



**AMENDED AND RESTATED BYLAWS  
OF  
NORTHEAST POWER COORDINATING COUNCIL, INC.**  
(a New York not-for-profit corporation)

Adopted on May 18, 2006

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## AMENDED AND RESTATED BYLAWS

### OF

## NORTHEAST POWER COORDINATING COUNCIL, INC.

(a New York not-for-profit corporation)

### ARTICLE I - DEFINITIONS

1.1 Definitions. As used herein, the following terms have the respective meanings set forth below:

“*Affiliate*” means, with respect to any entity, any other entity that, directly or indirectly, through one or more intermediaries, controls, or is controlled by, or is under common control with, such entity, as determined in the sole discretion of the Board. For this purpose, “control” may be presumed by the direct or indirect ownership of ten percent (10%) or more of the outstanding voting capital stock or other equity interests having ordinary voting power. Notwithstanding the foregoing, “Affiliate” excludes any entity wholly-owned or controlled by a Canadian Provincial government.

“*Board*” means the Board of Directors of NPCC.

“*Board Chair*” means the independent non-executive chairman of the Board who is retained by NPCC pursuant to a separate Board-approved agreement.

“*Bulk Power System*” shall have the meaning in the United States set forth in Section 215 of the Federal Power Act, as amended (16 U.S.C. § 824 et seq.), and such meaning in Canada as is consistent with applicable Provincial regulatory and/or governmental authority determinations.

“*Bylaws*” means these Amended and Restated Bylaws of NPCC, as approved by the Members of NPCC on [\_\_\_\_\_], 2011 and effective as of [\_\_\_\_\_], 2011.

“*Certificate of Incorporation*” means the Certificate of Incorporation of NPCC filed with the Secretary of State of the State of New York, as may be amended from time to time.

“*FERC*” means the Federal Energy Regulatory Commission.

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

“*Hearing Officer*” means an individual employed or contracted by NPCC and designated by NPCC to preside over formal compliance hearings.

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

“*NERC*” means the North American Electric Reliability Corporation, or any successor entity, which has been certified by FERC as the ERO pursuant to Section 215 of the Federal Power Act, as amended (16 U.S.C. § 824 et seq.).

“*Northeastern North America*” means the geographical area within the perimeter border enclosing the State of New York, the six New England States of the United States, and the Canadian Provinces of Ontario, Québec, New Brunswick and Nova Scotia, including any radial load or generation connecting to these systems.

“*NPCC*” means Northeast Power Coordinating Council, Inc., or any successor entity.

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

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

## ARTICLE II - OFFICES

2.1 Principal Office. The principal office of NPCC shall be located in New York County, State of New York.

## ARTICLE III - PURPOSE

3.1 Not-for-Profit Corporation. NPCC is operated as a New York not-for-profit corporation and is organized pursuant to the Not-for-Profit Corporation Law of the State of New York (“*N-PCL*”).

3.2 Purpose. The purpose of NPCC is to promote and enhance the reliable and efficient operation of the international, interconnected Bulk Power System in Northeastern North America through (i) the development of Regional Reliability Standards and compliance assessment and enforcement of continent-wide and Regional Reliability Standards, coordination of system planning, design and operations, and assessment of reliability, pursuant to an agreement with the Electric Reliability Organization (“*ERO*”) which designates NPCC as a Regional Entity and delegates authority from FERC, and by Memoranda of Understanding with applicable Canadian Provincial regulatory and/or governmental authorities (collectively, “*Regional Entity activities*”), and (ii) the establishment of regionally-specific reliability criteria, and the monitoring and enforcement of compliance with such criteria (collectively, “*Criteria Services activities*”). In the development of regionally-specific reliability criteria, NPCC, to the extent possible, facilitates the attainment of fair, effective and efficient competitive electric markets.

## ARTICLE IV - MEMBERSHIP

4.1 List of Members. The Members of NPCC are listed on Schedule A attached hereto.

4.2 Eligibility. Upon suitable application describing the nature and activities of the applicant, additional entities shall be accepted by the Board as Members in the appropriate categories, defined as follows:

- (1) **General Membership** is voluntary and is open to any person or entity, including any entity participating in the Registered Ballot Body of the ERO that has an interest in the reliable operation of the Northeastern North American Bulk Power System. General Members that are also registered entities within the NPCC Region are subject to compliance with reliability standards, consistent with their registration, and are also entitled to receive additional services from the Regional Entity division of NPCC.
- (2) **Full Membership** shall be available to entities which are General Members that also participate in electricity markets in the international, interconnected bulk power system in Northeastern North America. Independent system operators (“*ISOs*”), regional transmission organizations (“*RTOs*”), Transcos and other organizations or entities that perform the Balancing Authority function operating in Northeastern North America are expected to be Full Members of NPCC. The New York State Reliability Council and any other sub-regional reliability councils which may be formed are also expected to be Full Members. Full Members are subject to compliance with regionally-specific more stringent reliability criteria for their generation and transmission facilities on which faults or disturbances can have a significant adverse impact outside of the local area and which are identified utilizing a reliability impact-based methodology. Full Members are also subject to compliance with reliability standards, and are entitled to receive additional services from the Criteria Services division of NPCC.

4.3 Application as a Member.

(a) Any person or entity that is eligible to become a Member of NPCC in accordance with Section 4.2 may become either a General Member or a Full Member by completing and submitting to NPCC a membership application on a form prescribed by the Board. Any person or entity that applies to NPCC as a Member shall comply with the conditions and obligations of membership specified in these Bylaws. As an additional condition of membership in NPCC, each person or entity registering as a Member shall execute an agreement with NPCC, in a form to be specified by the Board, that such person or entity will hold harmless all Directors, officers, employees and agents of NPCC, as well as volunteers participating in good faith in the activities of NPCC, to the extent permitted by U.S. Federal or Canadian Provincial laws, rules and regulations, for any injury or damage caused by any act or omission of any Director, officer, employee, agent or volunteer in the course of performance of his or her

duties on behalf of NPCC, other than for acts of gross negligence, intentional misconduct or a breach of confidentiality.

(b) If not a natural person, the Member shall designate a representative and an alternate representative with authority to receive notices, cast votes, execute waivers and consents, and enter into binding agreements on behalf of the Member. NPCC shall maintain a current roster of the Members of NPCC, including each Member's designated representative and alternate representative. From time to time, the Board may establish a date by which Members shall submit their application renewals. All Members shall confirm their applications within thirty (30) calendar days of the date of receipt of request by NPCC, using an application renewal form prescribed by the Board. Any Member that has not submitted an application renewal within thirty (30) calendar days following the date established by the Board shall be removed from the NPCC roster. NPCC shall notify any Member that is removed from the roster of Members of such removal, by written notice sent to such former Member's last known address on the records of NPCC.

4.4 Voting. Members are eligible to vote in one of the seven (7) stakeholder voting sectors described below:

**Sector (1).** Transmission Owners: This voting sector shall consist of any entity within Northeastern North America that owns at least 200 circuit miles of integrated transmission facilities, or has an Open Access Transmission Tariff or equivalent on file with the FERC or the appropriate regulatory or governmental authority. This sector includes transmission owners that have placed their transmission under the operational control of an ISO/RTO, independent transmission companies and merchant transmission owners/developers.

**Sector (2).** Reliability Coordinators: This voting sector shall consist of any entity within Northeastern North America certified as a Reliability Coordinator.

**Sector (3).** Transmission Dependent Utilities (“TDUs”); Distribution Companies and Load-Serving Entities (“LSEs”). This voting sector shall consist of entities within Northeastern North America that are:

- (a) Entities with a regulatory contract, or other legal obligation to serve wholesale aggregators or end-use customers, and that depend primarily on the transmission systems of third parties to provide this service;
- (b) Agents or associates that represent groups of TDUs;
- (c) Electric distribution companies;
- (d) Entities serving end-use customers under a regulated tariff, a contract governed by a regulatory tariff, or other legal obligation to serve; or



- (e) Members of a generation and transmission (“G&T”) cooperative or a joint-action agency permitted to designate the G&T or joint action agency to represent such entities in this sector.

**Sector (4). Generator Owners:** This voting sector shall consist of entities within Northeastern North America that are affiliated and/or independent generators.

**Sector (5). Marketers, Brokers and Aggregators:** This voting sector shall consist of entities within Northeastern North America that are:

- (a) Entities providing energy to end-use customers under a power marketing agreement or other authorization not classified as a regulated tariff;
- (b) Entities that buy, sell, or broker energy and related services for resale in wholesale or retail markets, whether a non-jurisdictional entity operating within its charter or an entity licensed by a jurisdictional regulator; or
- (c) Generation and transmission cooperatives and joint-action agencies that perform an electricity broker, aggregator, or marketer function.

**Sector (6). State and Provincial Regulatory and/or Governmental Authorities.** This voting sector shall consist of State and Provincial regulatory or governmental authorities within Northeastern North America.

**Sector (7). Sub-Regional Reliability Councils, Customers, Other Regional Entities and Interested Entities:** This voting sector shall consist of:

- (a) Any entity within Northeastern North America authorized by an appropriate regulatory and/or governmental authority to be a Sub-Regional Reliability Council;
- (b) Entities or customers that take delivery of energy that is not purchased for resale within Northeastern North America;
- (c) Agents or associations representing groups of large end users within Northeastern North America;
- (d) Agents, state consumer advocates, or other advocate groups representing groups of small customers within Northeastern North America;
- (e) Any other delegated Regional Entity; or
- (f) Any person or entity, including any entity participating in the Registered Ballot Body of the ERO, that has an interest in the

reliable operation of the bulk power system in Northeastern North America.

4.5 Assignment to Voting Sector. A new applicant for membership shall request to be assigned to a stakeholder voting sector, subject to Board approval. An applicant may request to be assigned to any stakeholder voting sector so long as membership in that stakeholder voting sector is consistent with the applicant's business or other activities within the NPCC region. Multiple memberships of separate business functions of an entity are permitted, with each business function assigned to the appropriate separate sector. Each such business function may designate its own representative and alternate, however, no representative and alternate can represent more than one business function of an entity in a stakeholder voting sector. A consultant, attorney, agent, vendor, trade or industry association, state, provincial or local consumer advocate organization that provides services to or otherwise represents the interests of the Members of one or more stakeholder voting sectors may elect to be assigned to one such stakeholder voting sector subject to Board approval. Entities may request to change their stakeholder voting sector designation during an Annual Meeting of Members of NPCC, subject to Board approval.

4.6 Term of Membership. Membership in NPCC shall be retained so long as a Member meets its respective qualifications, obligations, and conditions of membership as set forth in this Article IV.

## **ARTICLE V - ORGANIZATION OF NPCC**

5.1 Member Representatives. Each Member shall designate a senior executive level representative and an alternate representative with full authority to act on its behalf in carrying out the work of NPCC.

5.2 Board of Directors. The business and affairs of NPCC shall be managed under the direction of the Board.

5.3 Officers. The officers of NPCC shall consist of a President and Chief Executive Officer (CEO), a Secretary and a Treasurer, with assistants as appropriate, and such additional officers as may be approved by the Members. Officers, except for the President and CEO, shall hold office for one (1) year or until the next Annual Meeting of Members of NPCC and until their successors are duly elected and qualified.

5.4 President and CEO. NPCC shall employ a President and CEO and staff, as required, to carry out NPCC's mission and to perform the functions of NPCC. The President and CEO shall be appointed by the Board and shall serve at the Board's discretion. In the event of a vacancy in the presidency, the Board shall appoint an interim President and CEO who shall serve until such time as the Board appoints a new President and CEO. The authority and responsibilities of the President and CEO shall be defined by the Board.

5.5 Vacancies.

(a) In the event a vacancy occurs in the Board, or in the office of Co-Vice Chair, Secretary, or Treasurer in the interim between Annual Meetings of Members of NPCC,

the Board Chair may designate (i) a person from the same stakeholder voting sector to fill such vacancy with the approval of a majority vote of the Directors, or (ii) in the case of a vacancy in the office of the Secretary or Treasurer, from outside of NPCC to fill such vacancy with the approval of a majority vote of the Directors.

(b) In the event a vacancy occurs in the office of Board Chair in the period between Annual Meetings of Members of NPCC, the Board may fill such vacancy by a two-thirds (2/3) affirmative majority of the weighted sector votes, with each Director casting one (1) vote within the applicable sector, at a meeting of the Board at which a quorum is present. The term of office of the persons designated to fill any such vacancy shall expire on the date of the next subsequent Annual Meeting of Members of NPCC. The authority and responsibilities of the Board Chair shall be defined by the Board and set forth in a separate agreement approved by the Board.

5.6 NPCC Activities. NPCC engages in (i) Regional Entity activities which are conducted by its Regional Entity division, and (ii) Criteria Services activities which are conducted by its Criteria Services division.

## **ARTICLE VI - BOARD OF DIRECTORS**

### **6.1 Hybrid Board.**

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

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

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

### **6.2 Term and Compensation.**

(a) The term of office of each Stakeholder Director shall be two (2) years. Initial terms of Stakeholder Directors shall be staggered by the Board so that these Board members serve initial terms of one (1) or two (2) years. There shall be no limit on the number of terms which may be served by any Stakeholder Director. Stakeholder Directors shall serve without compensation, including when performing duties of a Co-Vice Chair.

(b) The term of office of each Independent Director shall be two (2) years. Independent Directors may serve up to three (3) terms for a maximum of six (6) years. Each Independent Director shall be entitled to receive compensation as the Board may from time to time determine in its sole discretion.

(c) The term of office of the Board Chair shall be two (2) years, with no limitations on the number of terms that may be served. Compensation arrangements of the Board Chair shall be contained in a separate written agreement approved by the Board.

### 6.3 Powers and Duties.

(a) The Board shall develop NPCC policies, direct the activities of NPCC, accept additional entities as Members, review and approve or modify Member voting sector assignment, and make assignments to the committees of NPCC. The Board shall (i) approve a Regional Delegation Agreement, and any amendments thereto, with the ERO that delegates authority from FERC and any additional agreements with appropriate Canadian Provincial regulatory and/or governmental authorities, (ii) approve and oversee NPCC's Regional Reliability Standards Development Process and submit Regional Standards to the ERO for adoption by FERC and appropriate Canadian Provincial regulatory and/or governmental authorities, (iii) approve the NPCC Compliance Monitoring and Enforcement Program and oversee the assessment and enforcement of mandatory compliance with Reliability Standards consistent with the Regional Delegation Agreement and agreements with Canadian Provincial regulatory and/or governmental authorities, and (iv) oversee NPCC's assessment and enforcement of mandatory compliance with regionally-specific more stringent reliability criteria through administration of the NPCC Reliability Compliance and Enforcement Program. The duties of the Board shall also include consideration and resolution of budgetary matters, including the levying of any special assessments and the determination of any annual membership fee for Full Members. Notwithstanding the foregoing, the Board may not amend these Bylaws or establish, modify or eliminate any of NPCC's Regional Reliability Standards or regionally-specific more stringent reliability criteria; nor may the Board add, modify, or eliminate voting sectors established pursuant to these Bylaws.

(b) To carry out the purposes of NPCC, the Board, acting through the President and CEO and NPCC staff, shall enlist such personnel from Members as may be necessary; and, within the limits of the annual budget, may employ such personnel, incur such administrative expenses, and retain such independent professional consulting services for NPCC and the committees of NPCC as it may deem desirable.

6.4 Board Composition. The Board shall consist of an independent Board Chair, the President and CEO, such officers as shall from time to time be determined by the Board, and Directors in eight (8) voting sectors comprising seven (7) stakeholder sectors and one (1) independent sector, as described below:

**Sector (1).** Transmission Owners (Maximum of 2, with no more than 1 per Balancing Authority Area)

**Sector (2).** Reliability Coordinators (Maximum of 2)

**Sector (3).** Transmission Dependent Utilities (“*TDU*s”); Distribution Companies and Load-Serving Entities (“*LSE*s”) (Maximum of 2)

**Sector (4).** Generator Owners (Maximum of 2)

**Sector (5).** Marketers, Brokers and Aggregators (Maximum of 2)

**Sector (6).** Regulators (Maximum of 2)

**Sector (7).** Sub-Regional Reliability Councils, Customers, Other Regional Entities and Interested Entities (Maximum of 2)

**Sector (8).** Independent Directors (Maximum of 2)

6.5 Quorum and Voting Requirements for the Board.

(a) At any meeting of the Board, attendance in person or by proxy by at least one-half (1/2) of the Stakeholder Directors in each of at least sixty percent (60%) of the stakeholders sectors and at least one (1) Independent Director shall constitute a quorum. Except as otherwise expressly provided in NPCC's Certificate of Incorporation, these Bylaws or applicable law, actions by the Board shall be approved upon receipt of a two-thirds (2/3) affirmative majority of the weighted sector votes, with each Director casting one (1) vote within the applicable sector, at a meeting of the Board at which a quorum is present. The Board Chair shall also be entitled to cast one (1) vote during any meeting of the Board at which a quorum is present to prevent any deadlock. The following process shall be used to determine if there are sufficient affirmative votes:

- The number of votes cast is the sum of affirmative and negative votes, excluding abstentions.
- The number of affirmative votes cast in each voting sector will be divided by the sum of affirmative and negative votes cast in that voting sector to determine the fractional affirmative vote for each voting sector. Abstentions will not be counted for the purposes of determining the fractional affirmative vote for a voting sector.
- The sum of the fractional affirmative votes from all sectors divided by the number of sectors voting will be used to determine if a two-thirds (2/3) affirmative majority has been achieved. A sector will be considered as "voting" if any Director of the sector casts either an affirmative or a negative vote.

(b) An action of the Board will be approved if the sum of fractional affirmative votes from all sectors divided by the number of voting sectors is at least two-thirds (2/3).

6.6 Board Action Without Meeting. Any action required, or permitted to be taken at a meeting of the Board, may be taken without a meeting if the action is taken by all members of the Board. The action must be evidenced by one or more written consents (which may be in electronic form) describing the action taken, signed by each Director, and included in the minute book of NPCC. Any action taken under this Section 6.6 shall be deemed effective when the last Director signs the consent, unless the consent specifies a different effective date.

## 6.7 Election and Removal of Directors.

(a) The Initial Board shall be the persons named in the Certificate of Incorporation and shall serve until the first Annual Meeting of the Members. The Initial Board shall nominate a list of Stakeholder Directors consistent with the Board composition requirements set forth in Bylaws at such time. At the first meeting of the Members, the Members from each sector shall vote to elect the Stakeholder Directors in their respective sector. Stakeholder Directors shall be elected by a vote of the majority of the Members in the respective stakeholder sector. No stakeholder sector shall elect more than two Stakeholder Directors in such sector. No Member or any Affiliate of a Member may designate more than one (1) Stakeholder Director to represent such Member or Affiliate. Stakeholder Director candidates will be selected in accordance with the Rules of Procedure set forth in Schedule B.

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

(c) Independent Directors shall be nominated in accordance with the Rules of Procedure set forth in Schedule B and recommended by the Board to the Members for consideration and approval. In order to contribute to the effective functioning of the Board and NPCC, Independent Directors will be drawn from diverse backgrounds and will possess a broad range of industry expertise, perspectives, experiences, skill sets and knowledge. An individual is eligible to serve as an Independent Director if such individual (i) is not an officer or employee of NPCC, (ii) is not an officer, director or employee of a Member, (iii) is not an officer, director or employee of any entity that would reasonably be perceived as having a direct financial interest in the outcome of Board decisions, and (iv) does not have a relationship that would interfere with the exercise of independent judgment in performing the responsibilities of a director. Independent Directors shall be elected by an affirmative vote of the majority of the Members present at a meeting where a quorum exists.

(d) A Stakeholder Director may be removed for cause by at least two-thirds (2/3) of the Members in their respective sector at a regular meeting of the Members or at a special meeting called for that purpose; *provided* that there is a quorum of that sector's Members present at that meeting; and *provided, further*, that there is a quorum of not less than a majority present at the meeting of Directors at which such action is recommended.

(e) An Independent Director may be removed for cause by the affirmative vote of at least two-thirds (2/3) of the Directors present at a meeting called for that purpose; *provided* that there is a quorum of not less than ten (10) Directors present at the meeting of Directors at which such action is taken.

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

6.8 Indemnification. Subject to the limitation set forth in Section 6.9 below, NPCC shall indemnify its Directors, officers, employees and other corporate agents, including volunteers participating in good faith in the activities of NPCC and persons serving on duly constituted committees of NPCC (collectively, “NPCC Indemnitees”), in each case, to the full extent from time to time permitted by the N-PCL and other applicable law. Such right of indemnification shall inure to the benefit of the legal representative of any NPCC Indemnitee. The foregoing right of indemnification shall be in addition to, and not in restriction or limitation of, any right such NPCC Indemnitee may have under applicable law (including the N-PCL).

6.9 Limitation on Indemnification. The maximum amount of losses (*i.e.*, damages, judgments, fines, penalties, liability, costs and expenses, including reasonable attorneys’ fees and expenses) for which NPCC will be obligated to indemnify the NPCC Indemnitees under Section 6.8 will be the policy limit of directors and officers’ (“D&O”) liability insurance set forth in the D&O insurance policy maintained by NPCC.

## **ARTICLE VII - COMMITTEES AND HEARING BODY**

7.1 Number of Committees. NPCC shall have such committees, subcommittees, task forces and other groups as the Board may deem appropriate, including a Regional Standards Committee (RSC), a Compliance Committee (CC), a Reliability Coordinating Committee (RCC), NPCC’s principal technical committee), a Public Information Committee (PIC) and a Finance and Audit Committee (FAC).

7.2 Finance and Audit Committee. The Finance and Audit Committee shall be comprised of at least three (3) members of the Board and shall include one (1) Director which shall be designated a finance and audit committee financial expert by the Board. A chairperson of the Finance and Audit Committee shall be designated by the Board from among the members of the committee.

7.3 Committee Structure. Committee members shall be nominated and approved by the Board in accordance with guidelines established by the Board. Quorum and voting rules applicable to the Board shall also apply to voting on any such NPCC decision making committees, unless otherwise determined by the Board. Each committee shall establish a charter or scope of work, which shall be presented to the Board for approval.

7.4 Hearing Body. The Hearing Body shall conduct all compliance proceedings in accordance with the hearing procedures set forth in the NERC Hearing Procedure.

## **ARTICLE VIII - MEMBERS’ VOTING RIGHTS**

8.1 Quorum and Voting Requirements for Meetings of Members.

(a) At any meeting of the Members of NPCC, attendance in person or by proxy by one-half (1/2) of the Members in each of at least sixty percent (60%) of the stakeholder voting sectors on the roster of Members maintained by NPCC shall constitute a quorum. Except as otherwise expressly provided in NPCC's Certificate of Incorporation, these Bylaws or applicable law, actions by the Members of NPCC shall be approved upon receipt of a two-thirds (2/3) affirmative majority vote of the sectors at a meeting of the Members of NPCC at which a quorum is present, where (i) each Member shall have one (1) vote within a sector, except that if less than one-half (1/2) of the Members in a sector are present, in person or by proxy, at the meeting, the vote of that sector shall be weighted by a percentage equal to the number of Members of the sector present in person or by proxy at the meeting divided by one-half (1/2) of the Members in the sector; (ii) the vote of each sector of NPCC shall be allocated for and against the proposed action based on the respective percentages of votes cast for and against the proposed action by the Members in that sector voting in person or by proxy; and (iii) the proportions of the votes of each sector allocated for and against the proposed action shall be summed to determine the total number of votes for and against the proposed action.

(b) The following process shall be used to determine if there are sufficient affirmative votes:

- The number of votes cast will be the sum of affirmative and negative votes, excluding abstentions.
- 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 for the purposes of determining the fractional affirmative vote for a sector.
- The sum of the fractional affirmative votes from all sectors divided by the number of sectors voting will be used to determine if a two-thirds (2/3) affirmative majority has been achieved. (A sector will be considered as "voting" if any Member of the sector casts either an affirmative or a negative vote.)

8.2 Waivers of Notice of Meetings of Members; Member Meeting Adjournments. Notice of a Meeting of Members need not be given to any Member who signs a waiver of notice, in person or by proxy, whether before or after the meeting. The attendance of any Member at a meeting, in person or by proxy, without protesting prior to the conclusion of the meeting the lack of notice of such meeting, shall constitute a waiver of notice of the meeting by such Member. When any Meeting of Members is adjourned to another time or place, it shall not be necessary to give notice of the adjourned meeting if the time and place to which the meeting is adjourned are announced at the meeting at which the adjournment is taken, and if at the adjourned meeting only such business is transacted as might have been transacted at the original meeting.

8.3 Actions Without a Meeting of Members. Any action, required or permitted to be taken at a Meeting of Members, may be taken without a meeting if the action is consented to in writing by the minimum number of Members that would be required to approve the action at a Meeting of Members at which all Members were present. The call for action without a Meeting



of Members may be initiated by the Board Chair or by a number of Members constituting at least ten percent (10%) of the Members on the roster of Members maintained by NPCC, which number shall include Members in at least four (4) of the voting sectors. Notice of the proposal for action without a meeting shall be provided to all Members on the roster of Members maintained by NPCC at least seven (7) days prior to the date established for the tabulation of consents. The Members shall receive written notice of the results within fourteen (14) days of the action vote, and all written responses of the Members shall be filed with the minutes of proceedings of Members.

8.4 Meeting of Members to be Open. Notice to the public of the dates, places, and times of Meetings of Members, and all non-confidential material provided to the Members, shall be posted on NPCC's web site at approximately the same time that notice is given to the Members. Meetings of Members shall be open to the public, subject to reasonable limitations due to the availability and size of meeting facilities; *provided* that the meeting may be held in or adjourn to closed session to discuss matters of a confidential nature, including, but not limited to, personnel matters, compliance and enforcement matters, litigation, or commercially sensitive or critical energy infrastructure information of any entity.

8.5 Electronic Voting. Upon completion of applicable processes that permit parties to comment on the subject issue(s), electronic voting on matters before the Members, Board or any committee is permitted. A quorum will be determined to exist for purposes of conducting an electronic vote when NPCC receives completed ballots from two-thirds (2/3) of the total number of outstanding ballots. In the event that a quorum exists for purposes of an electronic vote but the matter has not been resolved, NPCC may continue to solicit additional responses in order to resolve the matter by electronic voting. In the event that quorum has not been achieved for purposes of an electronic vote, NPCC may continue to solicit electronic ballots, including abstentions, to obtain quorum and resolve the matter.

## **ARTICLE IX - MEMBERS' RIGHTS AND OBLIGATIONS, AND ORGANIZATIONAL PROCESS**

9.1 Members' Rights and Obligations. All General and Full Members shall have the following rights and obligations:

- (1) Rights:
  - (a) Attendance at all meetings of the general membership of NPCC; and, subject to procedures established by the committees and to the terms of applicable confidentiality agreements, attendance at meetings of NPCC's committees, task forces and any other such NPCC groups.
  - (b) Access to minutes of each committee, subcommittee, task force or any other NPCC group, subject to procedures established by the committees and to the terms of applicable confidentiality agreements.
  - (c) Vote to amend these Bylaws in accordance with Section 19.1.

- (d) Vote to establish, modify or eliminate NPCC Regional Reliability Standards and programs.
  - (e) For Full Members only: Vote to establish, modify or eliminate NPCC's regionally-specific more stringent reliability criteria.
- (2) Obligations:
- (a) Each Member shall agree, in writing, to accept the responsibility to promote, support, and comply with the purposes and policies of NPCC as set forth in its Certificate of Incorporation and Bylaws as from time to time adopted, approved or amended.
  - (b) Each Member acknowledges that it has the responsibility to plan and design its bulk power system and conduct its operations, consistent with its registration, in compliance with ERO Reliability Standards, Regional Reliability Standards and Regional Variances consistent with applicable laws, regulations, permits and licenses.
  - (c) Each Member agrees to submit such data and reports as required by NPCC in order to perform compliance enforcement obligations delegated to it by the ERO, subject to established procedures and to the terms of applicable confidentiality agreements.
  - (d) In addition, each Full Member shall:
    - (i) plan and design its generation and transmission facilities on which faults or disturbances can have a significant adverse impact outside of the local area, as identified utilizing a reliability impact-based methodology, in compliance with criteria, guides and procedures established by NPCC and applicable ERO Standards;
    - (ii) conduct its operations in compliance with criteria, guides and procedures established by NPCC and applicable ERO Standards, and consistent with applicable laws, regulations, permits and licenses;
    - (iii) assure that, whenever it enters into arrangements with non-members which could have an impact on the reliability of the international, interconnected Bulk Power System in Northeastern North America, the arrangements will not adversely impact the ability of the Full Members to comply with regionally-specific more stringent reliability criteria established by NPCC, ERO Standards, or the criteria of regional reliability organizations established in areas in which the facilities used for such arrangements are located;

- (iv) notify NPCC of its existing facilities and operating procedures and of its plans for major additions or modifications affecting the operation of the interconnected systems; and shall report to NPCC any decision as to significant alterations or changes proposed for their respective electric systems, whether in generation, transmission, inter-system communication or control and protective equipment, or in operating procedures; such report to be submitted promptly and, except in cases of emergency, before final commitments are undertaken or changes in operating procedures become effective;
- (v) promptly notify NPCC and all other Members in writing or electronically if its generation and transmission facilities on which faults or disturbances can have a significant adverse impact outside of the local area, as identified utilizing a reliability impact-based methodology, are not being designed or operated, or its operations are not being conducted, in compliance with criteria, guides, and procedures established by NPCC, stating its reasons, and providing its plan and schedule to achieve compliance;
- (vi) submit such data and reports as required by the Reliability Compliance and Enforcement Program and to abide by the compliance assessments and sanctions prescribed by NPCC's enforcement procedures, subject to Alternative Dispute Resolution; and
- (vii) undertake and perform the administrative and financial obligations described in Article XIII of these Bylaws.

9.2 Standards Development Procedure. NPCC shall develop a Regional Reliability Standards Development Procedure that provides the design-basis approach to a consensus building process by which NPCC may develop Regional Reliability Standards and Regional Variances to be proposed to the ERO for adoption, under delegated authority by the FERC and the Canadian Provincial regulatory and/or governmental authorities.

9.3 Procedures for Enforcing Compliance with Reliability Standards. Where regulatory approval has been obtained or governmental authority has been provided, upon the determination of NPCC compliance staff and verification by the President and CEO that a user, owner or operator of the Bulk Power System has violated a reliability standard, NPCC shall enforce compliance for such violation, pursuant to procedures and processes that shall be specified in the NERC Compliance Monitoring and Enforcement Program. Such procedures and processes shall provide for reasonable notice and opportunity for hearing. Any sanction imposed for a violation of a Reliability Standard shall bear a reasonable relation to the seriousness of the violation and shall take into consideration circumstances surrounding the violation and efforts of the owner, operator, or user of the Bulk Power System to remedy the violation in a timely

manner. Subject to any necessary action by any applicable governmental authorities, no sanction imposed for a violation of a reliability standard shall take effect (i) until the thirty-first (31st) day after NPCC, where authorized by law or agreement, files with the FERC or other applicable Canadian Provincial regulatory and/or governmental authorities notice of the sanction and the record of the proceedings in which the violation and sanction were determined, or (ii) such other date as ordered by the FERC or other applicable Canadian Provincial regulatory and/or governmental authorities or as prescribed by applicable law.

## **ARTICLE X - FULL MEMBERS: ENFORCEMENT OF MANDATORY COMPLIANCE WITH REGIONALLY-SPECIFIC CRITERIA**

10.1 Compliance Enforcement. Subject to approval of the Full Members, NPCC shall establish an NPCC Reliability Criteria Compliance and Enforcement Program, including matrices for measuring compliance, levying non-monetary sanctions, and developing procedures for Alternative Dispute Resolution. Such program shall be administered by the Board. The Reliability Coordinating Committee, with the full cooperation of each Member, shall expeditiously evaluate, as appropriate, alterations or measures designed to correct any assessed non-compliance and shall report such studies to the Board.

## **ARTICLE XI - MEETINGS**

11.1 Meetings. Meetings of NPCC may be held on such dates as the Board may from time to time determine and shall be held in such places as the Board may from time to time designate. Special meetings may be called from time to time by the Board Chair, the Board or by a number of Members constituting at least ten percent (10%) of the Members on the roster of Members maintained by NPCC, which number shall include Members in at least four (4) of the voting sectors. Except as provided in Section 19.1, notice of all meetings, stating the time and place, shall be given by NPCC in writing to each Member by issuing the notice at least one (1) week prior to the date of the meeting. The Secretary, Assistant Secretary, or, in their absence, a secretary *pro tempore* designated by the Board Chair or the President and CEO, shall keep the records of NPCC meetings.

11.2 Proxies. When appropriate, Members, Directors and committee members may appoint a proxy, consistent with NPCC proxy procedures, to vote or otherwise act for such Member, Director or committee member at any meeting. Such participation by proxy shall constitute attendance for purposes of quorum requirements.

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

## **ARTICLE XII - BUDGET**

12.1 Annual Budget. The Board shall prepare or cause to be prepared an annual budget for the administrative and other expenses of NPCC, including the expenditures for the

fiscal year for any material special projects undertaken by NPCC and reasonable and proper reserves and provisions for contingencies, an accompanying business plan for NPCC, and a funding mechanism including any supplemental funding mechanism, for each fiscal year. The annual budget, business plan, and funding mechanism of NPCC shall be developed in the form and format and on the schedule stipulated by the ERO for a fiscal year commencing on January 1 and ending on December 31. Each annual budget, business plan, and funding mechanism shall be approved by the Board at a regular meeting or a special meeting of the Board duly called for that purpose. The Board shall approve each annual budget, business plan, and funding mechanism on or before the date stipulated by the ERO during the year prior to the start of the fiscal year in order to allow for timely submittal of the approved annual budget, business plan, and funding mechanism to the FERC and the applicable Canadian Provincial regulatory and/or governmental authorities.

12.2 Budget Remands. If the ERO or a regulatory and/or governmental authority by order remands an annual budget, business plan, or annual, modified, or supplemental funding mechanism, the Board shall promptly address such order through appropriate follow-up measures with the Members and regulatory and/or governmental authorities.

12.3 Criteria Services Budget. Each Full Member shall be notified of the annual administrative expense budget for the Criteria Services division, on or about December 1 of the preceding year.

### **ARTICLE XIII - FUNDING**

13.1 Funding Sources. NPCC's annual administrative expenses, including any special assessments approved by the Board, shall be apportioned and funded as follows:

- A. Funding of NPCC General Member Regional Entity division activities shall be through mechanisms established by the ERO, FERC and applicable Canadian Provincial regulatory and/or governmental authorities.
- B. General Members shall not be assessed an annual membership fee.
- C. Full Members, other than Full Members that perform the Balancing Authority function, shall not be assessed an annual membership fee.
- D. Full Members that perform the Balancing Authority function shall be assessed and pay a proportional share of the expenses for criteria services in proportion to the ratio of the second previous year's Net Energy for Load within the Balancing Authority Area to the aggregate Net Energy for Load within all Balancing Authority Areas in Northeastern North America. NPCC will directly assign Criteria Services division costs to a Balancing Authority Area or entity where significant costs are incurred by NPCC for such Balance Authority Area or entity.
- E. No Full Member shall, without its consent, be responsible for expenses of NPCC in any one calendar year in excess of its assessed portion of the

amount budgeted for the Criteria Services division for that year; *provided, however,* that special assessments may be separately budgeted and their cost allocated by the Board to the Full Members that perform the Balancing Authority function.

#### **ARTICLE XIV - TERMINATION OF MEMBERSHIP AND CESSATION OF CRITERIA SERVICES DIVISION RELIABILITY ACTIVITIES**

14.1 Termination. All General Members and Full Members, other than Full Members that perform the Balancing Authority function, may terminate their membership in NPCC at any time upon fifteen (15) days' written or electronic notice without liability to NPCC. A Full Member that performs the Balancing Authority function may terminate its rights and obligations under these Bylaws (other than its obligation to pay its proportionate share of the Criteria Services division expenses of NPCC, including special assessments, if applicable, for the full calendar year within which such termination is effective) at any time upon one (1) year's written notice to the President and CEO; whereupon, it shall cease to be a Full Member of NPCC as of the date such termination is effective. The President and CEO shall promptly inform all Members of receipt of any such notices.

14.2 Cessation of Criteria Services Division Reliability Activities. The Full Members of NPCC may elect by a majority vote to cease Criteria Services division reliability activities.

#### **ARTICLE XV - CONFLICTS OF INTEREST**

15.1 Conflicts of Interest Policy. NPCC has developed a Code of Conduct that sets forth NPCC policies with respect to, among other things, conflicts of interest. On an annual basis, Directors shall evidence their compliance with NPCC conflict of interest principles by either: (i) signing an Individual Participant Implementation Agreement and thereby agreeing to comply with NPCC's Code of Conduct to the best of his/her ability; or (ii) agreeing that the execution of a Member Entity Implementation Agreement by the employer of such Director evidences the Director's agreement to be bound by its employer's Code of Conduct when performing NPCC activities. The Board shall establish similar Code of Conduct compliance requirements for NPCC staff and membership personnel participating on committees, task forces, and working groups as appropriate.

#### **ARTICLE XVI - GENERAL**

16.1 Member Liability. No Member shall be liable for the failure of any other Member to perform its obligations hereunder.

16.2 No Personal Liability. No NPCC officer, member of the Board or member of any other NPCC committee or group, or employee of NPCC shall be personally liable to NPCC or any member thereof, for damages for breach of any duty owed to NPCC or any member thereof, except for liabilities arising from breach of any duty based upon an act or omission (i) in breach of the duty of loyalty owed to NPCC or any individual member, (ii) not in good faith or involving a knowing violation of law, or (iii) resulting in receipt of an improper personal benefit by such NPCC officer, member of the Board or member of any other NPCC committee or group, or employee of NPCC. Neither the amendment nor repeal of this paragraph, nor the adoption of

any provision of these Bylaws inconsistent with this paragraph, shall eliminate or reduce the protection offered by this paragraph to an NPCC officer, member of the Board or member of any other such NPCC committee or group, or employee of NPCC in respect of any matter which occurred, or any cause of action, suit or claim which, but for this paragraph, would have accrued or arisen, prior to such amendment, repeal, or adoption.

16.3 Binding Nature. Those entities listed as Members on Schedule A and subsequent applicants granted membership in NPCC shall be deemed to have accepted and to be bound by all the terms and conditions of these Bylaws, as adopted on [\_\_\_\_\_], 2011.

## **ARTICLE XVII - CONTRACTS, CHECKS, DEPOSITS**

17.1 Contracts. The Board may authorize, by resolution, any officer or officers, agent or agents of NPCC, 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 NPCC, and such authority may be general or confined to specific instances.

17.2 Checks, Drafts or Orders. All checks, drafts or orders for the payment of money, notes or other evidences of indebtedness issued in the name of NPCC shall be signed by such officer or officers, or agent or agents of NPCC and in such manner as shall from time to time be determined by resolution of the Board. In the absence of such determination by the Board, such instruments shall be signed by the President and CEO.

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

## **ARTICLE XVIII - DISSOLUTION**

18.1 Distribution of Assets. Upon dissolution of NPCC, in accordance with paragraph EIGHTH of the Certificate of Incorporation, the remaining assets of NPCC after payment of debts shall be distributed in the manner determined by the Board, provided that (i) no part of the assets shall be distributed to any Director, and (ii) the distribution of assets shall be consistent with the requirements of Section 501(c)(6) of the United States Internal Revenue Code of 1986, as amended.

## **ARTICLE XIX - AMENDMENT OF BYLAWS**

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

**ARTICLE XX - EFFECTIVE DATE**

20.1 Effective Date. These Bylaws shall take effect on [\_\_\_\_\_], 2011.



**SCHEDULE A – MEMBERS OF NPCC**

[to be attached]

## **SCHEDULE B – RULES OF PROCEDURE (SELECTION OF NPCC DIRECTORS)**

### **1. Selection of Director Candidates**

In selecting candidates to serve as Stakeholder Directors and Independent Directors on the NPCC Board of Directors ("*Board*"), NPCC's Corporate Governance and Nominating Committee ("*CGNC*") will endeavor to find individuals of high integrity who have a solid record of accomplishment in their chosen fields and who display the independence of mind and strength of character to effectively represent the best interests of NPCC. Candidates will be selected for their ability to exercise good judgment, and to provide practical insights and diverse perspectives. Consistent with its charter, the CGNC is responsible for screening director candidates, establishing criteria for nominees, and recommending a slate of nominees to the Board for consideration. The slate of director nominees will be presented to the Members for approval at the Annual Meeting of Members.

### **2. Criteria for Board Service**

The CGNC will consider and recruit candidates for director nominees based upon recommendations from Members, current directors, NPCC management, outside consultants or search firms engaged for the purpose, and any other source recommended by the Board. All candidates recommended will be evaluated for nomination based on the criteria set forth below:

- (a) Stakeholder Directors must reflect the geographic diversity of the NPCC Region, which comprises the State of New York, the six New England States of the United States, and the Canadian Provinces of Ontario, Québec, New Brunswick and Nova Scotia.
- (b) Directors must possess corporate and business experience at the senior-executive level, or the equivalent thereof.
- (c) Each Stakeholder Director must be an officer or senior executive-level employee of a Member of NPCC.
- (d) Each Independent Director must be an individual who:
  - (i) is not an officer or employee of NPCC;
  - (ii) is not an officer, director or employee of a Member;
  - (iii) is not an officer, director or employee of any entity that would reasonably be perceived as having a direct financial interest in the outcome of Board decisions; and
  - (iv) does not have a relationship that would interfere with the exercise of independent judgment in performing the responsibilities of a director of NPCC.
- (e) Directors must have no actual or potential conflicts of interests that would or could interfere with the diligent performance of the responsibilities of a Board member in the best interests of NPCC.