

TO: MEMBER REPRESENTATIVES COMMITTEE
REGIONAL ENTITY EXECUTIVES
NERC ROSTER
REGISTERED ENTITIES
ALL OTHER INTERESTED ENTITIES AND PERSONS

FROM: Kenneth G. Peterson, Chair
Board of Trustees Nominating Committee

SUBJECT: Opportunity to Suggest Candidates for Board of Trustees of the North American Electric Reliability Corporation

DATE: June 13, 2016

DEADLINE: **July 01, 2016**

The Nominating Committee for the Board of Trustees of the North American Electric Reliability Corporation is providing an opportunity for stakeholders to suggest candidates to serve as independent members of NERC's Board of Trustees. NERC is the entity certified by the Federal Energy Regulatory Commission under section 215 of the Federal Power Act to be the electric reliability organization within the United States. NERC has equivalent relationships with most governmental authorities in Canada and is pursuing such relationships with the remainder.

The Nominating Committee for this year is comprised of the following individuals:

Independent Trustees

Ken Peterson, Chair
Bob Clarke
Ken DeFontes
Dave Goulding
George Hawkins
Jan Schori

MRC Representatives

Nabil Hitti
John Twitty
Michelle D'Antuono
Anthony Montoya
Nelson Peeler

The independent Trustees whose terms expire at the 2017 annual meeting are Paul Barber (who is not eligible for re-election), Janice Case, Fred Gorbet and Roy Thilly. The Committee has determined that Ms. Case and Messrs. Gorbet and Thilly are willing and interested to serve an additional term, and has made a preliminary determination that it will re-nominate them for re-election. The Committee thus expects to include one new nominee on its proposed slate.

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The process for the nomination of and election of trustees is attached. In addition, the Nominating Committee has retained Russell Reynolds to assist in the search and screening of candidates. Russell Reynolds has prepared with the Committee a position specification, which is also attached. Candidates must be prepared to demonstrate they would be able to meet the independence requirement and be free from conflicts of interest. The attached position specification summarizes NERC's requirements, which are contained in its Bylaws and related policies that are available at www.nerc.com.

Please submit all suggestions for candidates to Larry Klock of Russell Reynolds, jennifer.rockwood@russellreynolds.com. **All suggestions for candidates must be received by July 01, 2016.**

Procedures for Nomination and Election of Trustees

1. The Nominating Committee comprises the Trustees whose terms are not expiring at the next Annual Meeting and at least three representatives of the Member Representatives Committee.
2. The Nominating Committee will ask for suggested candidates by posting notice on the NERC web site and sending notice to the NERC roster.
3. The notice will include the names of the Trustees whose terms are expiring, identify any other vacancies, and establish a deadline for submitting suggestions.
4. Any member of the Board, NERC, the Member Representatives Committee, the NERC standing committees, a Regional Reliability Entity or Organization, or any other interested entity or person may submit suggested candidates for consideration by the Nominating Committee. The Nominating Committee, at its discretion, may also engage a consultant to seek out candidates.
5. Candidates must demonstrate they will be able to meet NERC's independence criteria.
6. The Nominating Committee, at its discretion, may engage a consultant to assist in screening candidates.
7. The Nominating Committee will present a slate of one nominee for each position to be filled.
8. The Nominating Committee will send its slate of nominees to the Member Representatives Committee no later than three weeks before the Annual Meeting.
9. If a nominee fails to receive at least a two-thirds favorable vote from the members of the Member Representatives Committee, then the Nominating Committee will present an additional nominee for consideration by the Member Representatives Committee, as necessary. The additional nominee may be selected from the list of suggested candidates developed through these procedures, or the Nominating Committee may solicit additional suggestions.



Position Specification

North American Electric Reliability Corporation (NERC)

Board Trustee

Private and Confidential

Position Specification

Ref: Board Trustee
North American Electric Reliability Corporation (NERC)

Our Client

On November 9, 1965, a blackout darkened the northeastern United States and southeastern Canada, affecting the lives of 30 million people. It raised many questions about the reliability of the continent's interconnected bulk electric network. In response, on June 1, 1968, the electric industry established the North American Electric Reliability Council (NERC). NERC was initially a voluntary, non-profit corporation owned by ten (subsequently consolidated into eight) Regional Reliability Councils which set and monitored compliance with standards designed to insure the operating reliability of the electricity network. This voluntary-based structure changed through the passage of the U.S. Energy Policy Act of 2005, which called for the creation of an international "electricity reliability organization (ERO)". The ERO would be given the authority to develop and enforce mandatory standards for the reliable operation and planning of the bulk power system throughout North America. NERC was designated as this "electric reliability organization" by the U.S. Federal Energy Regulatory Commission (FERC) on July 20, 2006.

To achieve its mission, NERC (now officially the North American Electric Reliability Corporation) develops and enforces reliability standards, assesses adequacy annually via a 10-year forecast and winter and summer forecasts, monitors the bulk power system, analyzes system events and disturbances, and educates, trains, and certifies industry personnel. Membership in NERC is free, voluntary, and open to any person or entity with an interest in the reliable operation of the North American bulk power system that submits an application and maintains its membership in accordance with Article II of the Corporation's bylaws.

Each member (today, over 500) will join one of 12 industry sectors (investor-owned utility, state or municipal utility, cooperative utility, federal or provincial utility/power marketing administrator, transmission-dependent utility, merchant electricity generator, electricity marketer, large end-use electricity customer, small end-use electricity customer, independent system operator/regional transmission organization, regional entity, government representative) and is eligible for selection as a sector representative on the NERC Member Representatives Committee (MRC). The MRC elects the Corporation's independent trustees, votes on amendments to the bylaws, and provides advice and recommendations to the board with respect to the development of annual budgets, business plans and funding mechanisms, and other matters pertinent to the purpose and operations of the Corporation.

Today, NERC oversees reliability for a bulk power system that provides electricity to 334 million people, has a total electricity demand of 830,000 megawatts, has 211,000 miles of high-voltage transmission lines, and represents more than \$1 trillion worth of assets. Its streamlined staff of 190 dedicated employees is based at NERC's headquarters in Atlanta and in an office in Washington, DC.

The Role

NERC is governed by a Board of Trustees comprised of 10 independent trustees and the president of NERC. Prospective trustees are screened and then interviewed by a hybrid Nominating Committee consisting of independent trustees plus members of the MRC. The Nominating Committee recommendation(s) are presented to the full MRC in late December to be voted on at the annual meeting of the MRC in early February. Newly elected trustees serve for a term of three years.

Trustees have a broad spectrum of expertise, to include knowledge of electric operations and reliability, legal, market, financial matters, and familiarity with regional system operation issues. Diversity – in the form of geography, gender, and ethnicity – is a core value. Trustees must be independent of the industry, both in employment and financial ownership. Trustees are expected to attend all board meetings in person and to serve on at least two of the following standing committees: compliance, standards oversight and technology, enterprise-wide risk, governance and human resources, finance and audit, and nominating.

2017 Meeting Dates

February 7-9	San Diego, CA
May 9-11	TBD
August 8-10	Ottawa, Canada
November 6-8	New Orleans, LA

In addition, trustees are expected to arrive a day or two before the scheduled board meetings to attend additional meetings with stakeholders and others. In addition to the regularly scheduled quarterly meetings, the Board and its committees hold a number of special meetings and conference calls throughout the year focused on specific issues. Trustees are also requested to attend at least two meetings a year to include a combination of any of the following: regional entity board meetings, trade meetings, technical committee meetings, etc. Also, one trustee is assigned as an observer to the Electricity Sub-Sector Coordinating Council (ESCC).

Service as a NERC trustee requires a substantial time commitment. Based upon empirical measurement, the average trustee can spend up to 10 hours per week on NERC matters.

Candidate Profile

As can be seen on NERC's website, www.nerc.com, the composition of the NERC Board of Trustees, individually and collectively, provides the board with a broad array of expertise and experience. We seek a spectrum of skills in order to ensure a diverse board composition. This includes individuals with prior board experience and skill sets that include risk-based standards/compliance and strategic planning.

While background in the utility industry or other highly regulated industries is beneficial, it is not a requirement for Trustees to have this experience. Given the extensive engagement that the Trustees have with NERC's stakeholder and industry groups, candidates should have experience dealing with large and diverse groups of stakeholders in a highly collaborative and constructive manner. We seek individuals with senior leadership experience in their background and knowledge across a broad base including commercial market operations, trading and risk management, cyber security, IT, and finance. A demonstrated track record in pragmatic business management is attractive. We seek geographic, ethnic, and gender diversity.

Perhaps our ideal candidate profile can be personified by the trustees who are completing a three-year term this year: Fred Gorbet, Roy Thilly, Paul Barber (who is not eligible for re-election) and Janice Case. All four have contributed distinctly different perspectives to the NERC Board. It is expected that each of Messrs. Gorbet and Thilly and Ms. Case will be re-nominated.

Fred Gorbet has served as chair of the NERC Board of Trustees since February 2013. He has an extensive background in public policy advice and formulation, particularly with regard to financial institutions and energy policy. During his 25-year career in the Canadian public service, he served as senior policy advisor to the Department of Energy, director of policy for the International Energy Agency in Paris, associate secretary to the Cabinet for Strategic Policy, and deputy minister of finance. He also has a strong governance background having served on a number of board in the public and not-for-profit sectors.

Roy Thilly is currently vice chair and chair-elect of the NERC Board of Trustees. He brings a deep industry background, having served as president and chief executive officer of WPPI Energy and having served as outside counsel to a number of municipal utilities and having an active practice before FERC. He previously served on the NERC Board of Trustees and has been active in a number of industry organizations, including having served as president of the American Public Power Association. In 2014, he was appointed by the U.S. secretary of energy to serve on the Department of Energy's Electricity Advisory Committee.

Paul Barber has served as vice chair of the NERC board of trustees and as the observer to the ESCC. Dr. Barber has a deep technical background, with advance degrees in electrical engineering and having served as a senior executive with Edison Mission Marketing and Trading and Citizens Power. He also held numerous leadership positions with NERC and several regional reliability councils, and was a member of the electrical engineering faculty of the U.S. Military Academy.

Janice Case has served as vice chair of the NERC board of trustees and currently chairs the Board's compliance committee. She has substantial experience in the power industry, having been a senior executive with Florida Power Corporation/Florida Progress Corporation, including responsibility for the company's Energy Solutions Strategic Business Unit and distribution operating responsibility for the company's two most populous counties in its service territory. She also has an extensive background in corporate governance, having served on numerous corporate and not-for-profit boards, including Central Vermont Public Service Corporation and the Western Electricity Coordinating Council

To minimize the possibility of conflicts of interest, we require each new trustee to be truly independent. By this, we mean a person who is not an officer, employee, or director of an entity that would reasonably be perceived as having a direct financial interest in the outcome of board decisions and who does not have a relationship that would interfere with the exercise of independent judgment in carrying out the responsibilities of a trustee. A newly-elected trustee must terminate any financial interest or other relationship with an entity included on NERC's Compliance Registry within 60 days of election to the board. This applies to members of his or her immediate household as well.

Regardless of background and functional expertise, each NERC trustee must possess a keen interest in multi-faceted problem solving and be comfortable discussing "big picture" strategy issues along with "nitty-gritty" technical jargon. Furthermore, he/she must exhibit a willingness and desire to bring out the best in fellow board members, foster a spirit of teamwork, and proactively address the myriad of economic, social, political, and regulatory issues that will impact NERC's core mission of improving the reliability and security of the bulk power system in North America.

Compensation

Each independent board member will receive a retainer as follows as well as travel reimbursement for each meeting. The current Board compensation is:

Annual Retainer: \$107,500 for 2017; \$112,500 for 2018

Committee Chair/ESCC Retainer: \$10,000

Vice Chair Retainer: \$5,000

Chair Retainer: \$150,834 for 2017, \$160,000 for 2018

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