Meeting Agenda

Board of Directors Meeting

September 22, 2022
1:00 p.m. to 3:00 p.m. Central Time

Hybrid Meeting: St. Paul, MN & Webex

MIDWEST RELIABILITY ORGANIZATION

380 St. Peter St, Suite 800
Saint Paul, MN 55102
651-855-1760
www.MRO.net

MIDWEST RELIABILITY ORGANIZATION

MRO Q3 Board of Directors Meeting
Thursday, September 22, 2022 | 1:00 p.m. to 3:00 p.m. CDT
Hybrid: MRO Offices, St. Paul, MN or Webex

AGENDA

Agenda Item	Time
1. **Call to Order and Determination of Quorum** *Brad Cox, Board Chair*	**1:00 p.m.**
2. **Standards of Conduct and Antitrust Guidelines** *Lisa Zell, Vice President General Counsel and Corporate Secretary*	**---**
3. **Consent Agenda** *Lisa Zell, Vice President General Counsel and Corporate Secretary*	**---**
4. **President's Report** *Sara Patrick, President and CEO*	**1:05 p.m.**
5. **Chair's Remarks** *Brad Cox, Board Chair*	**1:15 p.m.**
6. **NERC Remarks** *Ken DeFontes, NERC Chair of the Board of Trustees*	**1:25 p.m.**
7. **The Industrial Control Systems (ICS) Cyber Threat Landscape and Trends to Watch** *Robert Lee, Dragos, Inc., CEO and Founder*	**1:40 p.m.**
Break	**2:10 p.m.**
Board Committee Reports	
8. **Finance and Audit Committee Report** *Dr. Dana Born, FAC Chair*	**2:20 p.m.**
9. **Governance and Personnel Committee Report** *Jeanne Tisinger, GPC Chair*	**2:35 p.m.**
10. **Organizational Group Oversight Committee Report** *Paul Crist, OGOC Chair*	**2:45 p.m.**
Written Reports	**2:55 p.m.**
11. **MRO Operational Activities (Written Report)** *Richard Burt, Senior Vice President and Chief Operating Officer*	**---**
12. **MRO Outreach Report (Written Report)** *Richard Burt, Senior Vice President and Chief Operating Officer*	**---**
13. **External Affairs Report (Written Report)** *Tasha Ward, Director of Enforcement and External Affairs*	**---**
14. **Policy Matters (Written Report)** *Sara Patrick, President and CEO*	**---**
15. **Other Business and Adjourn** *Brad Cox, Board Chair*	**3:00 p.m.**

NOTICE REQUIREMENTS

Pursuant to the Midwest Reliability Organization's ("MRO") Bylaws, section 7.7, the Secretary is required to publish the schedule of regular board meetings to all members. This meeting is a regularly scheduled meeting of the Midwest Reliability Organization Board of Directors. Notice of this meeting was proper and the date was made available to all members in 2021 by posting the 2022 regularly scheduled board meeting dates on MRO's website calendar.

The location, precise time of the meeting, and draft agenda of items to be discussed was properly noticed to members on August 23, 2022, 30 days prior to the scheduled meeting, and was published on the MRO website.

VIDEO AND AUDIO RECORDING

Please note that Midwest Reliability Organization (MRO) may make a video and/or an audio recording of this board of directors meeting for the purposes of making this information available to board members, members, stakeholders and the general public who are unable to attend the meeting.

By attending this meeting, I grant MRO:

1. Permission to video and/or audio record the board meeting including me; and
2. The right to edit, use, and publish the video and/or audio recording.
3. I understand that neither I, nor my employer, has any right to be compensated in connection with the video and/or audio recording or the granting of this consent.

Call to Order and Determination of Quorum

Brad Cox, Chair

Please review the hybrid meeting logistics to ensure a positive meeting experience to all meeting participants.

A current roster for the MRO Board of Directors is posted on MRO's public website here. The board will follow these guiding principles during the conduct of its work:

Highly effective and reliable board members:

1. Support the MRO mission and its values, and understand the role of the board.
2. Exercise their fiduciary duty of care by preparing for, attending, and participating in board and assigned committee meetings. Absent compelling and stated reasons, directors should be present at meetings.
3. Are objective decision makers and avoid participation in board issues that are self-serving or may be perceived as a conflict of interest.
4. Read the materials before board meetings and come prepared with questions.
5. Advocate why MRO is important and why it needs our support.
6. Take leadership roles by chairing a committee and knowing what the committee's responsibilities are, and initiate, as necessary.
7. Respect the different roles of staff and the board.
8. Collaborate and cooperate with other board members.

In-Person Best Practices

- **Connect to Webex *without* Audio and mute device(s)**
  - Follow the printout for directions or ask Carolina for help
- **Question or Comment?**
  - Raise your hand either by physically raising your hand, or flipping your name card
  - Wait until the speaker calls on you to speak
  - Turn on your microphone (green is live)
  - ** Identify yourself before speaking **
  - Turn off your microphone (red is off)

- **Be mindful of extraneous noises (e.g., papers, typing, side conversations, etc.)**
- **Honor start times**

Webex Best Practices

- **Mute unless speaking.**
- **Question or Comment?**
  - Raise your hand via the Webex hand raise feature. To raise your hand, select the hand icon at the bottom of your Webex interface.
  - The Host will alert the speaker that your hand is raised.
  - The speaker will call on you.
  - Unmute your microphone.
  - Identify yourself before speaking.
  - Return to mute.
  - Lower your Webex hand once you no longer have a comment/question. To lower your hand, select the hand icon again.

- **If you have audio issues, please let the Host know ASAP.**

Standards of Conduct and Antitrust Guidelines

Lisa Zell, Vice President General Counsel and Corporate Secretary

Standards of Conduct Reminder

Standards of Conduct prohibit MRO staff, committee, subcommittee, and task force members from sharing non-public transmission sensitive information with anyone who is either an affiliate merchant or could be a conduit of information to an affiliate merchant.

Antitrust Reminder

Participants in Midwest Reliability Organization meeting activities must refrain from the following when acting in their capacity as participants in Midwest Reliability Organization activities (i.e., meetings, conference calls, and informal discussions):

- Discussions involving pricing information; and
- Discussions of a participants marketing strategies; and
- Discussions regarding how customers and geographical areas are to be divided among competitors; and
- Discussions concerning the exclusion of competitors from markets; and
- Discussions concerning boycotting or group refusals to deal with competitors, vendors, or suppliers.

Consent Agenda

Lisa Zell, Vice President General Counsel and Corporate Secretary

Action

Approve the consent agenda.

Report

The consent agenda includes draft minutes from the open meeting held on June 23, 2022. These minutes are available on the MRO website, and for board review on Boardvantage. Please provide any edits or comments to julie.peterson@mro.net.

President's Report

Sara Patrick, President and CEO

Action

Discussion

Report

I will provide an oral report at the meeting.

Chair's Remarks
Brad Cox, Board Chair

Action
Discussion

Report
I will provide an oral report at the meeting.

NERC Remarks

Chair Ken DeFontes, Chair of the Board of Trustees

Action

Discussion

Report

Kenneth W. DeFontes, Jr. was elected to the NERC Board of Trustees in February 2016. Mr. DeFontes previously served as vice chair and chair-elect of the Board of Trustees and currently serves as an ex officio member of all committees and as an ESCC observer.

Mr. DeFontes served as president and CEO of Baltimore Gas and Electric Company (BGE) from 2004 to 2014, and prior to that served in a number of different positions at BGE beginning in 1971. While at BGE, he led a major transformation effort to position BGE for a fast-changing operating environment and future opportunities, implemented major investments in energy conservation, peak demand reduction and smart grid, and served as a witness in a number of regulatory matters before the Maryland Public Service Commission, as well as testifying before the Maryland General Assembly.

In addition to serving on the Board of Directors of BGE, Mr. DeFontes served on the Board of ReliabiltyFirst from 2006 to 2012, and on the Boards of a number of different organizations, including the Southeastern Electricity Exchange, the American Gas Association, the Baltimore Symphony Orchestra (where he also served as chair), the Greater Baltimore Committee, and St. Joseph Medical Center.

Mr. DeFontes earned a bachelor’s degree in Engineering from Swarthmore College and a master’s degree from Loyola College.

The Industrial Control Systems (ICS) Cyber Threat Landscape and Trends to Watch

Robert M. Lee, CEO and Co-Founder of Dragos, Inc.

Action

Discussion

Report

Robert is a recognized pioneer in the industrial cybersecurity community. He is CEO and co-founder of Dragos, a global technology leader in cybersecurity for industrial controls systems (ICS)/operational technology (OT) environments.

In addition, Robert serves on the Department of Energy's Electricity Advisory Committee as the Vice Chair of the Department of Energy's Grid Resilience for National Security Subcommittee, and is a member of the World Economic Forum's subcommittees on Cyber Resilience for the Oil & Gas and Electricity communities.

Robert is routinely sought after for advice and input on cybersecurity for industrial infrastructure and is regularly asked to brief national leaders. He testified to the U.S. House of Representatives Committee on Energy and Commerce--Subcommittee on Oversight and Investigations, and to the U.S. Senate Energy and Natural Resources Committee, to advise on policy issues related to critical infrastructure cyber threats. He has also presented at the World Economic Forum Annual Meeting in Davos, and industry leading conferences such as RSA, SANS, BlackHat, and DefCon on the topic of industrial cybersecurity and threats. He serves on the board of the National Cryptologic Foundation.

Robert gained his start in security as a U.S. Air Force Cyber Warfare Operations Officer tasked to the National Security Agency, where he built a first-of-its-kind mission identifying and analyzing national threats to industrial infrastructure. He went on to build the industrial community's first dedicated monitoring and incident response class at the SANS Institute (ICS515) and the industry recognized cyber threat intelligence course (FOR578).

Forbes named Robert to its 30 under 30 (2016) list as one of the "brightest entrepreneurs, breakout talents, and change agents" in enterprise technology. A business leader but also technical practitioner, he helped lead the investigation into the 2015 attack on Ukraine's power grid, the first time an electric system was taken down due to a cyberattack. With his team at Dragos he has been involved in the most significant cyberattacks on industrial infrastructure, including the investigation and analysis of the 2016 attack on Ukraine’s electric system, the 2017 TRISIS attack on a Saudi Arabian petrochemical facility in the first attempt to try to kill people through malicious software, and the 2021 Colonial Pipeline ransomware attack. In 2022, his team at Dragos uncovered PIPEDREAM, a highly flexible framework to attack industrial infrastructure globally. Robert’s work has been featured in the book Sandworm and on 60 Minutes.

Finance and Audit Committee Report

Dr. Dana Born, Finance and Audit Committee Chair

Action

Approve Resolution 22-003 to establish a money fund sweep account.

Report

The Finance and Audit Committee (FAC) met on August 4, 2022. The following is a summary of items discussed and actions taken by the committee at this meeting. The full meeting agenda is on Boardvantage here.

Second Quarter Treasurer's Report

MRO staff reviewed the second quarter 2022 Treasurer's Report with the committee. Initial unaudited expenses were reported to NERC as 5.6 percent under budget. The year-to-date variance is attributed to various factors, including lower than budgeted travel and meetings expenses, and hybrid meetings. The draft unaudited financial statements include a 1.7 percent underspend projected for year-end.

Click here to view the 2022 Unaudited Statement of Activities.

2023 Business Plan and Budget Schedule

MRO staff provided an update regarding the timeline for the 2023 ERO business plan and budget. MRO's proposed 2023 business plan and budget was presented to NERC's Finance and Audit Committee on July 21, 2022. MRO's budget was approved by NERC's board on August 18, 2022 and filed with FERC on August 23, 2022. FERC is expected to review and issue an order in the October-November timeframe.

Review of MRO's 2021 Form 990

MRO staff briefed the FAC regarding a review of MRO's draft 2021 Form 990. The form is completed primarily from MRO's audited financial data. The draft is similar to prior years in terms of information presented. The draft has been posted within Boardvantage for a board comment and review period until October 1.

Targeted Operating Reserve

MRO staff briefed the FAC regarding a plan to cap the targeted operating reserve beginning in 2024. Staff explained that the targeted reserve has incrementally increased over time commensurate with budget increases. Based on current projections it will be near $2M in 2023. Staff recommended capping the targeted reserve at $1M beginning in 2024. The recommendation is based on MRO's stable funding model, and access to a $2M line of credit if needed. The approach would lessen the funding burden on assessments as the reserve is maintained each budget year.

Quarterly Governance Task List Status Report

The FAC conducted a review of relevant governance documents, including the FAC charter, Policy and Procedure 2: Expense Reimbursement, Policy and Procedure 12: General Finance, and Policy and Procedure 13: Reserves Policy. Staff briefed the FAC regarding proposed changes to these documents,

and the FAC recommended approval by the Governance and Personnel Committee for all revisions as proposed or discussed.

Money Fund Sweep Account: Resolution 22-003

The FAC considered a recommendation from staff to establish a money fund sweep account, which would generate earnings on the unused portion of MRO's static operating cash balances. It is anticipated that administrative costs would be less than the earnings and that the fund could be deactivated should interest rates drop to a level where the amount earned would not cover the administrative costs. The fund would remain liquid.

Pursuant to Section G. of the Policy and Procedure 12: General Finance, a resolution of the board is required in order to establish an account. Accordingly, the FAC recommends board approval of Resolution 2022-03 for the establishment of a money fund sweep account.

FAC Members

For your reference, the FAC consists of the following board members:

- Dr. Dana Born (Chair), Independent Director
- Darcy Neigum, Investor Owned Utility Sector
- JP Brummond, Investor Owned Utility Sector
- Lloyd Linke, Federal Power Marketing Agency Sector
- Michael Desselle, Transmission System Operator Sector
- Priti Patel, Cooperative Sector
- Scott Nickels, Municipal Utility Sector
- Thomas Graham, Independent Director

MIDWEST RELIABILITY ORGANIZATION

STATEMENTS OF FINANCIAL POSITION
Year to Date June 30, 2022 and End of Year December 31, 2021

	June 2022	December 2021
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 5,044,863	$ 6,535,807
Restricted cash		
Accounts Receivable	-	-
Prepaid expenses	551,212	610,428
Total Current Assets	5,596,075	7,146,235
PROPERTY, IMPROVEMENTS AND EQUIPMENT, NET	2,498,841	2,696,007
OTHER ASSETS		
Restricted cash - non-current	4,628,407	4,624,981
Security Deposit - non-current	39,858	39,858
Right-of-Use Asset	4,784,163	-
Retirement Investments	239,178	207,789
Capitalized software costs, net of accumulated amortization	6,694	7,000
TOTAL ASSETS	$ 17,793,216	$ 14,721,870
LIABILITIES AND MEMBERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable - trade	$ 6,558	$ 215,757
Accrued liabilities	1,356,257	1,712,081
Accrued payroll	582,389	573,021
Retirement plan contribution	462,797	863,658
Deferred assessments	-	-
Total Current Liabilities	2,408,001	3,364,517
OTHER LIABILITIES		
Postretirement medical benefit obligation	447,182	311,796
Other Retirement Plan Liability	239,178	207,788
Deferred assessments - non-current	-	-
Lease Liability	6,001,650	1,240,478
Total Liabilities	9,096,011	5,124,579
MEMBERS' EQUITY	8,697,205	9,597,292
TOTAL LIABILITIES AND MEMBERS' EQUITY	$ 17,793,216	$ 14,721,871

MIDWEST RELIABILITY ORGANIZATION
STATEMENTS OF CASH FLOWS
Year to Date June 30, 2022 and End of Year December 31, 2021

	6/30/2022	12/31/2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in members' equity	$ (900,087)	$ 173,933
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities		
Depreciation and software amortization	292,845	504,462
Amortization of Deferred Rent	(1,240,478)	781,934
Amortization of RUA	6,001,650	-
Postretirement benefit obligation	135,386	230,803
Change in assets and liabilities:		
Accounts receivable	-	-
Prepaid expenses	59,216	(234,164)
Security Deposit	-	-
LT Investment		(41,580)
Accounts payable - trade	(209,199)	(496,584)
Accrued payroll	9,368	133,250
Accrued liabilities	(355,824)	242,900
Retirement plan contribution	(400,861)	129,983
Deferred assessments	-	-
Change from Operating Activities	3,392,017	1,424,937
CASH FLOWS FROM INVESTING ACTIVITIES		
Change in restricted cash	(3,426)	(2,017,497)
Change in long-term investment	-	41,580
Purchases of property, improvements and equipment and software	(95,373)	(1,567,943)
Change in RUA	(4,784,163)	-
Change from Investing Activities	(4,882,962)	(3,543,860)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of long-term debt	-	-
Payments on debt	-	-
Withdrawal on L/T Deferred Rent	-	-
Net Change in Cash and Cash Equivalents	(1,490,946)	(2,118,923)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	6,535,807	8,654,730
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 5,044,861	$ 6,535,807

MIDWEST RELIABILITY ORGANIZATION

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Lam Chung, Corporate Treasurer
P: 651.256.5187
F: 651.855.1712
E: lam.chung@mro.net

July 20, 2022

Mr. Andy Sharp
North American Electric Reliability Corporation (NERC)

RE: Unaudited Midwest Reliability Organization (MRO) 2022 Second Quarter Statement of Activity – Cash Flow through June 30, 2022

Dear Mr. Sharp:

MRO experienced variances greater than $10,000 and 10 percent. Second quarter results indicate that MRO's budget is under spent by 5.6 percent.

Meeting Expenses (Variance of $262,322 (69.0%) under budget)
Meetings and travel began to increase in the second quarter. MRO uses a hybrid approach to conduct meetings resulting in fewer in-person attendees.

Operating Expenses (Variance of $284,104 (14.7%) under budget)
Consultants and contracts are under budget by 15.4 percent; however, this is primarily a result of timing as contracts renew late third quarter. Also, MRO's hybrid approach to office operations as staff works remotely and in-office reduces the cost to maintain onsite operations. Office costs are 14 percent under budget through the second quarter as MRO realizes the impact of its hybrid work environment.

Fixed Assets (Variance of $32,873 (52.6%) over budget)
A budgeted AV project from the prior year was incomplete. Currently, budget under spend in other areas offset the over spend in fixed assets. Completion of that project is estimated to result in a 189 percent over spend in fixed assets for the year. Year-end underage from other budget areas should cover this over spend, however, working capital savings from the previous year are available to cover this cost should year-end actuals exceed projections.

Budget Outlook
The 2022 budget anticipates under budget performance of 1.7 percent mainly a result of under spent meeting and travel costs. Personnel costs are projected to be within 0.1% of budget. Timing of retirements, turnover, and new hires is the cause of the minor variance. Operating expenses projects a 5 percent under spend driven by consulting and contracts, office costs, and rent trending lower than budget while professional services is anticipated to be slightly over budget. Fixed Assets project over spend of 189 percent. Year-end underage from other budget areas should cover this over spend, however, working capital savings from the previous year are available to cover this cost should year-end actuals exceed projections.

If you have any questions regarding this report, please contact me. Thank you.

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Lam Chung
Vice President and Engineer for Strategy, Innovation, and Finance

Cc: Sara Patrick, MRO President and CEO

MIDWEST RELIABILITY ORGANIZATION

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Midwest Reliability Organization
Statement of Activity
6/30/2022
PRELIMINARY (Unaudited)

(In Whole Dollars)

		2022 YTD Actual	2022 YTD Budget	2022 YTD Variance	%	Projected 2022 End Of Year	2022 Budget	2022 Variance	%
Funding									
ERO Funding									
	ERO Assessments	$ 8,916,207	$ 8,916,207	-		$ 17,832,414	$ 17,832,414	-	
	Penalty Sanctions	229,125	229,125	-		458,250	458,250	-	
A. **Total ERO Funding**		**$ 9,145,333**	**$ 9,145,332**	**$ -**		**$ 18,290,664**	**$ 18,290,664**	**$ -**	
Expenses									
Personnel Expenses									
	Salaries	$ 5,722,803	$ 5,708,281	14,522		$ 11,452,845	$ 11,416,561	36,284	
	Payroll Taxes	354,321	372,083	(17,762)		765,467	744,166	21,301	
	Benefits	622,984	596,998	25,986		1,140,766	1,193,996	(53,230)	
	Retirement Costs	895,098	961,129	(66,031)		1,902,103	1,922,258	(20,155)	
Total Personnel Expenses		**$ 7,595,207**	**$ 7,638,491**	**$ (43,284)**	**-0.6%**	**$ 15,261,181**	**$ 15,276,981**	**$ (15,800)**	**-0.1%**
Meeting Expenses									
	Meetings & Conference Calls	$ 53,076	$ 89,439	(36,363)		$ 116,270	$ 178,877	(62,607)	
	Travel	64,876	290,835	(225,959)		290,835	581,670	(290,835)	
Total Meeting Expenses		**$ 117,951**	**$ 380,274**	**$ (262,322)**	**-69.0%**	**$ 407,105**	**$ 760,547**	**$ (353,442)**	**-46.5%**
Operating Expenses									
	Consultants & Contracts	$ 509,757	$ 602,400	(92,643)		$ 1,084,320	$ 1,204,800	(120,480)	
	Office Rent	512,302	566,050	(53,748)		1,084,963	1,132,100	(47,137)	
	Office Costs	416,294	483,967	(67,673)		900,179	967,934	(67,755)	
	Professional Services	213,460	283,500	(70,040)		595,350	567,000	28,350	
Total Operating Expenses		**$ 1,651,813**	**$ 1,935,917**	**$ (284,104)**	**-14.7%**	**$ 3,664,812**	**$ 3,871,834**	(207,022)	**-5.3%**
	Total Direct Expenses	**$ 9,364,971**	**$ 9,954,681**	**$ (589,710)**	**-5.9%**	**$ 19,333,098**	**$ 19,909,362**	**$ (576,264)**	**-2.9%**
Indirect Expenses									
Other Non-Operating Expenses		**$ -**	**$ -**	-		**$ -**	**$ -**	**$ -**	
B. **Total Expenses**		**$ 9,364,971**	**$ 9,954,681**	**$ (589,710)**		**$ 19,333,098**	**$ 19,909,362**	**$ (576,264)**	
Net Funding less Expenses (A-B)		**$ (219,638)**	**$ (809,349)**	**$ 589,710**		**$ (1,042,434)**	**$ (1,618,698)**	**$ 576,264**	
C. **Fixed Asset Additions, excluding Right of Use Assets**		**$ 95,373**	**$ 62,500**	**$ 32,873**	**52.6%**	**$ 361,225**	**$ 125,000**	**$ 236,225**	**189.0%**
Total Budget (B + C)		**$ 9,460,344**	**$ 10,017,181**	**$ (556,837)**	**-5.6%**	**$ 19,694,323**	**$ 20,034,362**	**$ (340,039)**	**-1.7%**
Change in Working Capital (A-B-C)		**$ (315,011)**	**$ (871,849)**	**$ 556,837**		**$ (1,403,659)**	**$ (1,743,698)**	**$ 340,039**	
Head Count		69.00	71.00	(2.00)		71.00	71.00	-	
FTEs		66.33	71.00	(4.67)		71.00	71.00	-	
	Reserve Activity:								
	Beginning Reserves - 1/1/22	$ 8,377,927	$ 7,541,460	$ 836,467		$ 8,377,927	7,541,460	$ 836,467	
	Change to Working Capital	(315,011)	(871,849)	556,838		(1,403,659)	(1,743,698)	340,039	
	Penalties Received	-	-	-		273,100	-	273,100	
	Penalties Released	(229,125)	(229,125)	-		(458,250)	(458,250)	-	
	Other Reserve Activity	-	-	-		-	-	-	
	Ending Reserves at 6/30/22 :	**$ 7,833,791**	**$ 6,440,486**	**$ 1,393,305**		**$ 6,789,118**	**$ 5,339,512**	**$ 1,449,606**	

Reserve Summary	1/1/2022	Additions	Uses/Transfer	12/31/2022
Working Capital & Operating Contingency	3,752,946	340,039	-	4,092,985
Assessment Stabilization & Penalty Reserves	4,624,981	273,100	(2,201,948)	2,696,133
Other Reserve Activity	-		-	-
Total Reserves	**8,377,927**	**613,139**	**(2,201,948)**	**6,789,118**

RESOLUTION 22-003
MIDWEST RELIABILITY ORGANIZATION
BOARD OF DIRECTORS
Resolution Establishing Money Fund Sweep Account

WHEREAS, the Midwest Reliability Organization (MRO) Finance and Audit Committee (MRO FAC) has considered a proposal to establish a money fund sweep account, which would generate monthly dividend earnings on the unused portion of MRO's static cash balances, and recommends that the MRO Board of Directors approve establishing such account; and

WHEREAS, the monthly administrative costs of the sweep account are anticipated to be less than the earnings; and

WHEREAS, such money fund sweep account may be deactivated; and

WHEREAS, pursuant to Section G. of MRO Policy and Procedure 12: General Finance, "[n]o accounts may be established without a resolution of the board unless such account is mandated by regulations"; and

NOW, THEREFORE, BE IT RESOLVED that the MRO Board of Directors approves the establishment of a money fund sweep account; and

BE IT FINALLY RESOLVED that MRO staff is directed to take all necessary and appropriate steps to ensure that the money fund sweep account is established.

MIDWEST RELIABILITY ORGANIZATION
Sara E. Patrick, President and CEO
Lisa A. Zell, Corporate Secretary

_____
Corporate Secretary Signature

_____
Dated

DRAFT

Governance and Personnel Committee Report

Jeanne Tisinger, Governance and Personnel Committee Chair

Action

Discussion

Report

The Governance and Personnel Committee (GPC) held its quarterly meeting via Webex on August 10, 2022. The following is a summary of the items discussed and actions taken by the committee during the meeting. Board members may review the full meeting agenda on Boardvantage here.

MRO Policies and Procedures

As part of the annual review process for MRO's Policies and Procedures, staff, organizational groups, and board committees reviewed and proposed changes to these documents. The redlined copies of any substantial proposed changes to the Policies and Procedures are included in the packet.

The GPC will solicit input from the board at the board's September 22, 2022, meeting and will present either the current changes or any additional proposed changes at the Board's fourth quarter meeting for the board's approval of the Policies and Procedures at the Annual Member and Board Meeting on December 1, 2022.

All Policies and Procedures' approval dates will be updated after the board's fourth quarter meeting, reflecting the board's approval, including those with no changes.

Policies and Procedures with proposed revisions include the following:

- Policy and Procedure 1: MRO Board of Directors *
- Policy and Procedure 2: Expense Reimbursement
- Policy and Procedure 4: MRO Antitrust and Standards of Conduct Guidelines
- Policy and Procedure 5: Confidentiality Policy
- Policy and Procedure 6: Dispute Resolution
    - Dispute Resolution Procedures
- Policy and Procedure 9: Consolidated Hearing Process
- Policy and Procedure 10: Conflicts of Interest
- Policy and Procedure 11: Executive Compensation
- Policy and Procedure 12: General Finance Policies
- Policy and Procedure 13: Reserves Policy

* **Important Note**: While Policy & Procedure 1: MRO Board of Director is heavily redlined, the changes are not intended to be substantive. Rather, the changes either remove language already captured in other governance documents, or has been revised for other clarity or housekeeping purposes. In cases where the provision has been removed because it is addressed in a different governance document, the primary source for the provision is captured in a margin comment for ready reference. However, because these comments are quite lengthy, Boardvantage does not allow these comments to be expanded for full view. Therefore, to ensure board members are able to view the entirety of each margin comment, additional instructions have been provided for board members here to facilitate their review. Please reach out to Julie

Peterson (julie.peterson@mro.net) or Carolina Margaria (carolina.margaria@mro.net) for any issues viewing the material.

Policies and Procedures with substantive changes:

- Policy and Procedure 2: Expense Reimbursement
    - Proposed change intended to clarify the instructions on submittal of member expense reimbursements.

MRO Board Committee Charters

The MRO Board of Director Committees, which include the Organizational Group Oversight Committee (OGOC), Finance Committee (FAC), and the Governance and Personnel Committee (GPC) undergo an annual review of their charters. The GPC will solicit input from the board at the board's September 22, 2022, meeting and the GPC will then make a recommendation to the board at the December 1, 2022 meeting for their approval, including any additional proposed changes.

A redline copy of each charter is attached for the Board's review.

GPC:
The GPC Charter was reviewed during their third quarter meeting on August 10, 2022, and no substantive changes are being suggested. The proposed changes include the removal of some language to reflect current board practices for selecting the GPC chair. GPC members are encouraged to review the charter and provide any additional changes.

OGOC:
The OGOC Charter was reviewed by the OGOC during their second quarter meeting on June 22, 2022. The proposed changes are non-substantive, and primarily for housekeeping, clarity, and streamlining.

FAC:
The FAC Charter was reviewed by the FAC during their third quarter meeting on August 4, 2022. The proposed changes are non-substantive, and primarily for housekeeping, clarity, and streamlining.

Quarterly Human Resources Report

Recruitment and retention continue to be a major focus within the HR function at MRO, who welcomed two new employees last quarter and is currently recruiting for five openings in the HR, Compliance, Risk Assessment and Mitigation, and Security departments. Although MRO has experienced six departures since January 1, 2022, they have also successfully on-boarded seven new employees within that same time.

Staff continues to emphasize learning and development initiatives, with management staff participating in a Strength based communication training, which taught participants how to apply and recognize strengths when delivering and receiving communication. This training also provided an opportunity for the extended leadership teams to get to know one another better, strengthen trust, and identify opportunities to collaborate.

MRO has maintained its dedication to provide opportunities for employee engagement and connection in our hybrid work environment. This initiative continues to be a priority, and MRO hosted several events for staff with this goal in mind, such as:

- Juneteenth recognition event, Honoring Blacks in the Military and Historic Black Colleges and Universities, hosted by NERC's Black and African American Employee Resources Group
- Black History Month Watch Party - Employees watched an hour-long video via LinkedIn Training, *Discussing Racism*, followed by open discussion, including staff sharing personal experiences.
- International Potluck - Employees brought in food and shared how it represented their upbringing or culture. Participation was a success.
- The DEI and OPH (Office of Productivity and Happiness) co-sponsored an event at Urban Growler Brewing (a local woman-owned brewery) on August 25, 2022, focused on highlighting the challenges faced by women in business in recognition of Black Women's Equal Pay Day (August 13), Women's Equality Day (August 26) and American Business Women's Day (September 22).

Quarterly Report on Whistleblower Hotline Activity

Lighthouse provides third-party hotline services for anonymous reports related to the investigation of suspected violations of law, MRO's policies and procedures, and external regulations. The Chief Compliance Officer receives monthly reports on any use of the hotline as well as any actions taken on any reported issues and reports them quarterly to the GPC. As of today's report, there has been no activity.

Expiring Board Seats and Election Process

The GPC reviewed the list of expiring board seats pursuant to Policy and Procedure 1: MRO Board of Directors, which states that, "At the third regularly scheduled Governance and Personnel Committee meeting of the year, MRO staff will provide the committee with a list of board members whose terms are expiring the following year and the length of time served by the director."

Below is the list of expiring and open seats that will be vacated by the end of the year, with numbers of years served by each director by term end on December 31, 2022.

Full Name	Sector	Company	Term End	Date Joined	Years Served (by term end)
Brad Cox	GPM	Tenaska Power Services Co.	12/31/2022	1/1/2012	11.01
Dehn Stevens	>IOU	MidAmerican Energy	12/31/2022	1/1/2019	4.00
JP Brummond	>IOU	Alliant Energy Corp.	12/31/2022	7/10/2020	2.48
JoAnn Thompson	<IOU	Otter Tail Power Company	12/31/2022	1/1/2015	8.00
Michael Desselle	TSO	Southwest Power Pool	12/31/2022	1/1/2020	3.00
Paul Crist	MU	Lincoln Electric System	12/31/2022	1/1/2020	3.00
Priti Patel	Co-Op	Great River Energy	12/31/2022	1/1/2022	1.00

Solicitation for nominations for the open board sector seats will occur from September 12 through October 7, followed by an election period scheduled for October 12 through October 26. These will be directly communicated to each sector's voting representatives. Election results for board sector seats will be announced to all members.

GPC Roster

For your reference, the GPC consists of the following board members:

- Jeanne Tisinger (Chair), Independent Director
- Dr. Dana Born, Independent Director
- Michael Lamb, Investor Owned Utility Sector
- Eric Schmitt, Independent Director
- Tom Finco, Transmission System Operator Sector
- Stuart Lowry, Regional Director
- Thomas Graham, Independent Director

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Policy and Procedure 1: MRO Board of Directors

Style Definition: Heading 2: Indent: Left: 0.25", No bullets or numbering

Objective

The objective of this policy ~~and procedure~~ is to define the general procedures for board administration. In the case of a conflict between this policy and the Midwest Reliability Organization (MRO) Bylaws, the MRO Bylaws shall control. The board shall conduct an annual review and approval of this policy. ~~set forth the general procedures regarding board composition including responsibilities, compensation for independent directors, and terms. This policy and procedure outlines the processes for selecting, nominating, and electing directors to the board. This policy and procedure also outlines the policies and procedures regarding board administration.~~

Guiding Principles~~Policy~~

The MRO Board of Directors is guided by the following principles for highly effective and reliable board members. Board members shall:

- Support the MRO mission and its values, and understand the role of the board.
- Exercise their fiduciary duty of care by preparing for, attending, and participating in board and assigned committee meetings. Absent compelling and stated reasons, directors should be present at meetings.
- Exercise objective decision-making and avoid participation in board issues that are self-serving or may be perceived as a conflict of interest.
- Read the materials before board meetings and come prepared with questions.
- Advocate why MRO is important and why it needs our support.
- Take leadership roles by chairing a committee and knowing what the committee's responsibilities are, and take the initiative, as necessary.
- Respect the different roles of staff and the board.
- Collaborate and cooperate with other board members.~~The purpose of the MRO Board of Directors is to advise, govern, oversee policy and strategic direction, and assist with the leadership and general promotion of MRO, to support the organization's mission and needs. This policy reflects the board structure and board member qualifications as defined by MRO's Bylaws and the board-approved Guiding Principles, as well as the associated procedures to meet these objectives. This policy and procedure is subject to annual review and approval of the board.~~

Composition

The composition of the MRO Board of Directors is defined by the MRO Bylaws. ~~a combination independent and balanced stakeholder board comprised of twenty-three members. Seventeen individuals are nominated and elected by Industry Sector Members as follows:~~

- ~~Three directors from the Transmission System Operator Sector;~~
- ~~Two directors from the Generator and Power Marketer Sector;~~
- ~~Five directors from the Investor Owned Utility Sector;~~
- ~~Two directors from the Cooperative Sector;~~
- ~~Two directors from the Municipal Utility Sector;~~

- One director from the Federal Power Marketing Agency Sector; and
- Two directors from the Canadian Utility Sector, provided that both directors are not residents of the same Canadian province.

Two board members are Regional Directors, each of whom is an employee of a member and meets the qualifications set out in the Bylaws for directors nominated and elected by Industry Sectors. Regional Directors are nominated by the board and elected by all MRO Members.

Four individuals who meet the qualification to be Independent Directors will be nominated by the board and elected by all MRO Members.

Qualifications and Ability to Serve

The qualifications to serve as a member of the MRO Board of Directors are defined in the MRO Bylaws. for Industry Sector Directors pursuant to Section 7.3 of MRO's Bylaws are:

- There shall not be more directors from a particular Industry Sector than there are actual members of such Industry Sector;
- Industry Sectors shall endeavor to nominate directors from Industry Sectors among individuals holding senior management or officer positions in member organizations;
- The board shall have a view to ensure geographic representation of the Corporate Region on the board; and
- No two Industry Sector Directors may be employees of a single member or employees of members that are affiliates.

Regional Directors must meet the qualifications for Industry Sector Directors. Regional Directors will be nominated with a view to ensure geographic representation of the corporate region on the board.

Independent Directors must have relevant senior management expertise and experience to the reliable operation of the bulk power system in North America.

To be considered an Independent Director, an individual cannot:

- be an officer or employee of MRO;
- be a member, director, officer, or employee of a member or adjunct member of MRO;
- be a director, officer, or employee of any registered entity on the NERC registry;
- have a financial interest in a registered entity that is prohibited by MRO's Conflict of Interest Policy and Procedure; and
- reasonably be perceived as having a direct financial interest in the outcome of a decision by the board of directors, such as a consultant providing professional services to a registered entity.

An Independent Director cannot have any other relationship that would interfere with the exercise of independent judgment in carrying out the responsibilities of an Independent Director.

The board has determined that if an Independent Director, or a member of his or her immediate household, provides services and/or products, or is an employee of an entity that provides services and/or products, to

Commented [JP1]: Addressed in the following excerpt from Section 7.3 of the Bylaws:

The board of directors shall consist of twenty-three (23) board members. Seventeen (17) of the board members are nominated and elected by the Industry Sectors as follows:

(a) Three (3) directors from the Transmission System Operator Sector;
(b) Two (2) directors from the Generator and Power Marketer Sector;
(c) Five (5) directors from the Investor Owned Utility Sector; ...

Commented [JP2]: Addressed by the following excerpt from Section 7.3 of the Bylaws:

In addition, the board shall nominate two (2) directors from one or two Industry Sectors to be elected by the Members as a Regional Director.

Commented [JP3]: Addressed by the following excerpt of Section 7.3 of the Bylaws:

Four (4) board members shall be Independent Directors nominated by the board of directors and elected by the Members.

Commented [JP4]: Addressed by following excerpt from Bylaws, Sec. 7.3:

"Provided, however, that in choosing directors from an Industry Sector, there shall not be more directors from a particular Industry Sector than ...

Commented [JP5]: Addressed by the following excerpt from the Bylaws, Sec 1.22:

"'Regional Director' means a director who is an employee of a Member and meets the ...

Commented [JP6]: Referenced in Bylaws, Sec. 7.3 (emphasis added):

"Members shall endeavor to select directors from Industry Sectors among individuals holding senior management or officer positions in Member ...

Commented [JP7]: Addressed by excerpt from Bylaws, Sec. 7.3:

"Independent Directors shall have relevant senior management expertise and experience to the ...

Commented [JP8]: Addressed by Bylaws, Sec. 1.13:

"Independent Director" means an individual who is not (1) an officer or employee of the Corporation; (2) a member, director, officer or ...

~~a registered entity in MRO's Region, the Independent Director would have a relationship that would interfere with the exercise of independent judgment in carrying out the responsibilities of an Independent Director.~~

A director should report any concern the director has about his or her continued ability to serve on the board or another director's ability to serve on the board to the Governance and Personnel Committee Chair. Concerns include matters such as potential conflicts of interest, a change in job responsibilities or employer, health issues, or legal issues including criminal charges of any kind.

Responsibilities

Duties of the board identified in the MRO Bylaws include ~~Specific responsibilities of the board include~~ the following:

- Govern the corporation and oversee all of its activities;
- Establish and oversee all organizational groups;
- Oversee the accomplishment of all functions set forth in any delegation, or other agreement, with the North American Electric Reliability Corporation (NERC) or any government entity related to development, monitoring, and enforcement of Reliability Standards and related matters;
- Approve, revise, and enforce MRO Member data and information requirements and related confidentiality requirements;
- Establish and approve an annual budget ~~and annual audit reports~~;
- Represent the corporation in legal and regulatory proceedings; and
- Hire ~~and annually review the performance of~~ the president ~~and CEO~~.;

Additional duties of the board include, but are not limited to, the following:

- ~~Consider the recommendation of the Governance and Personnel Committee in setting the compensation for the president and CEO, remanding to the Governance and Personnel Committee for further consideration and recommendation as needed so that the board is able to accept the recommendation of the Governance and Personnel Committee;~~
- ~~Establish reasonable compensation for the Independent Directors following IRS rebuttable presumption procedures after considering the recommendation from the Governance and Personnel Committee's directors who are not compensated;~~
- Participate actively in organizational strategic planning;
- Serve as a resource of knowledge and counsel to the executive staff, committees, and other board members;
- Consider recommendations received from board committees;
- Represent the organization at NERC and industry events;
- Serve on at least one, and no more than two, board committees;
- Chair committees as appointed; and
- ~~Exercise their fiduciary duty of care by preparing for, attending, and participating in board and assigned committee meetings. Absent compelling and stated reasons, directors should be present at meetings; and~~
- Complete the board self-assessment.

Commented [JP9]: This specific language is not in the Bylaws, but perhaps is derived from the last provision of Sec 1.13(4)(b):

"'Independent Director' means an individual who is not (4) reasonably perceived as having a direct financial interest in the outcome of a decision by the board of directors and who (b) ***meets any additional requirements of independence established by the board of directors****." (emphasis added).*

And, which is also already addressed in PP10: Conflict of Interest.

Commented [JP10]: Language not in the Bylaws, but is contemplated in the GPC charter, Sec 2.g.:

"*Address any concerns about a Board member's current or future ability to serve on the Board. Depending on the nature of the concern, the committee chair, the committee, or the Board may address the concern. The committee will report all concerns to the Board in a timely manner, which could include requesting a special executive session of the Board or reporting at t*...

Commented [JP11]: Language NOT in the Bylaws, but instead already addressed in FAC Charter.

Commented [JP12]: Addressed in GPC charter, Sec 3.g.:

...

Commented [JP13]: Addressed by Bylaws, Sec. 7.1:

...

Commented [JP14]: Addressed in GPC charter, Sec 3.g.:

...

Commented [JP15]: Language NOT in GPC charter or elsewhere, but inferred as part of normal procedure.

Commented [JP16]: Addressed in GPC charter, Sec 3.h.:

...

Commented [JP17]: Added to address any or all instances where board committees provide recommendations to the board.

Commented [JP18]: Addressed in Guiding Principles above.

Commented [JP19]: Referenced in Sec 2.k. of GPC charter:

...

~~Compensation and Expenses~~

~~Regional and Industry Sector Directors do not receive compensation and are considered volunteers.~~

~~Independent Directors do receive compensation, which is reviewed annually by the Governance and Personnel Committee who will also make recommendations for any compensation changes to the board so that any change can be incorporated in MRO's business plan and budget for the following year.~~[1]

~~The disinterested directors of MRO's GPC evaluate, following the IRS procedures to secure the benefit of a rebuttable presumption that the compensation is reasonable, with staff's assistance and outside consultants as needed, compensation for Independent Directors annually with any adjustments occurring in the following year. The GPC also considers the NERC Board of Trustee compensation study and the compensation for other Regional Entity Independent Directors. If advisable, the disinterested directors of the GPC recommend setting the compensation for MRO Independent Directors as a percent of the NERC Board of Trustee's compensation.~~

~~All directors receive reimbursement of reasonable out-of-pocket expenses incurred in traveling to MRO and NERC meetings pursuant to MRO's Policy and Procedure 2: Expense Reimbursement.~~

Board Administration

A. Board Chair and Vice Chair

~~T~~Pursuant to the MRO Bylaws, the board shall select a chair and a vice chair of the board of directors. The term for the board chair and vice chair shall be ~~for a~~ one-year term beginning on January 1 of each calendar year. The board chair and vice chair may serve~~, and each can be reelected to his or her respective office for~~ no more than two consecutive terms. The chair, or in the chair's absence, the vice-chair sha~~w~~ill preside over board meetings.

B. Lead Director Role

The Governance and Personnel Committee Chair~~, who is~~ shall be an Independent Director and ~~,~~ ~~will~~ serve as ~~the role of~~ the lead director.

~~In this role, the Governance and Personnel Committee Chair will provide advice to the board chair on setting the board's agenda and other material or strategic matters, including the independence of MRO's Compliance Monitoring and Enforcement Program.~~

~~At least annually, the Governance and Personnel Committee Chair will meet with the president and CEO to discuss any issues or concerns, including potential undue pressure, that may exist related to the independence of the Compliance Monitoring and Enforcement Program~~

Commented [JP20]: Addressed by Bylaws, Sec. 7.5:

"The board of directors may set reasonable compensation for the service provided by Independent Directors; directors from a Member shall not receive compensation."

Commented [JP21]: Addressed by GPC charter, Sec 3.h.:

"With staff, annually evaluate the compensation for independent Board members…"

Commented [JP22]: Addressed by GPC charter, Sec 3.i.:

"…Present recommendations to the Board regarding reasonable compensation for independent Board members…."

Commented [JP23]: Addressed by GPC charter, Sec 3.h.:

"Any adjustment to compensation shall occur in the following year."

Commented [JP24]: Addressed by GPC charter, Sec 3.h.

"With staff, annually evaluate the compensation for independent Board members, following the IRS procedures in order to secure the benefit o…

Commented [JP25]: Addressed by GPC charter, Sec 3.h.:

…

Commented [JP26]: Addressed by GPC charter, Sec 3.h.:

…

Commented [JP27]: Addressed in Bylaws, Sec. 7.5:

…

Commented [JP28]: Addressed by Bylaws, Sec. 7.1:

"The board of directors shall select a chair and a vice chair from among the members of the boa…

Commented [JP29]: The GPC Chair is defined as the lead director:

…

Commented [JP30]: Addressed in GPC charter, Sec 1.g.:

…

Commented [JP31]: Addressed in GPC charter, Sec 1.h.:

…

[1] ~~The annual board retainer will be paid one-half in January and one-half in June. The annual retainer is prorated if a director begins his or her term other than in January.~~

~~E.~~C. Committee Chair and Members

The board chair will recommend to the board for its approval members of board committees ~~and a chair~~.

~~F.~~D. Regular and Executive Session Board Meetings

Meetings are conducted in accordance with *Robert's Rules of Order (Modern Edition)* unless otherwise specified herein, or within the corporate bylaws or Certificate of Incorporation. Attendees at each meeting of the MRO Board or board committee must follow MRO's Antitrust and Standards of Conduct guidelines.

An executive session of the board of directors meeting may be held as a regular or special meeting. Notice provisions for regularly scheduled meetings and special meetings will be given as required by the MRO Bylaws. An executive session may be held prior to, during, or following an open meeting or may be a separate meeting. It may be held in-person or through electronic communication such that the directors may simultaneously hear each other.

The procedures set forth below should be followed when calling an executive session:

1. Executive sessions may be noticed and held in conjunction with the board's regularly scheduled meeting.

2. Special executive sessions of the board may only be held at the request of the MRO President and Chief Executive Officer, the board chair, or any three members of the board of directors. If the executive session is called as a special meeting immediately before, during, or after a public meeting, and the notice required by the bylaws cannot be provided, the membership and the directors will be asked to waive notice.

3. Permissible subjects to be discussed during an executive session include matters such as:

   a. Budgetary matters before such details become public.
   b. Litigation, investigations, and other legal matters.
   c. Personnel or labor actions and discussions involving specific individuals.
   d. Contractual negotiations and discussions.
   e. Audit and penalty matters.
   f. Issues related to a specific registered entity where company confidential information may be disclosed.
   g. Safety, physical, and cyber security matters.
   h. Governing document violations.
   i. Strategic Planning.
   j. Nonpublic CMEP materials.

The information discussed in executive session shall be kept confidential. Therefore, executive sessions are closed to the public and any persons in attendance who are not members of the board must have executed a Midwest Reliability Organization's Statement of Confidentiality within the calendar year in which the meeting occurs. In addition, meeting minutes are not publicly

Commented [JP32]: Removed this reference because the FAC Chair is defined as the board vice chair:

The vice chair of the Board shall chair the Committee.

And the GPC Chair is defined as the lead director:

The chair of the Committee will be an Independent Director who will be elected by the Independent Directors and approved by the Board.

And, the OGOC has revised its charter to allow it to choose its own chair.

posted, and access and use of the minutes will be limited to board members, MRO executive staff, and legal counsel.

~~G.~~E. Approval of Minutes

Draft minutes will be reviewed by the chair, vice chair, the chairs of each board committee, the president, and the secretary prior to distribution to the entire board. Draft minutes will be available to the entire board within fifteen (15) working days after any scheduled board meeting. After seven (7) working days for board review, the draft minutes will be posted to the MRO website. Approved meeting minutes will be available on the MRO website within seven (7) working days of being approved by the board.

~~**Terms**~~

~~MRO directors are elected to three-year, staggered terms. At the third regularly, scheduled Governance and Personnel Committee meeting of the year, MRO staff will provide the committee with a list of board members whose terms are expiring the following year and the length of time served by the director.~~

Commented [JP33]: Addressed in Bylaws, Sec. 7.4:

"All directors will serve three-year, staggered terms ending on December 31."

Commented [JP34]: This should be addressed in the GPC charter.

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Nomination and Election Procedures

Director Nominations – Vacancy

Director Type	Step 1	Step 2	Step 3	Step 4	Other
Industry Sector ("IS")	Nominations requested from IS within 14 days has been or will be formally vacated.	Nomination period to elect open for at least 14 days.			
Regional Director ("RD")	GPC Chair calls a special meeting to be held within 30 days of MRO being notified that directorship has been or will be formally vacated.	GPC identifies desired geographic region with a view of the MRO Corporate Region and defines skill set required. GPC will establish timeline to identify and interview candidates.	GPC will present identified candidate(s) to Board to nominate one of these candidate(s) to the MRO members.	If the Board does not nominate a candidate recommended by the GPC, the Board will provide the GPC guidance on identifying and nomination a RD candidate.	
Independent Director ("InD")	GPC Chair calls a special meeting to be held within 30 days of MRO being notified that directorship has been or will be formally vacated.	GPC, in consultation with the Board, will review position description for any changes. GPC will establish timeline to identify and interview candidates. GPC may recommend to the Board that a search firm be engaged.	GPC will present identified candidate(s) to Board to nominate one of these candidate(s) to the Industry Sector members.	If the Board does not nominate a candidate recommended by the GPC, the Board will provide the GPC guidance on identifying and nomination an InD candidate.	Annually, the GPC reviews the position description for any changes to be presented at the Q4 Board meeting.

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Director Nominations – Term Expiration

Director Type	Step 1	Step 2	Step 3	Step 4	Other
Industry Sector ("IS")	Nominations requested from IS in Q4.	If incumbent has served 3 or more terms, GPC will make an effort to identify a different candidate. Regardless of number of terms, IS may nominate and elect incumbent.	Nomination period to elect open for at least 14 days.		
Regional Director ("RD")	In Q1 of the term expiration, GPC will solicit feedback from Board Chair, Vice Chair, GPC members, and CEO on filling this position. GPC will meet in executive session (without MRO staff or the incumbent if member of GPC) to discuss feedback.	If incumbent has served 3 or more terms, GPC will make an effort to identify a different candidate and may consider incumbent as a candidate.	If the GPC supports having the incumbent as a candidate, GPC will meet with incumbent to determine incumbent's willingness to serve another term. If the GPC does not support the incumbent as a candidate, the GPC will inform the incumbent. GPC will identify candidates 1) if the incumbent is unwilling to serve; 2) has served 3 or more terms; or 3) not recommended by the GPC to be a candidate.	GPC identifies desired geographic region with a view of the MRO Corporate Region and defines skill set required. GPC will establish timeline to identify and interview candidates for election in Q4.	If the Board does not nominate a candidate recommended by the GPC, the Board will provide the GPC guidance on identifying and nomination a RD candidate.

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Director Type	Step 1	Step 2	Step 3	Step 4	Other
Independent Director ("InD")	In Q1 of the term expiration, GPC will solicit feedback from Board Chair, Vice Chair, GPC members, and CEO on filling this position. GPC will meet in executive session (without MRO staff or the incumbent if member of GPC) to discuss feedback.	If incumbent has served 3 or more terms, GPC will make an effort to identify a different candidate and may consider incumbent as a candidate.	If the GPC supports having the incumbent as a candidate, GPC will meet with incumbent to determine incumbent's willingness to serve another term. If the GPC does no support the incumbent as a candidate, the GPC will inform the incumbent. GPC will identify candidates if the incumbent is: 1) unwilling to serve; 2) has served 3 or more terms; or 3) not recommended by the GPC to be a candidate.	GPC will establish timeline to identify and interview candidates for election in Q4.	If the Board does not nominate a candidate recommended by the GPC, the Board will provide the GPC guidance on identifying and nomination an InD candidate.

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Elections – All Directors

Election Type	Step 1	Step 2	Step 3	Step 4	Other
Vacancy	After the nomination period has ended, director elections will be held by electronic ballot. The election will be held as soon as practicable for elections to fill a vacancy, in sufficient time for the results to be announced at the next regularly scheduled board meeting.	MRO Members will have at least 14 days to submit a vote.	Newly elected directors will be seated the date the election closes.		
Term Expiration	After the nomination period has ended, director elections will be held by electronic ballot. The election will be held as soon as practicable for elections to fill a vacancy in Q4, in sufficient time for the results to be announced at the last regularly scheduled board meeting of the year.	MRO Members will have at least 14 days to submit a vote.	Newly elected directors will be seated as of January 1, of the following year.		

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Policy and Procedure 2: Expense Reimbursement

1. Objective

The objective of this policy and procedure is to ensure that board and organizational group members' expenses are reimbursed consistently and accurately.

2. Policy

Pursuant to Section 7.5 of the Midwest Reliability Organization (MRO) Bylaws, MRO board members have the right to reimbursement for actual reasonable travel out of pocket expenses ~~for~~ to board meetings, NERC meetings, or when ~~required~~ specifically selected to represent MRO at a business meeting~~to attend meetings on behalf of the corporation~~.

Additionally, members appointed as MRO NERC sponsored representatives or alternates attending NERC organizational group meetings and members of board-approved organizational groups (other than committees of the ~~whole~~board), are also eligible for reimbursement by ~~the corporation~~MRO for reasonable travel, meals, and lodging expenses for NERC or MRO organization group meetings or for representation of the ~~corporation~~ MRO at any other business meetings as authorized by the board.

Advisory council members are eligible for reimbursement by ~~the corporation~~MRO for reasonable travel, meals, and lodging expenses associated with attending a conference sponsored by their advisory council.

Individuals being recognized by the Organizational Group Oversight Committee for their service or for a specific award are eligible for reimbursement by ~~the corporation~~MRO for reasonable travel, meals, and lodging expenses associated with attending the meeting where they will be recognized.

The board of directors may authorize reimbursement for persons acting on behalf of ~~the corporation~~MRO, as necessary in the interests of ~~the corporation~~MRO.

3. Responsibilities

Each board member or authorized organizational group member is responsible for submitting documentation of actual reasonable travel expenses to the designated MRO staff member. Member reimbursement requests should be submitted within 90 days of attending a MRO meeting or NERC meeting as a MRO representative, but no later than 60 days after year-end.

~~The corporation~~MRO shall reimburse board members or authorized organizational group members within 30 days of receiving the reimbursement request and proper documentation. With the exception of independent directors of the board, reimbursements to all board, ~~and/or~~ committee, and/or organizational group members shall be paid directly to the company represented, and the member in turn requests reimbursement from his/her employer.

4. Provisions

The board members or authorized organizational group members shall utilize the expense report form provided by MRO to document a request for reimbursement or a detailed expense report from his or her

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organization with accompanying receipts. Requests for reimbursement must provide enough detail to determine the nature and type of reimbursable expense and receipts should be attached. Please refer to Appendix 2-1 for the appropriate form to request reimbursement.

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Requests from MRO Members for reimbursement must be submitted within 90 days of attending an MRO meeting, or a NERC meeting as an MRO representative, and no later than 60 days after year-end for December Meetings

MRO Expense Reimbursement Request			
Meeting Description:			
Date:			
Location of Meeting:			
Meeting Summary: *(Please provide a brief summary of the meeting or event)*			
Attendee Information			
Name:			
Member Organization:			
Telephone Number:			
E-mail Address:			
Fax Number:			
Member Signature:			
Cost Breakdown			
Airfare/Mileage:	$		(mileage at IRS approved rate)
Travel:	$		(taxi fares, subway fares, etc.)
Lodging:	$		(room costs + tax only)
Meals:	$		(includes gratuities)
Other:	$		(internet charges, airport parking, etc.)
Total:	$		
~~**Send Check To:**~~**ACH Payment**			
With the exception of independent directors of the board, reimbursements to all board and/or committee members shall be paid directly to the company represented, and the member in turn requests reimbursement from his/her employer.			

Please complete and return this request, along with receipts[1] to: ap@mro.net or fax to **651-855-1712**.

[1] A detailed expense report from your organization with receipt copies is acceptable documentation for reimbursement. Lack of proper documentation will result in a delay of your reimbursement. Canadian exchange rates will be based on the exchange rare reported by the Federal Reserve Bank (http://www.x-rates.com/cgi-bin/hlookup.cgi) for the date that the expense occurred. mailto:accountspayable@mro.net

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Policy and Procedure 4: MRO Antitrust and Standards of Conduct Guidelines

1. Objective

The objective of this policy and procedure is to set out the~~MRO's~~ Antitrust Guidelines and Standards of Conduct for the Midwest Reliability Organization (MRO), which are reviewed and followed at all board and organizational group meetings.

2. Policy

MRO's Antitrust Guidelines and Standards of Conduct will be reviewed at all board and organizational group meetings.

3. Responsibilities

In furtherance of the above policy, MRO staff is responsible for ensuring that MRO's Antitrust Guidelines and Standards of Conduct are presented and followed at all board and organizational group meetings.

4. Provisions

MRO's Antitrust and Standards of Conduct guidelines are as follows.

It is MRO's policy and practice to obey the antitrust laws and to avoid all conduct that unreasonably restrains competition. This policy requires the avoidance of any conduct that violates, or that might appear to violate, the antitrust laws. Among other things, the antitrust laws forbid any agreement between or among competitors regarding prices, availability of service, product design, terms of sale, division of markets, allocation of customers or any other activity that unreasonably restrains competition.

It is the responsibility of every MRO participant and employee who may in any way affect MRO's compliance with the antitrust laws to carry out this commitment.

Antitrust laws are complex and subject to court interpretation that can vary over time and from one court to another. The purpose of these guidelines is to alert MRO participants and employees of potential antitrust problems and to set forth policies to be followed with respect to activities that may involve antitrust considerations. In some instances, the MRO policy contained in these guidelines is stricter than the applicable antitrust laws. Any MRO participant or employee who is uncertain about the legal ramifications of a particular course of conduct or who has doubts or concerns about whether MRO's antitrust compliance policy is implicated in any situation shall consult the MRO President and Chief Executive Officer or MRO's General Counsel.

Participants in MRO activities (including those of its organizational groups) shall refrain from the following when acting in their capacity as participants in MRO activities (e.g., at MRO meetings, conference calls and in informal discussions):

- Discussions involving pricing information, especially margin (profit) and internal cost information and participants' expectations as to their future prices or internal costs;
- Discussions of a participant's marketing strategies;
- Discussions regarding how customers and geographical areas are to be divided among competitors;
- Discussions concerning the exclusion of competitors from markets; or
- Discussions concerning boycotting or group refusals to deal with competitors, vendors or suppliers.

From time to time, MRO decisions or actions (including those of its organizational groups) may have a negative impact on particular entities and thus in that sense adversely impact competition. Decisions and actions by MRO (including its organizational groups) shall only be undertaken for the purpose of promoting and maintaining the reliability, adequacy and security of the bulk power system. If you do not have a legitimate purpose consistent with this objective for discussing a matter, you should refrain from discussing the matter during meetings and in other related communications.

In addition, all discussions in MRO meetings and other MRO-related communications should be within the scope of the mandate for or assignment to the particular MRO organizational groups, as well as within the scope of the published agenda for the meeting.

No decisions shall be made, or any actions taken, in MRO activities for the purpose of giving an industry participant or group of participants a competitive advantage over other participants. In particular, decisions with respect to setting, revising, or assessing compliance with MRO reliability standards shall not be influenced by anti-competitive motivations.

Subject to the foregoing restrictions, participants in MRO activities may discuss:

- Reliability matters relating to the bulk power system, including operation and planning matters such as establishing or revising reliability standards, special operating procedures, operating transfer capabilities, and plans for new facilities;
- Matters relating to the impact of reliability standards for the bulk power system on electricity markets, and the impact of electricity markets on the reliability of the bulk power system;
- Proposed filings or other communications with state or federal regulatory authorities or other governmental entities; and
- Matters relating to the internal governance, management and operation of MRO, such as nominations for vacant committee positions, budgeting and assessments, and employment matters, and procedural matters such as planning and scheduling meetings.

Any other matters that do not clearly fall within these guidelines shall be reviewed with MRO General Counsel or MRO's President and Chief Executive Officer before being discussed

Standards of Conduct prohibit MRO organizational group members and registered entities from sharing non-public transmission sensitive information with anyone who is either an affiliate merchant or could be a conduit of information to an affiliate merchant.

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Transmission availability, capacity, maintenance or other operating or reliability information must not be shared with merchants through any method other than publicly, through the Open Access Same-Time Information System (OASIS). Some entities interconnected within MRO have signed a Confidential Data Access Agreement (CDAA) that includes names of employees who have been trained in FERC Standards of Conduct, understand the information sharing prohibitions, and are therefore authorized to receive non-public transmission sensitive information. MRO communications to interconnected entity employees may include non-public transmission sensitive information, only if all such employees present are named on CDAA(s).

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Appendix 4-12

Standards of Conduct Reminder:

Standards of Conduct prohibit MRO staff and organizational group members from sharing non-public transmission sensitive information with anyone who is either an affiliate merchant or could be a conduit of information to an affiliate merchant.

Anti-trust Reminder:

Participants in Midwest Reliability Organization meeting activities must refrain from the following when acting in their capacity as participants in Midwest Reliability Organization activities (i.e., meetings, conference calls, and informal discussions):

- Discussions involving pricing information; and
- Discussions of a participants marketing strategies; and
- Discussions regarding how customers and geographical areas are to be divided among competitors; and
- Discussions concerning the exclusion of competitors from markets; and
- Discussions concerning boycotting or group refusals to deal with competitors, vendors, or suppliers.

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Policy and Procedure 5: Confidentiality Policy

1. Objective

The objective of this policy and procedure is to maintain the confidentiality of the sensitive business information of Midwest Reliability Organization (MRO), MRO Members and others subject to Reliability Standards ("registered entities" on the NERC Registry).

2. Policy

In connection with preparing and/or receiving reports and engaging in other duties regarding the delegated responsibilities of MRO, directors and members of any organizational group may gain access to Confidential Information regarding MRO, MRO Members, and registered entities, including personnel and operations information. It shall be the responsibility of every director and organizational group member to maintain the confidentiality of such information in accordance with the policy set forth herein.

3. Responsibilities

In furtherance of the above policy, directors and members of any organizational group shall keep in confidence and not copy, disclose, or distribute any information designated as "Confidential Information," except as otherwise directed by a determination of a majority of the board of directors or as required by law.

4. Obligation to Review and Agree to Confidentiality Policy

Each director, or agent of MRO, and any member and its representatives who serve on any MRO organizational group shall annually sign a statement which affirms such person:

- Has received a copy of the confidentiality policy;~~, and~~
- Has read and understands the policy;~~,~~ and
- Has agreed to comply with the policy.

5. Provisions

A. "Confidential Information" includes, but is not limited to:

~~i.~~ Proprietary or confidential information, technical data, trade secrets or know-how, including, but not limited to, research, product plans and designs, products, services, customer lists and customers, markets, software, developments, inventions, processes, formulas, technology, designs, drawings, engineering, marketing, distribution systems, finances and other business information relating to such entity's operations that is not generally available to the public.

i.

~~ii.~~ Personnel information that identifies or could be used to identify a specific individual or that reveals personnel, financial, medical, or other personal information.

ii.

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iii. Critical energy infrastructure information (CEII), defined as specific engineering, vulnerability, or detailed design information about proposed or existing critical infrastructure that:
   a. ~~(i)~~ relates details about the production, generation, transportation, transmission, or distribution of energy;
   b. ~~(ii)~~ could be useful to a person in planning an attack on critical infrastructure; and
   c. ~~(iii)~~ does not simply give the location of the critical infrastructure.

"Critical infrastructure" consists of existing and proposed systems and assets, whether physical or virtual, the incapacity or destruction of which would negatively affect security, economic security, public health or safety, or any combination of those matters. CEII shall not be distributed outside of an organizational group, nor released publicly.

~~iii.~~ Knowledge of potential violations of Reliability Standards and Organizational Standards. This includes work papers, including any records produced for an evaluation or audit, and investigative files, including any records produced or created in the course of an investigation.

iv.

v. Cybersecurity incident information, consisting of any information related to, describing, or which could be used to plan or cause a cybersecurity incident as defined in 18 C.F.R. § 39.1.

B. "Confidential Information" does not include:

i. ~~(i)~~ information already known or independently developed by a director or organizational group member; ~~(ii)~~

ii. information in the public domain through no wrongful act of the director or organizational group member, or ~~(iii)~~

~~i.~~iii. information received by a director or organizational group member from a third party who was free to disclose it.

This obligation to maintain the confidentiality of Member-related and MRO-related Confidential Information applies both during and after a director's or organizational group member's term of service.

6. Permitted Disclosures

Nothing in this policy shall prohibit MRO's disclosure of a violation of a Reliability Standard at the point when the matter is filed with an appropriate governmental authority as a notice of penalty, the "violator" admits to the violation, or the alleged violator and MRO reach a settlement regarding the violation.

Nothing in this policy shall prohibit MRO from exchanging with NERC and other Regional Entities Confidential Information related to evaluations, audits, and investigations in furtherance of the compliance and enforcement program, on condition they continue to maintain the confidentiality of such information.

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7. Remedies for Improper Disclosure

If the confidentiality provisions set forth above are violated, the person violating the confidentiality provisions and any member organization with which the individual is associated may be subject to appropriate action by MRO or NERC, including prohibiting participation in future compliance and enforcement activities.

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Policy and Procedure 6: Dispute Resolution

1. Objective

Pursuant to Article 18.2 of the Midwest Reliability Organization (MRO) Bylaws, t~~T~~he objective of this policy and procedure is to establish~~set forth the Midwest Reliability Organization (MRO)~~ dispute resolution procedures for~~policies regarding~~ disputes ~~and resolution~~ between Members, or between a Member and MRO, for issues arising under the Bylaws.

2. Policy

Pursuant to Article 18.2 of the MRO Bylaws, ~~the MRO Board shall establish dispute resolution procedures for disputes between Members, or between a Member and the Corporation, for issues arising under these bylaws. D~~determinations related to violations of Reliability Standards will be resolved in accordance with the NERC Rules of Procedure, except as otherwise provided in applicable agreements and/or law governing a Member's membership in MRO.

Commented [JP1]: Section 18.2 Disputes. Dispute resolution procedures will be established by the board of directors for disputes between Members, or between a Member and the Corporation, for issues arising under these Bylaws. Determinations related to violations of Reliability Standards will be resolved in accordance with the NERC Rules of Procedure. Except as otherwise provided in applicable agreements and/or law governing a Member's membership in the corporation.

~~3. Responsibilities~~

~~The board shall establish dispute resolution procedures in accordance and/or consistent with NERC Rules of Procedure.~~

~~5.~~3. Provisions

Dispute resolution procedures are provided in~~attached to this policy as~~ Appendix 6-1. Disputes not involving enforcement of, or compliance with, Reliability Standards shall follow the dispute resolution procedures as outlined in Appendix 6-1.

MRO Internal Policies and Procedures

Document Retention and Destruction Policy

Policy Information	
Policy Number:	
Approved By:	Vice President General Counsel and Corporate Secretary
Date Approved:	
Effective Date:	
Responsible Party:	Legal Department
Last Revised On:	
Revision Notes:	New MRO Policy

Policy Purpose

The objective of this policy (Policy) is to provide a consistent, organized, and effective approach to manage the secure use, storage, and disposal of Records (as defined below). This Policy achieves several purposes, including:

- Complying with applicable legal and regulatory recordkeeping requirements;
- Ensuring the availability of Records when reasonably requested, including in response to any litigation or governmental investigation, audit or proceeding;
- Establishing appropriate retention periods for the storage and disposal of Records;
- Avoiding unnecessary duplication or mistaken use of superseded Records;
- Efficiently managing storage space and costs; and
- Establishing consistency, efficiency and productivity throughout Midwest Reliability Organization (MRO)

Policy Scope

This Policy applies to all MRO employees (Personnel). If there is any conflict between this Policy, including but not limited to any Retention Period (as defined below), and any applicable U.S. or foreign law, regulation, or contractual or other requirement, please notify the Legal Department for guidance.

Policy Implementation

Definition of a Record

A record is created or received by Personnel in transacting business for MRO, including but not limited to: documents, papers, diagrams, maps, photographs, tapes, correspondence, memoranda, drafts, electronic mail, and electronic files. Certain types of records (defined in this policy as “Records”) have specific legal requirements for retention periods, which are set forth in **Exhibit A.** Personnel are not required to retain records that are personal, have no business value, or have limited or transitory value (*e.g.,* notes, drafts of documents after the final version has been produced, routine replies and messages) and should retain such records for only as long as necessary for operational purposes.

Electronic Records Storage

This Policy applies to records in hard copy and in electronic format, including but not limited to electronic mail, databases, files and documents, computer hard drives, mainframes, and other digital and electronic media (Electronic Format).

MRO encourages Personnel to retain records in Electronic Format rather than hard copy where practical, cost-effective, and permitted by law. If converting a record from one medium to another (such as from hard copy to Electronic Format), Personnel must ensure the reasonably equivalent quality, readability, and completeness of the original.

Electronic Format records should be created, maintained and stored using MRO's folder structure system.

The retention, destruction, and deletion of electronic messages are set forth in the Electronic Message Retention and Deletion Policy.

Record Storage

Records should be stored on media that, under normal conditions, have a life expectancy at least equal to the Retention Period. Media may be changed if deemed reasonably appropriate. Backup tapes are for disaster recovery only and are not an archive or recordkeeping system.

Records should be stored in safe and secure facilities, and Personnel shall follow the record storage requirements set forth in the 1.8 Data Management Expectations in the IT Security and Operations Policy.

Record Retention Periods

Records should be retained, according to the type of Record ("Record Type"), for the period of time required by all applicable laws and regulations, as set forth in the list of retention periods in **Exhibit A** ("Retention Periods"), plus any additional period as desirable for business reasons. Unless otherwise noted or apparent, a Retention Period begins upon the creation of the Record.

If a Record falls under more than one Record Type, it should follow the Record Type with the longest retention period. A longer Retention Period shall apply if a Record contains a requirement (*e.g.,* contract terms) for it to be kept for a duration longer than the Retention Period. Personnel should contact the Legal Department with any questions regarding Retention Periods.

Audit, Investigation, Litigation or Proceeding

Immediately upon learning of an audit, investigation, litigation, or other proceeding involving MRO, the Legal Department shall notify all Personnel to preserve all records, both hard copy and electronic, pertaining to that matter or subject and to cease and avoid any destruction of the records pertaining to that matter or subject that would otherwise be authorized by this Policy.

It is an obstruction of justice to destroy, falsify, or alter any records in order to impede a federal investigation. It is also unlawful to destroy, falsify, or alter any records needed for a federal or state court or administrative proceeding. If any MRO Personnel is asked to falsify, alter, or destroy any records, he or she should immediately inform senior management or follow the reporting instructions set forth in the MRO Whistleblower Policy.

Destruction

A Record should be disposed of upon the expiration of its retention period, unless it is needed for business reasons. Electronic records should be destroyed/cleared in a way that removes all entity- specific information. Paper records and data should be rendered illegible and destroyed by shredding or depositing in specially marked disposal bins on the MRO premises. Personnel should take reasonable measures to avoid any accidental disposal of Records prior to the applicable Retention Period.

Enforcement
Any MRO employee found to have violated this policy may be subject to disciplinary action, up to and including termination of employment.

Annual Review
The Legal Department shall review this Policy on an annual basis.

Exhibit A

Record Retention Periods

A. Accounting and Finance
B. Contracts, Invoices and Purchase Orders
C. Corporate Records
D. Correspondence and Internal Memoranda
E. Employer Records and HR
F. CMEP

	Record Type	Retention Period	Applicable Law, Regulation, FERC Order, or NERC Rule of Procedure
A. Accounting and Finance			
1	Accounts Payable and Receivable Ledgers and Schedules	7 Years	121 FERC ¶ 61,057[1]
2	General Ledgers (Year End Trial Balances), Subsidiary Ledgers	7 Years	121 FERC ¶ 61,057
3	Bank Statements and Reconciliations	7 Years	121 FERC ¶ 61,057
4	Cancelled Checks	7 Years	121 FERC ¶ 61,057
5	Chart of Accounts	Permanent	121 FERC ¶ 61,057
6	Depreciation Schedules	Permanent	121 FERC ¶ 61,057
7	Financial Statements: Year-End	Permanent	121 FERC ¶ 61,057
8	Payroll: Records, Summaries and Time Sheets	7 Years	121 FERC ¶ 61,057
9	Tax Returns and the Financial Records/ Schedules Used in Preparation of Tax Returns	Permanent	121 FERC ¶ 61,057
B. Contracts, Invoices and Purchase Orders			
10	Current Contracts	Permanent	121 FERC ¶ 61,057
11	Expired Contracts	7 Years	121 FERC ¶ 61,057
12	Invoices (from vendors, to customers), Purchase Orders, Petty Cash vouchers, Receipt Records	7 Years	121 FERC ¶ 61,057

[1] In its 2008 Budget Order, FERC directed NERC to retain records of this type for the longer of five years or until a final Commission order is issued regarding the performance assessment for which the records are needed for reference purposes.

	Record Type	Retention Period	Applicable Law, Regulation, FERC Order, or NERC Rule of Procedure
C. Corporate Records			
13	Corporate Records (*e.g.*, Articles of Incorporation, Charters, Bylaws, Election Records, Minutes, Letter Granting 501c3 Status)	Permanent	121 FERC ¶ 61,057
14	Ownership of Property, Real Estate, Patents, Trademarks, Copyrighted Documents	7 years from the date ownership ends	121 FERC ¶ 61,057
15	Inventories	7 Years	121 FERC ¶ 61,057
16	Corporate Policies and Procedures	Permanent	121 FERC ¶ 61,057
D. Correspondence and Internal Memoranda[2]			
17	Correspondence and Memoranda on Legal and Important Matters	Permanent	121 FERC ¶ 61,057
18	Routine Vendor Correspondence	1 Year	121 FERC ¶ 61,057
E. Employer Records			
19	Employee Personnel Records (Includes All Employee Personnel Records Not Specifically Accounted For in Another Category Within this Table)	7 Years After Termination	121 FERC ¶ 61,057
20	Employee W-2 and Payroll Tax Returns	7 Years	121 FERC ¶ 61,057
21	Health and Welfare Benefit Claims Filings (For Records used to Support Agency Filings or Determine Benefits Due to Employee Disability)	7 Years After the Date the Record is Filed	ERISA §§ 107, 209
22	COBRA Notices, Acknowledgment of Receipt of COBRA Notices, COBRA- Related Correspondence, Elections, Waivers, and Records of Premium Payments	7 Years	Pub. L. No. 99-272 (1985)
23	HIPAA Records (Including Notices, Certifications, and Waivers)	As Long as Participant or Beneficiary Has a Benefit Under the Plan, and 7 Years Thereafter	45 C.F.R. §164.530

[2] As general guidance, relevant correspondence and internal memoranda should be retained for the same period as the document they pertain to or support. For instance, a letter pertaining to a particular contract would be retained as long as the contract. It is recommended that records that support a particular project be kept with the project and take on the retention time of that particular project file.

	Record Type	Retention Period	Applicable Law, Regulation, FERC Order, or NERC Rule of Procedure
24	Pre-Employment Records (Including Reference Checks, Results of Tests, Physical Examinations)	Individuals Who Are Hired: 7 Years After Termination Individuals Who Are Not Hired: 1 Year from Making of Record, or 1 Year of Termination or Other Personnel Action Based on the Record, or Until Final Disposition of Any Discrimination Action, Whichever Is Later	29 CFR §1602.14 29 CFR §1627.3(b)(1)(i)(iv-v)
25	Insurance Policies and Employee Benefit Plan Governing Documents (including expired policies)	Permanent	121 FERC ¶ 61,057
26	Pension Documents and Records	Permanent	121 FERC ¶ 61,057
27	Advertisements or Notices to the Public or Employees Relating to Job Openings, Promotions, Training Programs, or Opportunities for Overtime Work, Including Correspondence with Employment Agencies	1 Year from Date of the Personnel Action to Which the Record Relates; But If Enforcement Action Has Been Filed, Must Be Kept Until Final Disposition of the Action	29 CFR §1627.3(b)(1)(vi)
28	INS Form I-9 Employment Eligibility Verification Forms	New Employee: 7 Years After Date of Hire or 1 Year After Date of Termination, Whichever is Later Previously Hired Employee: 7 Years After Execution of Form or 1 Year After Termination of Employment, Whichever Is Later	8 CFR §274a.2(c)(2) and 274a.2(b)(2)(i)(A)

	Record Type	Retention Period	Applicable Law, Regulation, FERC Order, or NERC Rule of Procedure
29	Requests for Medical Accommodations and Accompanying Documentation	1 Year from Making of Record, or Within One Year of the Personnel Action Taken Based on Record (including Termination), or until Final Disposition of Any Discrimination Action, Whichever Is Later	29 CFR §1602.14
F. CMEP Records			

	Record Type	Retention Period	Applicable Law, Regulation, FERC Order, or NERC Rule of Procedure
30	CMEP Information (all information and data generated or received pursuant to CMEP activities, including Self- Logging, Compliance Audits, Self-Certifications, Spot Checks, Compliance Investigations, Self- Reports, Periodic Data Submittals, Exception Reporting, and Complaints, and the hearing process)	The longer of: (i) 7 years or (ii) any retention period specified in a Reliability Standard or by FERC. The obligation to retain information and data commences upon the initiation of the CMEP activity that produces the data or information. If the information or data is material to the resolution of a controversy, the retention period for such data shall not commence until after the controversy is resolved.	Appendix 4C to the Rules of Procedure -- Compliance Monitoring and Enforcement Program (CMEP) Section 9.2, Retention Requirements
31	Archived Reliability Standards Information	6 years or one complete Reliability Standard review cycle from the date on which the Reliability Standard was no longer in effect.	NERC Rule of Procedure Section 319
32	Documentation used to substantiate the conclusions of MRO/NERC regarding registration / certification	6 Years	NERC Rule of Procedure Sections 502.2.2
33	Copies of notes, draft reports, and other interim documents developed or used during an entity Certification	Must be destroyed after the public posting of a final, uncontested Certification report or after the resolution of a contested Certification report.	NERC Rules of Procedure Section 502.2.2.4

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Policy and Procedure 9: Consolidated Hearing Process

1. Objective

The objective of this policy and procedure is to set forth the Midwest Reliability Organization (MRO) policies regarding the selection and compensation of MRO Regional Representatives to serve on an ERO Hearing Body as described in in Section 403.15B ("Consolidated Hearing Process") of the NERC Rules of Procedure (ROP) and detailed in Attachment 2 ("Hearing Procedures") of Appendix 4C of the NERC Rules of Procedure ("Compliance Monitoring and Enforcement Program" or "CMEP" established to address MRO matters.

2. Policy

The ERO Hearing Body will have the authority to conduct hearings and render decisions on compliance issues in which a registered entity contests the finding of an alleged violation, proposed penalty or sanction, or a proposed mitigation plan. The details of the hearing process and duties of the Hearing Body are identified in the applicable NERC ROPs.

3. Responsibilities

A. Selection of MRO Regional Representatives:

When selecting individuals to serve as MRO Regional Representatives on an ERO Hearing Body, the Governance and Personnel Committee will appoint individuals with the requisite expertise related to the technical or procedural aspect(s) of the contested issue. The Governance and Personnel Committee may appoint individuals who have previously served on the MRO Board of Directors or on a MRO organizational group.

If the Governance and Personnel Committee determines that there are no former MRO board members or organizational group members available to serve on an ERO Hearing Body, the Governance and Personnel Committee may appoint one or more individuals who have industry experience in the MRO region. If the Governance and Personnel Committee is not able to identify individuals with the requisite knowledge and expertise, the Governance and Personnel Committee may seek nominations from the current list of MRO members.

The Governance and Personnel Committee will not appoint two individuals whose most recent employer, or the employer with which the individual spent the majority of his/her career, are from the same industry sector. In appointing Representatives, the Governance and Personnel Committee will consider any real, or perceived, conflicts of interest an individual may have in serving as a Representative. Representatives may not be employed by, or conducting work for, any entity on the NERC Registry. Representatives may not have more than a *de minimus* equity interest (as defined in MRO's Policy and Procedure 10: Conflict of Interest) in the registered entity that is the party to the hearing.

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B. Compensation:

Individuals appointed to serve as a MRO Regional Representative on an ERO Hearing Body will be compensated as follows:

- For time spent in reviewing documentation and preparing for a hearing, including time to obtain necessary training, a MRO Regional Representative will receive compensation of $5,000.
- For attendance at a hearing, a MRO Regional Representative will receive a flat per day rate of $3,000 for each day of the hearing[1] for each of the first 10 days during which the hearing is conducted. Starting on day 11, and for each day after, the flat per day rate will be $1,500 for each day of hearing until the maximum compensation amount has been reached.
- The maximum compensation per hearing appointment to be paid to MRO Regional Representatives is $50,000. Requests for compensation for reasonable time spent in excess of the maximum total amount will be subject to review and approval of the MRO Finance and Audit Committee.
- In addition to compensation outlined above, MRO Regional Representatives will receive reimbursement of reasonable out-of-pocket expenses incurred in attending a hearing including, but not limited to, travel, meals, and accommodations.

[1] Travel to and from the hearing the day before or the day after the hearing is not considered a hearing day for purpose of this fee. A day(s) spent in post-hearing deliberations required by the hearing is considered a hearing day for the purpose of this fee.

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Policy and Procedure 10: Conflicts of Interest

1. Objective

The objective~~purpose~~ of this Conflict of Interest Policy (Policy) is as follows:

- To protect the reputation and integrity of MRO's business and the exercise of its delegated responsibilities from the North American Electric Reliability Corporation from real or perceived Conflicts of Interest.
- To protect MRO's tax-exempt interest when MRO is contemplating entering into a transaction or arrangement that might benefit the private interest of a MRO director might result in a possible excess benefit transaction.[1]
- To provide for a procedure to identify, disclose, and resolve Conflicts of Interest.

This policy is intended to supplement, but not replace, any applicable state and federal laws governing Conflict of Interest applicable to nonprofit corporations.

2. Policy Application

This policy and procedure is applicable to Midwest Reliability Organization's (MRO) directors.

3. Definitions

A. Conflict of Interest:

A "Conflict of Interest" is:

- A director or a Family Member is a party to a contract with MRO;
- A director or a Family Member is a party to a contract with MRO and an entity in which the director or Family Member is also a director, officer or other legal representative;
- A director is involved or participating in a Particular Matter directly or indirectly involving MRO; or
- A director or a Family Member has a Material Financial Interest in a transaction or a Particular Matter between MRO and an entity in which the director or Family Member is also a director, officer, or other legal representative.

In situations where you are uncertain, err on the side of caution and disclose the potential conflict as set forth in the Policy. A potential conflict is not necessarily a Conflict of Interest.

[1] An "excess benefit transaction" is defined by the I.R.S. as "the amount by which the value of the economic benefit provided by an applicable tax-exempt organization directly or indirectly to or for the use of any disqualified person exceeds the value of the consideration (including the performance of services) received for providing such benefit." 26 C.F.R. § 53.4958-1(b) (2013) http://www.law.cornell.edu/cfr/text/26/53.4958-1

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B. Family Member:

A "Family Member" is a spouse, parent, child, or spouse of a child of a director, and includes other members of the household of a director whereby the director's impartiality may be influenced by the interests of Family Members and thus be imputed to the director for Conflict of Interest purposes.

C. Material Financial Interest:

A "Material Financial Interest" is a financial interest of any kind, which in view of a reasonable person, there is a predictable (real, as opposed to speculative possibility) that the matter will affect the financial interests of the director or Family Member to a level greater than a Di Minimis Interest.

D. Particular Matter:

A "Particular Matter" is a matter where MRO is directly or indirectly involved where in the view of a reasonable person the participation or involvement of the director may cause concerns a director is not acting in good faith and in the best interest of MRO.

E. Disclosure:

A "Disclosure" is the Conflict of Interest Disclosure Questionnaire in the form attached to this Policy.

F. Gift:

A "Gift" is anything of a value, which includes cash, loans, personal favors, discounts, contributions or goods or services from an industry stakeholder or any other person or entity doing business with MRO except to the extent such Gift is offered to the general public on the same terms and conditions.

G. Independent Director:

An "Independent Director" is a director who meets the criteria provided in Section 1.13 of~~included in~~ the MRO~~'s~~ Bylaws and any other requirements as approved by the board.

H. Di Minimis Interest:

A "Di Minimis Interest" means: (a) it is not more than .0005 of that equity's outstanding equity interests; (b) no more than 5%of the equity's consolidated gross revenues come from activities related to the work that requires the entity to be on the NERC Compliance Registry; or (c) the investment is held in a (i) diversified fund; (ii) a blind trust; or (iii) unified investment trust.

4. Disclosure Process - Disclosing Potential Conflicts of Interest

A. If a director believes he or she may have a potential Conflict of Interest, the director shall first bring the matter to the Governance and Personnel Committee (GPC) Chair and the Vice President General Counsel to discuss the potential Conflict of Interest.[i] The director shall provide an updated Disclosure and a written statement describing the potential Conflict of Interest and detailing all material facts. If as a result of the review of the written statement and resulting discussion, all the parties involved agree there is a real Conflict of Interest, the director shall recuse him or herself from voting on the matter giving rise to the Conflict of Interest. If the director does not agree with the recusal decision, the matter will proceed to the Governance Process.

~~A.~~B. Annually all directors shall review this Policy and sign the Disclosure in the form attached to this Policy. New directors must submit the Disclosure prior to first board meeting. The Disclosure shall be submitted to the Assistant Corporate Secretary.

~~B.~~C. If the director or an MRO employee, has reasonable cause to believe that a director has failed to disclose a Conflict of Interest as required by this Policy, that individual shall inform the GPC Chair and the Vice President General Counsel of the basis for such belief in a written statement and these individuals will investigate the matter.

5. Governance Process - Determining Whether a Conflict of Interest Exists

A. In the event there is a potential Conflict of Interest and the director disputes the recusal decision in the Disclosure Process, such director may bring the matter forward to the GPC.

~~A.~~B. The GPC will ensure that the director has an opportunity to disclose all material facts and make a presentation related to the potential Conflict of Interest. After disclosure and an opportunity for the governing body to discuss the issue with the director, he or she will leave the meeting. The GPC will deliberate and determine if a Conflict of Interest exists.

~~B.~~C. In determining whether a Conflict of Interest exists, the GPC shall consider whether the potential Conflict of Interest would cause the transaction entered into by MRO to raise questions concerning good faith, fair dealing, or acting in the best interest of MRO or any other impropriety. The person asserting the validity of contract or transaction has the burden of proof establishing the contract or transaction is fair and reasonable to MRO.

~~C.~~D. After the material facts of the contract or transaction are fully disclosed and made known to the GPC, the GPC may determine by a majority vote of disinterested GPC members, that there is or is not a Conflict of Interest. If the GPC determines there is a Conflict of Interest, the director shall recuse him or herself from voting on the matter giving rise to the Conflict of Interest, or proceed to bring the matter before the MRO board.

~~D.~~E. The MRO board may accept the GPC's decision or allow the director to fully disclose to the board the material facts of the potential Conflict of Interest and the director's interest. After such disclosure, the board will determine if it believes a real Conflict of Interest exists by a majority of the directors entitled to vote. If the board vote finds a Conflict of Interest, the director must recuse him or herself from voting on the matter giving rise to the Conflict of Interest.

6. Record of Procedures

The minutes of the governing body addressing the Conflict of Interests or any other matter under this Policy and Procedure shall be specific and where applicable contain:

A. The names of the person(s) who disclosed or was otherwise found to have actual or possible Conflict of Interest, the nature of the Conflict of Interest, any action taken to determine whether a Conflict of Interest was present, and the governing body's decision as to whether a Conflict of Interest in fact existed.

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B. The names of the persons who were present for discussions and votes relating to the contract or transaction, the content of the discussion, including any alternatives to the proposed transaction or arrangement, and a record of any votes taken in connection with the proceedings.

7. Prohibitions Regarding Gifts

~~A.~~ Directors shall not accept any Gifts except to the extent such Gift is offered to the general public on the same terms and conditions or is a gift given by MRO. Gifts should be returned or offers declined with an explanation of these Policy requirements. If the Gift is perishable, it should be donated.

A.

~~B.~~

~~C.~~B. The acceptance of payment of a vested benefit by an Independent Director who has retired from an entity (including predecessor or successor entities) on the NERC Compliance Registry is not prohibited provided the benefit does not result in more than a Di Minimis equity interest.

8. Prohibitions for Directors Regarding MRO's Compliance Monitoring and Enforcement Program (CMEP)

A. No director may participate in any manner in MRO's investigations related to a potential violation, compliance audits, reports, sanction determinations, or other matters within the CMEP.

~~A.~~B. MRO Industry Sector and Regional Directors may engage in actions on behalf of their employer regarding a compliance monitoring, mitigation and/or enforcement matter where MRO is involved. Concerns about the participation of any MRO Industry Sector or Regional Director may be raised by any director or MRO employee and should be brought to the attention of the MRO President and CEO who will seek an appropriate resolution of the matter with the advice and counsel of the Independent Directors.

[i] If the matter involves the GPC Chair making such disclosure, the Disclosure and written statement shall be submitted to the MRO Board Chair and the Vice President, General Counsel.

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Policy and Procedure 11.1: Executive Officer Employment Agreements

1. Objective

The objective of this policy is~~Midwest Reliability Organization's (MRO) Executive Officer Employment Agreements Policy is designed~~ to provide the criteria for the use, review, and approval of employment agreements for executive officers and executive staff.

2. Policy

Executive officer and executive staff employment agreements are subject to the approval of the board. Such employment agreements should be reasonable in terms, conditions, and duration.

3. Procedures

Executive officer and executive staff employment agreements shall be presented to the board for consideration and approval in executive session. Agreements may be executed by the board chair, a designate of the board chair, or the President and CEO, after board approval.

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Policy and Procedure 12: General Finance Policies

1. Objective

The objectivepurpose of this policy and procedure is to define howsection is to present the policies the Midwest Reliability Organization (MRO) follows in manageseing its financial, operational, and budgetary affairs. These are general policy statements representing long-standing principles, traditions, and practices that have guided MRO in maintaining its financial stability.

2. Policy

These financial policies are intended to cultivate a culture of success and awareness of the vital need for prudent, informed and sound judgment in managing the financial and physical resources of MRO.

3. Provisions

A. Access to Records:

Members may inspect all books and records and voting agreements for any proper purpose at any reasonable time.

B. Accounting Method:

MRO utilizes the accrual basis of accounting that recognizes revenues when they have been earned and expenses when they have been incurred consistent with generally accepted accounting principles (GAAP).

C. Fiscal Year:

MRO's Calendar Year is January 1 to— December 31.

D. Accounts Payable Accruals:

MRO accrues unpaid expenses at the end of the year on its financial records. Expenses have no minimum dollar limit and include accounting for estimates.

E. Accounts Receivable Write-Off Procedures and Authority:

All reasonable means of collecting accounts receivable will be exhausted before write-off procedures are initiated. If write-off procedures have been initiated, the following accounting treatment applies:

i. Invoices written off that are dated during the current year will be treated as a reduction of the appropriate revenue account.
ii. Invoices written off that are dated prior to the current year will be treated as bad debt.

F. Annual Audit:

MRO shallwill retain an independent accounting firm to conduct an annual audit. The MRO Board of Directors shallwill approve the accounting firm. The MRO Finance and Audit Committee may review proposals received from accounting firms and make recommendations to the board of directors.

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G. Bank Accounts:

The board of directors shall approve the financial institutions in which MRO maintains funds unless such account is mandated by regulations. No accounts may be established without a resolution of the board unless such account is mandated by regulations. The board of directors will be notified of any accounts mandated by regulations. Accounts for the collection of financial penalties under Section 215 of the Federal Power Act (U.S.) shall be segregated in a separate interest bearing account and released into general funds consistent with regulations or other rules.

H. MRO Retiree Medical Trust Funding, Reserves, and Budget:

The annual retiree medical trust funding, reserves, and operating and capital budget, shall be prepared by the MRO staff in conjunction with the standing committees and submitted to the Finance and Audit Committee for approval by April 15. The Finance and Audit Committee will recommend the approved retiree medical trust funding, reserves, and budget, to the board of directors for adoption (typically the second board of directors meeting prior to the due date to NERC in the month of July). The MRO Retiree Medical Trust funding amount will be based on an actuarial study that is reviewed during the annual independent financial audit. The funding amount will be included in the budget as part of the personnel expense. The reserves will include a balance necessary to satisfy projected annual cash flow and cash balance requirements or as required by regulations. MRO staff may propose to set aside funds in a separate reserve account to be released in future periods to mitigate year-to-year variations in assessments. The reserves shall be reviewed annually to evaluate the sufficiency of the balance. The budget will include all resources necessary to complete the activities indicated in the annual implementation of the business plan. Committee chairs and vice chairs shall be included in the budgeting process to obtain action plans that may be helpful in ensuring a complete budget. The budget will reflect revenues equal to expenses unless specifically adopted by the board of directors to reflect a reserve in any particular year or if required by regulations. The budget will be monitored by MRO staff and the MRO Finance and Audit Committee for financial performance to ensure program goals are met consistent with the business plan and budget.

I. Capital Expenditures:

MRO purchases will be made by competitive bid on all expenditures of $10,000 or more. Exceptions are to be noted by memorandum and provided along with appropriate purchasing documentation to the approving authority. In evaluating competitive bids, MRO shall give due consideration to each bidder's policies regarding supplier's diversity and use of local business.

J. Capitalization Cutoff Points:

MRO will expense assets in the period purchased if these assets cost less than $3,000. Assets costing in excess of $3,000 will be capitalized and depreciated in accordance with MRO's depreciation policies. Capitalization of intangible assets will be limited to assets of a significant monetary nature at no less than $15,000. These assets must meet the definition of an intangible asset and be identified as having significant relevance to the operation of the organization. Any previously recognized intangible found to be impaired and no longer meeting the monetary threshold will be a write-off due to loss in value.

K. Check Disbursements[i]:

All check disbursements will require approved invoices or expense vouchers. The resulting checks will be signed by an authorized check signer.

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L. Check Endorsement Policy:

All checks shall be endorsed immediately upon receipt with a stamp for deposit only into the MRO checking account. The stamp will include the appropriate bank name and account number.

M. Check Signers:

Check signing authority is granted to the President and CEO and the Treasurer. Two alternate staff have authority as secondary signers for checks requiring two signatures. The department directors review invoices relating to their area of responsibility to ensure that proper documentation and authorization are included prior to payment. The Treasurer reviews all invoices to ensure that proper documentation and authorization are included prior to payment.

N. Expense Checks for MRO Staff:

Expenses will be reviewed and approved by the responsible manager or department director. The President and CEO's expenses will be reviewed and approved by the Governance and Personnel Committee Chair. This review and approval may occur via electronic means.

O. Prepaid purchases:

MRO records prepaid service costs of a short-term nature on its financial records that are in excess of $3,600 or the equivalent of $300/month.

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[i] Electronic disbursements also require approved invoices or expense vouchers. The resulting payment is electronically approved by an authorized check signer.

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Policy and Procedure 13: Reserves Policy

1. Objective

The objective~~purpose~~ of this policy and procedure is to identify and communicate Midwest Reliability Organization's (MRO) policy for the determination of the company's annual targeted operating reserves, the requirements and the authorization of management to access these funds, as well as, the use of reserve funds for asset stabilization.

2. Policy

MRO's annual targeted operating reserves requirement shall be an amount necessary to satisfy projected cash flow and cash balance requirement to support planned operations, including reasonable contingencies. Each year MRO staff will propose the amount for the targeted operating reserves as part of the business plan and budget process to the Finance and Audit Committee (FAC), which will make a recommendation to the MRO Board of Directors for its approval. In addition, MRO staff may propose to set aside funds in a separate reserve account to be released in future periods to mitigate year-to-year variations in assessments.

A. Guidelines Applicable to Determination of Reserves

The targeted operating reserves requirement will be determined based on the additional cash-on-hand necessary to meet unplanned, short-term financial needs resulting from changes in the level of expenditures that would adversely affect the company's total annual operating budget during the budget year, where the total budget reflects prudent fiscal discipline and good stewardship of resources.

Additionally, operating reserve funds may be used, when available, to mitigate year-to-year variations in assessments. Variations can result from a variety of factors, including but not limited to the application of penalty funds, surplus funds available from a prior period, or significant, and relatively short-term, operating or capital spending needs. Except as otherwise approved by the board, reserve funds may not be used for any purpose inconsistent with this policy.

B. Guidelines and Authorities Applicable to Expenditures of Reserves

The following guidelines, limitation, and authorities shall apply to reserve expenditures.

i. MRO staff shall have the authority to reduce or reallocate funding within the approved annual budget when such reduction or re-allocation does not result in the need for additional funding in the current or future years. Use of operating reserves is not considered "additional funding." Such reductions or reallocations in funding shall be reported to the FAC.
ii. MRO staff shall have the authority to access operating reserves and reallocate funding if it does not result in the need for additional current or future funding beyond the operating reserves. Accessing the operating reserves and the reallocation in funding shall be reported to the FAC.

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iii. MRO staff shall request FAC and board approval with respect to the use of operating reserves and the reallocation of funding due to the following:
   a. Reallocation of approved budget funds and/or use of reserve funds, which have budget implications in future years.
   b. Reallocation of approved budget funds and/or use of reserve funds, which materially impact the organizations ability to meet its functions under the Delegation Agreement.

iv. Any expenditure of funds that would deplete all short-term cash resources requires staff to evaluate the need to acquire funds for cash management from the credit line and/or request for supplemental funding from NERC as approved by FERC. Prior approval by the FAC and the board of directors is required before accessing the line of credit or seeking supplemental funding from NERC.

All expenditures of funds are subject to other applicable company policies and procedures, including currently effective procurement policies.

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Governance and Personnel Committee Charter

I. Organization

There shall be a committee of the Board of Directors (Board) of Midwest Reliability Organization (MRO or Company) known as the Governance and Personnel Committee (Committee). This Charter shall govern the Committee with regard to its duties and responsibilities.

II. Purpose

The Committee assists the Board in fulfilling its oversight responsibilities and duties in three areas: governance, board, and personnel matters, which are enumerated in Section III of this Charter.

III. Responsibilities

The Committee shall have the following responsibilities and duties:

1. Governance:
   a. Receive, and review with staff, staff's assessment of Company's bylaws, policies and procedures, and compliance with the Regional Delegation Agreement, as well as regulatory requirements and recommend changes as necessary to the Board.
   b. Coordinate the performance of the periodic stakeholder survey and recommend actions to the Board to take in response to the stakeholder survey and monitor those initiatives.
   c. Maintain a policy and procedure to resolve any dispute between members or between a member and the Corporation.
   d. Maintain a policy and procedure to facilitate NERC's Consolidated Hearing Process.
   e. Designate the committee chair or a member to serve as the Meeting Secretary for executive session Board meetings that are held without staff.
   f. Annually review and make recommendations to the Board regarding the Committee's Charter. Review any proposed changes to other Board committee charters and make recommendations to the Board for approval.
   g. If the board chair is not an independent director, the chair of the committee will be responsible for providing advice to the Board chair on setting the Board's agenda and other material or strategic matters.
   h. The Independent Directors will meet will the President and CEO, General Counsel, and relevant Compliance Monitoring, RAM, and Enforcement staff at least annually to discuss any concerns with the board of directors as it pertains to the independence of MRO's Compliance and Monitoring and Enforcement Program.
2. Board:
   a. Identify and recommend independent Board member candidates to the Board.
   b. Encourage the members to identify qualified regional and industry sector Board candidates.
   c. Recommend regional Board member candidates to the Board.
   d. Review regional director position description in Q1 of the year any regional director seat is expiring to ensure membership alignment with board geographic and sector representation, as well a current board skill set needs.
   e. Review board balance at the same time as the regional director review (provided above) in matters of geographic and sector representation, as well as Net Energy Load (NEL) and the standards requirement for each sector.
   f. Receive timely reports from staff on individual Board member attendance if there is a concern that a Board member's attendance may not be consistent with the Board's Guiding Principles or the bylaws.

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g. Address any concerns about a Board member's current or future ability to serve on the Board. Depending on the nature of the concern, the committee chair, the committee, or the Board may address the concern. The committee will report all concerns to the Board in a timely manner, which could include requesting a special executive session of the Board or reporting at the next regularly, scheduled session of the Board, depending on the nature of the concern.
h. With staff, annually evaluate the compensation for independent Board members, following the IRS procedures in order to secure the benefit of a rebuttable presumption the compensation is reasonable. Consider the NERC Board of Trustee compensation study and the compensation for other Regional Entity Independent Directors. If advisable, set the compensation for MRO Independent Directors as a percent of the NERC Board of Trustee. Any adjustment to compensation shall occur in the following year.
i. Present recommendations to the Board regarding reasonable compensation for independent Board members. The recommendations may be for a multi-year period.
j. Coordinate orientation for new Board members and recommend on-going training for Board members.
k. Coordinate the performance of the Board's periodic self-assessment, recommend to the Board actions to be taken in response to the self-assessment, and monitor those initiatives.
l. In conjunction with staff, the Finance and Audit Committee, the Board, and the Company's insurance providers, annually review the Company's D&O coverages and limitation of liability provisions for Board members and Company personnel and make recommendations as appropriate.

3. Personnel:
   a. Annually, receive and review with staff, staff's assessment of personnel policies and procedures, including activities relating to recruiting, retention, and training of employees.
   b. Receive and review with the Chief Compliance Officer any complaints made pursuant to Policy and Procedure 7: Whistleblowing.
   c. Receive quarterly reports from the Director of Human Resources on employee matters, including but not limited to development initiatives, engagement initiatives, recruitment and retention efforts, diversity and inclusion efforts, succession planning, and employee training.
   d. With respect to executive staff, in collaboration with the President and CEO, the Committee shall recommend for adoption by the Board an "Executive Compensation Policy" (and from time to time modifications thereto) that sets forth the Company's compensation philosophy for executive staff.
      i. The compensation philosophy shall set forth:
         1. Company's strategy for ensuring that rewards are commensurate with Company's success and the creation of value for its members, and that the strategy supports the achievement of Company's objectives.
         2. The means by which goals and objectives are established pertaining to all annual and long-term incentive compensation plans, if any, for the executive staff.
         3. Criteria for the use, review, and approval of employment agreements for executive staff.
   e. Annually, the Committee shall meet with the President and CEO and review the compensation of each executive staff employee to determine whether the compensation complies with the Executive Compensation Policy. The President and CEO may, from time to time, or at the request of the Committee, retain the services of an independent compensation consultant to facilitate this review. The Committee shall report the conclusions of this review to the Board, along with any recommended actions arising from this review.
   f. Review with the President and CEO succession plans for key staff on a biennial basis, or more frequently as appropriate.

g. Review annually the performance of the President and CEO and recommend the compensation of the President and CEO for approval by the Board. The chair of the Committee will review and approve the President and CEO's expense reports.
h. Review and recommend approval of any employment agreements for executive staff.
i. Address any issues raised related to the performance of the Company's executive staff and recommend appropriate action to the Board.
j. Receive notice of and review with staff any material compliance matter with regard to the administration of MRO benefit plans.
k. As deemed appropriate by the Committee, obtain advice and assistance from internal and external accounting, legal or other consultants to provide advice to the Committee on matters under its purview.

4. Other duties related to review, reports and improvement procedures:
   a. Report to the Board on the matters discussed at each Committee meeting, as appropriate.
   b. Perform any other activities consistent with this Charter, the Company's bylaws and governing law, as the Committee or the Board deems necessary or appropriate.

IV. Membership

The Committee shall generally consist of seven directors (in interim periods, the committee can operate with fewer appointed directors), and none of the Committee members shall be an officer or employee of the Company, but shall be independent of the management of the Company and free of any relationship that, in the opinion of the Board, would interfere with the exercise of independent judgment as a Committee member. The Committee membership shall include all of the independent Board members currently seated on the Board.

The members of the Committee shall be appointed by the chair of the Board to serve a term of two years or until successors shall be duly appointed and qualified. Terms shall be staggered so that the terms of all members do not expire in the same year. If a member of the Committee resigns before the end of his or her term, a replacement will be appointed by the chair of the Board for the duration of the term. The chair of the Committee will be an Independent Director ~~who will be elected by the Independent Directors and approved by the Board~~.

V. Meetings

The Committee shall meet annually, or more frequently as circumstances dictate. The chair of the Board, the chair of the Committee, or a majority of the Committee members may call meetings of the Committee. The chair of the Committee shall prepare or approve an agenda in advance of each meeting. Members of staff shall be included in the meeting at the discretion of the chair and as needed based on the agenda topics. With the exception of directors, the chair may excuse any non-Committee members from attendance at any meeting or portion of any meeting.

A quorum shall exist when at least four members of the Committee are present except for the purposes of setting independent director compensation. In order to follow the IRS procedures to secure a rebuttable presumption that the compensation is reasonable, a quorum shall consist of the three Industry Sector or Regional Directors. A simple majority of the Committee members present may approve an action.

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Organizational Group Oversight Committee Charter

I. Organization

Pursuant to the authority granted in Article 8 of the Bylaws of the Midwest Reliability Organization (Bylaws), ~~T~~there shall be a committee of the Midwest Reliability Organization (MRO or Company) Board of Directors (b~~B~~oard) known as the Organizational Group Oversight Committee (OGOC or Committee). This charter reflects the authority delegated by the b~~B~~oard to the OGOC~~Committee~~ and shall govern the OGOC~~Committee~~ with regard to its duties and responsibilities.

II. Purpose

The purpose of the OGOC~~Committee~~ is to fulfill~~s~~ the b~~B~~oard's responsibilities provided in Article 8 of the MRO Bylaws~~regards to MRO's organizational groups outlined in Article 8 of the MRO Bylaws~~.

III. Responsibilities

The OGOC~~Committee~~ shall have all of the authority necessary to fulfill the b~~B~~oard's responsibilities provided in~~under~~ Article 8 of the MRO Bylaws, including the following responsibilities and duties:

A. Establishment of Organizational Groups.
   1. The OGOC~~Committee~~ shall have the ability to establish and abolish organizational groups, consisting of committees, sub-committees, councils, sub-councils, task forces, and working groups of Members to accomplish the purposes of MRO in an efficient and cost-effective manner.
   2. To ensure the organizational groups are efficient and cost-effective the OGOC~~Committee~~ shall endeavor to:
      a. avoid establishing organizational groups that duplicate work being done by existing ERO Enterprise organizational groups, as well as those of industry and/or trade associations; and
      b. periodically review the efficiency and cost effectiveness of the organizational groups.

B. Establishment of Policies and Procedures Governing Organizational Groups.
   1. The OGOC~~Committee~~ shall establish policies and procedures governing organizational groups that address:
      a. membership of the organization group, which shall be determined based on experience~~, and~~ expertise and ~~and to the extent practicable, be~~ geographically diverse, and to the extent practicable shall included balanced representation of the ~~l and i~~ndustry S~~s~~ectors~~ balanced~~;
      b. the size of the organizational group and how the organizational group will be populated;
      c. how voting and related matters are conducted;
      d. how organization groups may be reorganized;
      ~~c.~~e. how the leadership of the organizational group will be determined;
      ~~d. the manner in which decisions will be made and voting will be conducted;~~
      ~~e.~~f. the reimbursement of members of organizational groups for reasonable travel, meal, and lodging expenses for organizational group meetings or representation of MRO at other meetings authorized by the ~~Committee~~OGOC.

C. Oversight and Interaction with Organizational Groups.

1. The OGOC~~Committee~~ shall consider documents such as the ERO Enterprise Long Term Strategy, ERO assessments, the MRO Regional Risk Assessment, system event reports and event trending in the MRO region. The OGOC~~Committee~~ shall also consider the work of NERC's Reliability Issues Steering Committee and consult with MRO staff in establishing organizational groups and providing guidance on how this work can further MRO's vision, mission and initiatives.
2. The OGOC~~Committee~~ will ensure that the organizational groups produce deliverables for the ERO, the MRO region, and/or industry that positively impact the reliability, security and/or resilience of the bulk power system as measured by metrics described in the MRO and/or the ERO, or regional metrics established by the OGOC~~Committee~~.
3. The OGOC~~Committee~~ will periodically meet with the leadership of the organizational groups to provide direction on the organizational groups' work plans and to discuss the organizational groups' work and how it fulfills the vision, mission and initiatives of MRO, as well as to discuss any challenges faced by the organizational group and how those challenges might be resolved.

D. Designation and Oversight of MRO Sponsored NERC Representatives
1. The OGOC~~Committee~~ is responsible for designating the individuals from MRO Members to represent MRO on NERC organizational groups. In selecting individuals, the OGOC~~Committee~~ will consider experience and expertise and, to the extent practicable, select a geographically diverse and industry sector balanced group of individuals;
2. The OGOC~~Committee~~ shall establish policies and procedures governing individuals representing MRO at NERC.
3. The OGOC~~Committee~~ will ensure that direction is provided to MRO Sponsored NERC representatives so their participation is consistent with addressing regional reliability and security concerns in an effective and efficient manner.

E. Reporting to the Board
1. ~~a.~~ The OGOC~~Committee~~ shall~~will~~ provide the b~~B~~oard a report at its regular meetings highlighting the work of the organizational groups and their contributions to the reliable and secure operations of the bulk power system in the MRO region and solicit ~~B~~board input on existing work, as well as identifying reliability and security issues that merit addressing. Periodically, the OGOC~~Committee~~ will provide the b~~B~~oard a report on the efficiency and effectiveness of MRO's organizational groups.

IV. Membership

The OGOC~~Committee~~ shall be comprised~~generally consist~~ of up to eleven members of the board, at least a majority of which shall be comprised of Industry Sector and Regional Directors. The OGOC shall be sector balanced so that no two Industry Sectors could control the vote of the OGOC. No members of the OGOC ~~directors (in interim periods, the committee can operate with fewer appointed directors), none of whom~~ may~~shall~~ be an officer or employee of the Company, and ~~but~~ shall be independent of the management of the Company and free of any relationship that, in the opinion of the b~~B~~oard, would interfere with the exercise of independent judgment as an OGOC ~~Committee~~ member. ~~The committee membership shall include a majority of Industry Sector and Regional Directors and may be comprised of all Industry Sector and Regional Directors~~. ~~The committee will be sector balanced so that no two Industry Sectors could control the vote of the Committee.~~

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The members of the OGOC~~Committee~~ shall be recommended~~nominated~~ by the chair of the b~~B~~oard, and approved~~elected~~ by the b~~B~~oard to serve a term of up to two years with terms beginning at the start of the following calendar year ~~or until successors shall be duly appointed and qualified~~. A vice chair for the OGOC shall be recommended by the OGOC chair and approved by the OGOC. Terms of members shall be staggered so that the terms of all members do not expire in the same year. If a member of the OGOC~~Committee~~ resigns before the end of his or her term, a replacement will be appointed by the chair of the b~~B~~oard for the duration of the term.

V. Meetings

The OGOC~~Committee~~ shall meet annually, or more frequently as appropriate or necessary~~circumstances dictate~~. The chair of the b~~B~~oard, the chair of the OGOC~~Committee~~, or a simple majority of the OGOC~~Committee~~ members may call meetings of the OGOC~~Committee~~. The chair of the OGOC~~Committee~~ shall prepare or approve an agenda in advance of each meeting. The President and CEO, or designee, shall be invited to all OGOC meetings. Other management officials and counsel to the ~~B~~board may be invited as necessary. With the exception of directors, the OGOC chair may excuse any non-OGOC~~Committee~~ members from attendance at any meeting or portion of any meeting.

A quorum shall exist when a simple majority of the members of the Committee are present. The OGOC may take action with a~~A~~ simple majority of the OGOC~~Committee~~ members present in a quorum, or ~~may approve an action. The Committee may take action~~ by unanimous written consent.

Commented [JP1]: "Unanimous written consent = electronic approval"

MIDWEST RELIABILITY ORGANIZATION

380 St. Peter St, Suite 800
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Finance and Audit Committee Charter

I. Organization

Pursuant to the authority granted in Article 8 of the Bylaws of the Midwest Reliability Organization (Bylaws), t~~T~~here shall be a committee ~~of the board of directors (Board)~~ of the Midwest Reliability Organization (MRO or Company) Board of Directors (board) known as the Finance and Audit Committee (FAC or Committee). This c~~C~~harter shall govern the Committee with regard to its duties and responsibilities.

II. Purpose

The purpose of the FAC is to assist the board in the discharge of its fiduciary duty regarding the financial status of the Company, and to monitor the component parts of the audit process and the integrity of the Company's financial reporting.~~Committee shall report to the Board. The purposes of the Committee are to:~~

~~1. Assist the Board in the discharge of its responsibility to monitor the component parts of the audit process and the integrity of the Company's financial reporting.~~
~~2. Provide independent communication between the Board and the external auditor.~~
~~3. Monitor the independence of the external auditor to ensure the external auditor remains ultimately accountable to the Board and the Committee.~~
~~4. Maintain the quality, credibility, and objectivity of financial reports and satisfy itself as to the adequacy of the supporting systems of internal accounting controls; monitor the Company's defined contribution plan, benefits, and other legal and regulatory matters of a financial concern.~~
~~5. Ensure that the external independent auditor conducts a review of management's internal control structure and confirms that the review is consistent with the size and complexity of the organization.~~
~~6. Oversee the implementation and operation of the Corporate Compliance and Ethics Program.~~

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Commented [JP1]: These are all responsibilities, not purposes. They have each been captured below.

III. Responsibilities

~~In carrying out the above purposes, the Committee shall:~~

~~A. Review the Company's annual financial statements. This review will include:~~
~~1. Discussions with management and the external auditor and a consideration of a report by the external auditor to the Committee of matters related to the conduct of the audit.~~
~~2. Discussions with the external auditor with respect to the auditor's judgment with regard to:~~
~~a. both the acceptability and quality of the financial statements,~~
~~b. the selection of changes in significant accounting policies,~~
~~c. the method used to account for significant unusual transactions,~~
~~d. the effect of significant accounting policies in controversial or emerging areas,~~
~~e. the degree of aggressiveness or conservation, as the case may be, of the accounting policies adopted by the Company,~~
~~f. the process used by management in formulating particularly significant accounting estimates, and~~
~~g. the basis for the external auditor's conclusions regarding the reasonableness of those estimates.~~
~~3. Review significant adjustments arising from the audit.~~

4. Review disagreements with management over the application of accounting policies and the disclosures in the financial statements.
5. Review the external auditor's suggestions for improvements to the Company's operations and internal controls.
6. Review the Company's compliance with the Sarbanes-Oxley Act of 2002, as appropriate for a non-profit, non-issuer organization.
7. In any reviews, the Committee may rely on MRO staff expertise and/or the professional or expert competence of those persons selected in the management of MRO's financial management, including retirement plans.

B. Based on its review and discussion, determine whether to recommend the acceptance by the Board of such audited financial statements.
C. Review existing covenants of current financing agreements and/or long-term contractual agreements of material value.
D. Review and/or recommend approval of Company management to authorize new financing agreements and renewal of existing financing agreement(s) including compliance with various covenants and any long-term contractual agreements of material value.
E. Review with management, the external auditor and legal counsel, the Company's procedures to ensure compliance with applicable laws and regulations, and any significant litigation, claim, or other contingency, including tax assessments, that would have a material effect upon the financial position or operating results of the Company and the disclosure or impact on the results of these matters in the annual financial statements.
F. Meet privately with:
   1. Management to assess the performance of the external auditor.
   2. The external auditor to inquire about time pressures on the external auditor, to understand any restrictions placed on them or other difficulties encountered in the course of the audit, including restrictions on the scope of their work and access to requested information and the level of cooperation received from management during the performance of their work and their evaluation of the Company's financial, accounting, and personnel systems.
G. Evaluate the performance of the external auditor and, if so determined, recommend to the Board the reappointment of the external auditor or steps to replace the external auditor.
H. Obtain from the Company's external auditor the major audit findings and internal control recommendations reported during the period under review, the response of management to those recommendations, and review the follow-up performed by management in order to monitor whether management has implemented an effective system of internal accounting control.
I. Review significant emerging accounting and reporting issues, including recent professional and regulatory pronouncements, and assess their impact on the Company's financial statements.
J. Pursuant to Policy and Procedure 12: General Finance Policies, recommend a reserves, budget, and the retiree medical trust funding to the Board for adoption.
K. Review the investment performance of the Midwest Reliability Organization Thrift Savings Plan (TSP).
   1. Review annually the report from the Midwest Reliability Organization TSP Investment Committee regarding investment performance, the associated fees and the performance of the investment manager each year.
   2. Review any changes to the Midwest Reliability Organization TSP Investment Committee Charter made by the Committee.
L. Review the investment performance of Midwest Reliability Organization Retiree Medical Plan.
   1. Review annually the report from the Midwest Reliability Organization Investment Committee regarding investment performance, the associated fees and the performance of the investment manager each year.

~~2. Review any changes to the Midwest Reliability Organization Investment Committee Charter made by the Committee.~~

~~M. Review Midwest Reliability Organization 457B Plan and Trust.~~

~~1. Review annually a written report from the Trustee regarding the administration of the Rabbi Trust during the preceding year setting forth all investments, receipts, disbursements and other transactions effected by it, including a description of all securities and investments purchased and sold with the cost or net proceeds of such purchases or sales (accrued interest paid or receivable being shown separately), and showing all cash, securities and other property held in the Trust at the end of the such year.~~

~~N. Report to the Board annually on activities, findings, and conclusions of the Committee.~~

~~O. Review MRO's annual Form 990 tax filing. This includes posting the draft filing for board member comments prior to being filed with the IRS.~~

~~P. Review the Committee Charter. Any changes shall be approved by the Committee and recommended for approval to the Governance and Personnel Committee.~~

~~Q. Review all finance related board policies and procedures. Any changes shall be approved by the Committee and recommended for approval to the Governance and Personnel Committee.~~

~~R. Review any substantive changes to the internal compliance and ethics document for appropriateness.~~

~~S. Review the business insurance coverage and any recommended changes or additions as deemed necessary by Company staff or its advisors.~~

~~T. Perform such other functions as may be delegated from time to time by the Board.~~

The FAC shall be responsible for the following duties~~.~~:

A. Annual Audited Financial Statements.

1. *Review Annual Audited Financial Statements*. The FAC shall review the annual audited financial statements of the Company. Such review shall include the following:
   a. Discussions between the FAC, management, and the external auditor regarding a report of the external auditor related to the conduct of the audit;
   b. Discussion between the FAC and the external auditor as to the auditor's judgement regarding:
      i. both the acceptability and quality of the financial statements,
      ii. the selection of changes in significant accounting policies,
      iii. the method used to account for significant unusual transactions,
      iv. the effect of significant accounting policies in controversial or emerging areas,
      v. the degree of aggressiveness or conservation, as the case may be, of the accounting policies adopted by the Company,
      vi. the process used by management in formulating particularly significant accounting estimates, and
      vii. the basis for the external auditor's conclusions regarding the reasonableness of those estimates.
   c. Review of significant adjustments arising from the audit.
   d. Review of disagreements with management over the application of accounting policies and the disclosures in the financial statements.
   e. Review of the external auditor's suggestions for improvements to the Company's operations and internal controls.
   f. Review of the Company's compliance with the Sarbanes-Oxley Act of 2002, as appropriate for a non-profit, non-issuer organization.

Commented [JP2]: All of this text was kept, just reorganized below.

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In the exercise of its duties pursuant to this section, the FAC may rely on MRO staff expertise and/or the professional or expert competence of those persons selected in the management of MRO's financial management, including retirement plans.

2. *Recommendation to the Board*. Based on its review, the FAC shall determine whether to recommend the acceptance by the board of such audited financial statements.

B. Independent External Auditor.

1. *Conduct Audit*. The FAC shall engage an independent external auditor for the Company. Such engagement shall include the following:
   a. Ensure that the external independent auditor conducts a review of management's internal control structure and confirms that the review is consistent with the size and complexity of the organization.
   b. Obtain from the Company's external auditor the major audit findings and internal control recommendations reported during the period under review, the response of management to those recommendations, and review the follow-up performed by management in order to monitor whether management has implemented an effective system of internal accounting control.
   c. Review significant emerging accounting and reporting issues, including recent professional and regulatory pronouncements, and assess their impact on the Company's financial statements.

   The FAC shall provide independent communication between the board and the external auditor.

2. *Assess Auditor*. The FAC shall assess the performance of the independent internal auditor. Such assessment shall include the following:
   a. Meet privately with:
      i. Management to assess the performance of the external auditor.
      ii. The external auditor to inquire about time pressures on the external auditor, to understand any restrictions placed on them or other difficulties encountered in the course of the audit, including restrictions on the scope of their work and access to requested information and the level of cooperation received from management during the performance of their work and their evaluation of the Company's financial, accounting, and personnel systems.
   b. Evaluate the performance of the external auditor and, if so determined, recommend to the board the reappointment of the external auditor or steps to replace the external auditor.
   c. Monitor the independence of the external auditor to ensure the external auditor remains ultimately accountable to the board and the Committee.

C. Compliance and Internal Controls.

1. *Compliance*. The FAC shall review with management, the external auditor and legal counsel, the Company's procedures to ensure compliance with applicable laws and regulations, and any significant litigation, claim, or other contingency, including tax assessments, that would have a material effect upon the financial position or operating results of the Company and the disclosure or impact on the results of these matters in the annual financial statements.
2. *Internal Controls*. The FAC shall maintain the quality, credibility, and objectivity of financial reports and satisfy itself as to the adequacy of the supporting systems of internal accounting controls; monitor the Company's defined contribution plan, benefits, and other legal and regulatory matters of a financial concern.

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D. General Finance and Investments.

1. *Budget, Reserves, and Retiree Medical Trust*. Pursuant to Policy and Procedure 12: General Finance Policies, the FAC shall recommend a reserves, budget, and the retiree medical trust funding to the board for approval.
2. *Thrift Savings Plan*. The FAC shall review the investment performance of the Midwest Reliability Organization Thrift Savings Plan (TSP). Such review shall include a(n):
    1. Annual review of the report from the Midwest Reliability Organization TSP Investment Committee regarding investment performance, the associated fees and the performance of the investment manager each year; and
    2. Review of any changes to the Midwest Reliability Organization TSP Investment Committee Charter made by the Thrift Savings Plan Investment Committee.
3. *Retiree Medical Plan*. The FAC shall review the investment performance of Midwest Reliability Organization Retiree Medical Plan (RMP). Such review shall include a(n):
    1. Annual review of the report from the Midwest Reliability Organization RMP Investment Committee regarding investment performance, the associated fees and the performance of the investment manager each year; and
    2. Review of any changes to the Midwest Reliability Organization RMP Investment Committee Charter made by the Retiree Medical Plan Investment Committee.
4. *457(b) Plan and Trust*. The FAC shall review the Midwest Reliability Organization 457(b) Plan and Trust. Such review shall include an annual review of a written report from the Trustee regarding the administration of the Rabbi Trust during the preceding year setting forth all investments, receipts, disbursements and other transactions effected by it, including a description of all securities and investments purchased and sold with the cost or net proceeds of such purchases or sales (accrued interest paid or receivable being shown separately), and showing all cash, securities and other property held in the Trust at the end of the such year.

E. Taxes and Insurance.

1. *Taxes*. The FAC shall review MRO's annual Form 990 tax filing. This includes posting the draft filing for board member comments prior to being filed with the IRS.
2. *Insurance*. The FAC shall review the business insurance coverage and any recommended changes or additions as deemed necessary by Company staff or its advisors.

F. Covenants.

1. *Existing Covenants.* The FAC shall review existing covenants of current financing agreements and/or long-term contractual agreements of material value.
2. *New Covenants.* The FAC shall review new financing agreements and renewal of existing financing agreement(s) including compliance with various covenants and any long-term contractual agreements of material value. Upon such review, if the new covenant is acceptable to the FAC, the shall authorize Company management to execute.

G. Corporate Compliance and Ethics Program.

1. *Oversee Implementation and Operation*. The FAC shall oversee the implementation and operation of the Corporate Compliance and Ethics Program.
2. *Review "MRO Internal Program for Compliance and Ethics" Framework Document.* The FAC shall review any substantive changes to the internal compliance and ethics framework document for appropriateness.

H. Governance.

1. *Report to Board*. The FAC shall report to the board annually on activities, findings, and conclusions of the Committee.
2. *Review Charter*. The FAC shall review the FAC charter. Any changes shall be approved by the FAC and recommended for approval to the Governance and Personnel Committee.
3. *Review Board Policies and Procedures*. The FAC shall review all finance-related board policies and procedures. Any changes shall be approved by the FAC and recommended for approval to the Governance and Personnel Committee.
4. *Other Functions*. The FAC shall perform such other functions as may be delegated from time to time by the board

IV. Membership

The FAC~~Committe~~e shall be comprised of the vice chair of the b~~B~~oard, and seven other b~~B~~oard members appointed by the b~~B~~oard chair, two of whom will be Independent Directors. The Treasurer~~financial officer~~ of the corporation will be a nonvoting *ex officio* member. The vice chair of the ~~B~~boards shall chair the FAC~~Committee~~. Other members of the FAC~~Committee~~ shall be appointed by the chair of the b~~B~~oard to serve a term of up to two years with terms beginning at the start of the following calendar year~~ or until successors shall be duly appointed and qualified~~. Terms of members shall be staggered so that the terms of all members do~~shall~~ not expire in the same year. If a member of the FAC~~Committee~~ resigns before the end of his or her term, a replacement shall be appointed by the chair of the b~~B~~oard for the duration of the term.

V. Meetings

The FAC~~Committee~~ shall meet quarterly, or more frequently as appropriate or necessary~~circumstances dictate~~. The chair of the b~~B~~oard, the chair of the FAC~~Committee~~, or a simple majority of the FAC~~Committee~~ members may call meetings of the FAC~~Committee~~.

A quorum shall exist when a simple majority of the FAC are present~~of the Committee consists of five of its members~~. The FAC may take action with a~~A~~ simple majority of the FAC members present in a quorum~~Committee may approve an action~~ or by unanimous written consent. In the case of a tie vote, the question will be presented to the MRO Board of Directors for its decision.

Commented [JP3]: This would be a change for the FAC's consideration.

Organizational Group Oversight Committee Report

Paul Crist, Organizational Group Oversight Committee Chair

Action

Information

Report

The Organizational Group Oversight Committee (OGOC) will meet next on September 21, 2022, the day before this board meeting. Topics on the agenda for this meeting include:

- Planning for the Q4 strategic risk meeting with MRO Advisory Council leadership;
- Risk Roundtable with Advisory Council members on variable transmission line ratings (closed session); and
- Determining the recipient of the 2022 MRO HERO Award (closed session).

I will provide an oral report on the recent activities of the OGOC at the board meeting.

For your reference, the OGOC consists of the following board members:

- Paul Crist (Chair), Municipal Utility Sector
- JoAnn Thompson (Vice Chair), Investor Owned Utility Sector
- Aaron Bloom, Generator and/or Power Marketer Sector
- Ben Porath, Cooperative Sector
- Charles Marshall, Transmission System Operator Sector
- Daryl Maxwell, Canadian Utility Sector
- Dehn Stevens, Investor Owned Utility Sector
- Eric Schmidt, Independent Director
- Iqbal Dhami, Canadian Sector
- Jeanne Tisinger, Independent Director
- Jennifer Flandermeyer, Regional Director

MRO Operational Activities Report

Richard Burt, Senior Vice President and Chief Operating Officer

Action

Information (Written Report)

Report

2023 MRO Regional Risk Assessment

To support development of the 2023 MRO Regional Risk Assessment (RRA), MRO staff is collaborating with members of the Compliance Monitoring and Enforcement Program Advisory Council (CMEPAC), Reliability Advisory Council (RAC), and Security Advisory Council (SAC) to identify risks to be considered in this year's assessment. MRO will again be utilizing industry volunteers to assist staff with the ranking of these risks via the MRO Reliability Risk Matrix, with two volunteers from each of the three advisory councils. The week of October 24, those six volunteers will join MRO's operations team to develop the heat map of reliability and security risks for the 2023 MRO RRA. The results of these activities will be provided to the OGOC in late November for discussion as part of the fourth quarter strategic risk workshop with MRO staff and advisory council leadership. The full 2023 MRO RRA is expected to be released early next year.

MRO Regional Security Risk Assessment

In support of the identification of security risks for the annual MRO RRA, the SAC moved up its timeline of MRO's annual regional security risk assessment in 2022. After obtaining industry input via surveys, the SAC hosted two different meetings. The first meeting included threat intelligence experts from the E-ISAC, the FBI, and Canadian Cyber Centre. The second meeting, held in late July, included subject matter experts from across the region to review and assess the top security risks for 2023. The E-ISAC again coordinated with MRO on this project. Experts were placed into a series of breakout groups who finalized a list of security risks for the region. The top security risks to the operations of the bulk power system (BPS) in the MRO footprint will be included in the 2023 MRO RRA, while the entire regional security risk assessment will be published in late 2022. A TLP-White version will be available on MRO's website.

Generator Winterization Program

Implementation of MRO's expanded Generator Winterization Program (GWP) is underway, with two site visits completed. Due to easing travel restrictions, 2022 marks the first year that MRO was able to utilize performance data to take a risk-based approach identifying the generators to which the voluntary program could be offered across a larger geographic area. MRO plans to increase its site visits to six this year and aims to complete the visits by November. A public report will be a new deliverable from this program aimed to share lessons learned for the region using anonymized data from program participants. MRO's GWP Survey is available on the MRO website and generator owners are encouraged to review that survey and complete their own self-assessment. MRO welcomes any registered entity, including those not selected for a GWP site visit, to provide the results of their own assessment to MRO Reliability Analysis for feedback and discussion customized for that entity.

Align

MRO CMEP staff continue to focus on support of the remaining releases of Align. MRO is underway with its first audit of a registered entity using Align, and has recently completed a consulting engagement with a

contractor to identify process improvements for guided self-certifications, which are also now done through Align. Additionally, MRO is testing the migration of remaining webCDMS noncompliances into the Align development system.

Outreach Report

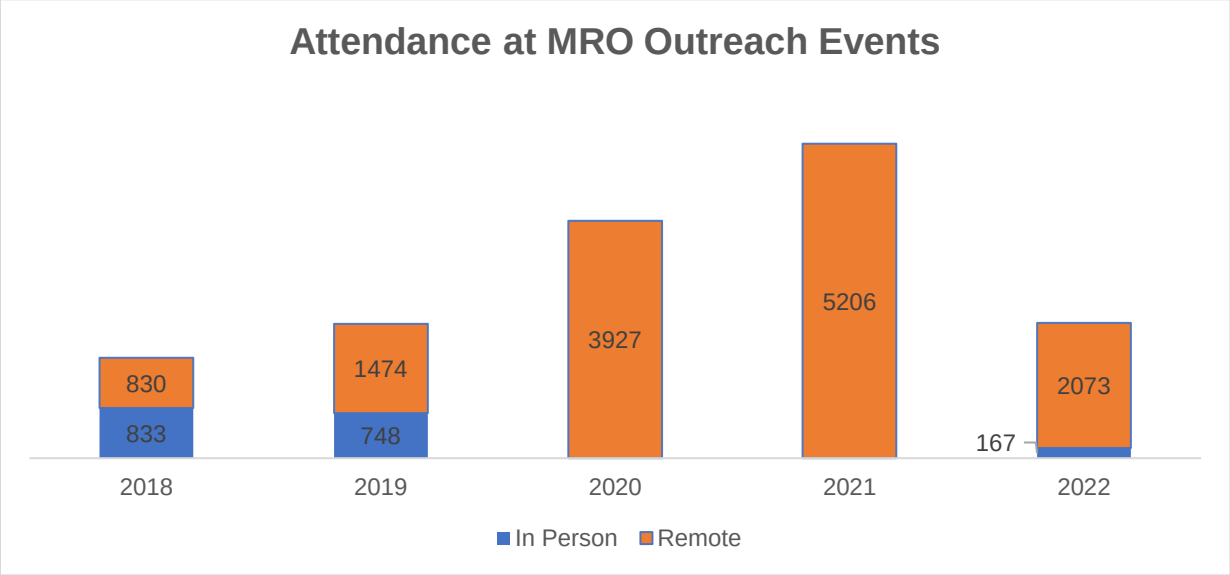
Richard Burt, Senior Vice President and Chief Operating Officer

Action

Information (Written Report)

Report

MRO uses outreach as a primary tool to identify, prioritize, and mitigate risks to reliability and security, and continues to focus on outreach opportunities to meet the growing demand of industry. In May, MRO's Reliability Conference in Kansas City marked MRO's first hosted in-person outreach event in three years. MRO achieved another milestone in the third quarter by hosting MRO's CMEP Conference, the first in-person outreach event within MRO's facility over that same time-period.



Outreach completed in the third quarter includes the following:

- MRO hosted a webinar on June 30, 2022 to highlight key findings from the 2022 Regional Summer Assessment (RSA). This assessment focuses on the bulk power system in MRO's regional footprint. The assessment was published the week of June 6, 2022. There were 182 attendees.
- MRO hosted a webinar, sponsored by the Protective Relay Subgroup, on Protection System Commissioning on July 14, 2022. The webinar focused on highlighting the Joint Review of Protection System Commissioning Programs report released by FERC, NERC and the Regional Entities in November of 2021. The report discusses best commissioning practices and areas of improvement observed from participating entities within the ERO Enterprise. There were 188 attendees.
- MRO hosted the Hybrid CMEP conference sponsored by the CMEPAC at the MRO offices as well as via Webex on July 26, 2022. The conference focused on the ERO Transformation, Align update, Cold Weather Practice Guide and Questionnaire, Registered Entity Compliance Programs, update on Audit Processes, Internal controls and Frameworks, Facility Rating accuracy, and Geo-Political Tensions. There were 94 participants in person and 261 virtual attendees.

- The MRO Security Advisory Council Threat Forum (SACTF) continues its weekly threat calls, completing 29 so far this year with approximately 60 weekly attendees.
- The CMEPAC continues to host monthly calls with an average of 65 attendees per call. This forum allows registered entities to share best practices, discuss compliance issues, and provide input to outreach opportunities that would best assist entities in the MRO footprint.
- Registration is now open for the MRO annual Security Conference and Security training sponsored by the SAC at the MRO offices as well as via WebEx on October 4-5, 2022. The conference and training are currently being developed and agendas will be posted soon.

I look forward to any questions or input you might have on MRO's outreach efforts.

External Affairs Report

Tasha Ward, Director of Enforcement and External Affairs

Action

Information (Written Report)

Report

Webinars, Conferences, and Meetings

On June 28, 2022, Richard Burt, Senior Vice President and Chief Operating Officer, and NERC's Mark Lauby, Senior Vice President and Chief Engineer, presented on *Reliability & the Changing Fleet* at North Central Electric Association's (NCEA) CEO/Executive Symposium and Power Generation Workshop held in Duluth, MN. The symposium was attended by utility executives to network and gain insight from other NCEA members and leading voices in the industry. Other topics included regional and national economic policy and cybersecurity.

On July 6, 2022, Burt, along with Priti Patel, Vice President & Chief Transmission Officer at Great River Energy and a member of the MRO Board of Directors, and Commissioner Joseph Sullivan, Vice Chair of the Minnesota Public Utilities Commission, recorded an episode for the Minnesota Rural Electric Association's (MREA) Rise Up podcast on Electric Grid Reliability. The episode is slated to be aired this fall.

On September 14, 2022, MRO's president and CEO, Sara Patrick, spoke at the North American Transmission Forum's meeting in Minneapolis, MN. Additionally, on September 15, 2022, Patrick, provided a regulatory perspective on the activities that support a reliable and secure bulk power system, titled, "*Michigan's Green Energy Future: Building an Interconnected Grid*" during a Crain's Detroit webcast, sponsored in part by ITC Holdings.

Looking ahead, Burt and Lauby will present on "Ensuring Energy Deliverability through the Grid of Tomorrow" on November 8, 2022, during the General Session at the Minnesota Power Systems Conference (MIPSYCON), in Saint Paul, MN. MIPSYCON is an annual three-day conference that emphasizes the unique challenges faced by electric utilities in the Midwest.

ERO Enterprise State Outreach Initiative

As the ERO Enterprise State Outreach Initiative continues to strengthen relationships and become a valuable and trusted resource for state and federal regulatory agencies, MRO continues to send communications and meet with state regulators to provide education on MRO and ERO reports, and provide information about outreach opportunities. During the third quarter, MRO sent the states within its footprint links to MRO's Summer Reliability Assessment, the ERO Regional Risk Assessment along with the announcement of the release of MRO's new website. State outreach and other regulatory happenings will continued to be published in the new format of the Midwest Reliability Matters as updates occur.

Bryan Clark, Director of Reliability Analysis, and I attended the Mid-American Regulatory Conference (MARC) Annual Meeting & Conference June 19-22, 2022, in Chicago, IL. Themed "Building the New Normal," state regulators and various industry stakeholders participated and heard presentations about the pivotal moment in shaping the future of the energy and water industry that we are all in and how regulators and regulation play a role in helping to shape the future. MARC is an association of regional organizations

of utility and energy regulatory agencies from 14 states: Arkansas, Kansas, Illinois, Indiana, Iowa, Michigan, Minnesota, Missouri, Nebraska, North Dakota, Oklahoma, South Dakota, Texas, and Wisconsin. The annual meeting and conference included Commissioners and staff from these member state agencies, as well as representatives of regulated industries and the public at large, to share ideas and discuss regulatory and policy issues affecting their states, region, and the nation. The conference topics and session primarily focused on decarbonization and the future of renewables and the grid. In addition, during this quarter, Patrick, joined Commissioner Tuma of the MN Public Utilities Commission, for lunch to provide a high level overview of MRO as a regulator and Southwest Power Pool (SPP) as a regional transmission organization and the SPP Regional State Committee, of which he is a member, and how MRO can play a role in the 2024 MARC Conference that will be held in the Minneapolis/Saint Paul area.

Looking ahead, I will continue to reach out to state commissions to schedule informational sessions with states that are interested. Additionally, MRO will continue to form relationships with the Organization of MISO States and the SPP Regional State Committee to identify opportunities to share MRO and its neighboring regions' message with these groups providing a consistent message to all regulators within and between the shared regional borders.

Policy Matters
NERC August Board of Trustees Meetings
Sara Patrick, President and CEO

Action
Information (Written Report)

Report
The following NERC meetings took place in person, with an option to listen in virtually, on August 17-18, 2022:

- NERC Board Committee Meetings
- NERC Member Representatives Committee Meeting
- NERC Board of Trustees Meeting

The full meeting agendas, presentations, and draft minutes are on NERC's website.

In addition, the NERC Board of Trustees and Canadian Regulators held their annual meeting on August 16, 2022.

Annual Canadian Regulators Meeting

Prior to the board meeting, the NERC Board of Trustees met with more than 20 utility regulators from seven Canadian provinces and Canada's federal government. The meeting takes place each August to allow for strategic discussions with Canadian regulators. David Morton, CEO of the British Columbia Utilities Commission and Chair of CAMPUT, moderated the meeting.

This year, the meeting focused on energy availability, the deployment of renewable generation in Canada, and security concerns related to geopolitical tensions. Discussions also covered the status of standards adoption in the provinces, a review of Canadian enforcement activity and an update from MRO, NPCC, and WECC (the Regional Entities that include Canadian provinces). These updates highlighted areas in which the Regional Entities engage with Canadian industry partners to support reliability and security of the bulk power system.

NERC Member Representative Committee Meeting Highlights

The NERC Member Representative Committee (MRC) met on August 17, 2022. Roy Jones, MRC Chair, provided opening remarks and guided the committee through its agenda.

In response to the board's policy input request, John Moura, NERC's Director of Reliability Assessments and Performance Analysis, provided an update on actions planned or taken in advance of the winter 2022/2023 season, noting that the winter assessment will focus on fuel inventory and transportation procurement, supply chain logistics, and energy adequacy. NERC will also be issuing an industry Alert prior to the winter season that will be similar to the 2021 Alert to understand industry's preparation for cold weather. Moura noted policy input that reflected the desire to publish seasonal assessments earlier. He explained that the timeline on data availability from industry for these assessments, as well as the level of industry review prior to publishing, are the primary contributors to the timeline and not necessarily the

assessment work itself. Moura indicated that the 2023 summer assessment is going to incorporate more energy scenarios, making it more complicated by expanding the traditional planning horizon from one hour to multiple risk hours. He emphasized that outreach and education, including with state regulators, is key. Finally, Moura addressed comments related to the Long Term Reliability Assessment (LTRA) urging NERC to assess market/state resource adequacy practices and mechanisms and the need to coordinate these efforts with FERC and others.

Moura separately addressed the identification of emerging issues for the 2022 LTRA, indicating that the assessment will include an in-depth probabilistic energy assessment which will evaluate hourly energy risks through 2027. The LTRA will identify key emerging issues facing the industry that are then key inputs to the Reliability Issues Steering Committee's priorities report and the Reliability and Security Technical Committee (RSTC) strategic plan. The 2022 LTRA is anticipated to be released December 15, 2022. In response to the April 5, 2022 policy input request related to strengthening industry response to emerging risks (e.g., inverter based resources), Moura shared a draft strategy to ensure that IBR performance supports the reliable operation of the bulk power system. This draft strategy will be brought to the RSTC at its September meeting for comment and enhancement. The strategy includes a number of milestones in 2022-2023, including SARs, Reliability Guidelines, and White Papers.

Kal Ayoub, Deputy Director, Division of Cyber Security at FERC, shared an update on FERC reliability matters where he highlighted the work of the Joint Federal-State Task Force on Electric Transmission and noted an upcoming Technical Conference on Transmission Planning and Cost Management planned for October 6, 2022. Ayoub noted that a date will be forthcoming for a Reliability Technical Conference this fall.

NERC Board of Trustees Meeting Highlights

The NERC Board of Trustees held its quarterly meeting on August 18, 2022. Opening remarks were shared by Doug Allen, Chair of the BC Hydro Board of Directors; Francis Bradley, President and CEO of Electricity Canada; Patricia Hoffman, Acting Assistant Secretary, Office of Electricity at the United States Department of Energy; and David Morton, Chair of CAMPUT.

Manny Cancel, NERC Senior Vice President and Chief Executive Officer of the Electricity-ISAC, gave opening remarks on behalf of Jim Robb, NERC President and CEO, who was unable to attend the meeting in person after testing positive for COVID. Cancel addressed the rapidly evolving reliability and security challenges, discussing the effects of extreme weather, the changing generation resource mix and the challenging security threat landscape while stressing the importance of collaboration and coordination. He expressed NERC's appreciation for the policy input received from the members and stakeholders who contributed to NERC's work on the changing risk environment and threat landscape. Cancel acknowledged the critical nature of NERC's engagement with industry and government stakeholders in Canada and noted that he had recently attended meetings in Ottawa that demonstrate NERC's strong security partnership with industry and government stakeholders.

Key action by the board included approval of the 2023 business plans and budgets for NERC and the Regional Entities. NERC's budget proposes an increase of 13.7% over 2022, and an increase in 2023 assessments of 11.1% over the prior year. MRO's 2023 Business Plan and Budget, along with those of the other Regional Entities, was also approved by NERC's Board. The combined budget increase for the ERO Enterprise (NERC and Regional Entities) is 10.1% over 2022, with an assessment increase of 6.5%. The 2023 Business Plan and Budget filing for the ERO Enterprise was submitted to FERC for approval on August 23, 2022.

Other Business and Adjourn

Action
Discussion

Report
Future meetings of the MRO Board of Directors are listed below.

2022 Board Meeting Dates

- December 1, 2022 Q4 MRO Board of Director Meetings

2023 Board Meeting Dates

- April 13, 2023 Q1 MRO Board of Director Meetings
- TBD Joint Board & FAC Business Plan & Budget Review Meeting
- June 15, 2023 Q2 MRO Board of Director Meetings
- Sept14, 2023 Q3 MRO Board of Director Meetings
- Nov 16, 2023 Q4 MRO Board of Director Meetings