serving on their committees and subgroups based on any act or

omission of any of the foregoing in the performance of duties pursuant to this Agreement or in conducting activities under the authority of Section 215 of the Act, other than seeking a review of such action or inaction by the Commission. NERC and SPP shall not be liable to one another for any damages whatsoever, including without limitation, direct, indirect, incidental, special, multiple, consequential (including attorneys' fees and litigation costs), exemplary, or punitive damages arising out of or resulting from any act or omission associated with the performance of the SPP's or NERC's responsibilities under this Agreement or in conducting activities under the authority of Section 215 of the Act, except to the extent that the SPP or NERC is found liable for gross negligence or intentional misconduct, in which case SPP or NERC shall not be liable for any indirect, incidental, special, multiple, consequential (including without limitation attorneys' fees and litigation costs), exemplary, or punitive damages.

13. No Third Party Beneficiaries. Nothing in this Agreement shall be construed to create any duty to, any standard of care with reference to, or any liability to any third party.

14. Confidentiality. During the course of the Parties' performance under this Agreement, a Party may receive Confidential Information, as defined in Section 1500 of NERC's Rules of Procedure. Except as set forth herein, the Parties agree to keep in confidence and not to copy, disclose, or distribute any Confidential Information or any part thereof, without the prior written permission of the issuing Party, unless disclosure is required by subpoena, law, or other directive of a court, administrative agency, or arbitration panel, in which event the recipient hereby agrees to provide the Party that provided the Confidential Information with prompt notice of such request or requirement in order to enable such issuing Party to (a) seek an appropriate protective order or other remedy, (b) consult with the recipient with respect to taking steps to resist or narrow the scope of such request or legal process, or (c) waive compliance, in whole or in part, with the terms of this Section. In the event a protective order or other remedy is not obtained or the issuing Party waives compliance with the provisions, the recipient agrees to furnish only that portion of the Confidential Information which the recipient's counsel advises is legally required and to exercise best efforts to obtain assurance that confidential treatment will be accorded to such Confidential Information. In addition, each Party shall ensure that its officers, trustees, directors, employees, subcontractors and

subcontractors' employees, and agents to whom Confidential Information is exposed are under obligations of confidentiality that are at least as restrictive as those contained herein. This confidentiality provision does not prohibit reporting and disclosure as directed by NERC, as set forth in Section 6 of this Agreement.

15. Amendment. Neither this Agreement nor any of the terms hereof, may be amended unless such amendment is made in writing, signed by the Parties, and filed with and approved by the Commission.

16. Amendments to the NERC Rules. NERC shall not adopt amendments to the NERC Rules that conflict with the rights, obligations, or programs of SPP under this Agreement without first obtaining the consent of SPP, which consent shall not be unreasonably withheld or delayed. To the extent SPP does not consent, NERC shall have the right to invoke the dispute resolution provisions of Section 17 and, if such effort fails to resolve the dispute, to petition the Commission to adopt the amendment to the NERC Rules. To the extent that the Commission issues an order amending or materially affecting the rights or obligations of SPP under this Agreement, SPP shall have the option, exercisable no later than 60 days after issuance of such order, to terminate this Agreement. Such termination shall be effective one year following written notice by SPP to NERC and the Commission, or at such other time as may be mutually agreed by SPP and NERC.

17. Dispute Resolution. In the event a dispute arises under this Agreement between NERC and SPP, representatives of the Parties with authority to settle the dispute shall meet and confer in good faith in an effort to resolve the dispute in a timely manner. In the event the designated representatives are unable to resolve the dispute within thirty (30) days or such other period as the Parties may agree upon, each Party shall have all rights to pursue all remedies, except as expressly limited by the terms of this Agreement. Neither Party shall have the right to pursue other remedies until the Dispute Resolution procedures of this Section 17 have been exhausted. This Section 17 shall not apply to enforcement actions against individual entities.

18. Notice. Whether expressly so stated or not, all notices, demands, requests, and other communications required or permitted by or provided for in this Agreement shall be given in writing to a Party at the address set forth below, or at such other address as a Party shall designate for itself in writing in accordance with this Section, and shall be delivered by hand or reputable overnight courier:

If to NERC:

North American Electric
Reliability Corporation
116-390 Village Blvd.
Princeton, NJ 08540-5721
Attn: David Nevius
Facsimile: (609) 452-9550

If to SPP:

Southwest Power Pool, Inc.
415 N. McKinley
Suite 140
Little Rock, AR 72205
Attn: Michael Desselle
Facsimile: (501) 664-9553

19. Governing Law. When not in conflict with or preempted by federal law, this Agreement will be governed by and construed in accordance with the laws of New Jersey without giving effect to the conflict of law principles thereof. The Parties recognize and agree not to contest the exclusive or primary jurisdiction of the Commission to interpret and apply this Agreement; provided however that if the Commission declines to exercise or is precluded from exercising jurisdiction of any action arising out of or concerning this Agreement, such action shall be brought in any state or federal court of competent jurisdiction in New Jersey. All Parties hereby consent to the jurisdiction of any state or federal court of competent jurisdiction in New Jersey for the purpose of hearing and determining any action not heard and determined by the Commission.

20. Headings. The headings and captions in this Agreement are for convenience of reference only and shall not define, limit, or otherwise affect any of the terms or provisions hereof.

21. Savings Clause. Nothing in this Agreement shall be construed to preempt or limit any authority that SPP may have to adopt reliability requirements or take other actions to ensure reliability of the bulk power system within the geographic boundaries described in **Exhibit A** that are outside the authority delegated from NERC, as long as such reliability requirements and actions are not inconsistent with Reliability Standards applicable to the region described in

Exhibit A and do not result in a lessening of reliability outside the region described in **Exhibit A**.

22. **Entire Agreement.** This Agreement constitutes the entire agreement, and supersedes all prior agreements and understandings, both written and oral, among the parties with respect to the subject matter of this Agreement.

23. **Execution of Counterparts.** This Agreement may be executed in counterparts and each shall have the same force and effect as the original.

NOW THEREFORE, the parties have caused this Agreement to be executed by its duly authorized representatives, effective as of the date first above written.

NORTH AMERICAN
ELECTRIC RELIABILITY CORPORATION

SOUTHWEST POWER POOL, INC.

By: _____

By: _____

Name: David A. Whiteley

Name: Nicholas A. Brown

Title: Executive Vice President

Title: President

Date: _____, 2009

Date: _____, 2009

Regional Boundaries

Exhibit A Regional Boundaries

The geographic boundaries of Southwest Power Pool (SPP) are determined by the service areas of its membership, comprised of investor-owned utilities, municipal, cooperative, state and federal systems, merchant electricity generators and power marketers.

SPP covers an area of approximately 255,000 square miles of service territory (purple region depicted below) in all or part of eight states: Arkansas, Kansas, Louisiana, New Mexico, Mississippi, Missouri, Oklahoma, and Texas.

Service provided by SPP members in areas which overlap with neighboring regions:

- ◆ The area in northeastern Oklahoma is served by Western Farmers Electric Cooperative, Oklahoma Gas & Electric Company, Oklahoma Municipal Power Authority, Grand River Dam Authority, and AEP West.
- ◆ The area in Arkansas is served by Arkansas Electric Cooperative Corporation, Oklahoma Gas & Electric Company, and AEP West.
- ◆ The area in western Missouri is served by Aquila, Empire District Electric Company, City Power & Light (Independence, MO), City Utilities (Springfield, MO), Grand River Dam Authority, Kansas City Power & Light Company, City Power & Light (Independence, MO), and Southwestern Power Administration.

Within the SPP Region, compliance monitoring and enforcement functions with respect to reliability functions for which SPP is the registered entity are performed by SERC Reliability Corporation (SERC) pursuant to a contract between SPP and SERC dated as of (date).

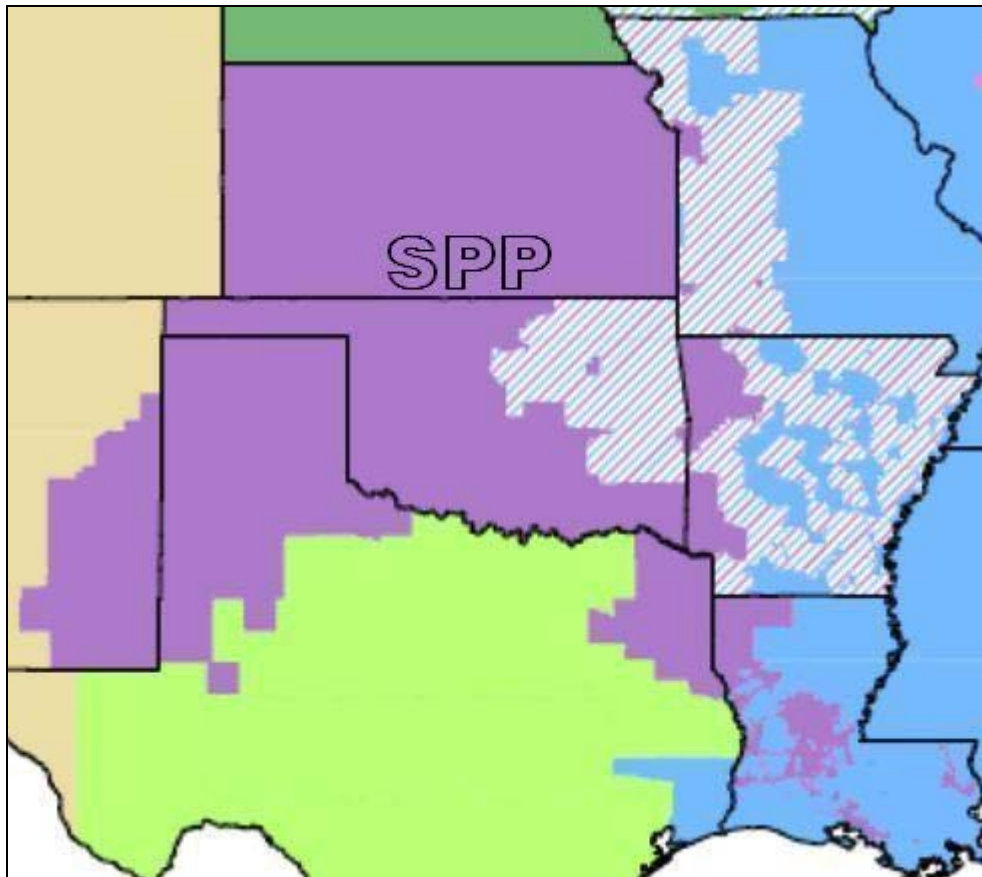


Exhibit B – Governance

Exhibit B shall set forth the Regional Entity’s bylaws, which NERC agrees demonstrate that the Regional Entity 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).)

Southwest Power Pool, Inc.
Bylaws
Original Volume No. 4

Southwest Power Pool, Inc.

B Y L A W S

Issued by: L. Patrick Bourne, Manager
Transmission and Regulatory Policy

Effective: May 1, 2004

Issued on: August 2, 2004

Filed to comply with order of the Federal Energy Regulatory Commission, Docket Nos. RT04-1-002 and ER04-48-002, issued July 2, 2004, 108 FERC ¶ 61,003.

Southwest Power Pool Bylaws
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B Y L A W S
of
Southwest Power Pool, Inc.

PREAMBLE

The values and principles upon which SPP is incorporated and formed include: a relationship-based organization; member-driven processes; independence through diversity of Organizational Group membership; recognition that reliability and economic/equity issues are inseparable; and, deliberate evolutionary, as opposed to revolutionary, implementation of new concepts. These values and principles should guide those serving this organization. The Board of Directors will endeavor to ensure equity to all Members while also assuring the continuous adaptation to controlling conditions within these stated values and principles.

1.0 DEFINITIONS

1.1 Affiliate Relationships

Affiliate Relationships are relationships between SPP Members that have one or more of the following attributes in common:

- (a) are subsidiaries of the same company;
- (b) one Member is a subsidiary of another Member;
- (c) have, through an agency agreement, turned over control of a majority of their generation facilities to another Member;
- (d) have, through an agency agreement, turned over control of a majority of their transmission system to another Member, except to the extent that the facilities are turned over to an independent transmission company recognized by FERC;
- (e) have an exclusive marketing alliance between Members; or
- (f) ownership by one Member of ten percent or greater of another Member.

1.2 Articles of Incorporation

SPP's articles of incorporation as filed with the state of Arkansas.

1.3 Board of Directors

The Board of Directors of SPP, which shall manage the general business of SPP pursuant to these Bylaws.

1.4 Bylaws

These bylaws.

1.5 Criteria

Planning and operating standards and procedures as approved by the Board of Directors.

1.5a Existing Obligations

Certain financial obligations as defined in Section 8.7.1 of these Bylaws.

1.5b ERO

The Electric Reliability Organization under FERC jurisdiction that regulates reliability of the electric power grid.

1.6 Member

An entity that has met the requirements of Section 2.2 of these Bylaws.

1.7 Membership

The collective Members of SPP.

1.8 Membership Agreement

The contract, that specifies the rights and obligations of the parties, executed between SPP and an entity seeking to become an SPP member.

1.9 NERC

The North American Electric Reliability Corporation or successor organizations.

1.10 Net Energy for Load

The electrical energy requirements of an electric system are defined as system net generation plus energy received from others, less energy delivered to others through interchange. It includes system losses but excludes energy required for the storage at energy storage facilities.

Issued by: L. Patrick Bourne, Director – Regulatory Policy

Issued on: November 3, 2008

Effective: May 18, 2007

Filed to comply with order of the Federal Energy Regulatory Commission, Docket No. ER08-1380-000, Letter Order, Issued October 6, 2008.

1.11 Officers

The officers of SPP as elected by the Board of Directors. The Officers consist of the President and the Corporate Secretary, at a minimum. Any Officer must be independent of any Member organization.

1.12 Organizational Group

A group, other than the Board of Directors, comprising a committee or working group that is charged with specific responsibilities toward accomplishing SPP's mission.

1.13 Regional Criteria

SPP planning and operating standards and procedures as approved by the Board of Directors.

1.14 Regional Entity Trustees

A governing body of SPP, independent of the Board of Directors, which specifically oversees SPP's function as an ERO Regional Entity pursuant to the Delegation Agreement between SPP and the ERO.

1.15 Regional Reliability Standards

Electric reliability requirements submitted to the ERO by the Regional Entity Trustees; and once approved, implemented and enforced by SPP under authority as the Regional Entity.

1.16 Registered Entity(ies)

A bulk electric system owner, operator or user that is required to comply with ERO reliability standards pursuant to the Energy Policy Act of 2005.

1.17 SPP

Southwest Power Pool, Inc.

1.18 SPP Regional Entity

That part of SPP responsible for the delegated functions pursuant to the Delegation Agreement between SPP and the ERO.

1.19 SPP Compliance Monitoring and Enforcement Program

The program used by the North American Electric Reliability Corporation ("NERC") and the Regional Entities to monitor, assess, and enforce compliance with Reliability Standards within the United States.

1.20 Staff

The technical and administrative staff of SPP as hired by the Officers to accomplish SPP's mission.

1.21 Standards Development Team

An SPP Organizational Group assigned or choosing to develop an SPP Regional Reliability Standard for submission to the ERO for approval for enforcement.

1.22 Transmission Owning Member

A Member that has placed more than 500 miles of non-radial facilities operated at or above 60 kV under the independent administration of SPP for the provision of regional transmission service as set forth in the Membership Agreement.

1.23 Transmission Using Member

A Member that does not meet the definition of a Transmission Owning Member.

2.0 MEMBERSHIP

2.1 Qualifications

Membership in SPP is voluntary and is open to any electric utility, Federal power marketing agency, transmission service provider, any entity engaged in the business of producing, selling and/or purchasing electric energy for resale, and any entity willing to meet the membership requirements, including execution of the Membership Agreement. Membership also is open to any entity eligible to take service under the SPP Open Access Transmission Tariff (OATT). These entities desire the greater efficiency and service reliability gained through better coordination by voluntary association in SPP as constituted herein and in the SPP Articles of Incorporation. Members recognize that such association has a significant effect upon the availability and reliability of the bulk electric power supply of the region, and thereby affects the reliability of the nation's electric power supply.

2.2 Applications

Membership by an entity shall be obtained upon meeting the following requirements:

- (a) Meeting membership qualifications;
- (b) Providing an application for membership to the SPP President; and
- (c) Executing the Membership Agreement and delivering a signed copy to the President.

The President shall review applications, approve those meeting membership qualifications and promptly give written notice of the new Member to all other Members. The Board of Directors will review any disputes arising as to the qualifications of the new Member. Membership will commence at the beginning of the next calendar month following completion of these requirements or some other date as may be mutually agreed upon.

2.3 Member Responsibilities and Obligations

Members recognize that SPP exists and operates for the benefit of the bulk electric transmission system and to ensure the reliability of the nation's power supply. As such, Members are required to act to further these goals by participating in projects, and complying with regulatory requirements. Failure to comply with these provisions will be considered a violation of these Bylaws and the Member may be removed in accordance with the provisions for *Removal of Members* in the Membership Agreement.

2.4 Termination, Removal and Reinstatement

The Board of Directors may terminate the membership of any Member in accordance with the Membership Agreement. The President shall promptly give written notice of the removal to all other Members. Any former Member seeking to rejoin SPP shall apply to the Board of Directors for reinstatement. In its application for reinstatement, the former Member shall:

- (a) provide evidence that it has fully paid any accrued financial obligation to SPP;
- (b) demonstrate it has corrected the reason for its removal;
- (c) establish that it will be in compliance with SPP membership requirements; and
- (d) deliver an executed Membership Agreement to the President.

2.5 Participation in Regional Entity Activities

Participation in SPP Regional Entity activities is open to the public and does not require membership in SPP, Inc. nor any of the obligations of membership, including SPP, Inc.'s annual fee.

3.0 ORGANIZATIONAL ADMINISTRATION

3.1 Structure

Member input on decision-making shall be accomplished primarily through Membership participation in Organizational Groups. Members are expected to provide representation to Organizational Groups as requested. Unless otherwise provided in these Bylaws, Organizational Group representation will be appointed by the Board of Directors, who shall consider the various types and expertise of Members and their geographic locations, to achieve a widespread and effective representation of the Membership. The Chair of any Organizational Group may appoint any ad hoc task forces as necessary to fulfill its mission. Task force appointments shall be made with due consideration of the various types and expertise of Members and their geographic locations. Criteria for serving on an Organizational Group will be determined in the group's scope. Except for any full representation group, an appointment to an Organizational Group is for an individual, not a corporate entity. Participation in certain sessions of Organizational Group meetings where market sensitive issues are discussed may be restricted to persons representing entities that have executed ERO's Confidentiality Agreement. Representatives on all Organizational Groups will be documented in the SPP directory maintained by the Staff. Organizational Group vacancies will be filled on an interim basis by appointment of the President unless otherwise provided for in these Bylaws.

3.2 Attendance and Proxy

Except for the Market and Operations Policy Committee (MOPC), if a representative does not attend three consecutive Organizational Group meetings, he/she will be considered to have resigned from the group, absent express waiver of this requirement by the chair of the group. Any appeal of removal from the roster of an Organizational Group should be directed to the Corporate Secretary. Any resulting vacancy will be filled in accordance with Section 3.1 *Structure* of these Bylaws.

If a representative is unable to attend an Organizational Group meeting, he/she may in writing appoint a substitute representative who shall have such rights to participate and vote as the representative specifies. The substitute representative may be another member of the Organizational Group or another person who has the authority to act on behalf of the representative. A representative may not grant a proxy for more than three consecutive meetings without the express consent of the chair of the Organizational Group. If a representative exceeds the proxy limit, he/she will be considered to have resigned from the Organizational Group and the vacancy will be filled in accordance with these Bylaws; except, in the case of any full representation Organizational Group, in which case a new representative will be solicited from the member company.

A proxy provided to another representative of the Organizational Group will not be recorded as attendance at the meeting and will not serve to meet or maintain the quorum requirements. A proxy provided to another person with the authority to act on behalf of the representative will be recorded as attendance at a meeting for the purpose of meeting or maintaining the quorum requirements.

3.3 Leadership

3.3.1 Appointment

The Chair of all Organizational Groups shall be nominated by the Corporate Governance Committee for consideration and appointment by the Board of Directors. A Vice Chair shall be elected by the members of an Organizational Group, unless provided otherwise in these Bylaws. A Vice Chair shall act for a Chair:

- (a) at the request of the Chair;
- (b) if the Chair becomes incapacitated and unable to discharge the functions of the position; or
- (c) if the position of the Chair becomes vacant, until a new Chair takes office.

3.3.2 Terms

The terms of the Chair and Vice Chair of all Organizational Groups shall coincide with the two-year term of the Chair of the Board of Directors. Organizational Group representation will be reviewed annually for compliance with the Bylaws by the Corporate Governance Committee.

3.3.3 Vacancies

Should any individual having been appointed as a Chair of any Organizational Group be unable to serve for the term specified, or be unable to serve on a NERC Organizational Group under provisions of these Bylaws, a replacement shall be appointed by the Chair of the Board of Directors for the unexpired term of office.

3.4 Executive Authority

The Officers shall carry out the rights, duties, and obligations of SPP pursuant to the authority granted by the Board of Directors. Officers will execute the SPP Standards of Conduct upon employment. The Standards of Conduct outline the independence requirements for all employees of SPP. The Officers shall be empowered to:

- (a) employ qualified technical and administrative employees;
- (b) engage office space;
- (c) employ outside technical and special service organizations;
- (d) execute contracts;
- (e) provide for independent regional reliability coordination, transmission service administration, and other services as may be directed by the Board of Directors;
- (f) serve as SPP's representative before regulatory bodies, NERC, and in other public forums;
- (g) incur reasonable expenses; and
- (h) make Staff resources available to individual Members or groups of Members on a non-firm, non-priority, first-come-first-serve basis so as not to interfere with current or future needs and priorities established by SPP.

3.5 Meetings

Organizational Groups shall meet as necessary. SPP meetings shall be open, however, any Organizational Group may limit attendance at a meeting by an affirmative vote of the Organizational Group as necessary to safeguard confidentiality of sensitive information, including but not limited to Order 889 Code of Conduct requirements, personnel, financial, or legal matters. Representatives shall be given at least fifteen days written notice of the date, time, place and purpose of each regular or special meeting. Telephone conference meetings may be called as appropriate by the Chair of any Organizational Group with at least one-day prior notice.

3.6 Order of Business

The latest edition of Robert's Rules of Order will generally govern all SPP meetings on any point not specifically covered in these Bylaws.

3.7 Expenses

The expenses of a representative participating in the activities of SPP Organizational Groups and task forces shall be borne by that representative.

3.8 Quorum

The quorum for a meeting of the Markets and Operations Policy Committee or the Membership shall be those Members present. The quorum for any other Organizational Group or task force shall be one-half of the representatives thereof, but not less than three representatives; provided, that a lesser number may adjourn the meeting to a later time. The quorum for a meeting must be established and maintained throughout the meeting in order for the Organizational Group to take any binding action(s). Notwithstanding the above, any actions taken before a quorum is lost are considered valid and binding. A proxy will serve to meet the quorum requirements as described in Section 3.2 *Proxy* of these Bylaws.

3.9 Voting

3.9.1 Markets and Operations Policy Committee and Membership

Upon joining, Members shall be assigned to one of two Membership sectors for the sole purpose of voting on matters before the Markets and Operations Policy Committee or the Membership: Transmission Owning Members, or Transmission Using Members. Each sector votes separately with the result for that sector being a percent of approving votes to the total number of Members voting. An action is approved if the average of these two percentages is at

least sixty-six percent. If no Members are present within a sector, the single present sector-voting ratio will determine approval. Unless otherwise stated in these Bylaws, the Markets and Operations Policy Committee or the Membership may determine to vote on an issue by email. The outcome of any email vote must be recorded in the minutes for the group.

3.9.2 Organizational Groups and Task Forces

Each representative of an Organizational Group or Task Force shall have one vote. A simple majority of participants present or represented by proxy and voting shall be required for approval of an action for all other Organizational Group and Task Force action(s). Unless otherwise stated in these Bylaws, an Organizational Group or Task Force may determine to vote on an issue by email. The outcome of any email vote must be recorded in the minutes for the group.

If an Organizational Group is acting as a Standards Development Team as defined in Section 9.5 *Regional Reliability Standards Development Process* of these Bylaws, it will vote in accordance with the SPP Standards Development Process as approved by FERC.

3.10 Appeal

Should any Member or group of Members disagree on an action taken or recommended by any Organizational Group, such Member(s) may, in writing, appeal and submit an alternate recommendation to the Board of Directors prior to the meeting at which consideration of the action by the Board of Directors is scheduled.

3.11 Staff Independence and Support

SPP Staff members will be required to execute the SPP Standards of Conduct upon employment and annually thereafter. The Standards of Conduct outline the independence requirements for employees of SPP. The President shall assign to each Organizational Group an SPP Staff member, who shall attend all meetings and act as secretary to the Organizational Group and any ad hoc task forces of that group. Staff secretaries of all Organizational Groups and task forces shall be non-voting. Minutes shall be kept of pertinent discussion, business transacted, decisions reached, and actions taken at each meeting of SPP Organizational Groups or task forces by the secretary. Minutes shall be published within seven calendar days following a meeting but in any event in advance of the next meeting, and considered final documents upon their approval by the Organizational Group or task force.

3.12 Publications and Data Bases

SPP shall publish and distribute reports as necessary to fulfill the SPP mission. SPP shall also develop and maintain electronic databases of relevant technical information. The release of member-specific proprietary information will be governed by the appropriate SPP governing document (the OATT, the Membership Agreement, the Bylaws, the SPP Criteria) and/or a properly executed confidentiality agreement. Standard publications and standard forms of non-proprietary information will be made available at no charge

3.13 Dispute Resolution

These procedures are established for the equitable, efficient and expeditious resolution of disputes. These procedures are intended to cover disputes between any two or more Members, between Members and consenting non-members, or between SPP and any Member(s) or consenting non-member(s). SPP and Members are strongly encouraged to take part in the complete process herein described prior to litigation or the utilization of other dispute resolution processes. SPP administrative involvement in the proceeding is to coordinate with an appropriate firm or panel to facilitate the resolution of the dispute and to provide meeting coordination and facilities. These procedures do not apply to disputes that are covered by the dispute resolution procedures of the SPP OATT or the SPP Compliance Monitoring and Enforcement Program.

3.13.1 Instigation

Any Member may begin these dispute resolution procedures by making a request in writing to the President. The President will inform the Board of Directors of the initiation of any dispute resolution proceedings. This written request must contain the authorized signatures of all parties to the dispute. The request must contain:

- (a) a statement of the issues in dispute;
- (b) the positions of each of the parties relating to each of the issues;
- (c) the specific dispute resolution procedure desired; and
- (d) any agreed-upon modifications or specific additions to the proceedings described in these Bylaws by which the dispute may be resolved.

3.13.2 Dispute Resolution Process

In the event SPP is a party to the dispute, the parties shall engage a firm specializing in alternative dispute resolution to administer the dispute resolution process. The firm will be mutually determined by the parties and the process will be administered in accordance with these Bylaws and such other SPP governing documents as may be relevant to the proceeding. In the event the parties cannot mutually agree to the engagement of a firm, the dispute resolution process will be abandoned and other available means for resolution will be pursued.

In the event SPP is not a party to the dispute, the parties to the dispute may engage a firm specializing in alternative dispute resolution to administer the dispute resolution process. The firm will be mutually determined by the parties and the process will be administered in accordance with these Bylaws and such other SPP governing documents as may be relevant to the proceeding. In the event the parties cannot mutually agree to the engagement of a firm, and do not determine some other mutually acceptable procedure, the President of SPP shall provide to each party to the dispute a list of candidates to be used in forming a three-person dispute resolution panel. The candidates shall be persons meeting the requirements for directors. The President shall then call a telephone conference meeting during which each party shall alternate striking names from the list

until those remaining constitute the dispute resolution panel. This panel shall select a chair from its membership. Should any candidate decline to serve or resign from a current appointment for any reason, the candidate whose name was last struck from the list shall be contacted to serve. The President shall assign a Staff representative to assist the panel as secretary. The President shall manage the panel selection process to ensure its timely completion.

3.13.3 Resolution Procedures

The types of proceedings available for the resolution of disputes are:

- (a) An Advisory Proceeding to assist each party through discussion and advice, on a separate and individual basis without active participation in the joint discussions and negotiations, to resolve the dispute informally by mutual agreement;
- (b) A Mediation Proceeding to assist the parties through active participation in the joint discussions and negotiations (including specific recommendations of the issues in dispute) through which the parties indirectly attempt to resolve the dispute informally by mutual agreement;
- (c) A non-binding Dispute Resolution Proceeding to hear formal evidence on factual matters related to the issues submitted, make written findings and conclusions of fact, and issue specific written recommendations for resolution of each issue in dispute.
- (d) A binding Dispute Resolution Proceeding to hear formal evidence on factual matters related to the issues submitted, make written findings and conclusions of fact, and issue directives and awards for resolution of each issue in dispute.

The panel chair shall determine meeting arrangements and format necessary to efficiently expedite the resolution of the dispute, and the Staff secretary shall notify the parties of these details. Each party to the dispute must have at least one representative present at all related meetings with full authority to resolve the dispute. Upon conclusion of this process, the panel chair shall notify the President of its outcome. After consultation with the parties to the dispute

and the panel chair to determine the completion of the process as described herein, and/or as modified by the parties, the President shall discharge the panel, and notify the Board of Directors of the results. The parties to the dispute agree to complete the process within 90 days from selection of the panel. Final determinations may be subject to corporate or regulatory approvals, which the parties should disclose at the outset of the process. The Staff secretary shall maintain minutes of the panel meetings, which shall become part of SPP's historical records.

3.13.4 Expenses

The parties to the dispute shall share equally all reasonable charges for the meeting location, administrative costs, and related travel expenses of panel members. The parties to the dispute shall also share equally all reasonable compensation for time and service of panel members and related incremental expenses of the SPP Staff. The President shall determine reasonableness of time and service costs for panel members prior to process implementation. The SPP Staff secretary shall account for these expenses. Each party to the dispute shall be responsible for their respective associated expenses.

3.13.5 Liability

The parties to any dispute which is the subject of these dispute resolution procedures shall hold harmless SPP, its Members, Organizational Groups and each of their directors, officers, agents, employees or other representatives, and the panel members from any liabilities, claims, or damages resulting from any agreement or lack of agreement as a result of the dispute resolution proceedings. The foregoing hold harmless right shall not be extended to the parties to any given dispute or to their directors, officers, agents, employees or other representatives.

3.14 Meeting of Members

The Chair of the Board of Directors shall convene and preside over meetings of Members for the purpose of electing Directors, Members Committee representatives, and Regional Entity Trustees to positions becoming vacant in the ensuing year, and any other necessary business. The Membership shall meet at least once per calendar year.

3.15 Liability, Insurance and Indemnification

For purposes of this section “SPP” refers to SPP and its officers, directors, Regional Entity Trustees, employees or agents, and “Member” refers to the Members of SPP as defined in these Bylaws. None of the provisions of this section, including the waiver of liability in Section 3.15.1 below, absolving SPP or its Members, directors, Regional Entity Trustees, officer, agents, employees or other representatives of liability or any provisions for insurance or indemnification apply to actions which are unlawful, undertaken in bad faith, or are the result of gross negligence or willful misconduct.

3.15.1 Waiver of Liability

- (a) SPP shall not be liable to any Member for damages arising out of or related to any directive, order, procedure, action, or requirement of SPP, under the then effective Bylaws and Criteria.
- (b) No Member shall be liable to any other Member or to SPP for damages arising out of or related to any action by the Member pursuant to any directive, order, procedure, action or requirement of SPP, under the then effective Bylaws and Criteria.
- (c) Each Member waives any future claim it might have against SPP or other Members arising out of or resulting from any directive, order, procedure, action or requirement of SPP, under the then effective Bylaws and Criteria.
- (d) SPP waives any future claim it might have against any Member arising out of or resulting from any actions taken by a Member pursuant to any directive, order, procedure, action or requirement of SPP, under the then effective Bylaws and Criteria.

3.15.2 Insurance

The President is authorized to procure insurance to protect SPP, its directors, Regional Entity Trustees, officers, agents, employees, or other representatives against damages arising out of or related to any directive, order, procedure, action or requirement of SPP, under the then effective Bylaws and Criteria or pursuant to the OATT.

3.15.3 Indemnification of Directors, Officers, Agents and Employees

Except for actions which are unlawful, undertaken in bad faith, or are the result of gross negligence or willful misconduct, SPP shall indemnify its directors, officers, agents, employees, or other representatives to the maximum extent allowed by law consistent with these Bylaws. Each director, Regional Entity Trustee, officer, agent, employee, or other representative of SPP shall be indemnified by SPP against all judgments, penalties, fines, settlements, and reasonable expenses, including legal fees, incurred as a result of, or in connection with, any threatened, pending or completed civil, criminal, administrative, or investigative proceedings to which the incumbent may be made a party by reason of acting or having acted in official capacity as a director, Regional Entity Trustee, officer, agent, employee, or representative of SPP, or in any other capacity which the incumbent may hold at the request of SPP, as its representative in any other organization, subject to the following conditions:

- (a) Such director, Regional Entity Trustee, officer, agent, employee, or other representative must have acted in good faith and, in the case of criminal proceedings, must have had no reasonable cause to believe that conduct was unlawful; provided, that SPP shall not provide indemnification of any conduct judged unlawful in criminal proceedings. When acting in official capacity, the incumbent must have reasonably believed that conduct was in the best interests of SPP, and, when acting in any other capacity, must have reasonably believed that conduct was at least not opposed to the best interests of SPP.
- (b) If the proceeding was brought by or on behalf of SPP, however, indemnification shall be made only with respect to reasonable expenses referenced above. No indemnification of any kind shall be made in any such proceeding in which the director, Regional Entity Trustee, officer, agent, employee, or other representative shall have been adjudged liable to SPP.

- (c) In no event, however, will indemnification be made with respect to any described proceeding which charges or alleges improper personal benefit to a director, Regional Entity Trustee, officer, agent, employee, or other representative and where liability is imposed on the basis of the receipt of such improper personal benefit.
- (d) In order for any director, Regional Entity Trustee, agent, employee, or other representative to receive indemnification under this provision, the person shall vigorously assert and pursue any and all defenses to those claims, charges, or proceedings covered herein which are reasonable and legally available and shall fully cooperate with SPP or any attorneys involved in the defense of any such claim, charges, or proceedings on behalf of SPP.
- (e) No indemnification shall be made in any specific instance until it has been determined by SPP that indemnification is permissible in that specific case, under the standards set forth herein and that any expenses claimed or to be incurred are reasonable. These two (2) determinations shall be made by a majority vote of at least a quorum of the Board of Directors consisting solely of directors who were not parties to the proceeding for which indemnification or reimbursement of expenses is claimed. If such a quorum cannot be obtained, a majority of at least a quorum of the full Board of Directors, including directors who are parties to said proceeding, shall designate a special legal counsel who shall make said determinations on behalf of SPP.
- (f) Any reasonable expenses, as shall be determined above, that have been incurred by a director, Regional Entity Trustee, officer, agent, employee, or other representative who has been made a party to a proceeding as defined herein, may be paid or reimbursed in advance upon a majority vote of a quorum of the full Board of Directors, including those who may be a party to the same proceeding. However, such director, Regional Entity Trustee, officer, agent, employee, or other representative shall have provided SPP with (i) a written affirmation under oath that the incumbent, in good faith, believes the

conditions of indemnification herein have been met; and (ii) a written undertaking that the incumbent shall repay any amounts advanced, with interest accumulated at a reasonable rate, if it is ultimately determined that such conditions are not met.

3.15.4 Limitations

The provisions of this section 3.15 are subject to applicable state and federal laws, if any, which limit the ability of a Member to waive liability or enter into agreements of indemnity. Any benefits under this Section 3.15 shall not extend to any Member so limited by state or federal law in complying with the provisions thereof.

3.16 Compliance with Membership Requirements

Compliance monitoring of Members and Staff shall be performed to ensure compliance with all requirements of Membership. Certain SPP compliance monitoring and enforcement functions, as detailed in Section 9.0, shall be performed in concert with related ERO programs, and will be overseen by the Regional Entity Trustees. Other monitoring functions shall be provided by appropriate SPP staff under the oversight of the Oversight Committee and the Board of Directors. Compliance monitoring shall be an after-the-fact investigative and assessment function.

Monitoring functions shall include but are not limited to:

- (a) Investigation of all reports or discoveries of non-compliance with approved Bylaws, Regional Criteria, OATT, and agreements between SPP and its Members;
- (b) Obtaining all information needed to investigate all facets of possible non-compliance with Membership requirements;
- (c) Performance of in-depth reviews of operations in order to investigate non-compliance with Membership requirements upon approval from the Oversight Committee;
- (d) Comprehensive audits when recurring issues covering a broad spectrum of violations of Membership requirements are determined and documented;
- (e) Imposition of financial penalties and/or sanctions for non-compliance associated with the results of investigations or audits pursuant to approved standards, policies and/or Criteria;
- (f) Confirmation that SPP is conforming to its own Regional Criteria, OATT, business practices, and reliability operations in a manner that does not stifle the efficiency of the energy markets;
- (g) Utilization of dispute resolution procedures as necessary to resolve conflicts or appeals; and
- (h) Coordination of policy modifications to clearly define requirements and penalties in order to objectively monitor compliance with Membership requirements.

Issued by: L. Patrick Bourne, Director – Regulatory Policy

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3.17 Market Monitoring

SPP shall establish and provide appropriate support to a market monitoring function in accordance with its OATT. Market monitoring functions shall be carried out in a manner consistent with the safe and reliable operation of the SPP transmission system, the operation of a robust, competitive and non-discriminatory electric power market, and the principle that a Market Participant as defined in the SPP OATT, or group of Market Participants, shall not have undue influence or impact.

The market monitoring unit shall report to the Board of Directors. Any public reports submitted shall be provided to the Board of Directors and concurrently to the appropriate regulatory body or bodies. The President shall ensure that the market monitoring entity has adequate resources, access to information, and the full cooperation of Staff and Organizational Groups for the effective execution of its duties.

Market monitoring functions shall include but are not limited to:

- (a) Monitoring and reporting on compliance and market power issues relating to transmission services, including compliance and market power issues involving congestion management and ancillary services and the potential of any market participant(s) to exercise market power within the region by affecting available transmission capacity;
- (b) Evaluation and recommendation of any required modifications to the OATT, standards or Criteria;

- (c) Ensuring that the monitoring program is conducted in an independent and objective manner;
- (d) Development of reporting procedures to inform governmental agencies and others concerning market monitoring activities;
- (e) Monitoring the behavior of market participants to determine whether there is any behavior that hinders the reliable, efficient and non-discriminatory provision of transmission service by SPP;
- (f) Ensuring that SPP's involvement in markets does not discriminate in favor of any market participant or its own interests; and
- (g) Recommend plans for mitigating market power, subject to appropriate regulatory approval.

4.0 BOARD OF DIRECTORS

4.1 Duties

The Board of Directors shall at all times act in the best interest of SPP in its management, control and direction of the general business of SPP. The Board of Directors shall solicit and consider a straw vote from the Members Committee as an indication of the level of consensus among Members in advance of taking any actions other than those occurring in executive session. Its duties shall include, but are not limited to the following:

- (a) Direct activities of all SPP Organizational Groups;
- (b) Serve on SPP Organizational Groups;
- (c) Remove Members, and approve the re-entry of Members that have been removed;
- (d) Authorize all substantive contracts and debt instruments;
- (e) Select and review the performance of SPP Officers, who shall serve at the pleasure of the Board of Directors;
- (f) Approve policies by which positions, duties, qualifications, salaries, benefits and other necessary matters pertaining to the SPP Officers are determined;
- (g) Review, approve, disapprove or recommend revision to the actions of any Organizational Group;
- (h) Act on appeals pursuant to Section 3.10;

- (i) Approve and implement Regional Criteria for enforcement under the terms and conditions of the SPP Membership Agreement;
- (j) Provide input with the Members Committee to the Regional Entity Trustees, on SPP Regional Reliability Standards presented by the MOPC to the Trustees or otherwise developed under the auspices of the Trustees for submission to the ERO for its approval;
- (k) Approve or revise the operating and capital budgets and any additional expenditures;
- (l) Convene a meeting of Members at least annually;
- (m) Approve amendments to these Bylaws as permitted by these Bylaws;
- (n) Approve amendments to the Membership Agreement as permitted by the Membership Agreement;
- (o) Approve Regional Criteria pertaining to planning and operating standards and policies and penalties for non-compliance with such Criteria; and
- (p) Authorize filings with regulatory bodies.

4.2 Composition and Qualifications

4.2.1 Composition

The Board of Directors shall consist of seven persons. The seven directors shall be independent of any Member; one director shall be the President of SPP. A Director shall not be limited in the number of terms he/she may serve. The President shall be excluded from voting on business related to the office of President or the incumbent of that office. No other Staff member shall be permitted to serve as a director

4.2.2 Qualifications

Directors shall have recent and relevant senior management expertise and experience in one or more of the following disciplines: finance, accounting, electric transmission or generation planning or operation, law and regulation, commercial markets, and trading and associated risk management.

4.2.3 Conflicts of Interest

Directors shall not be a director, officer, or employee of, and shall have no direct business relationship, financial interest in, or other affiliation with, a Member or customer of services provided by SPP. Directors may invest in accordance with SPP's Standards of Conduct. Participation in a pension plan of a Member or customer shall not be deemed to be a direct financial benefit if the Member's or customer's financial performance has no material effect on such pension plan.

4.3 Term and Election

Except for the President, a director shall be elected at the meeting of Members to a three-year term commencing upon election and continuing until his/her duly elected successor takes office. The election process shall be as follows:

- (a) At least 90 calendar days prior to the meeting of Members when election of new directors is required, the Corporate Governance Committee shall commence the process to nominate persons equal in number to the directors to be elected;
- (b) At least 45 calendar days prior to the meeting of Members, the Corporate Governance Committee shall determine the persons it nominates for election as directors, specifying the nominee for any vacancy to be filled. The Corporate Secretary shall prepare the ballot accordingly and shall deliver same to Members at least 30 calendar days prior to the meeting of Members;
- (c) For purposes of electing or removing directors only, each group of Members with Affiliate Relationships shall be considered a single Member;
- (d) Any additional nominee(s) may be added to the ballot if a petition is received by the Corporate Secretary at least 15 calendar days prior to the meeting of Members and evidencing support of at least 20 percent of the existing Membership; and

- (e) 1) If only one candidate is nominated for a seat, each Member shall be entitled to cast a vote for or against the nominee. The votes will be calculated in accordance with Section 3.9 *Voting* of these Bylaws, which requires a super majority. In the event a director position is not filled, the Corporate Governance Committee will determine a new nominee for recommendation for election by the Membership at a special meeting of Members to be held no later than the next regular Board of Directors/Members Committee meeting;
- 2) If multiple candidates are nominated for a seat, each Member shall be entitled to cast a vote for only one nominee, but may vote against each candidate. The votes will be calculated in accordance with Section 3.9 *Voting* of these Bylaws, with the exception that a simple majority of votes cast will determine which nominee is elected. In the event a director position is not filled, the Corporate Governance Committee will determine a new nominee for recommendation for election by the Membership at a special meeting of Members to be held no later than the next regular Board of Directors/Members Committee meeting.

4.4 Resignation and Removal of Directors

Any director may resign by written notice to the President noting the effective date of the resignation. The Membership may remove a director with cause by vote in accordance with Section 3.9 *Voting* of these Bylaws. Removal proceedings may only be initiated by a petition signed by not less than twenty percent of the Members. The petition shall state the specific grounds for removal and shall specify whether the removal vote is to be taken at a special meeting of Members or at the next regular meeting of Members. A director who is the subject of removal proceedings shall be given fifteen days to respond to the Member petition in writing to the President.

4.5 Vacancies

If a vacancy occurs, the Corporate Governance Committee will present a nominee to the Membership for consideration and election to fill the vacancy for the unexpired term at a special meeting of Members following 30 calendar days notice from the Corporate Secretary. The election will be held in accordance with Section 4.3 *Term and Election* of these Bylaws. The replacement director shall take office immediately upon election.

4.6 Functioning of the Board of Directors

In reaching any decision and in considering the recommendations of any Organizational Group or task force, the Board of Directors shall abide by the principles in these Bylaws.

4.6.1 Meetings and Notice of Meetings

The Board of Directors shall meet at least three times per calendar year and additionally upon the call of the Chair or upon concurrence of at least four directors. At least fifteen days' written notice shall be given by the President to each director, the Members Committee, and the Regional State Committee of the date, time, place and purpose of a meeting of the Board of Directors, unless such notice is waived by the Board of Directors. Telephone conference meetings may be called as appropriate by the Chair with at least one-day prior notice. Board of Directors' meetings shall include the Members Committee, a representative from the Regional Entity Trustees, and a representative from the Regional State Committee (as defined in Section 7.2) for all meetings except when in executive

session; provided however, the failure of representatives of the Members Committee and/or of the Regional Entity Trustees and/or of the Regional State Committee to attend, in whole or in part, shall not prevent the Board of Directors from convening and conducting business, and taking binding votes. The Chair shall grant any Member's request to address the Board of Directors.

4.6.2 Chair and Vice Chair; Election and Terms

The Board of Directors shall elect from its membership a Chair and Vice Chair for two-year terms commencing upon election and continuing until their duly elected successors take office or until their term as a director expires without re-election. The President of SPP may not serve as the Chairman of the Board of Directors. The Vice Chair shall act for the Chair:

- (a) at the request of the Chair;
- (b) in the event the Chair should become incapacitated and unable to discharge the functions of the office; or
- (c) if the office of Chair becomes vacant, until the next regularly scheduled meeting of the Board of Directors, at which meeting a new Chair shall be elected by the Board of Directors to fill the vacancy. The Chair shall appoint a director to fill a vacant Vice Chair position until the next meeting of the Board of Directors, at which meeting a new Vice Chair shall be elected by the Board of Directors to fill the vacancy.

4.6.3 Quorum and Voting

Five of the directors shall constitute a quorum of the Board of Directors; provided, that a lesser number may adjourn the meeting to a later time. Decisions of the Board of Directors shall be by simple majority vote of the directors present and voting. Directors must be present at a meeting to vote; no votes by proxy are permitted. Voting will be by secret ballot. The Corporate Secretary will collect and tally the ballots, and announce the results of a vote. Only voting results will be announced and recorded in the minutes; individual votes will not be announced or recorded.

4.6.4 Compensation of Directors

Directors shall receive compensation as recommended by the Corporate Governance Committee, and approved by the Membership, and shall be reimbursed for actual expenses reasonably incurred or accrued in the performance of their duties.

4.6.5 Executive Session

Executive sessions (open only to directors and to parties invited by the Chair) shall be held as necessary upon agreement of the Board of Directors to safeguard confidentiality of sensitive information regarding employee, financial, or legal matters.

5.0 COMMITTEES ADVISING THE BOARD OF DIRECTORS

5.1 Members Committee

The Members Committee shall work with the Board of Directors to manage and direct the general business of SPP. Its duties shall include, but are not limited to the following:

- (a) Provide individual and collective input to the Board of Directors, including but not limited to a straw vote from the Members Committee representatives as an indication of the level of consensus among Members, on all actions pending before the Board of Directors; and
- (b) Serve on committees reporting to the Board of Directors as appointed by the Board of Directors.
- (c) Provide input with the Board of Directors to the Regional Entity Trustees on SPP Regional Reliability Standards presented by the MOPC to the Trustees or otherwise developed under the auspices of the Trustees for submission to the ERO for its approval.

5.1.1 Composition and Qualifications

5.1.1.1 Composition

Provided that Membership is sufficient to accommodate these provisions, the Members Committee shall consist of up to 19 persons. Four representatives shall be investor owned utilities Members; four representatives shall be cooperatives Members; two representatives shall be municipals Members (including municipal joint action agencies); three representatives shall

be independent power producers/marketers Members; two representatives shall be state/federal power agencies Members; two representatives shall be alternative power/public interest Members; one representative shall be a large retail customer Member; defined as non-residential end-use customers with individual or aggregated loads of 1-MW or more; and one representative shall be a small retail customer Member, defined as residential customers and other customers with individual or aggregated loads of less than 1-MW. Representatives will be elected in accordance with Section 5.1.2 of these Bylaws.

5.1.1.2 Qualifications

A representative shall be an officer or employee of a Member with decision-making responsibility over SPP related activities, and must be the Member's representative to the Membership.

5.1.2 Term and Election

Representatives shall be nominated by the Corporate Governance Committee and elected each year at the meeting of Members to staggered three-year terms commencing upon election and continuing until their duly elected successors take office. The election process shall be as follows:

- (a) At least 90 calendar days prior to the meeting of Members at which election of new representatives is required, the Corporate Governance Committee shall nominate persons equal in number to the representatives to be elected;
- (c) At least 30 calendar days prior to the meeting of Members, the Corporate Governance Committee shall determine the persons it nominates for election as representatives, specifying the nominee for any vacancy to be filled. The Corporate Secretary shall prepare the ballot accordingly, leaving space for additional names, and shall deliver same to Members at least two weeks prior to the meeting of Members;
- (c) For purposes of electing and removing representatives only, each group of Members with Affiliate Relationships shall be considered a single vote;
- (d) At the meeting of Members, any additional nominee or nominees may be added to the ballot if a motion is made and seconded to add such nominee or nominees; and
- (e) The required number of representatives shall be elected by written ballot. A Member shall be entitled to cast a number of votes equal to the number of representatives to be elected. A Member may not cumulate votes. The candidates in each sector receiving the greatest number of votes will fill vacancies.

5.1.3 Resignation and Removal of Members Committee Representatives

Any representative may resign by written notice to the President noting the effective date of the resignation. A representative may be removed, with cause, by the affirmative vote of a majority of the Members at a meeting of Members. Removal proceedings may only be initiated by a petition signed by not less than twenty percent of the Members. The petition shall state the specific grounds for removal and shall specify whether the removal vote is to be taken at a special meeting of Members or at the next regular meeting of Members. A representative who is the subject of removal proceedings shall be given fifteen days to respond to the Member petition in writing to the President.

5.1.4 Vacancies

If a vacancy occurs the Corporate Governance Committee may elect an interim representative from the same sector to serve until a replacement representative from the same sector is elected and takes office. A special election shall be held at the next meeting of Members to fill the vacancy for the unexpired term. The replacement representative shall take office immediately following the election.

5.1.5 Meetings

The Members Committee shall meet only with the Board of Directors.

6.0 COMMITTEES REPORTING TO THE BOARD OF DIRECTORS

This section describes the general scopes and responsibilities of the Organizational Groups reporting directly to the Board of Directors. Nothing in this section is meant to limit these responsibilities or activities in the effort to fulfill SPP's mission.

6.1 Markets and Operations Policy Committee

Each SPP Member shall appoint a representative to the Markets and Operations Policy Committee (MOPC). Each representative designated shall be an officer or employee of

the Member. The Board of Directors will appoint the Chair and Vice Chair of the MOPC. Each member of the MOPC may continue to be a member thereof until the appropriate Member appoints a successor.

The MOPC shall meet at least three times per calendar year, and additionally as needed. The MOPC shall report to the Board of Directors following each MOPC meeting with respect to its activities and with such recommendations, as the MOPC deems necessary.

The responsibilities of the Markets and Operations Policy Committee shall include:

- (a) Recommend practices for system design, planning, adequacy, regional transmission service tariff, interconnections, operation, reliability, market designs and efficiency, and market power mitigation that will help to assure efficient and reliable power supply among the systems in SPP and SPP transmission customers;
- (b) Coordinate and review with ERO Policies and Standards and their applicability to SPP, its Members, and Registered Entities in the SPP footprint;
- (c) Present any Regional Reliability Standards for ERO adoption in accordance with SPP's Standards Development Process.
- (d) Coordinate and oversee the work of any Standards Development Team(s).
- (e) Report to the Trustees on all standards recommended by working groups reporting to the MOPC.
- (f) Make appropriate recommendations to the Board of Directors and Regional Entity Trustees regarding SPP's compliance with ERO Policies and Standards;
- (g) Review Member operating plans and problems that are pertinent to SPP planning and operation;
- (h) Maintain an annual series of load flow and short circuit models and associated stability data bases representing the current and planned electric network of the region, and maintain a data base of all transmission, generation, and supporting facilities within SPP;
- (i) Review and assess the current and planned electric system of the region;
- (j) Make use of studies available from other regions;
- (k) Recommend to the Board of Directors criteria for planning, operations, and to assist in the efficiency and vitality of the wholesale electricity market;

- (l) Coordinate inter-regional and intra-regional plans and facilitate planning, information exchange, and operations between inter-regional and intra-regional groups;
- (m) Develop a coordinated plan for intra-regional transmission for greater efficiency and reliability of electric power supply;
- (n) Recommend to the Board of Directors and Members individual or joint action to improve the operation of the systems comprising SPP;
- (o) Respond to activities as requested by the Strategic Planning Committee and the Board of Directors;
- (p) Monitor the current state and evolution of the electric energy supply industry and proactively recommend commercial practices that meet industry needs and promote commerce;
- (q) Work with all SPP Organizational Groups to promote a high standard of operational reliability;
- (r) Continue coordination of its efforts with the efforts of North American Energy Standards Board (NAESB) and the ISO/RTO Council (IRC), including periodic review of NAESB business practices and IRC policies and their applicability to SPP and its Members;
- (s) Complete a self-assessment annually to determine how effectively the MOPC is meeting its responsibilities; and
- (t) Perform such other functions as the Board of Directors may delegate or direct.

6.2 Strategic Planning Committee

The Strategic Planning Committee (SPC) shall be comprised of eleven members. Three representatives shall be from the Board of Directors; four representatives from the Transmission Owning Member sector as nominated by the Corporate Governance Committee; and four representatives from the Transmission Using Member sector as nominated by the Corporate Governance Committee.

The Board of Directors shall appoint the representatives of the SPC. Each representative of the SPC shall continue to be a representative thereof until the Board of

Directors appoints his/her successor. Where a vacancy occurs, the Corporate Governance Committee will fill the vacancy on an interim basis until the next meeting of the Board of Directors.

The SPC shall meet at least twice per calendar year, and additionally as needed, provided that a quorum, as defined in these Bylaws, is present. The SPC shall report to the Board of Directors following each SPC meeting with respect to its activities and with such recommendations, as the SPC deems necessary.

The responsibilities of the Strategic Planning Committee shall include:

- (a) Gather information from SPP Members, customers, Staff, regulatory jurisdictions, market monitors, and legislative bodies on industry trends, forecasts and directions;
- (b) Assess the industry environment in which SPP will be operating;
- (c) Assess SPP's capabilities and competencies against the industry environment, including coordination with neighboring entities;
- (d) Develop and recommend to the Board of Directors a mission and vision statement and accompanying goals and objectives;
- (e) Formulate strategies to ensure achievement of SPP's mission statement, goals, objectives, and responsibilities, and recommend necessary modifications to SPP processes to carry out these strategies;
- (f) Work with other Organizational Groups in developing related action plans, schedules and budgets;
- (g) Complete a self-assessment annually to determine how effectively the SPC is meeting its responsibilities; and
- (h) Perform such other functions as the Board of Directors may delegate or direct.

6.3 Human Resources Committee

The Human Resources Committee (HRC) shall be comprised of six members. Two representatives shall be from the Board of Directors, one of whom shall serve as the Chair; two representatives from the Transmission Owning Member sector as nominated by the Corporate Governance Committee; and two representatives from the Transmission Using Member sector as nominated by the Corporate Governance Committee.

The Board of Directors shall appoint the representatives of the HRC. Each representative of the HRC shall continue to be a representative thereof until the Board of Directors appoints his/her successor. Where a vacancy occurs the Corporate Governance Committee will fill the vacancy on an interim basis until the next meeting of the Board of Directors.

The HRC shall meet at least twice per calendar year, and additionally as needed, provided that a quorum, as defined in these Bylaws, is present. The HRC shall report to the Board of Directors following each HRC meeting with respect to its activities and with such recommendations, as the HRC deems necessary.

The responsibilities of the Human Resources Committee shall include assistance to the Board of Directors in fulfilling its responsibility to the Members, and investment community with respect to the oversight of:

- (a) The development and administration of employee benefit programs;
- (b) The effectiveness of SPP's compensation plan for employees;
- (c) The activities of investment managers charged with managing employee benefit assets, including evaluation of performance;
- (d) Approve and monitor SPP staffing structure to ensure it accomplishes organizational mission;
- (e) Maintain current job description for the President and conduct annual performance evaluation;
- (f) Recommend policies by which positions, duties, qualifications, salaries, benefits and other necessary matters pertaining to the SPP Officers are determined;

- (g) Other duties and responsibilities detailed in the Human Resources Committee charter; and
- (h) Perform such other functions as the Board of Directors may delegate or direct.

6.4 Oversight Committee

The Oversight Committee (OC) shall be comprised of three members from the Board of Directors.

The Board of Directors shall appoint the representatives of the OC. Each representative of the OC shall continue to be a representative thereof until the Board of Directors appoints his/her successor. Where a vacancy occurs, the Board of Directors will fill the vacancy.

The OC shall meet as needed, provided that a quorum, as defined in these Bylaws, is present. The OC shall report to the Board of Directors following each OC meeting with respect to its activities and with such recommendations, as the OC deems necessary.

The responsibilities of the Oversight Committee shall include:

- (a) Oversee the process of monitoring compliance to SPP and NERC policies other than that assigned to the Regional Entity Trustees under these Bylaws;
- (b) Independently review activities of the Staff;
- (c) Hear and rule on appeals from Members regarding penalty assessment or fine distribution prior to dispute resolution proceedings;
- (d) Recommend Regional Criteria changes necessary for enforcement of mandatory compliance and in response to unclear enforcement provisions of Regional Criteria;
- (e) Grant specific additional authority to the Staff responsible for the oversight monitoring function when needed to perform challenging investigations;
- (f) Oversee the Internal Audit function and receive regular reports, except for that work associated with SAS70 Audit requirements and other financial matters;
- (g) Complete a self-assessment annually to determine how effectively the OC is meeting its responsibilities; and
- (h) Perform such other functions as the Board of Directors may delegate or direct.

6.5 Finance Committee

The Finance Committee (FC) shall be comprised of six members. Two representatives shall be from the Board of Directors, one of whom shall serve as the Chair; two representatives from the Transmission Owning Member sector as nominated by the Corporate Governance Committee; and two representatives from the Transmission Using Member sector as nominated by the Corporate Governance Committee.

The Board of Directors shall appoint the representatives of the FC. Each representative of the FC shall continue to be a representative thereof until the Board of Directors appoints his/her successor. Where a vacancy occurs the Corporate Governance Committee will fill the vacancy on an interim basis until the next meeting of the Board of Directors.

The FC shall meet at least twice per calendar year, and additionally as needed, provided that a quorum, as defined in these Bylaws, is present. The FC shall report to the Board of Directors following each FC meeting with respect to its activities and with such recommendations, as the FC deems necessary.

The responsibilities of the Finance Committee shall include assistance to the Board of Directors in fulfilling its responsibility to the Members, and investment community with respect to its oversight of:

- (a) The quality and integrity of SPP's financial statements;
- (b) SPP's compliance with financially-based legal and regulatory requirements;
- (c) The independent auditor's qualifications, selection, and independence;
- (d) The performance of SPP's internal audit function and independent auditors as relates to SAS70 Audit requirements;
- (e) The development and implementation of annual and long-term operating and capital budgets;
- (f) The management of risk;
- (g) Develop policies for management of debt financing and for long-term contracting;
- (h) Monitoring methodology for cost recovery to ensure continuing equity for Members;

- (i) Other duties and responsibilities detailed in the Finance Committee charter; and
- (j) Perform such other functions as the Board of Directors may delegate or direct.

6.6 Corporate Governance Committee

To the extent that the membership allows, the Corporate Governance Committee (CGC) shall be comprised of nine members. One representative shall be the President of SPP who will serve as the Chair; one representative shall be the Chairman of the Board, unless his/her position is under consideration, in which case the Vice Chairman of the Board; one representative shall be representative of and selected by investor owned utilities Members; one representative shall be representative of and selected by co-operatives Members; one representative shall be representative of and selected by municipals Members; one representative shall be representative of and selected by independent power producers/marketers Members; one representative shall be representative of and selected by state/federal power agencies Members; one representative shall be representative of and selected by alternative power/public interest Members; and one representative shall be representative of and selected by large/small retail Members.

Where a vacancy occurs with respect to a representative of a sector, the representatives from the appropriate sector will fill the vacancy.

The CGC shall meet at least once per calendar year, and additionally as needed, provided that a quorum, as defined in these Bylaws, is present. The CGC shall report to the Board of Directors following each CGC meeting with respect to its activities and with such recommendations, as the CGC deems necessary.

The responsibilities of the Corporate Governance Committee shall include:

- (a) Seek input from the Board of Directors, the Members Committee, or the Trustees as to the skills needed to fill any vacancy under consideration;
- (b) In the event of a vacancy or the replacement of an existing director, provide candidates identified by an independent executive search firm for consideration to the Members for election to the Board of Directors;
- (c) In the event of a vacancy or the replacement of an existing Trustee, provide candidates for consideration to the Members for election to the Regional Entity Trustees;

- (d) In the event of a vacancy or the replacement of an existing Members Committee representative, provide candidates for consideration to the Membership for election to the Members Committee;
- (e) Fill vacancies for Organizational Groups in accordance with these Bylaws;
- (f) Monitor the composition of the Board of Directors to ensure balance, independence, maintenance of qualifications under any applicable laws, avoidance of conflict of interest, and periodic review of the criteria for independence set out in the Bylaws and appropriate regulatory bodies, recommending changes, as appropriate;
- (g) Recommend to the Board of Directors the appointment of Organizational Group representatives and leadership except for the Corporate Governance Committee, whose representatives are elected by members in each category; the Members Committee, whose representatives are elected by the Membership; and the Market and Operations Policy Committee, whose representatives are appointed by the Members;
- (h) Develop criteria governing the overall composition of the Board of Directors for recommendation to the Membership;
- (i) Develop criteria governing the overall composition of the Regional Entity Trustees for recommendation to the Membership;
- (j) Coordinate an annual review and assessment of the effectiveness of the Board of Directors, its structure, and process;
- (k) Coordinate an annual review and assessment of the effectiveness of the Regional Entity Trustees, its structure, and process;
- (l) Review annually the structure of the Organizational Groups, and together with the Organizational Group Chairs, the charters of each Organizational Group, and recommend changes to the Board of Directors, as appropriate;
- (m) Review the self-assessments of the Organizational Groups to assure that they are being done on a consistent basis;

- (n) Develop recommendations for the Board of Directors regarding a Chair/Vice Chair succession policy;
- (o) Recommend compensation levels for the Board of Directors and Regional Entity Trustees to the Membership;
- (p) Complete a self-assessment annually to determine how effectively the CGC is meeting its responsibilities; and
- (q) Perform such other functions as the Board of Directors may delegate or direct.

7.0 REGULATORY INVOLVEMENT AND REGIONAL STATE COMMITTEE

Any regulatory agency having utility rates or services jurisdiction over a Member may participate fully in all SPP activities, including participation at the SPP Board of Directors meetings. These representatives shall have all the same rights as Members except the right to vote. Participation includes the designation of representatives by each of the regulatory jurisdictions to participate in any type of committee, working group, task force, and Board of Directors meetings.

7.1 Retention of State Regulatory Jurisdiction

Nothing in the formation or operation of SPP as a FERC recognized regional transmission organization is in any way intended to diminish existing state regulatory jurisdiction and authority. Each state regulatory agency is expressly reserved the right to exercise all lawful means available to protect its existing jurisdiction and authority.

7.2 Regional State Committee

An RSC, to be comprised of one designated commissioner from each state regulatory commission having jurisdiction over an SPP Member, shall be established to provide both direction and input on all matters pertinent to the participation of the Members in SPP. This direction and input shall be provided within the context of SPP's organizational group meetings as well as Board of Directors meetings. The SPP Staff will assist the RSC in its collective responsibilities and requests by providing information and analysis. SPP will fund the costs of the RSC pursuant to an annual budget developed by the RSC and submitted to SPP as part of its budgeting process, which budget must ultimately be approved by the Board of Directors.

The RSC has primary responsibility for determining regional proposals and the transition process in the following areas:

- (a) whether and to what extent participant funding will be used for transmission enhancements;
- (b) whether license plate or postage stamp rates will be used for the regional access charge;
- (c) FTR allocation, where a locational price methodology is used; and
- (d) the transition mechanism to be used to assure that existing firm customers receive FTRs equivalent to the customers' existing firm rights.

The RSC will also determine the approach for resource adequacy across the entire region. In addition, with respect to transmission planning, the RSC will determine whether transmission upgrades for remote resources will be included in the regional transmission planning process and the role of transmission owners in proposing transmission upgrades in the regional planning process.

As the RSC reaches decisions on the methodology that will be used to address any of these issues, SPP will file this methodology pursuant to Section 205 of the Federal Power Act. However, nothing in this section prohibits SPP from filing its own related proposal(s) pursuant to Section 205 of the Federal Power Act.

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Transmission and Regulatory Policy

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7.3 Retention of Other Regulatory Jurisdiction

Nothing in the formation or operation of SPP as a FERC recognized regional transmission organization is in any way intended to diminish the jurisdiction or authority of any other regulatory body. Any regulatory agency having utility rates or services jurisdiction over a Member or the regional transmission organization reserves the right to exercise all lawful means available to protect its existing jurisdiction and authority.

8.0 FISCAL ADMINISTRATION

The fiscal year shall coincide with the calendar year.

8.1 Operating Budget

SPP Staff and the Finance Committee will prepare an annual budget of expenditures for the next fiscal year and an estimate for an additional two years. The proposed budget shall be submitted to the Board of Directors not less than two weeks prior to the meeting at which the budget is to be considered for approval. Except as addressed in Section 9.0 *Regional Entity Function*, once approved by the Board of Directors, the budget shall constitute the authority required by the Officers for expenditures for the ensuing year. Modifications to the budget during the fiscal year must be recommended to the Board of Directors by the Finance Committee. The President shall have the authority to approve expenditures in accordance with SPP policy as approved by the Board of Directors.

8.2 Annual Membership Fee

All SPP Members will be subject to an annual membership fee in the amount of \$6,000, or other amount established by the Board of Directors. Unless otherwise agreed, Membership fees for new Members are due at the execution of the Membership Agreement. Membership fees are not subject to refund. The Board of Directors shall determine the annual membership fee for the upcoming year in advance of the last meeting of Members in a calendar year. Legitimate public interest groups (e.g. consumer advocates, environmental groups, or citizen participation groups) may seek a waiver of the annual membership fee. The request for waiver must be directed to the President in writing 90 days in advance of the start of each fiscal year.

8.3 ERO and Regional Entity Costs

SPP is a Regional Entity of the Electric Reliability Organization and is subject to the terms of the Delegation Agreement executed by SPP and the ERO. SPP will have certain functions as signatory to the Delegation Agreement related to the establishment and submission of annual budgets related to fulfillment of Regional Entity functions as well as participation in the costs incurred by ERO. The Delegation Agreement may specify SPP's responsibility to collect ERO costs from SPP's Regional Entity footprint, and may specify ERO's responsibility to fund SPP's Regional Entity budget.

SPP will clearly set out the costs associated with its operation as a Regional Entity within SPP's annual budget.

8.4 Monthly Assessments

SPP will assess certain Members described herein on a monthly basis all costs not otherwise collected. Costs recovered under the assessment will include but are not limited to all operating costs, financing costs, debt repayment, and capital expenditures associated with the performance of SPP's functions as assigned by the Board of Directors. Significant among these are costs associated with regional reliability coordination and the provision of transmission service. SPP shall determine the assessment rate based on its annual budgeted net expenditures divided by estimated annual Schedule 1 billing units for service sold under SPP's OATT and Member load eligible to take, but not taking, Network Integration Transmission Service under SPP's OATT. The Board of Directors may review the assumptions used in determining the assessment rate at any time and may adjust the assessment rate appropriately should conditions warrant. Each load-serving Member shall then be assessed the monthly assessment rate applied to its load eligible to take Network Integration Transmission Service under the SPP OATT. Further, each load-serving Member shall receive a credit against the monthly assessment for that month's Schedule 1 fees paid for Network Integration Transmission Service and for Point-to-Point Transmission Service that had a delivery point within the SPP region, under the SPP OATT.

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8.5 Fiscal Agent

The President shall serve as the fiscal agent of SPP. The President shall keep an up-to-date record of receipts and disbursements and furnish reports to the Board of Directors and the Finance Committee.

8.6 Auditors

The Board of Directors shall annually engage an independent certified public accounting firm to perform an annual audit of SPP's financial records and prepare a report on the financial condition of SPP. The Finance Committee shall present the audit report to the Board of Directors upon completion.

8.7 Financial Obligation of Withdrawing Members

8.7.1 Existing Obligations

“Existing Obligations” are the following:

- a. Member's unpaid annual membership fee.
- b. Member's unpaid dues, assessments, and other amounts charged under Section 3.8 or otherwise under the Bylaws, plus the Member's share of costs SPP customarily includes in such dues, assessments or other charges, but which as of the Termination Date SPP had not included in such dues, assessments or other charges.
- c. Member's share (computed in accordance with the Bylaws) of the entire principal amounts of all SPP Financial Obligations outstanding as of the Termination Date. “Financial Obligations” are all long-term (in excess of six (6) months) financial obligations of SPP, including but not limited to the following:
 - i. debts under all loans, loan agreements, borrowings, promissory notes, bonds, and credit lines, under which SPP is obligated, including principal and interest;
 - ii. all payment obligations under equipment leases, financing leases, capital leases, real estate and office space leases, consulting contracts, and contracts for outsourced services;

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- iii. any unfunded liabilities of any SPP employee pension funds, whether or not liquidated or demanded; and
 - iv. the general and administrative overhead of SPP for a period of three (3) months.
- d. Any costs, expenses or liabilities incurred by SPP directly due to the Termination, regardless of when incurred or payable, and including without limitation prepayment premiums or penalties arising under SPP Financial Obligations.
- e. Member's share (computed in accordance with the Bylaws) of all interest that will become due for payment with respect to all interest bearing Financial Obligations after the Termination Date and until the maturity of all Financial Obligations in accordance with their respective terms ("Future Interest"). In the event that a Financial Obligation carries a variable interest rate, the interest rate in effect at the Termination Date shall be used to calculate the applicable Future Interest. In determining the Member's share of Future Interest, SPP shall take into account any reduction of Financial Obligations due to mitigation under this Section.

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Transmission and Regulatory Policy

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8.7.2 Computation of a Member's Existing Obligations

For purposes of computing the Existing Obligations of any withdrawing or terminated Member in accordance with the Membership Agreement, such "Member's share" is a percentage calculated as follows:

$$A = 100 [0.25(1/N) + 0.75(B/C)]$$

Where: A = Member's share (expressed as a percentage)

N = Total number of Members

B = The Member's previous year Net Energy for Load within SPP

C = Total of factor B for all Members

The Finance Committee shall have the discretion to reduce the Existing Obligations of any withdrawing or terminated Member, to reflect any SPP costs or expenses that may be mitigated in connection with such Member's withdrawal or termination. In the event of consolidation of affiliate memberships or the transfer of membership from one corporate entity to another, whereby one entity remains a member of SPP, the withdrawal obligation for the departing company(ies) may be waived at SPP's sole discretion.

9.0 REGIONAL ENTITY FUNCTION

9.1 Regional Entity

SPP operates as a Regional Entity under FERC jurisdiction with oversight powers delegated to it by the ERO. The Regional Entity Trustees shall appoint representatives to ERO organizational groups as necessary to represent the interests of the SPP Regional Entity. SPP may pay appropriate associated travel expenses of those appointed representatives upon receipt by the Secretary to the Trustees of an expense report as normally filed within the representative's system.

9.2 Regional Entity Staff

The Regional Entity Trustees will oversee staffing requirements for the SPP Regional Entity. All SPP Regional Entity staff shall report through the Regional Entity (RE) General Manager to the Trustees.

9.3 RE General Manager

The RE General Manager shall be selected by and report to the SPP Regional Entity Trustees, and will provide leadership and vision, oversee the execution of RE strategic direction, and direct the day-to-day operations of the RE. The RE General Manager shall carry out the rights, duties and obligations of the SPP RE pursuant to the authority granted by these Bylaws, the Regional Entity Trustees, and SPP corporate policies. The RE General Manager's responsibilities shall include but are not limited to:

- (a) Providing guidance and oversight of the execution of the performance of delegated statutory functions from the ERO;
- (b) Developing and managing an appropriate organizational structure and staffing levels to accomplish the RE functions;
- (c) Developing an annual RE business plan and budget for RE Trustee, NERC and FERC approval;
- (d) Providing sound fiscal management;
- (e) Ensuring compliance with SPP's Bylaws and Regional Entity Delegation Agreement, as well as other applicable federal, state, and local laws; and
- (f) Interfacing with SPP members and stakeholders, federal and state regulators, other Regional Entities, and NERC on matters related to the reliability of the bulk power system.

The President shall ensure that the RE General Manager has adequate resources, access to information, and the full cooperation of Staff and Organizational Groups for the effective execution of his/her duties.

9.4 Duties of Regional Entity Staff

Regional Entity functions related to compliance monitoring and enforcement shall include but are not limited to:

- (a) Investigation of all reports or discoveries of non-compliance with approved ERO policies and standards;
- (b) Obtaining all information needed to investigate all facets of possible noncompliance with ERO policies and standards;
- (c) Performance of in-depth reviews of operations in conjunction with the Compliance Monitoring and Enforcement Program (CMEP);
- (d) Comprehensive audits when recurring issues covering a broad spectrum of violations of ERO policies and standards are determined and documented;
- (e) Recommendation of financial penalties and/or sanctions for non-compliance with ERO policies and standards pursuant to ERO guidelines;
- (f) Assist the Regional Entity Trustees with third party audits to confirm that SPP is conforming to ERO policies and standards;
- (g) Utilization of dispute resolution procedures as necessary to resolve conflicts or appeals; and
- (h) Coordination of policy modifications to clearly define ERO requirements, and penalties in order to objectively monitor compliance.

9.5 Regional Reliability Standards Development Process

When an SPP working group or task force is considering an SPP Regional Reliability Standard, it will be designated the Standards Development Team (SDT) for that Standard in accordance with the SPP Regional Entity Standards Development Process Manual. For purposes of an SDT, participation and voting will be open to any interested party in accordance with the Standards Development Process and without regard to membership status in SPP.

9.6 Compliance Monitoring and Enforcement Program

The Regional Entity Trustees will oversee SPP's Compliance Monitoring and Enforcement Program (CMEP). The CMEP will enforce compliance according to ERO reliability standards

for Registered Entities. Regional Entity staff shall oversee compliance auditing of registered entities, and will report audit results to the Regional Entity Trustees. All audits of SPP's compliance with ERO reliability standards will be performed by external third party auditors as coordinated and managed by the Regional Entity Trustees.

9.7 Regional Entity Trustees

9.7.1 Functions and Duties of the Regional Entity Trustees

The Regional Entity Trustees shall at all times act in the best interests of SPP's role as the SPP Regional Entity in its management, control, and direction of the general business of the Regional Entity functions. In reaching any decision and in considering the recommendations of an appropriate entity, the Regional Entity Trustees shall abide by the principles in these Bylaws. Its duties shall include, but are not limited to oversight of the following:

- (a) Select, oversee and review the performance of the SPP RE General Manager in carrying out the statutory functions and duties as defined in the Delegation Agreement between ERO and SPP;
- (b) Approve the annual RE business plan and budget;
- (c) Perform function assigned by the SPP Compliance Monitoring and Enforcement Program;
- (d) Track and review Regional Standards from MOPC for submission to the ERO and FERC for approval and implementation.
- (e) Complete a self-assessment annually to determine how effectively the Regional Entity Trustees are meeting their responsibilities; and
- (f) Provide an annual report to the Board of Directors regarding the effectiveness of the Regional Entity function and processes.

9.7.2 Composition and Qualifications

9.7.2.1 Composition

The Regional Entity Trustees shall consist of three (3) persons. The trustees shall be independent of the SPP Board of Directors, any Member, industry stakeholder, or SPP organizational group. Regional Entity Trustees do not serve as members of the SPP Board of Directors. A trustee shall not be limited in the number of terms he/she may serve.

9.7.2.2 Qualifications

Regional Entity Trustees shall have relevant senior management expertise and experience in the reliable operation of the bulk electric transmission system in North America.

9.7.2.3 Conflicts of Interest

Regional Entity Trustees shall not be a director, officer, or employee of, and shall have no direct business relationship, financial interest in, or other affiliation with, a Member, a customer of services provided by SPP, or a Registered Entity in the SPP footprint. Trustees may invest in accordance with the SPP Standards of Conduct. Participation in a pension plan of a Member, customer, or Registered Entity in the SPP footprint shall not be deemed to be a direct financial benefit if the Member's, customer's, or Registered Entity's financial performance has no material effect on such pension plan.

9.7.3 Term and Election

Regional Entity Trustees shall be elected at the meeting of Members to a three-year term commencing upon election and continuing until his/her duly elected successor takes office. The election process shall be as follows:

- (a) At least 90 calendar days prior to the meeting of Members when election of a new trustee is required, the Corporate Governance Committee shall commence the process to nominate persons for the position to be elected;

- (b) At least 45 calendar days prior to the meeting of Members, the Corporate Governance Committee shall determine the person it nominates for election as a trustee, specifying the nominee for any vacancy to be filled. The Corporate Secretary shall prepare the ballot accordingly, leaving space for additional names, and shall deliver same to Members at least 30 calendar days prior to the meeting of Members;
- (c) For purposes of electing or removing trustees only, Members with Affiliate Relationships shall be considered a single Member;
- (d) Any additional nominee(s) may be added to the ballot if a petition is received by the Corporate Secretary at least 15 calendar days prior to the meeting of Members and evidencing support of at least 20 percent of the existing Membership; and
- (e) 1) If only one candidate is nominated for a seat, each Member shall be entitled to cast a vote for or against the nominee. The votes will be calculated in accordance with Section 3.9 *Voting* of these Bylaws, which requires a super majority. In the event a trustees position is not filled the Corporate Governance Committee will determine a new nominee for recommendation for election by the Membership at a special meeting of Members to be held but no later than the next regular Board of Directors/Members Committee meeting;

2) If multiple candidates are nominated for a seat, each Member shall be entitled to cast a vote for only one nominee, but may vote against each candidate. The votes will be calculated in accordance with Section 3.9 *Voting* of these Bylaws, with the exception that a simple majority of votes cast will determine which nominee is elected. In the event a trustee position is not filled, the Corporate Governance Committee will determine a new nominee for recommendation for election by the Membership at a special meeting of Members to be held no later than the next regular Board of Directors/Members Committee meeting.

9.7.4 Resignation and Removal of Regional Entity Trustees

Any Regional Entity Trustee may resign by written notice to the President noting the effective date of the resignation. The Membership may remove a trustee with cause in accordance with Section 3.9 *Voting* of these Bylaws. Removal proceedings may only be initiated by a petition signed by not less than twenty percent of the Members. The petition shall state the specific grounds for removal and shall specify whether the removal vote is to be taken at a special meeting of Members or at the next regular meeting of Members. A trustee who is the subject of removal proceedings shall be given fifteen days to respond to the Member petition in writing to the President.

9.7.5 Vacancies

If a vacancy occurs, the Corporate Governance Committee will present a nominee to the Membership for consideration and election to fill the vacancy for the unexpired term at a special meeting of Members following 30 calendar days notice from the corporate Secretary. The election will be held in accordance with Section 9.7.3 *Term and Election* of these Bylaws. The replacement trustee shall take office immediately upon election.

9.7.6 Meetings and Notice of Meetings

Regular Regional Entity Trustees' meetings will be scheduled in conjunction with the regularly scheduled SPP Board of Directors meetings, provided the meeting schedule may be adjusted for good cause and with sufficient notice, and additionally upon the call of the chair or upon concurrence of at least two trustees. Except as otherwise provided in these Bylaws, all meetings will be open to any interested party. At least fifteen days' written notice shall be given by the chair to each trustee, the Board of Directors, and the Members Committee of the date, time, place and purpose of a meeting, unless such notice is waived by the trustees. Telephone conference meetings may be called as appropriate by the chair with at least one-day prior notice. The chair shall grant any party's request to address the Regional Entity Trustees.

9.7.7 Chair

The Regional Entity Trustees shall elect from its membership a chair for a two-year term commencing upon election and continuing until the chair's duly elected successor takes office or until the chair's term as a trustee expires without re-election. The panel may elect to rotate the chair to the senior member of the panel when the initial, or subsequent, chair's term expires.

9.7.8 Quorum and Voting

Two trustees shall constitute a quorum of the Regional Entity Trustees necessary for a binding vote. Decisions of the Regional Entity Trustees require two affirmative votes. Trustees must be present at a meeting to vote; no votes by proxy are permitted. All Regional Entity Trustee decisions regarding the Regional Entity are final except as subject to oversight by the ERO and FERC.

9.7.9 Compensation of Regional Entity Trustees

Regional Entity Trustees shall receive compensation as recommended by the Corporate Governance Committee, and approved by the Membership submitted for approval as part of the ERO budget process. Trustees shall be reimbursed for actual expenses reasonably incurred or accrued in the performance of their duties.

9.7.10 Executive Session

Executive sessions (open only to Trustees and parties invited by the chair of the Regional Entity Trustees) shall be held as necessary upon agreement of the Regional Entity Trustees to safeguard confidentiality of sensitive information regarding employee, financial or legal matters, or confidential information related to compliance matters.

10.0 AMENDMENTS TO THESE BYLAWS, THE ARTICLES OF INCORPORATION, AND MEMBERSHIP AGREEMENT

Except for modifications to Section 4.0 BOARD OF DIRECTORS, Section 5.0 COMMITTEES ADVISING THE BOARD OF DIRECTORS, Section 9.0 REGIONAL ENTITY FUNCTION and Section 10.0 AMENDMENTS, these Bylaws may be amended, repealed, or added to by the Board of Directors only upon 30 days written notice to the Membership of the proposed modification(s). Approval of amendments to the Bylaws by the Board of Directors must be by an affirmative vote of at least five directors. Sections 4.0, 5.0, 9.0, and 10.0 of these Bylaws and the Articles of Incorporation may be amended, repealed, or added to only by approval of the Membership. All amendments are subject to the requisite regulatory approval(s).

11.0 EFFECTIVE DATE AND TRANSITION PROVISIONS

These Bylaws shall become effective the day following acceptance at FERC and remain in force thereafter as may be amended. These Bylaws hereby cancel and supersede SPP Bylaws; provided, that these Bylaws do not relieve any Member from any financial obligation incurred thereunder. Binding obligations entered into by authority of Officers or the Board of Directors, or the Regional Entity Trustees under these Bylaws are hereby assumed and confirmed as obligations of SPP under these Bylaws.

Exhibit C – Regional Standard Development Procedure

Exhibit C shall set forth the Regional Entity’s standards development procedure, which NERC agrees meets the following common attributes:

COMMON ATTRIBUTE 1

Proposed regional reliability standards shall be subject to approval by NERC, as the electric reliability organization, and by FERC before becoming mandatory and enforceable under Section 215 of the FPA [add reference to any applicable authorities in Canada and Mexico]. No regional reliability standard shall be effective within the SPP area unless filed by NERC with FERC [and applicable authorities in Canada and Mexico] and approved by FERC [and applicable authorities in Canada and Mexico].

COMMON ATTRIBUTE 2

SPP regional reliability standards shall provide for as much uniformity as possible with reliability standards across the interconnected bulk power system of the North American continent. A SPP reliability standard shall be more stringent than a continent-wide reliability standard, including a regional difference that addresses matters that the continent-wide reliability standard does not, or shall be a regional difference necessitated by a physical difference in the bulk power system. A regional reliability standard that satisfies the statutory and regulatory criteria for approval of proposed North American reliability standards, and that is more stringent than a continent-wide reliability standard, would generally be acceptable.

COMMON ATTRIBUTE 3

SPP regional reliability standards, when approved by FERC [add applicable authorities in Canada], shall be made part of the body of NERC reliability standards and shall be enforced upon all applicable bulk power system owners, operators, and users within the SPP area, regardless of membership in the region.

COMMON ATTRIBUTE 4

Requester — The requester is the sponsor of the regional reliability standard request may assist in the development of the standard. Any member of SPP, or group within SPP shall be allowed to request that a regional reliability standard be developed, modified, or withdrawn. Additionally, any entity (person, organization, company, government agency, individual, etc.) that is directly and materially affected by the reliability of the bulk power system in the SPP area shall be allowed to request a regional reliability standard be developed, modified, or withdrawn.

COMMON ATTRIBUTE 5

[Standards or other named] committee — The SPP [standards] committee manages the standards development process. The [standards] committee will consider which requests for new or revised standards shall be assigned for development (or existing standards considered for deletion). The [standards] committee will advise the SPP board on standards presented for adoption.

COMMON ATTRIBUTE 6

[Registered ballot body — The registered ballot body comprises all entities or individuals that a) qualify for one of the stakeholder segments; are registered with SPP as potential ballot participants in the voting on standards; and are current with any designated fees. Each member of the registered ballot body is eligible to vote on standards. [Each standard action has its own ballot pool formed of interested members of the registered ballot body. Each ballot pool comprises those members of the registered ballot body that respond to a pre-ballot survey for that particular standard action indicating their desire to participate in such a ballot pool.] The representation model of the registered ballot body is provided in Appendix A.]

COMMON ATTRIBUTE 7

SPP will coordinate with NERC such that the acknowledgement of receipt of a standard request identified in step 1, notice of comment posting period identified in step 4, and notice for vote identified in step 5 below are concurrently posted on both the SPP and NERC websites.

COMMON ATTRIBUTE 8

An acceptable standard request shall contain a description of the proposed regional reliability standard subject matter containing sufficiently descriptive detail to clearly define the purpose, scope, impacted parties, and other relevant information of the proposed standard.

COMMON ATTRIBUTE 9

Within [no greater than 60] days of receipt of a completed standard request, the [standards] committee shall determine the disposition of the standard request.

COMMON ATTRIBUTE 10

The [standards] committee may take one of the following actions:

- Accept the standard request as a candidate for development of a new standard, revision of an existing standard, or deletion of an existing standard. The [standards] committee may, at its discretion, expand or narrow the scope of the standard request under consideration. The [standards] committee shall prioritize the development of standard in relation to other proposed standards, as may be required based on the volume of requests and resources.
- Reject the standard request. If the [standards] committee rejects a standard request, a written explanation for rejection will be delivered to the requester within [no greater than 30] days of the decision.
- Remand the standard request back to the requester for additional work. The standards process manager will make reasonable efforts to assist the requester in addressing the deficiencies identified by the [standards] committee. The requester may then resubmit the modified standard request using the process above. The requester may choose to withdraw the standard request from further consideration prior to acceptance by the [standards] committee.

COMMON ATTRIBUTE 11

Any standard request that is accepted by the [standards] committee for development of a standard (or modification or deletion of an existing standard) shall be posted for public viewing on the SPP website within [no greater than 30] days of acceptance by the committee.

COMMON ATTRIBUTE 12

The standards process manager shall submit the proposed members of the drafting team to the [standards] committee. The [standards] committee shall approve the drafting team membership within 60 days of accepting a standard request for development, modifying the recommendations of the standards process manager as the committee deems appropriate, and assign development of the proposed standard to the drafting team.

COMMON ATTRIBUTE 13

At the direction from the [standards] committee, the standards process manager shall facilitate the posting of the draft standard on the SPP website, along with a draft implementation plan and supporting documents, for a no less than a [30]-day] comment period. The standards process manager shall provide notice to SPP stakeholders and other potentially interested entities, both within and outside of the SPP area, of the posting using communication procedures then currently in effect or by other means as deemed appropriate.

COMMON ATTRIBUTE 14

The drafting team shall prepare a summary of the comments received and the changes made to the proposed standard as a result of these comments. The drafting team shall summarize comments that were rejected by the drafting team and the reason(s) that these comments were rejected, in part or whole. The summary, along with a response to each comment received will be posted on the SPP website no later than the next posting of the proposed standard.

COMMON ATTRIBUTE 15

Upon recommendation of the drafting team, and if the [standards] committee concurs that all of the requirements for development of the standard have been met, the standards process manager shall post the proposed standard and implementation plan for ballot and shall announce the vote to approve the standard, including when the vote will be conducted and the method for voting. Once the notice for a vote has been issued, no substantive modifications may be made to the proposed standard unless the revisions are posted and a new notice of the vote is issued.

COMMON ATTRIBUTE 16

The standards process manager shall schedule a vote by the SPP [registered ballot body/[standards] committee]. The vote shall commence no sooner than [15] days and no later than [30] days following the issuance of the notice for the vote.

COMMON ATTRIBUTE 17

The SPP registered ballot body shall be able to vote on the proposed standard during a period of [not less than 10] days.

COMMON ATTRIBUTE 18

All members of SPP are eligible to participate in voting on proposed new standards, standard revisions or standard deletions. [Alternatively: Each standard action requires formation of a ballot pool of interested members of the registered ballot body.]

COMMON ATTRIBUTE 19

Approval of the proposed regional reliability standard shall require a [two thirds] majority in the affirmative (affirmative votes divided by the sum of affirmative and negative votes). Abstentions and non-responses shall not count toward the results, except that abstentions may be used in the determination of a quorum. A quorum shall mean [XX%] of the members of the [registered ballot body/ballot pool] submitted a ballot.

COMMON ATTRIBUTE 20

Under no circumstances may the board substantively modify the proposed regional reliability standard.

COMMON ATTRIBUTE 21

Once a regional reliability standard is approved by the board, the standard will be submitted to NERC for approval and filing with FERC [and applicable authorities in Canada and Mexico.]

COMMON ATTRIBUTE 22

- **Open** - Participation in the development of a regional reliability standard shall be open to all organizations that are directly and materially affected by the SPP bulk power system reliability. There shall be no undue financial barriers to participation. Participation shall not be conditioned upon membership in SPP, and shall not be unreasonably restricted on the basis of technical qualifications or other such requirements. Meetings of drafting teams shall be open to the SPP members and others.

COMMON ATTRIBUTE 23

- **Balanced** - The SPP standards development process strives to have an appropriate balance of interests and shall not be dominated by any two interest categories and no single interest category shall be able to defeat a matter.

COMMON ATTRIBUTE 24

- **Inclusive** — Any entity (person, organization, company, government agency, individual, etc.) with a direct and material interest in the bulk power system in the SPP area shall have a right to participate by: a) expressing a position and its basis, b) having that position considered, and c) having the right to appeal.

COMMON ATTRIBUTE 25

- **Fair due process** — The regional reliability standards development procedure shall provide for reasonable notice and opportunity for public comment. At a minimum, the procedure shall include public notice of the intent to develop a standard, a public comment period on the proposed standard, due consideration of those public comments, and a ballot of interested stakeholders.

COMMON ATTRIBUTE 26

- **Transparent** — All actions material to the development of regional reliability standards shall be transparent. All standards development meetings shall be open and publicly noticed on the regional entity's Web site.

COMMON ATTRIBUTE 27

- Does not unnecessarily delay development of the proposed reliability standard.

COMMON ATTRIBUTE 28

Each standard shall enable or support one or more of the reliability principles, thereby ensuring that each standard serves a purpose in support of the reliability of the regional bulk power system. Each standard shall also be consistent with all of the reliability principles, thereby ensuring that no standard undermines reliability through an unintended consequence.

COMMON ATTRIBUTE 29

While reliability standards are intended to promote reliability, they must at the same time accommodate competitive electricity markets. Reliability is a necessity for electricity markets, and robust electricity markets can support reliability. Recognizing that bulk power system reliability and electricity markets are inseparable and mutually interdependent, all regional reliability standards shall be consistent with NERC's market interface principles. Consideration of the market interface principles is intended to ensure that standards are written such that they achieve their reliability objective without causing undue restrictions or adverse impacts on competitive electricity markets.

COMMON ATTRIBUTE 30

To ensure uniformity of regional reliability standards, a regional reliability standard shall consist of the elements identified in this section of the procedure. These elements are intended to apply a systematic discipline in the development and revision of standards. This discipline is necessary to achieving standards that are measurable, enforceable, and consistent.

COMMON ATTRIBUTE 31

All mandatory requirements of a regional reliability standard shall be within the standard. Supporting documents to aid in the implementation of a standard may be referenced by the standard but are not part of the standard itself.

COMMON ATTRIBUTE 32

Clear identification of the functional classes of entities responsible for complying with the standard, noting any specific additions or exceptions. If not applicable to the entire SPP area, then a clear identification of the portion of the bulk power system to which the standard applies. Any limitation on the applicability of the standard based on electric facility requirements should be described.

COMMON ATTRIBUTE 33

Measure(s)

Each requirement shall be addressed by one or more measures. Measures are used to assess performance and outcomes for the purpose of determining compliance with the requirements stated above. Each measure will identify to whom the measure applies and the expected level of performance or outcomes required demonstrating compliance. Each measure shall be tangible, practical, and as objective as is practical. It is important to realize that measures are proxies to assess required performance or outcomes. Achieving the measure should be a necessary and sufficient indicator that the requirement was met. Each measure shall clearly refer to the requirement(s) to which it applies.

COMMON ATTRIBUTE 34

Compliance Monitoring Process

Defines for each measure:

- The specific data or information that is required to measure performance or outcomes.
- The entity that is responsible for providing the data or information for measuring performance or outcomes.
- The process that will be used to evaluate data or information for the purpose of assessing performance or outcomes.
- The entity that is responsible for evaluating data or information to assess performance or outcomes.
- The time period in which performance or outcomes is measured, evaluated, and then reset.
- Measurement data retention requirements and assignment of responsibility for data archiving.
- Violation severity levels.



Southwest Power Pool
Regional Entity
Standards Development Process
Manual

October 2, 2007

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I. Introduction

This manual defines the fair and open process for adoption, approval, revision, reaffirmation, and deletion of a regional reliability standard (Standard) by Southwest Power Pool, a regional entity (RE). Standards provide for the reliable regional and sub-regional planning and operation of the Bulk Power System (BPS), consistent with Good Utility Practice within an RE's geographical footprint.

Due process is the key to ensuring that Standards are developed in an environment that is equitable, accessible and responsive to the requirements of all interested and affected parties. An open and fair process ensures that all interested and affected parties have an opportunity to participate in a Standard's development.

Any entity (person, organization, company, government agency, individual, etc.) with a direct and material interest in the Bulk Power System has a right to participate by: a) expressing a position and its basis, b) having that position considered, c) voting on a proposed regional reliability standard through a segment weighted balanced process, and d) having the right to appeal.

II. Background

An RE may develop, through its own processes, separate Standards that go beyond, add detail to, or implement NERC reliability standards, or otherwise address issues that are not addressed in NERC reliability standards.

NERC reliability standards and the RE's Standards are all to be included within the RE's Compliance Program.

RE Standards are developed consistent with the following philosophies and according to the process defined in this manual:

- A fair and open process that provides an opportunity for all interested parties to participate;
- Avoid any impact on commerce that is not necessary for reliability;
- Provide a level of BPS reliability that is adequate to protect public health, safety, welfare, and national security and do not have a significant adverse impact on reliability; and
- A justifiable difference between regions or between sub-regions within the Regional geographic area.

The NERC Board of Trustees has adopted reliability principles and market interface principles to define the purpose, scope, and nature of reliability standards. These principles are fundamental to reliability and the market interface, and provide a constant beacon to guide the development of reliability standards. The NERC Board of Trustees may modify these principles from time to time, as necessary, to adapt its vision for reliability standards. Persons and committees that are responsible for the RE Standards process shall consider these NERC principles in the execution of those duties.

NERC reliability standards are based on certain reliability principles that define the foundation of reliability for the North American BPS. Each Standard shall enable or support one or more of the reliability principles, thereby ensuring that it serves a purpose in support of reliability of the North American BPS. Each Standard shall also be consistent with all of the reliability principles, thereby ensuring that no Standard undermines reliability through an unintended consequence.

While NERC reliability standards are intended to promote reliability, they must at the same time accommodate competitive electricity markets. Reliability is a necessity for electricity markets, and robust electricity markets can support reliability. Recognizing that BPS reliability and electricity markets are inseparable and mutually interdependent, all Standards shall be consistent with the market interface principles. Consideration of the market interface principles is intended to ensure that Standards are written such that they achieve their reliability objective without causing undue restrictions or adverse impacts on competitive electricity markets.

III. Regional Reliability Standard Definition, Characteristics, and Elements

A. Definition of a Regional Reliability Standard

A NERC reliability standard defines certain obligations or requirements of entities that operate, plan, and use the Bulk Power Systems of North America. The obligations or requirements must be material to reliability and measurable. Each obligation and requirement shall support one or more of the stated reliability principles and shall be consistent with all of the stated reliability and market interface principles in the NERC Standards Process Manual.

SPP RE may develop, through the process described in this manual, separate SPP Regional Reliability Standards (Standard) that go beyond, add detail to, or implement NERC reliability standards, or that cover matters not addressed in NERC continent-wide reliability standards. SPP Regional Reliability Standards may be developed and exist separately from NERC continent-wide reliability standards, or may be proposed as NERC reliability standards. Standards that exist separately from NERC reliability standards shall be more stringent than a NERC continent-wide reliability standard, including a regional difference that addresses matters that the NERC continent-wide reliability standard does not, or shall be a regional difference necessitated by a physical difference in the bulk power system. These regional reliability standards, if approved by the RE Trustees, are forwarded to NERC for review and submittal to FERC for approval.

B. Definition of SPP Criteria

SPP Criteria are those requirements used by SPP members that are for purposes others than those specified for SPP Regional Reliability Standards (Standards). SPP Criteria are enforceable only under the terms and conditions of the SPP Membership Agreement. SPP Criteria may be developed in accordance with SPP Bylaws outside the process described within this manual since these criteria are not intended to be used by the SPP Regional Entity for compliance and enforcement under the authority delegated under the NERC – SPP Regional Delegation Agreement.

C. Characteristics of a Regional Reliability Standard

Standards define obligations or requirements for the operation and planning of interconnected systems and market interface practices that will be enforceable under the authority of the SPP RE. The format and process defined by this manual applies to all Standards.

A Standard shall have the following characteristics:

- **Material to Reliability** - A Standard shall be material to the reliability of bulk power systems of the RE's region. If the reliability of the bulk power systems could be compromised without a particular standard or by a failure to comply with that standard, then the standard is material to reliability.
- **Measurable** - A Standard shall establish technical or performance requirements that can be practically measured.

- **Relative to NERC Reliability Standards** - A Standard must go beyond, add detail to, or implement NERC reliability standards, or cover matters not addressed in NERC reliability standards.

D. Elements of a Regional Reliability Standard

An RE Standard shall consist of the elements identified in this section of this manual. These elements are intended to apply a systematic discipline in the development and revision of Standards. This discipline is necessary to achieve standards that are measurable, enforceable, and consistent. The format allows a clear statement of the purpose, requirements, measures, and penalties for non-compliance associated with each Standard. Supporting documents to aid in the implementation of a Standard may be referenced by the Standard but are not part of the Standard itself. All mandatory requirements of a Standard shall be within an element of the standard.

Performance Elements of a Regional Reliability Standard

Identification Number	A unique identification number assigned in accordance with an administrative classification system to facilitate tracking and reference RE documentation. Format for Regional Standard Request will be: RSR-000
Title	A brief, descriptive phrase identifying the topic of the Standard.
Effective Date and Status	The effective date of the Standard or, prior to adoption of the Standard by the RE through its own processes, the proposed effective date. The status of the standard will be indicated as active or by reference to one of the numbered steps in the standards process.
Purpose	The purpose of the Standard. The purpose shall explicitly state what outcome will be achieved or is expected by this Standard. The purpose is agreed to early in the process as a step toward obtaining approval to proceed with the development of the standard. The purpose should link the standard to the relevant principle(s).
Requirement(s)	Explicitly stated technical, performance, and preparedness requirements. Each requirement identifies the responsible entity and the action to be performed or outcome to be achieved. Each statement in the requirements section shall be a statement for which compliance is mandatory. Any additional comments or statements for which compliance is not mandatory such as background or explanatory information should be placed in a separate document and referenced. (See Supporting References).

Applicability	<p>Clear identification of the functional classes of entities responsible for complying with the standard, noting any specific additions or exceptions.</p> <p>If not applicable to the entire SPP area, then a clear identification of the portion of the bulk power system to which the standard applies. Any limitation on the applicability of the standard based on electric facility requirements should be described.</p>
Risk Factor(s)	<p>The potential reliability significance of each requirement, designated as a High, Medium, or Lower Risk Factor in accordance with the criteria listed below:</p> <p>A High Risk Factor requirement (a) is one that, if violated, could directly cause or contribute to bulk power system instability, separation, or a cascading sequence of failures, or could place the bulk power system at an unacceptable risk of instability, separation, or cascading failures; or (b) is a requirement in a planning time frame that, if violated, could, under emergency, abnormal, or restorative conditions anticipated by the preparations, directly cause or contribute to bulk power system instability, separation, or a cascading sequence of failures, or could place the bulk power system at an unacceptable risk of instability, separation, or cascading failures, or could hinder restoration to a normal condition.</p> <p>A Medium Risk Factor requirement (a) is a requirement that, if violated, could directly affect the electrical state or the capability of the bulk power system, or the ability to effectively monitor and control the bulk power system, but is unlikely to lead to bulk power system instability, separation, or cascading failures; or (b) is a requirement in a planning time frame that, if violated, could, under emergency, abnormal, or restorative conditions anticipated by the preparations, directly affect the electrical state or capability of the bulk power system, or the ability to effectively monitor, control, or restore the bulk power system, but is unlikely, under emergency, abnormal, or restoration conditions anticipated by the preparations, to lead to bulk power system instability, separation, or cascading failures, nor to hinder restoration to a normal condition.</p> <p>A Lower Risk Factor requirement is administrative in nature and (a) is a requirement that, if violated, would not be expected to affect the electrical state or capability of the bulk power system, or the ability to effectively monitor and control the bulk power system; or (b) is a requirement in a planning time frame that, if violated, would not, under the emergency, abnormal, or restorative conditions anticipated by the preparations, be expected to affect the electrical state or capability of the bulk power system, or the ability to effectively monitor, control, or restore the bulk power system.</p>

Measure(s)	Each requirement shall be addressed by one or more measurements. Measurements will be used to assess performance and outcomes for the purpose of determining compliance with the requirements stated above. Each measurement identifies to whom the measurement applies and the expected level of performance or outcomes required to demonstrate compliance. Each measurement shall be tangible, practical, and as objective as is practical. Measures are proxies to assess required performance or outcomes. Achieving the measures should be a necessary and sufficient indicator that the requirement was met. Each measure shall clearly refer to the requirements(s) to which it applies.
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Compliance Elements of a Regional Reliability Standard

Compliance Monitoring Process	<p>The following compliance elements, which are part of the standard and are balloted with the standard are developed for each measure in a standard by the NERC compliance program in coordination with the standard drafting team:</p> <ul style="list-style-type: none"> • The specific data or information required to measure performance or outcomes. • The entity responsible for providing the data or information for measuring performance or outcomes. • The process used to evaluate data or information for the purpose of assessing performance or outcomes. • The entity responsible for evaluating data or information to assess performance or outcomes. • The time period in which performance or outcomes is measured, evaluated, and then reset. • Measurement data retention requirements and assignment of responsibility for data archiving.
Violation Severity Levels	Defines the degree to which compliance with a requirement was not achieved. The violation severity levels, are part of the standard and are balloted with the standard, and developed by the NERC compliance program in coordination with the standard drafting team.

Supporting Information Elements

Interpretations	Formally approved interpretations of the reliability standard. Interpretations are temporary, as the standard should be revised to incorporate the interpretation. Interpretations are developed and approved through a process described in the section Interpretations of Standards.
Implementation Plan	Each standard shall have an associated implementation plan describing the effective date of the standard or effective dates if there is a phased implementation. The implementation plan may also describe the implementation of the standard in the compliance program and other considerations in the initial use of the standard, such as necessary tools, training, etc. The implementation plan must be posted for at least one public comment period and is approved as part of the ballot of the standard.
Supporting References	This section references related documents that support reasons for, or otherwise provide additional information related to, the Standard. Examples include, but are not limited to: <ul style="list-style-type: none">• Development history of the Standard and prior versions• Notes pertaining to implementation or compliance• Standard references• Standard supplements• Procedures• Practices• Training references• Technical references• White papers• Internet links to related information

IV. Roles in the Regional Reliability Standards Development Process

Any member of NERC, including any member of a regional reliability organization, regional entity, or group within NERC shall be allowed to request that a Standard be developed, modified, or withdrawn. Additionally, any entity (person, organization, company, government agency, individual, etc.) who is directly and materially affected by the reliability of the North American Bulk Power Systems shall be allowed to request a Standard be developed, modified, or withdrawn.

Originator - Any entity (person, organization, company, governmental agency, individual, etc.) that is directly and materially affected by the operation of an RE's BPS, is allowed to request a Standard be developed or an existing Standard be modified, or deleted.

Registered ballot body — The registered ballot body comprises all entities or individuals that qualify for one of the voting segments and are registered with SPP as a ballot participant in the voting of a proposed standard. Membership in SPP is not a requirement for registration. Registration in a ballot body must be done via the SPP website by close of business the day prior to the day voting begins on the standard. [Each standard action has its own registered ballot body.] The representation model of the registered ballot body is provided in Sec V. B. Regional Reliability Standards Development Process Steps, Step 5 – Open Voting.] The outcome of the vote of the registered ballot body is forwarded to the RE Trustees regardless of advisory voting outcomes at the MOPC or SPP Board level.

SPP Regional Entity Trustees (RE Trustees) – The SPP Regional Entity Trustees shall act on any proposed Standard that has gone through the process contained in this manual. Upon approval by the RE Trustees, the Standard will be submitted to NERC for approval under the ERO. RE Trustees are notified of all proposed regional reliability standards requests and receive progress reports from the RE Staff. They also receive notice of the outcome of votes by the ballot body and any recommendations and reports on proposed standards made by the SDT, MOPC and SPP Board.

Regional Entity Staff (RE Staff)- RE Staff shall support the RE Trustees in their oversight authority over the Standards Development Process and any other function or responsibility ascribed to them in the NERC- Southwest Power Pool, Inc. Delegation Agreement.

SPP Markets and Operations Policy Committee (MOPC) - The SPP Markets and Operations Policy Committee will assign Standards to a Standards Development Team for development or revision

SPP Board of Directors and Members Committee (BOD/MC) – The SPP Board of Directors in conjunction with the Members Committee provides advisory votes to the RE Trustees on reliability matters as they pertain to the RE. The BOD/MC votes on proposed regional standards or changes to regional standards for the sole purpose of providing an additional stakeholder forum for review, and valuable input to the RE Trustees decision on a regional standard based on the groups expertise on reliability, operations and market matters as well as its wide diverse representation of the SPP membership.

Compliance Director – The RE office responsible for the administration of the SPP Compliance Program. The duties of this office includes but are not limited to, providing inputs and comments during the standards development process to ensure the measures will be effective and can be practically implemented.

Standard Drafting Team (SDT) – Usually an existing SPP Working Group or Task Force that is comprised of technical experts. Any interested party may attend meetings, provide input and comments, and vote under provisions of the SPP Regional Standards Process Manual.

V. Regional Reliability Standards Development Process

A. Assumptions and Prerequisites

The process for developing and approving Standards is similar to procedures accredited by the American National Standards Institute (ANSI), like that employed by the North American Energy Standards Board (NAESB). The Standards development process has the following characteristics:

- **Inclusive** - Any entity (person, organization, company, governmental agency, individual, etc.) representing an organization with a direct and material interest has a right to participate by:
 - a) Expressing an opinion and its basis,
 - b) Having that position considered,
 - c) Voting on a proposed regional reliability standard through a segment weighted balanced process, and
 - d) Appealing any negative decision

- **Openness** - Participation is open to all organizations that are directly and materially affected by the RE's BPS reliability. There shall be no undue financial barriers to participation. Participation shall not be conditioned upon membership in the RE, and shall not be unreasonably restricted on the basis of technical qualifications or other such requirements. Meetings of SDT's are open to all interested parties and are noticed on the SPP website at least 15 days in advance. Since pre-existing SPP committees, working groups, or task forces may be assigned the responsibilities of a SDT, the agenda for meetings will note that an SDT activity is being undertaken to distinguish such activity from other non-SDT related agenda items. The openness provisions of this manual apply only and explicitly to the SDT activities. Meetings of subcommittees and working groups serving as a SDT shall follow the SPP Bylaws Sec 3.5 Meetings.
- **Balance** - The RE Standards development process strives to have an appropriate balance of interests. The process prevents any two voting sectors from dominating voting outcomes and no single voting sectors from defeating a proposed reliability standard.
- **Due Process** – The SPP Regional Reliability Standards Development Process provides reasonable notice and opportunity for public comment. At the minimum, the procedure shall include public notice of the intent to develop a standard, a public comment period on the proposed standard, due consideration of those public comments, and a ballot of interested stakeholders.

- **Transparent** – All actions material to the development of a SPP regional reliability standard shall be transparent. All standards development meetings shall be open and publicly noticed on the SPP website.

B. Regional Reliability Standards Development Process Steps

Note: The term “days” below refers to calendar days.

Step 1 – Request to Develop, Revise or Delete a Regional Reliability Standard

Any individual representing an organization (Originator) that is directly or materially impacted by the operation of the BPS within the geographical footprint of the RE may submit a request to the Markets and Operations Policy Committee (MOPC) for the development, modification, or deletion of an RE Standard. Any such request shall be submitted to the MOPC Chairman, or his/her designee, or by another process as otherwise posted on the SPP website. The request should be made using the SPP Regional Standard Request Form (RSR) in Appendix B.

The MOPC or a designee will work with the Originator to develop a description of the proposed Standard subject matter containing sufficient detail to clearly define the purpose, scope, impacted parties, and other relevant information related to the proposed Standard.

Step 2 – Notification to Regional Entity Trustees & Public Notice

The Chairman of the MOPC or his/her designee will forward the request to the RE Trustees. SPP staff will also post the request on the SPP website for public notice and may utilize any appropriate SPP email distribution lists within 30 days. The request is not to be judged as appropriate or useful at this stage.

The MOPC will assign the drafting and scoping responsibility to an appropriate SPP Working Group or Task Force. This group will become the Standards Drafting Team (SDT) for this particular Standard request. The assignment will include any necessary deadlines and due dates for the Standard.

Any documentation of the deliberations of the SDT concerning the Standard shall be made available in accordance with the SPP Bylaws requirements for meeting and organizational groups then in effect. Meetings of the SDT are open to any interested party. Meeting dates and actions on the regional reliability standard are publicly noticed on SPP's public Web site.

The SDT shall provide a report to the RE Trustees and the MOPC on a periodic basis (at least at every regularly scheduled meeting) noting the status of the Standard that has been assigned to it for consideration.

Step 3 – Scoping and Drafting

The SDT will draft the language of the Standard per the Standard description provided by the MOPC and the Originator. The SDT may recommend changes to the scope, purpose, need or other relevant aspects of the Standard through consultation with the MOPC.

The SDT develops a work plan for completing the Standard development work, including the establishment of milestones for completing critical elements of the work in sufficient detail to ensure that the SDT will meet the date objective in the assignment, or an alternative date. This plan will be provided to the RE Trustees and the MOPC.

The SDT may meet in person or via electronic means as necessary; may establish sub-work teams (made up of members of the SDT) as necessary; and perform other activities to address the parameters of the Standard and the established milestone date(s).

The SDT should consider:

- The impact of the Standard on neighboring regions, and seek appropriate input from the neighboring regions if the Standard is determined to have such an impact.
- An implementation plan, including the nature, extent and duration of field-testing, if any.
- The need for any existing Standard to be deleted, in part or whole, or otherwise impacted by the implementation of the draft Standard.
- Technical reports, white papers and/or work papers that provide technical support for the draft Standard under consideration.
- Documenting the perceived reliability impact should the Standard be approved.

The SDT will regularly (at least at every regularly scheduled meeting) report to the RE Trustees and the MOPC on its progress in meeting a timely completion of the draft Standard. The SDT may request consideration of scope changes of the Standard at any point in the Standard development process.

The RE Trustees or the MOPC may, at any time direct the SDT move to Step 4 and post for comment the current work product, or to terminate the activity if there is no further need for the Standard. If the activity is terminated RE Staff will notify the Originator and the RE Trustees within 30 days.

If there are competing drafts all will be posted on the SPP website for comment. The MOPC may take this step at any time after a SDT has been commissioned to develop the Standard.

For Standards in progress, the MOPC must take action to move to Step 4. *Public Comments*, or to reject the proposal. If the MOPC votes to terminate the activity, the RE Trustees must be notified with supporting reasons provided to them. The proposed standard would then go directly to Step 11. (See Step 11. *RE Trustees Action*)

Step 4 – Post Draft for 30 Day Public Comments

RE Staff will post the draft Standard on the SPP website, along with any supporting documents, for a 30-day comment period. RE Staff shall also inform registered entities and other potentially interested stakeholders of the posting using available SPP communication resources, or by other means deemed appropriate. Comments may be submitted using the RSR Comment Form in Appendix B available on the SPP internet website.

Within 30 days of the conclusion of 30-day comment posting period the SDT shall convene and consider changes to the draft Standard, the implementation plan and/or supporting technical documents. The SDT may elect to return to Step 3. *Scoping and Drafting* to revise the draft Standard, and/or any supporting documentation. The SDT shall summarize the comments received and any changes made as a result. This summary will be and posted on the SPP website when completed.

Step 5 – Open Voting

The SDT shall direct the RE Staff to post the revised draft Standard and other relevant documents including, implementation plan, supporting technical documentation, and summary of comments.

RE Staff will schedule a vote by interested parties to commence no sooner than 15 days and no later than 30 days following the posting of the revised draft.

Members of the ballot body shall be allowed to vote over a period of 15 days. Voting will be through electronic means or other means provided by SPP.

SPP Segment Weighted Voting

Registration in a ballot body created for a specific proposed regional standard is required to vote. Registration for a proposed Standard is noticed on the SPP website and through a Standards email exploder for a period of 15 days prior to the start of the ballot (subscription to the Standards email exploder is open to any interested party through the SPP website). All interested parties who register with the ballot body may vote on the proposed new Standard, Standard revision or Standard deletion. An interested party may only register in one segment.

The five SPP voting segments for Regional Reliability Standards are:

- 1) Transmission
- 2) Generation
- 3) Marketer/Broker
- 4) Distribution/Load Serving Entity
- 5) End User and Public Interest

RE Staff will accept votes any time during the 15-day ballot period for the Standard. Votes will be counted by voting segment. Each voting segment will receive 20% of the vote. A weighted vote of 2/3 affirmative of those voting will pass a Standard for further consideration (Step 7). If the vote fails to achieve a 2/3 majority of those voting, the Standard will be returned to the SDT for consideration for future action (Step 3). The SDT may: revise the Standard; post the Standard again for comments; reballot the Standard; ask the RE Trustees to terminate the request; or any other action it deems appropriate.

The RE Trustees are notified of the outcome of the vote and any actions taken by the SDT as a result of the vote. The RE Trustees will determine any additional action to be taken. (See Step 11. *RE Trustees Action*)

Step 6 – Prepare Consensus Draft & Minority Report

When a Standard is approved, the SDT will prepare a consensus draft representing the version of the Standard to be presented to the MOPC and the BOD/MC before final action by the RE Trustees.

Minority Report and Appeals

- A minority report will be prepared if there are significant issues that cannot be resolved within the SDT during the drafting phase (Step 3) or from the public comments (Step 4).
- A minority report will include any appeals from interested parties that the SPP Standards Procedure Manual was violated in the development of the Standard.
- The minority report remains a part of the record of the Standard and is available to any interested party during any subsequent steps.
- The consensus draft and any minority reports are presented to the MOPC for its consideration and an advisory vote.

Step 7 – Post Draft Standard for Action on the MOPC Agenda

A recommended Standard is noticed for consideration on the MOPC agenda. The agenda materials are made available per the SPP Bylaws, Section 3.5.

If a Standard requires consideration by the MOPC prior to a regularly scheduled meeting, the RE Staff will notify the MOPC Chairman who will notice a special meeting in accordance with the SPP Bylaws.

Step 8 – MOPC Review

The MOPC will provide an advisory vote on the Standard under the governance provisions of the SPP Bylaws, Section 3.9 Voting.

If the MOPC opposes the Standard, the MOPC may request revision of the Standard or termination of further activity on the Standard. If the Standard is terminated, notice is provided (described in Step 9) to the RE Trustees for further action (Step 11).

If the MOPC concurs with the Standard, the Standard proceeds to the SPP Board of Directors and Members Committee for review (Step 9).

The RE Trustees are notified of the outcome of the MOPC review.

Step 9 – SPP Board of Directors/Members Committee Review

A draft Standard submitted to the SPP Board of Directors/Members Committee (BOD/MC) for review must be publicly posted at least 10 days prior to consideration by the BOD/MC. The BOD/MC may consider the Standard at a regularly scheduled meeting, or as determined by the Chairman of the BOD/MC.

The BOD/MC shall be provided:

- The consensus draft Standard and any modification or deletion of other related existing Standard(s)
- Implementation Plan (including recommended field testing and effective dates)

- Technical Documentation supporting the draft Standard
- A summary of the registered ballot body vote and summary of the comments and responses that accompanied the votes including a Minority Report if applicable.
- The results of the MOPC advisory vote and any comments
- Any other information relevant to the Standard

The BOD/MC will:

- Provide an advisory vote to the RE Trustees on the Standard (Step 10); or
- Return the Standard to the MOPC with comments

In the case of a second return of a Standard, the proposed Standard is forwarded to the RE Trustees for action. (The proposed Standard would go directly to Step 11).

Step 10 –Presentation to RE Trustees

A draft Standard submitted to the RE Trustees for action must be publicly posted at least 10 days prior to consideration by the RE Trustees.

The RE Trustees shall be provided:

- The consensus draft Standard and any modification or deletion of other related existing Standard(s)
- Implementation Plan (including recommended field testing and effective dates)
- Technical Documentation supporting the draft Standard
- A summary of the registered ballot body vote and summary of the comments and responses that accompanied the vote including a Minority Report if applicable
- The results of the MOPC advisory vote and any comments
- The result of the BOD/MC advisory vote and any comments
- Any other information relevant to the Standard

Step 11 - RE Trustees Action

The RE Trustees will:

- Recommend NERC approve the Standard through the NERC process; or
- Remand the Standard to the SDT through the MOPC with comments and instructions; or
- Determine there is no need for the Standard and terminate any future activity.

The RE Trustees may consider the Standard at a regularly scheduled meeting, or as determined by the Chairman of the RE Trustees.

If a Standard is forwarded to the RE Trustees for action as a result of an opposing MOPC vote (Step 8), or if automatically forwarded to them as a result of two or more returns by the MOPC

or SPP Board (Step 9), the RE Trustees will take definitive action, including initiating the process from Step 3, Scoping and Drafting. The RE Trustees may not submit a Standard to NERC for approval without a positive outcome from open and balanced voting in Step 5.

Advisory votes of the MOPC and the BOD/MC do not impact the RE Trustees' authority to submit a Standard to NERC.

Step 12 – Submit to NERC for Approval as Regional Standard

RE Staff will notify interested parties of submission of Standard to NERC by the RE Trustees through the normal and customary communication procedures and processes then in effect.

The RE Staff will publicly notice any further steps necessary to have a Standard reviewed and/or approved through the NERC or any successor organization standards process.

C. Filing of Regional Reliability Standards with Regulatory Agencies

The development of Standards must be administered in coordination with the NERC Standards Development Procedure. At the discretion of the NERC Board of Trustees, adopted Standards may be filed with applicable regulatory agencies in the United States, Canada, and Mexico. Regional Reliability Standards once approved by FERC, are made part of the NERC standards and shall be enforced accordingly.

Appendix A

I. Maintenance of the Regional Reliability Standards Development Process Manual

Any interested party may propose changes to this Manual. Such Process Manual change requests will follow all the steps of the Regional Reliability Standards Process outlined in Section V., Part B of this Manual.

II. Appeals

Persons who have directly and materially affected interests and who have been or will be adversely affected by any substantive or procedural action or inaction related to the development, approval, revision, reaffirmation, or withdrawal of a Standard shall have the right to appeal. This appeals process applies only to the Standards process as defined in this procedure.

The burden of proof to show adverse effect shall be on the appellant. Appeals shall be made within 30 days of the date of the action purported to cause the adverse effect, except appeals for inaction, which may be made at any time. In all cases, the request for appeal must be made prior to the next step in the process.

The appeal will be addressed by the RE Trustees. The appeal is included in a Minority Report of the Standard which remains a part of the record for the Standard throughout the SPP Regional Standards Procedure.

The final decisions of any appeal shall be documented in writing and made public.

A complaint will be noted in a Minority Report including the substantive or procedural action or inaction associated with a reliability standard or the standards process. The complaint should describe the actual or potential adverse impact to the appellant. The RE Trustees will provide a written response to the complaint. The appellants response to the RE Trustees determination will be included in the Minority Report.

The RE Trustees shall provide a response to any remaining open complaints.

Appendix B: SPP Regional Standard Request Form

RSR Number		RSR Title	
SPP Regional Standard Name (include Section No., Title, and existing Standard Version if any)			
Requested Resolution Date (if applicable)			
Description			
Reliability Need or Purpose – Try to identify if known: Technical requirements, reliability risk factor, measurements (refer to SPP Standards Process Manual for descriptions).			
Tariff Implications or Changes (Yes or No; If yes include a summary of impact and/or specific changes)			
Criteria Implications or Changes (Yes or No; If yes include a summary of impact and/or specific changes)			
NERC Standard Implications (Yes or No, and summary of impact)			

Sponsor	
Name	
E-mail Address	
Company	
Company Address	
Phone Number	
Fax Number	

Proposed Regional Standard Language

Appendix C: SPP Regional Standard Request Comment Form

RSR Number		RSR Title	
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Date	
-------------	--

Submitter's Information	
Name	
E-mail Address	
Company	
Company Address	
Phone Number	
Fax Number	

Comment Form Instructions (please delete before submitting comments):

Comments are to be submitted electronically and are due by close of business of the comment due date. Please follow this file naming convention:
 ###PRR <Company Name> Comments<date>.doc.

Comments

Revised Regional Standard Language

Appendix D: SPP Standards Development Procedure

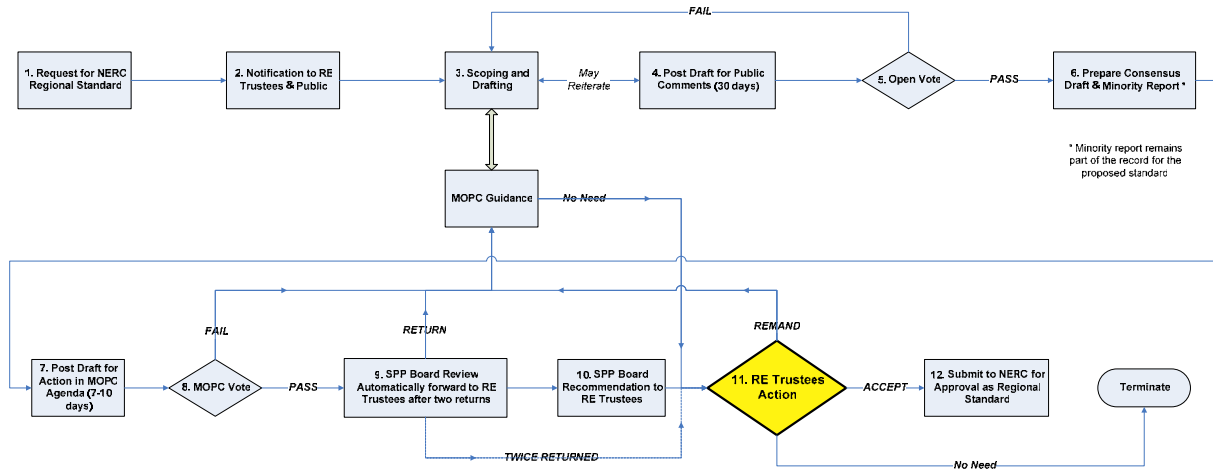


EXHIBIT D – COMPLIANCE MONITORING AND ENFORCEMENT PROGRAM

1.0 REGIONAL COMPLIANCE MONITORING AND ENFORCEMENT PROGRAM

1.1 Obligations of SPP

SPP will implement the NERC Compliance Monitoring and Enforcement Program (Appendix 4C to the NERC Rules of Procedure) to monitor and enforce compliance with Reliability Standards by the owners, operators, and users within **SPP's** geographic boundaries set forth on **Exhibit A** of this Agreement, subject to any deviations from the NERC Compliance Monitoring and Enforcement Program described in Section 1.2 below (the "Compliance Program").

1.2 Deviations from the NERC Compliance Monitoring and Enforcement Program

SPP's Compliance Monitoring and Enforcement Program has no deviations from the NERC Compliance Monitoring and Enforcement Program.

2.0 REGIONAL HEARING OF COMPLIANCE MATTERS

SPP shall establish and maintain a hearing body with authority to conduct and 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, which shall be **SPP's** Regional Entity Trustees.

3.0 OTHER DECISION-MAKING BODIES

~~**SPP** does not use any other decision-making bodies for its Compliance Monitoring and Enforcement Program.~~ **SPP RE** has engaged the SERC Reliability Corporation (SERC) to oversee the compliance monitoring and enforcement responsibility within the SPP RE Region as related to SPP's compliance with Reliability Standards requirements that are applicable to the functions for which SPP is a Registered Entity.

Exhibit E — Funding

1. Scope of activities funded through the ERO funding mechanism

SPP shall include in its annual budget submission to NERC amounts for costs it will incur in support of delegated activities and activities that are in furtherance of NERC's responsibilities as the ERO under the Act, as specified in the NERC Rules. These activities shall include:

- Reliability Standard Development (Section 300)
- Compliance Enforcement (Section 400)
- Organization Registration and Certification (Section 500)
- Reliability Readiness Evaluation and Improvement (Section 700)
- Reliability Assessment and Performance Analysis (Section 800) (including necessary data gathering activities)
- Training and Education (Section 900)
- Situational Awareness and Infrastructure Security (Section 1000)

2. Allocation of Costs

SPP shall allocate its dues, fees and other charges for its activities pursuant to the delegation agreement among all load-serving entities on the basis of net-energy-for load, unless a different method(s) of allocating and calculating such dues, fees and charges has been submitted to and approved by NERC and the Commission in accordance with Section 8(b) of the delegation agreement. SPP shall submit to NERC annually at the same time it submits its budget request a list of the load-serving entities within its geographic boundaries and their proportionate net energy for load, and such other data and information as is necessary to allocate and calculate SPP's dues, fees and charges under any such different method(s) of allocation and calculation that will be used.

3. Collection of Funding

(a) NERC shall submit invoices to the load-serving entities identified by SPP covering the NERC and SPP budgets approved for collection.

NERC shall pursue any non-payments and shall request assistance from applicable governmental authorities as necessary to secure collection.

(b) Upon approval of the annual funding requirements by applicable governmental authorities, NERC shall fund SPP's costs identified in Section 1 of this Exhibit E in four equal quarterly payments.

4. Application of Penalties

All penalty monies received by SPP ~~RE, other than penalty monies received from an operational function or division or affiliated entity of SPP~~ shall be applied as a general offset to the entity's budget requirements for U.S.-related activities under this Agreement for the

subsequent fiscal year. Funds from financial penalties shall not be directly applied to any program maintained by the investigating entity. ~~Any penalty monies received from an operational function or division or affiliated entity of SPP shall be transmitted to or retained by NERC and shall be used by NERC as a general offset to NERC's budget for its activities as the ERO under the Act for the following year.~~

5. Budget and Funding for SPP's Non-Statutory Activities

In addition to SPP's delegated activities and activities that are in furtherance of NERC's responsibilities as the ERO under the Act, as specified in Section 1 of this **Exhibit E** (such functions and activities referred to in this Section 5 as "statutory activities"), SPP performs the following other functions and activities (such other functions and activities being referred to herein as "non-statutory activities"):

SPP's performs non-statutory activities as a Regional Transmission Organization ("RTO"). As a RTO, SPP is mandated by the Commission to ensure reliable supplies of power, adequate transmission infrastructure, and competitive wholesale prices of electricity. In furtherance of this mandate, SPP's specific non-statutory activities are the following primary services:

1. Tariff Administration: Independent administration of the Open Access Transmission Tariff that provides one-stop shopping for regional transmission service with consistent rates and terms.
2. Reliability Coordination: SPP monitors power flow throughout our footprint. We anticipate problems and take preemptive action to mitigate operating limit violations. SPP coordinates regional response in emergency situations or blackouts.
3. Regional Scheduling: SPP ensures that the amount of power sent is coordinated and matched with power received. SPP's regional scheduling service reduces the number of entities with which SPP members and customers have to coordinate.
4. Market Operations: SPP administers an Energy Imbalance Marketplace, monitors resource/load balance and ensures that less expensive power is used to serve load before expensive power, all while ensuring system reliability is met.
5. Expansion Planning: SPP's planning process seeks to identify system limitations and develop transmission upgrades for increased capacity.
6. Contract Services: SPP provides reliability, tariff administration, and scheduling for non-members on a contract basis.

SPP shall employ the following methods and procedures to (i) keep its funding mechanisms for its statutory activities separate from its funding mechanisms for its non-statutory activities and (ii) record the costs it incurs in the performance of its non-statutory activities separate from the costs it incurs in the performance of its statutory activities:

(i) Separation of funding sources for statutory activities and non-statutory activities. As a RTO, SPP is a public utility under the Federal Power Act, and is required to submit its budget to the Commission. The Commission already has approved SPP's RTO activities and has ordered that SPP's budgets be filed with the Commission.

SPP's non-statutory activities are funded separately from its Regional Entity statutory activities through the imposition of a Commission-approved Tariff Administration Fee charged by SPP to all load under the SPP Open Access Tariff, except for Contract Services activities, which are funded by contract fees. Additionally, SPP's members are assessed an annual membership fee.

SPP shall provide its budget for such non-statutory activities to NERC at the same time that SPP submits its annual budget to FERC. SPP agrees that no costs of non-statutory activities are to be included in the calculation of SPP's dues, fees, and other charges for its statutory activities.

As provided in section 3(b) of this Exhibit E, on a quarterly basis, SPP will invoice NERC, an amount equal to one-fourth of the current year approved annual funding amount for SPP's statutory activities. Upon receipt of payment from NERC, SPP will deposit these funds into an account established solely to receive and hold funding received from NERC pursuant to SPP's performance of statutory activities under the Delegation Agreement. On a monthly basis, all expenses incurred by SPP for statutory activities and for non-statutory activities are recorded and paid from the SPP operating account. Throughout the year, as expenses incurred for SPP statutory activities are paid from the SPP operating account, transfers are made from the account established solely to receive and hold funding received from NERC to the SPP operating account in the amounts of payments made for expenses incurred for SPP statutory activities.

(ii) Separation of costs of statutory activities and non-statutory activities. All employees performing functions directly attributed to SPP's delegated responsibilities who also perform functions related to SPP's non-statutory activities will utilize a time tracking system to accurately reflect their time spent on statutory activities. Periodically, but no less frequently than annually, SPP will input the time associated with its direct function staff performing statutory activities into a cost calculation model. Specific, direct costs attributable to the direct function staff performing statutory activities are salary, SPP-paid medical insurance, Medicare and Social Security taxes, and other SPP-paid benefits. These costs are then combined with other directly assignable costs of statutory activities, such as travel, meetings, contractors, professional services, fees and expenses of Regional Entity independent trustees, and other direct administrative expenses, and reported on the NERC Statement of Activities (formerly the NERC Treasurer's Report).

In addition, an allocation of SPP overhead costs to statutory activities is calculated and the allocated overhead costs are recorded on the NERC Statement of Activities. These overhead costs are shared throughout the SPP organization and include costs for payroll and accounts payable processing, human resources and benefits management, accounting, information technology, executive leadership, corporate affairs and communications, office costs and

other support services and expenditures. This allocation is calculated using a standard hourly rate multiplied by the number of SPP staff hours spent directly performing SPP's statutory activities. The hourly rate for allocated overhead costs is developed using SPP's current year operating budget, by separating SPP's shared services support costs which support all of SPP's functions (*i.e.*, the costs for the activities identified in the second sentence of this paragraph) from SPP's operational resource pool. The total shared services support costs are then divided by estimated total annual available work hours for SPP's operational resource pool. The average annual employee utilization rate assumes each employee works an eight-hour work day with adjustments to reflect SPP's employment policies related to vacation allotment, SPP holidays and other non-productive leave.

The total expenses for statutory activities in a month as recorded on the NERC Statement of Activities are used to determine the amount of transfer to be made to the SPP operating account to reimburse the SPP operating account for the payment of expenses of SPP's statutory activities.

ATTACHMENT 9

RESOLUTION OF THE

NERC BOARD OF TRUSTEES

RESOLUTION
Amendments to SERC, FRCC, and SPP delegation agreements
Approved by NERC Board of Trustees
February 16, 2010

WHEREAS, the Corporation is authorized by Section 215 of the Federal Power Act, 18 C.F.R. §39.8, and Section 1200 of the Corporation's Rules of Procedure, to enter into, subject to approval of the Federal Energy Regulatory Commission ("Commission"), agreements to delegate the Corporation's authority as the Electric Reliability Organization to regional entities for the purpose of proposing reliability standards to the Corporation and enforcing compliance with reliability standards; and

WHEREAS, the Corporation has entered into Amended and Restated Delegation Agreements with SERC Reliability Corporation ("SERC"), Florida Reliability Coordinating Council ("FRCC"), and Southwest Power Pool, Inc. ("SPP") by which the Corporation has delegated to SERC, FRCC, and SPP authority as the regional entity for the region described in Exhibit A to their respective agreements, which agreements, as amended from time to time, have been approved by the Commission; and

WHEREAS, FRCC and SPP are also each registered for certain functions on the NERC Compliance Registry (the "FRCC and SPP registered entity functions"); and

WHEREAS, FRCC and SPP are desirous of having a third party serve as the compliance enforcement authority with respect to their respective registered entity functions; and

WHEREAS, SERC is willing and has agreed to serve as the compliance enforcement authority for the FRCC and SPP registered entity functions pursuant to the terms of agreements that SERC has negotiated with FRCC and SPP; and

WHEREAS, in order to provide SERC with the authority to serve as the compliance entity authority for the FRCC and SPP registered entity functions it is necessary to amend the existing delegation agreements that the Corporation has with SERC, FRCC, and SPP and make certain related changes to the SERC bylaws; and

WHEREAS, the officers and staff of the Corporation have reviewed the proposed agreements between SERC and FRCC and between SERC and SPP, the proposed amendments to the existing delegation agreements that the Corporation has with SERC, FRCC, and SPP and the related proposed amendment to the SERC bylaws, and the proposed resources, plans and operations of SERC to serve as the compliance enforcement authority for the FRCC and SPP registered entity functions, and have advised the Board that SERC will satisfy the requirements for serving as the compliance enforcement authority for the FRCC and SPP registered entity functions as specified in Section 215 of the Federal Power Act, 18 C.F.R. §39.8, applicable orders of the Commission, and applicable provisions of the Corporation's Rules of Procedure; and

WHEREAS, before the proposed amendments to the existing SERC, FRCC, and SPP delegation agreements, the proposed amendments to the SERC bylaws and the proposed agreements between SERC and FRCC and SERC and SPP to serve as the compliance enforcement authority can take effect, they must be approved by the Commission,

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF TRUSTEES OF THE CORPORATION:

1. Subject to the approval of the Commission, the Corporation should enter into revised delegation agreements with SERC, FRCC and SPP, in substantially the form

attached to this resolution as Exhibits A-1, A-2 and A-3, to delegate the authority to SERC to serve as the compliance enforcement authority for the FRCC and SPP registered entity functions, as more fully set forth in such agreements; the Chief Executive Officer of the Corporation is authorized to execute such agreements on behalf of the Corporation.

2. Subject to approval of the Commission, the proposed agreements between SERC and FRCC and SERC and SPP are approved, in substantially the form attached to this resolution as Exhibits B-1 and B-2.

3. Subject to approval of the Commission, the proposed amendment to the SERC bylaws is approved, in substantially the form attached to this resolution as Exhibit C.

4. The officers of the Corporation are authorized and directed to submit the proposed revised delegation agreements with SERC, FRCC and SPP, the proposed agreements between SERC and FRCC and SERC and SPP, and the proposed amendment to the SERC bylaws to the Commission for approval.

5. The officers and staff of the Corporation are authorized and directed to take such other actions on behalf of the Corporation as are reasonably necessary to carry out these resolutions.