

**BYLAWS  
of  
PEAK RELIABILITY**

**EFFECTIVE: AUGUST 8, 2016**

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**BYLAWS**  
**of**  
**PEAK RELIABILITY**

**Section 1 - Vision and Mission**

**1 Mission and Vision**

- 1.1. Vision:** Peak Reliability shall seek to achieve the appropriate level of Bulk Electric System (BES) reliability at the least cost considering all costs throughout the economy.
- 1.2. Mission:** Peak Reliability shall support and promote the social welfare by endeavoring to ensure reliability by providing real-time interconnection-wide oversight of the BES within the Peak Reliability Reliability Coordinator Area (RC Area), coordinating necessary real-time and seasonal planning and modeling, and ensuring that data critical to the reliable and efficient operation of the BES is shared appropriately.

Peak Reliability will endeavor at all times to create value by delivering cost-effective services, and engaging in efficient and non-discriminatory practices. To these ends, Peak Reliability will retain registration for the Reliability Coordinator (RC), as defined by the North American Electric Reliability Corporation (NERC) Functional Model for Peak Reliability's RC Area in the Western Interconnection. Further, upon approval by Peak Reliability Board of Directors, Peak Reliability will perform additional functions that promote BES reliability and support Peak Reliability Vision.

**Section 2 – Definitions**

- 2 Definitions:** The capitalized terms used in these Bylaws of Peak Reliability shall have the meanings set forth below, or if not set forth below, shall have the meanings given them in the *Glossary of Terms Used in the NERC Reliability Standards*.
- 2.1. Affiliate:** An Entity that directly or indirectly through one (1) or more intermediaries, controls, or is controlled by, or is under common control with, another Entity. An Entity "controls" any Entity in which it has the power to vote, directly or indirectly, 5 percent or more of the voting interests in such Entity or, in the case of a partnership, if it is a general partner. Notwithstanding the foregoing definition, for purposes of these Bylaws: 1) electric distribution cooperatives that are member-owners of a generation and transmission cooperative are not Affiliates of the generation and transmission cooperative or of each other; 2) an Entity controlled by or operating as a unit, agency, or subdivision of a local, state, provincial, or U.S. federal or Canadian or Mexican national government will not be considered an Affiliate of any other Entity controlled

by or operating as a unit, agency, or subdivision of a local, state, provincial, or federal government; 3) separate agencies of a single state or province, or of the U.S. federal or Canadian or Mexican national government will not be considered Affiliates of each other, regardless of any commonality of political control; 4) members of any joint powers authority, and such joint powers authority, will not be considered Affiliates of each other; and 5) members of a Regional Transmission Organization (RTO) or Independent System Operator (ISO) will not be considered Affiliates of such RTO or ISO respectively, or of each other solely as a result of such membership.

- 2.2. Annual Meeting.** The Annual Meeting of the Membership of Peak Reliability, each of the Member Classes of Peak Reliability, and the Board of Directors, at a time and place to be determined by the Member Advisory Committee in conjunction with the Chief Executive Officer.
- 2.3. Applicable Regulatory Authority.** The Federal Energy Regulatory Commission or any state or provincial government agency with jurisdiction to regulate or directly affect the transmission of electricity within the Western Interconnection.
- 2.4. Associate Member.** An Associate Member is a non-voting Member of Peak Reliability as set forth in Section 5.10.
- 2.5. Board of Directors (Board).** Peak Reliability's Board of Directors described collectively, as set forth in Section 3 herein.
- 2.6. Class.** A grouping of Members as described in Section V. As set forth therein, Peak Reliability shall have six (6) Membership Classes. Of these, Class 6 shall not have the right to vote in Peak Reliability elections or other matters of business put to a vote of the Membership, except as otherwise provided for herein these Bylaws.
- 2.7. Director.** Any person who meets the affiliation standards and is duly elected to the Board of Directors as set forth in Section 3.
- 2.8. Electric Line of Business.** The generation, transmission, distribution, or trading of electricity or the provision of related energy services in the Western Interconnection.
- 2.9. Entity.** Any individual, person, corporation, partnership, association, governmental body, or organization of any kind.
- 2.10. FERC.** The Federal Energy Regulatory Commission.
- 2.11. Initial Directors.** The Directors elected to the first Board as set forth in Section 3.
- 2.12. Member.** Any Entity that has applied and been accepted for Membership in Peak Reliability and to which the rights and obligations of Membership as set forth in Section 5 apply.
- 2.13. Membership.** The Members as a whole, however, when used to indicate a voting body, does not include Associate Members.

**2.14. NERC.** The North American Electric Reliability Corporation.

**2.15. Registered Entity.** An owner, operator, or user of the bulk power system, or the Entity registered as its delegate for the purpose of compliance in the North American Electric Reliability Corporation Compliance Registry, or similar Entity operating in Canada or Mexico and that could be registered in the Compliance Registry if it operated in the United States.

**2.16. Western Interconnection.** The geographic area containing the synchronously operated electric transmission grid in the western part of North America, which includes: in the United States of America, all of Arizona, California, Idaho, Nevada, Oregon, Utah, and Washington, and parts of Montana, Nebraska, New Mexico, South Dakota, Texas, Wyoming, and Colorado; the Canadian Provinces of British Columbia and Alberta; and Baja California Norte, Mexico.

### Section 3 – Board of Directors

**3 Board of Directors:** The Board shall be comprised of seven (7) voting Directors, and, if appointed, the Chief Executive Officer. When the Board meets, the Chair of the Member Advisory Committee (MAC), or the Chair’s designee, will be invited to sit with the Board to report on MAC discussions, provide clarification when needed, and accept requests from the Board for the development of MAC recommendations.

**3.1 Director Qualifications:** To be eligible for election as a Director of the Board, each potential candidate must be selected to ensure that if that candidate is elected, the Board will meet the requirements set forth in subsection 3.2. In addition, all Directors must individually meet the requirements of subsection 3.1 herein.

**3.2 Skills and Experience:** At all times the Board of Directors shall include at least three Directors who have at least ten years of experience in the utility industry preferably in the Western Interconnection, including at least one Director who has transmission operations experience, at least one Director who has transmission planning experience, and at least one Director who has generation experience. At any time in which Peak Reliability provides reliability coordination services to the entire Western Interconnection, the Directors shall also preferably include one Director with international experience, which could be provided from one of the three Directors discussed above or from the remaining Directors. The remaining Directors shall be selected in an effort to ensure diversity of background and experience. Desirable categories of experience include: Regulatory or Legal; Accounting, Finance, or Economics; Environmental; End User Advocacy; Compliance/Standards; International; Information Technology; and Public Sector.



- 3.2.1 Transmission Operations Experience:** Transmission operations experience shall preferably include experience in control center operations at the senior management or officer level.
- 3.2.2 Transmission Planning Experience:** Transmission planning experience shall preferably include experience in modeling and/or planning transmission facilities, including economic and reliability modeling at the senior management or officer level.
- 3.2.3 Generation Experience:** Generation experience shall preferably include experience in development or operation of generation facilities, including economic and reliability modeling at the senior management or officer level.
- 3.2.4 Regulatory or Legal Experience:** Regulatory or legal experience shall preferably include at least one of the following types of experience: state, provincial or federal industry regulation; significant litigation experience ideally at the appellate level; evaluation of complex legal arguments; and advising clients with respect to settlement.
- 3.2.5 Accounting, Finance or Economics Experience:** Accounting, finance, or economics experience shall preferably include experience as a Chief Financial Officer, a Chief Accounting Officer, a corporate risk officer, a Certified Public Accountant, or the equivalent thereof of any such positions or certifications.
- 3.2.6 Environmental Experience:** Environmental experience shall preferably include experience advocating environmental interests before state agencies, federal agencies, locally elected boards or agencies, and/or leadership experience in representing environmental interests in relation to energy issues.
- 3.2.7 End User Advocacy Experience:** End user advocacy experience shall preferably include experience advocating end user economic interests before state and federal ratemaking agencies and/or locally elected boards or agencies.
- 3.2.8 Compliance and/or Standards Experience:** Compliance and/or standards experience shall preferably include experience as a corporate compliance officer.
- 3.2.9 International Experience:** International experience shall preferably include experience in the categories listed herein in either of the two Canadian Provinces of British Columbia or Alberta, or of the Mexican State of Baja California at the senior management or officer level.
- 3.2.10 Public Sector Experience:** Public sector experience shall preferably include experience representing the public interests with respect to energy issues.
- 3.2.11 Information Technology Experience:** Information technology experience shall preferably include experience in senior level management and the development of multi-media resources, with demonstrated leadership in integrating

Information Technology services with organizational needs in areas such as capacity planning, budget and finance, acquisition and deployment, operations, change management, application development, trade ally relationships, user support, data quality, and cyber security.

**3.3 Non-Affiliated Status:** A Director must maintain Non-Affiliated Status by not being affiliated with any Member, any Registered Entity within the Western Interconnection, the Western Electricity Coordinating Council, or any Compliance Enforcement Authority with jurisdiction over Peak Reliability's activities. For purposes of election as a Director of Peak Reliability, "affiliated" shall mean: (1) an employee of, (2) a contractor for, (3) an employee of a contractor for, or (4) an equity owner of the types of organizations described in this Section 3.3. For purposes of determining whether a Director candidate is "affiliated" consideration shall also include the Director's spouse and/or any minor child of the Director.

**3.3.1** A Director or Director candidate with an equity interest in privately held or publicly traded companies that are end-users of electricity in the Western Interconnection but are not otherwise "affiliated" pursuant to the restrictions set forth in Section 3.3 shall not be "affiliated."

**3.3.2** A Director or Director candidate with an equity interest in a broadly diversified mutual fund or a similar investment account that is managed by a third party that may from time-to-time include interests in one of the types of organizations described in this Section 3.3 shall not be "affiliated"; provided that, such an equity interest cannot confer a controlling interest in any organization described in this Section 3.3.

**3.3.3** A Director or Director candidate receiving post-employment compensation, which compensation is not indexed to the success of the disbursing Entity shall not be considered "affiliated." Post-employment compensation includes only compensation for services rendered as an employee prior to the commencement of service as a Director. It does not include compensation following employment under any form of continuing arrangement for services that occur at the same time that a person serves as a member of the Board.

**3.3.4** A Director or Director candidate shall not be "affiliated" solely by having a contractual relationship with a state government that has one or more agencies that are Peak Reliability Members, provided that the Director or Director candidate cannot be affiliated with the Member agency or agencies.

**3.3.5** Notwithstanding the provisions of this Section 3.3, a Director or Director candidate will not be considered "affiliated" for being a residential or small business end-user of electricity, or for being a member of or a contributor to an organization that represents a substantial number of end users or a substantial number of persons interested in the impacts of electric systems on the public interest or the environment, but a Director or Director candidate will be

considered “affiliated” if the candidate is an employee of, or serves as a director, trustee, or officer or in any other policy setting capacity with respect to any such organization.

**3.3.6** The affiliation restrictions set forth this Section are not all encompassing. Directors or Director candidates are expected to disclose all known potential financial or relationship conflicts, including any known relationships between companies they have affiliation with and/or entities described in Section 3.3. Furthermore, any Nominating Committee constituted according to this Section 3 will be expected to investigate and evaluate all potential conflicts, whether financial or otherwise.

**3.4 Disclosure Statements:** Each potential Director candidate and incumbent Director shall provide a disclosure statement to the Nominating Committee for the committee’s analysis of whether the Director or potential Director candidate meets the requirements set forth herein for a Director. Each Director shall provide the Corporate Secretary an Annual Disclosure Statement not less than ninety (90) days prior to the Annual Meeting preceding each year of the Director’s term. These disclosure statements shall provide detailed information on the employment, contractual relationships, and equity or ownership positions of the potential candidate and those of any spouse or minor children.

**3.5 Initial Directors and Associated Terms:** The Initial Directors shall be comprised of three Non-Affiliated WECC Directors appointed by the WECC Board and four Directors elected by the determined Members prior to Peak Reliability’s incorporation. The three Non-Affiliated Directors will be eligible for nomination and election to a three (3) year term at the Annual Meeting following Peak Reliability’s first year of operation. Of the four elected Directors, two (2) shall be up for election at the Annual Meeting following Peak Reliability’s second year of operation, and two (2) shall be up for election at the Annual Meeting following the third year of operation. The positions up for election in the second and third years following the Annual Meeting after the first year of Peak Reliability operation shall be determined by drawing lots.

### **3.6 Ongoing Director Terms and Election Process**

**3.6.1 Terms and Election Cycle:** Directors shall be elected in staggered three-year terms. The order of election shall continue with three (3) in one year, followed by two (2) in the next year, and (2) in the following year, as set forth in Section 3.5.

**3.6.2 Nominating Committee and Director Candidate Selection:** To develop a slate of candidates for Director positions coming up for election at the Annual Meeting, a Nominating Committee shall be constituted when the Board Chair appoints three Directors who are not up for re-election, and the MAC selects five (5) MAC

representatives, including one (1) representative each from Classes 1, 2, 3, 4 and 5. The MAC representatives will be elected by the MAC Members representing their respective Member Class through a simple majority vote. In the event that the MAC does not select MAC representatives to serve on the Nominating Committee at the Annual Meeting, the MAC shall have thirty (30) days following the Annual Meeting to select Nominating Committee representatives. If the MAC does not do so within thirty (30) days then the Board Chair may appoint MAC Members to serve. Any vacancy on the Nominating Committee shall be filled as soon as practicable by the same means and according to the same rules.

**3.6.2.1 Director Candidate Selection:** The Nominating Committee will develop candidate pools and make candidate nominations to the Membership. Before the end of each Director's term, the Board Chair shall constitute the Nominating Committee, which shall be formed not less than one hundred and eighty (180) days in advance of the next Annual Meeting. Once the Nominating Committee is constituted, it shall work to develop a pool of qualified candidates from which it will propose candidates to the Members for each open Director position.

**3.6.2.1.1** The Nominating Committee may consider any qualified applicant in developing the candidate pool; and may identify applicants through the following processes: (1) selecting and using an independent search firm to provide the Committee with a list of qualified candidates for each vacant position; (2) considering incumbent Directors who are willing to stand for election again, including review of such Directors' tenure on the Board of Directors; (3) considering external nominations.

**3.6.2.1.2** External parties, including but not limited to Members and Western Interconnection stakeholders, may recommend candidates (self-recommendation or third party recommendation) to the Committee for consideration, by submitting the following: candidate's resume, a summary of candidate's relevant experience, a disclosure statement and a letter of interest from the candidate. All recommendations from external parties must be submitted to the Committee within thirty (30) days of the Committee's posting of requests for nominations.

**3.6.2.1.3** Once the Nominating Committee has identified a pool of potential candidates to propose to the membership, it shall review the qualifications of the potential candidates and put forth to the Membership one (1) candidate for each Director position up for election.

**3.6.2.1.4** Two (2) affirmative votes by the Directors and four (4) affirmative votes by the MAC representatives shall be necessary to put forth a nomination to the Membership.

**3.6.2.1.5** At least sixty (60) days in advance of the Annual Meeting, the Committee shall notify the Board Chair of whether it has finalized any or all Director nominations. If the Committee fails to put forth a nomination for an open position, then the Board Chair shall have the option to constitute a new Nominating Committee with different Directors and MAC representatives, who shall be tasked with developing any remaining nominations for the open Director positions.

**3.6.2.1.6** The Board Chair shall provide the Membership with the nominations put forth by the Nominating Committee at least thirty (30) days in advance of the election.

**3.6.3 Director Election by Members:** At the Annual Member Class Meetings, the Membership shall vote to elect a Director for each opening pursuant to the procedures set forth in Section 6 - Procedures for Member Decisions herein, except that in Director elections, each Member shall have one vote per opening that can be cast positive or negative. Each candidate must receive a simple majority positive vote of the Membership, as well as a simple majority positive vote of the Members of four (4) of the five (5) Member Classes (Classes 1-5), to be successfully elected to the Board.

**3.6.4 Chief Executive Officer:** The Chief Executive Officer (CEO) may only be appointed or removed as a member of the Board by a simple majority vote of the Directors, provided that the CEO shall not vote to break or create a tie vote and shall not be the Chair or Vice Chair of the Board or a member of any Board Committee.

**3.7 Director Compensation:** Every two years, or sooner if in the discretion of the CEO a new survey is required, the CEO shall contract with a search firm to conduct a national compensation survey that shall provide an independent review of the compensation paid independent directors. The latest survey shall be provided to the Nominating Committee upon its formation and used to make a recommendation for the annual compensation of the Directors and include an effective date for the recommended compensation. Any such recommendation shall require six (6) votes to become effective. Any such recommendation shall be presented to the MAC no later than one hundred fifty (150) days prior to the Annual Meeting. The MAC shall set Director compensation at least one hundred and twenty (120) days prior to the Annual Meeting, which shall require an affirmative vote of a simple majority of the MAC and the effective date of the approved Director compensation. When making this decision, the MAC shall consider the recommendation of the Nominating Committee and any other material relevant to setting Director compensation. All MAC deliberations related to Director

compensation shall be in open session, except for deliberations that are required to be considered in closed session. If the Nominating Committee is unable to reach the six (6) vote majority necessary to make a compensation recommendation, the MAC shall make no changes to the compensation paid Directors. No change in Director compensation will enable or require repayment of Director compensation previously paid.

**3.8 Director Vacancy by Resignation or Removal:** In the event that a Director resigns pursuant to Section 3.8.1 herein, or is removed pursuant to Section 3.8.2 herein, then the Board Chair shall constitute a Nominating Committee as set forth in this Section 3 herein for the election of a Director for the remaining term of the resigning or removed Director. If there is less than one year remaining in the resigning or removed Director's term, then the Board may elect to leave the position vacant and incorporate that vacancy in the annual process for electing Directors at the Annual Meeting. If the Board Chair is resigning or removed, then the Board shall elect a new Chair and that Chair shall constitute a Nominating Committee as set forth in Section 3.6.2 herein. If the resigning or removed Director is the CEO, then the remaining Board shall determine if the succeeding CEO will be appointed to the Board pursuant to Section 3.6.4 herein.

**3.8.1 Resignation:** Any Director may resign from an office or position, at any time, by delivering written notice of such resignation to the Board Chair. Such notice shall be effective as of the date the notice is submitted to the Board Chair by the resigning Director.

**3.8.2 Removal:** The Board or the Membership may remove a Director before completion of the Director's term of office as set forth herein:

**3.8.2.1 Removal by Board:** The Board may remove any Director for gross negligence, violation of local, state, provincial, or federal laws, gross misconduct, failure to meet the fiduciary obligations of Directors, or failure to comply with the Standards of Conduct for Directors. Such removal will only occur upon the affirmative vote of not less than two-thirds (2/3) of the Directors excluding the Director being considered for removal.

**3.8.2.2 Removal by Members:** The Members may remove any Director for gross negligence, violation of local, state, provincial or federal laws, gross misconduct, failure to meet the fiduciary obligations of Directors, or failure to comply with the Standards of Conduct for Directors. Such removal will only occur upon the affirmative vote of not less than fifty (50) percent of the Membership voting, as well as a simple majority of the Members of three (3) of the five (5) Member Classes (Classes 1-5).

**3.8.2.2.1 Initiation of Removal:** Proceedings to remove a Director may be initiated only by a petition signed by not less than twenty percent (20 percent) of the Members, including at least twenty percent (20 percent) of the Members of at least

two Member Classes. The petition shall state the specific grounds for removal.

**3.8.2.2.2 Response to Removal Petition:** The Director subject to removal proceedings shall be given fifteen (15) days to respond to a Member petition pursuant to Section 3.8.2.2.1, in writing to the CEO, the Board Chair (unless the Director subject to removal proceedings is the Board Chair, in which case notice shall be to the Board Vice Chair), and the MAC Chair.

**3.9 Director Vacancy by Procedure:** Whenever a vacancy in a Director position occurs due to the expiration of a Director's term combined with a lack of a quorum for an election, the expired Director's term shall be extended until such time as a proper and effective election of a new or incumbent Director can be conducted. Where a Director candidate or a sitting Director that was re-nominated fails to receive the required vote of the Members or Member Classes, the Board may conduct a new election of an alternate candidate put forward by the Nominating Committee, if any, or the Board may ask the Chair to establish a new Nominating Committee to recommence the nomination and election process. Where a candidate has not received the required vote of the Members and Member Classes, the director position shall remain vacant until a candidate is elected, except as provided in Section 3.10.

**3.10 Interim Cure of Multiple Director Vacancies:** In the event that two or more Director vacancies exist; the Board, or those Directors that remain, notwithstanding quorum and voting requirements, may appoint an interim temporary replacement for one or more of the vacancies, to serve until a replacement is duly elected, to ensure that there are at all times at least five Directors on the Board. In such instances the Board may ask a retired Director to serve if available.

**3.11 Board of Directors Chair and Vice Chair:** At the Annual Meeting, the incoming Board shall elect by a simple majority vote both a Chair and Vice Chair for one-year terms measured from Annual Meeting to Annual Meeting. In the event that the CEO is a member of the Board, the CEO shall not be eligible to be elected Chair or Vice Chair.

**3.12 Director Duties:** All Directors shall have fiduciary duties. With the exception of the CEO if the CEO is on the Board, all Directors shall also have the duty to maintain Non-Affiliated Status.

**3.12.1 Fiduciary Duties:** At all times all Directors shall act consistent with, and carry out, the duties of care, loyalty, and good faith, in addition to any requirements set forth for Directors in the laws of the State of Utah for non-profit corporations, these Bylaws, and the Standards of Conduct for Members of the Peak Reliability Board of Directors set forth in Appendix A attached hereto.

**3.12.2 Non-Affiliated Status:** Throughout their terms, with the exception of the CEO if the CEO is on the Board, all Directors have a duty to maintain Non-Affiliated Status as set forth in this Section 3. If a Director becomes aware of any such affiliation, he or she must immediately give notice of the affiliation to the Board Chair, and resign from the Board of Directors or eliminate the affiliation within sixty (60) days, or prior to the next meeting of the Board, whichever is sooner. If the affiliation cannot be cured prior to the next meeting but can be cured within sixty (60) days and Director is in the process of curing the affiliation rather than resigning, then the Director shall be recused from participating in such meeting.

**3.13 Powers of Directors:** The management of all the property and affairs of Peak Reliability will be vested in the Board. The Board will hold annual elections to select a Board Chair and to fill any other Board officer positions that may be created by the Board or required by applicable law. The Board may exercise all the powers of Peak Reliability and do all lawful acts and things (including the adoption of such rules and regulations for conducting its meetings, and the exercise of its powers and management of Peak Reliability) as are consistent with these Bylaws and the Articles of Incorporation.

**3.14 Delegation of Board Authority:** Consistent with applicable law, the Board may delegate to the CEO or to any Board Committee formed pursuant to these Bylaws any or all of its powers and authority except: (1) the power to approve budgets; (2) the power to form committees; (3) the power to amend the Bylaws as set forth herein; (4) the power to elect the Board Chair and other officers of the Board; and (5) the power to hire, fire, or set the terms of employment of the CEO. Decisions to delegate or to rescind a delegation shall require an affirmative vote of a simple majority of the Directors.

**3.14.1 Notice to Members:** Members will be notified within seven (7) business days of any Board delegation of authority made pursuant to this Section 3.14 by electronic mail and any other means determined appropriate by the Board. Notice of the delegation will also be posted on Peak Reliability's website.

**3.14.2 Appeal of Delegation by Members:** Upon petition filed with the Corporate Secretary by a simple majority of the Membership, the Members may appeal a Board delegation of authority to the Board. Such appeal shall first be presented to the Governance Committee, which shall provide a recommendation regarding the appeal to the Board concurrent with the Board hearing on the appeal.

**3.15 Member Advisory Committee (MAC) and Western Interconnection Regional Advisory Board (WIRAB) Recommendations:** The Board will give serious consideration to the MAC and the WIRAB's (or any successor) recommendations. The Board will respond to MAC and WIRAB recommendations through a means that the Board determines appropriate.

**3.16 Board of Directors and Member Advisory Committee Interactions:** The Board and MAC Chairs shall develop and revise guiding principles, and procedures as necessary, to



ensure open, effective, and efficient dialog between the MAC and Board. Such guiding principles and procedures may be amended by the Board and MAC Chairs.

## SECTION 4 – PROCEDURES FOR BOARD DECISIONS

### 4 Procedures for Board Decisions

**4.1 Quorum:** No business shall be conducted by the Board unless at least five (5) Directors, or six (6) Directors if the CEO is being considered, are present.

**4.2 Majority Vote:** A decision of the Board will require an affirmative vote of a simple majority of Directors present and not abstaining; provided that, no decision of the Board shall be made with fewer than three affirmative votes, or four (4) affirmative votes if the CEO is being considered to determine a quorum pursuant to Section 4.1. Directors may not vote by proxy or by absentee ballot, but Directors may participate in Board Meetings remotely, either electronically or by telephone as set forth in subsection 4.3.

**4.3 Remote Board Meeting Participation:** Any or all of the Directors may participate in any meeting of the Board electronically or by telephone, or by any other means of communication that enables the Directors to simultaneously hear one another. Every Director participating in a meeting in this manner will be deemed to be present in person for the purpose of establishing a quorum and to cast votes.

### 4.4 Board Action by Unanimous Consent

**4.4.1 Action Without a Meeting:** In exigent circumstances or when in its judgment, the matter or matters to be considered requires or would require immediate action, the Board may conduct business without complying with the notice requirements set forth in Section 4.5 herein, through one or more written consents describing the action taken. Any Board action taken by written consent must be signed by all Directors then in office and eligible to vote, on or before the date such action is taken. Any action taken without a meeting shall be effective as of the date the last Director executes consent, unless the consent specifies an earlier or later effective date. The execution of consent shall have the same force and effect as an affirmative vote taken at a meeting. Whenever such action is taken by the Board, a statement describing the action, the exigent or other circumstances requiring the immediate action, and the votes of all Directors present shall be posted on Peak Reliability website and communicated in writing, electronically or otherwise, to all Members within five (5) business days of the action.

**4.4.2 Waiver of Procedures:** Under exigent or unusual circumstances, for any specific action at any noticed Board Meeting where the quorum requirement herein is met, the Board may by unanimous consent of those present at the meeting waive any procedural requirement applicable to Board decision-making,

including any requirement for notice of a specific potential action, except for the following: (1) the requirement for notice of the time and place of the meeting as set forth in Section 4.5 herein; (2) the quorum and voting requirements of Sections 4.1 and 4.2 herein; and (3) any non-procedural limitation on the power of the Board to make a decision, including but not limited to the restrictions set forth in these Bylaws. Whenever such action is taken by the Board, a statement describing the action, the exigent or unusual circumstances, the specific procedure waived, the basis for the waiver and the votes of all Directors present shall be posted on Peak Reliability website and communicated in writing, electronically or otherwise, to all Members within five (5) business days of the action.

## **4.5 Notice**

- 4.5.1 Meetings:** Except as provided in Section 4.5.4, all regular business of the Board, not including the actions set forth in Section 4.4.1 and excluding the manner of addressing urgent business set forth in Section 4.5.2 herein, shall occur at Board Meetings that are noticed at least twenty-one (21) days in advance by the CEO to all Directors and Members. Notice shall include the time and place of the meeting and an agenda that identifies the matters on which a vote will be taken at the meeting. The foregoing requirement shall not preclude the Board from taking an action that is different from the specific proposed action in the agenda, as long as the relevant subject matter has been reasonably identified in the agenda. The Board shall establish a regular meeting schedule that will include not less than two meetings of the Board annually. The regular meeting schedule will be made available to the Members within a reasonable time after being established.
- 4.5.2 Special Meetings:** Whenever the Chair of the Board or any two (2) Directors find that there is urgent business requiring Board action before the next regular Board Meeting, a special meeting of the Board may be called, provided that; not less than three (3) days written notice is given to all Directors and Members. Such notice may be waived by the Board if: (1) the waiver is in writing and signed by a quorum of Directors; and (2) as much notice of the meeting as is practicable has been given to Members via electronic mail and posting to Peak Reliability website.
- 4.5.3 Public Notice:** Except as provided in Section 4.5.4, public notice of each meeting of the Board will be placed on Peak Reliability's website within forty-eight hours after notice has been given to Directors and Members. Any person, whether or not associated with a Peak Reliability Member, may request receipt of electronic notice by contacting the Corporate Secretary in writing, electronic means being sufficient, and requesting that an email address be added to the distribution list for electronic Board Meeting notices.

**4.5.4 Closed Session:** For meetings where the Chair of the Board determines that the Board will meet solely in closed session for the purposes described in Section 4.6.1, notice shall be provided to all Directors and Members at least four (4) days in advance of the meeting, and public notice of the meeting shall be placed on Peak Reliability's website within a forty-eight hours after notice has been given to Directors and Members.

**4.6 Open Meetings:** Except as provided in Section 4.6.1 herein, all regular and special meetings of the Board will be open to observation by any Member and/or any member of the public.

**4.6.1 Closed Session:** The Board may meet in closed session upon determination by the Chair of the Board as provided in Section 4.5.4. In addition, upon a two-thirds (2/3) affirmative vote of the Directors present after a quorum has been established at a Board Meeting, regular or special, the Board may close an open meeting and reconvene in closed session in the following instances: (1) to receive and/or discuss confidential attorney-client privileged information from Peak Reliability's counsel, including but not limited to discussions of pending or potential litigation and conveying legal advice; (2) to consider the employment, evaluation of performance, or dismissal of an employee; (3) to deliberate the nomination, qualification or removal of a Director; (4) to consider the appointment of a temporary Director in accordance with Section 3; and (5) to receive and discuss any other information that is privileged, confidential (including but not limited to cyber security and critical energy infrastructure information), proprietary, trade secret, otherwise protected from public disclosure by law, or that the Board otherwise determines must be kept confidential to protect a legitimate business or public interest.

**4.6.1.1 Attendance by an Affected Director:** Closed sessions of the Board may not be attended by a Director under the following circumstances: (1) when the qualifications or performance of the Director, the Director's spouse or children are being discussed; (2) when the Director is employed by an Entity that is, or is likely to become, a party to the litigation or legal issue being discussed; or (3) where the Board Chair determines that the Director would have a serious and substantial conflict of interest by becoming privy to the privileged or confidential information that is to be presented or discussed by the Board in the closed session.

**4.6.1.2 Announcement and Adjournment of Closed Session:** Prior to adjourning to closed session, the Board Chair will announce the purpose of the closed session in a manner that provides the public an understanding of the general subject matter to be discussed but does not reveal privileged, confidential or otherwise sensitive or personal information. The closed session shall then be limited in scope to the

stated purpose of the closed session. Except for closed sessions noticed pursuant to 4.5.4, once adjourned, the Board Chair shall provide the public a general description of the business conducted during the closed session, without breaching the confidentiality of the subject matters addressed.

**4.6.1.3 Confidentiality of Closed Session:** All Directors and any others present at a closed session shall maintain the confidentiality of the information, discussions and decisions made in closed session. The Board will appoint a secretary for the closed session to take minutes of the closed session. Minutes of the closed session will be maintained as confidential by the Corporate Secretary.

#### **4.7 Board Committees**

**4.7.1 Governance Committee:** The Board Chair shall appoint a Governance Committee to (1) oversee these Bylaws in coordination with Peak Reliability management; (2) hear appeals of Membership and other issues as set forth herein; and (3) address such other issues pertinent to governance of Peak Reliability as the Board may choose to delegate to it. The Governance Committee shall include at least three Directors, including one who has Transmission Operations, Transmission Planning or Generation experience as described in Section 3. The Board Chair shall also designate one of the appointed Directors to be the Chair of the Governance Committee.

**4.7.2 Other Board Committees:** The Board may appoint such Board Committees as it deems necessary from time-to-time to carry out its business affairs. In appointing such committees, the Board will specify their purpose, membership, voting, notice and meeting procedures and other such direction as the Board may deem appropriate. The Board may appoint one or more Directors or other persons to participate in Board Committees as full voting members or as non-voting advisory members.

**4.8 Standards of Conduct for Board Committee Members:** In the event that a person who is not a duly elected Director is appointed to a Board Committee, such person shall be subject to the Standards of Conduct for Members of the Peak Reliability Board of Directors, attached hereto as Appendix A, just as any Director is so subject, and shall sign an agreement to be bound by those standards prior to assuming membership on the Board Committee.

## SECTION 5 – MEMBERS AND MEMBERSHIP

### 5 Members and Membership

**5.1 Voluntary Membership:** Except as may be required by a competent body with jurisdiction, Membership in Peak Reliability is voluntary. Notwithstanding anything herein, nothing will relieve a Member withdrawing its membership from any obligation it may have to Peak Reliability, including unpaid funds, whether incurred under applicable law, including but not limited to the Federal Power Act, and/or under any contract executed.

**5.2 Eligibility for Membership:** Subject to Section 5.4 herein regarding Affiliates, any Entity that meets the criteria for Membership in the Membership classes described in Section 5.2.1 herein shall be eligible to be a Member.

#### 5.2.1 Membership Classes

**5.2.1.1 Class 1:** Electric Line of Business Entities owning, controlling, or operating more than one thousand (1,000) circuit miles of transmission lines of 115 kV or higher voltage within the Western Interconnection.

**5.2.1.2 Class 2:** Electric Line of Business Entities owning, controlling, or operating transmission or distribution lines, but not more than one thousand (1,000) circuit miles of transmission lines of 115 kV or higher voltage, within the Western Interconnection.

**5.2.1.3 Class 3:** Generation Owners and Operators and other Electric Line of Business Entities doing business in the Western Interconnection that do not own, control, or operate transmission or distribution lines in the Western Interconnection, limited to generation owners, generator operators, balancing authority areas, power marketers, independent power producers, generation and transmission cooperatives, wholesale power suppliers, and load serving entities.

**5.2.1.4 Class 4:** This Class shall consist of the following entities:

**5.2.1.4.1** End users of significant amounts of electricity in the Western Interconnection, including industrial, agricultural, commercial, and retail entities.

**5.2.1.4.2** Organizations in the Western Interconnection that represent the interests of a substantial number of persons interested in the impacts of the Bulk Electric System on the public or the environment.

**5.2.1.5 Class 5:** State and Provincial Representatives from the Western Interconnection having policy or regulatory roles and who do not represent state or provincial agencies and departments whose function involves significant direct participation in the market as an end user or in Electric Line of Business activities.

**5.2.1.6 Class 6:** Entities that are not otherwise eligible for Membership in the other Member Classes but who have a substantial interest in the purposes of Peak Reliability, such as developers of transmission, generation or distribution facilities and consultants to the energy industry.

**5.3 Subdivision of Membership Classes:** For purposes of electing MAC representation, Members of a Class may, upon the vote of a simple majority of the Class, sub-divide into not more than three separate subclasses for the sole purpose of electing MAC representation.

**5.4 Designation of Membership Class:** A Member may not belong to more than one Class. Each applicant for Membership shall designate the Class for which it qualifies, based on the criteria for Membership set forth in Section 5.2.1 and these additional requirements: (1) all Electric Line of Business Entity Members owning or operating transmission or generation facilities in the Western Interconnection must be members of Classes 1, 2, or 3; and (2) any Member owning, controlling, or operating transmission or distribution facilities must belong to Class 1 or 2 unless the Member's petition for a change in Member Class pursuant to the provisions of Section 5.7 herein is duly granted.

**5.5 Affiliates:** An Affiliate of a Member that satisfies the Membership qualifications may also become a Member provided:

**5.5.1** The Affiliate applying for Membership and the Member affiliate(s) disclose to the Corporate Secretary all Affiliates that are current Members and the Classes of which the Affiliates are Members.

**5.5.2** Each Affiliated Member shall promptly notify the Corporate Secretary in the event that it becomes or ceases to be an Affiliate of any other Member.

**5.5.3** Affiliates may be Members of the same Class, provided however that a Member's Affiliates within a single Class shall only have one vote in any Peak Reliability forum. A Member's Affiliates within a single Class may, upon at least three (3) working days advance written notice to the Corporate Secretary, split their single vote pro rata or designate a single Affiliate as their voting Member.

**5.5.4** An Entity with functionally separate business units or entities may, with good cause shown through written request to Peak Reliability and upon approval of the Governance Committee and the Board, obtain separate Memberships for

such business units or entities; provided that such entities will be considered Affiliates.

- 5.5.5** Absent a Board policy to the contrary, Members may not share the benefits of Membership, including the right to receive data and information solely available to Members, with non-Member Affiliates.
- 5.6 Application for Membership:** An Entity interested in becoming a Member of Peak Reliability must fill out the Membership application and provide any additional required information to Peak Reliability for review. Peak Reliability will review the information provided and the Class designation elected by the applicant. If the applicant has not selected the appropriate member Class, Peak Reliability will advise the applicant of the correct class. If the applicant is not eligible for Membership in any Class, Peak Reliability shall deny the application. If an applicant's application is insufficient upon review and the applicant does not revise the application in a timely manner, Peak Reliability will deny the application without prejudice and the applicant may reapply providing further or updated information at any time.
- 5.7 Change in Membership Class:** Upon petition from a Member, the CEO may allow a Member to change Member Class if the activities of the Member as a whole, or in the energy industry specifically, are more closely aligned with the proposed Class than the Member's current Class.
- 5.8 Appeal of Membership Decisions:** In the event that one of the following occurs: (1) Peak Reliability determines that an applicant is not eligible for the Member Class the applicant is seeking Membership in; (2) Peak Reliability denies a Membership application; or (3) a petition for change in Membership Class is denied, the applicant or petitioner, as applicable, may appeal such decision to the Governance Committee who, when evaluating the appeal, may consider the primary business purpose of the applicant. If the applicant or petitioner disagrees with the Governance Committee's determination, the applicant or petitioner may appeal to the Peak Reliability Board who, when evaluating the appeal, may consider the primary business purpose of the applicant. The determination of Peak Reliability Board on any such matter is the final determination.
- 5.9 Rights and Obligations of Membership for Classes 1 Through 5:** The specific rights and obligations of Membership for Members of Class 1, Class 2, Class 3, Class 4 and Class 5 shall be as follows:
- 5.9.1** have the right to elect and remove Directors as set forth herein;
  - 5.9.2** have the right, as set forth herein, to amend these Bylaws;
  - 5.9.3** have the right to receive notice of all Board and committee meetings;
  - 5.9.4** have the right to be a Member of and vote at Member committee meetings, including the selection of MAC representatives, as set forth herein;

**5.9.5** have the right to invoke any dispute resolution procedures the Board may adopt;

**5.9.6** be obligated to abide by these Bylaws and all decisions and policies of the Board;

**5.9.7** be obligated to pay any required dues, fees, assessments or penalties;

**5.9.8** be obligated to notify the Corporate Secretary of any changes to Affiliates as set forth herein;

**5.10 Associate Member Status of Class 6:** The Members of Class 6 shall be considered Associate Members, whose rights shall be limited to the right to receive notice of and participate in all Board and Committee meetings as non-voting Members. Members of Class 6 shall not have the right to vote in Peak Reliability elections or on any other matters of Peak Reliability business, and shall not be counted for purposes of establishing any quorum. Class 6 Members shall be obligated to abide by these Bylaws and all decisions and policies of the Board.

**5.11 Limitation on Member Obligations:** The obligations of Members pursuant to Section 5.9 will not require any Member to take any action that the Member in good faith determines: (1) would cause the Member to violate or improperly implement an applicable law, rule, regulation, tariff, order, or other legal obligation; (2) would exceed the physical capabilities of the Bulk Electric System Elements and/or Facilities a Member uses, owns or operates, or cause immediate risk of serious damage to the Bulk Electric System Elements and/or Facilities that the Member uses, owns or operates, or require a Member to risk serious damage to Bulk Electric System Elements and/or Facilities the Member uses, owns or operates; or (3) would create an immediate risk to public health or safety.

**5.12 Active Membership:** To maintain Active Member status, each Member must attend at least one Peak Reliability Meeting per year and cast a ballot in the election of both a Director and a MAC Member. Attendance at meeting includes attending in person, participating telephonically, sending an alternate, or voting absentee. Peak Reliability Meetings include meetings of the Board, the MAC, other member meetings including but not limited to user groups, or any other meeting of a committee created in accordance with these Bylaws. To be counted for quorum purposes at the Annual Meeting, a Member's Membership status must be active. If a Member does not maintain Active Member status for two consecutive years the Member's Membership will be terminated. If a Member's Membership is so terminated, the Member may reapply for Membership at any subsequent time.

**5.13 Compliance with and Enforcement of Membership Obligations:** The Board may suspend or, to the extent not prohibited by applicable law, terminate the Membership of any Member for a material failure to meet any obligation of Membership set forth in these Bylaws, including, but not limited to: (1) non-payment of dues, fees, penalties,



or other amounts assessed pursuant to these Bylaws; (2) intentionally or repeatedly violating any Peak Reliability Bylaw or Peak Reliability Board Policy; (3) materially breaching or intentionally violating any relevant decision by a regulatory body with jurisdiction over the issue; or (4) willfully obstructing any lawful purpose or activity of Peak Reliability.

**5.13.1 Limitation on Power to Suspend or Terminate Membership:** The power of Peak Reliability to enforce Member obligations pursuant to these Bylaws is limited to suspension or termination of Membership as set forth in this Section 5.13 provided, however, that nothing in this Section will limit: (1) the power of Members to agree to additional enforcement provisions in separate contracts or agreements; (2) the power of Peak Reliability to propose solutions to industry issues to any Applicable Regulatory Authority; and (3) the power of Peak Reliability with respect to its delegated authority related to situational awareness or carrying out its registered functions within its registered footprint, including any activities Peak Reliability carries out by contractual arrangement with entities or bodies of competent jurisdiction.

**5.13.2 Suspension:** The suspension of a Member will not affect the Member's rights and obligations, with the exception of the right to vote. The Member, and any MAC Member employed by or affiliated with the Member, will not be entitled to vote at any meeting of the Members, Classes, MAC, or any Peak Reliability Committee including future developed subcommittees or working groups of the MAC, until the suspension is removed.

**5.13.3 Termination:** The termination of a Member's Membership will have the same effect, and be subject to the same continuing obligations, as a Member's withdrawal pursuant to these Bylaws, except that termination shall be effective as of the issuance date of the notice provided pursuant to Section 5.13.4 below.

**5.13.4 Notice of Suspension or Termination:** The Board shall give the affected Member not less than twenty-one (21) days prior written notice of any proposed suspension or termination. The notification will include the specific basis for the propose action and, if applicable, instructions for cure.

## **SECTION 6 – PROCEDURES FOR MEMBER DECISIONS**

**6 Procedures for Member Decisions:** Except as otherwise provided herein, Members may only conduct business and take votes at duly noticed Member meetings. Members may not conduct any business of the Membership as a whole, or of any one Member Class, at any meeting unless a quorum is first established. Unless otherwise required herein, decisions of the Membership or of a Member Class will be by simple majority, with each Member having

one vote. Unless otherwise determined by the Membership, the MAC Chair shall preside over all Membership meetings.

**6.1 Quorum:** A simple majority of all Members, including a simple majority of all Members in at least three (3) Classes, will constitute a quorum for all meetings of the Membership as a whole; provided however, the quorum requirement shall increase to a simple majority of all Members of four (4) Classes in circumstances where the action to be taken requires an affirmative vote of a majority of the Members of four (4) Classes. A simple majority of all Members in a Class will constitute a quorum for a Member Class meeting. Members who do not qualify as Active Members under Section 5 shall be removed from the Class Membership rolls used for determining whether a quorum is present at a Member Class meeting and at any meeting of the Membership as a whole. For the purposes of electing Directors or amending these Bylaws, as set forth in Section 6.2, alternate Member representatives and absentee voting Members shall be included as present at the relevant meeting of the Membership or Member Class meeting for purposes of determining a quorum.

**6.2 Alternate or Absentee Voting:** In the event that a Member's designated voting representative cannot attend a meeting of the Membership or a Member Class meeting, a Member may designate an alternate voting Member representative, with two (2) days written notice to the Corporate Secretary, or a Member may cast an absentee ballot pursuant to the procedures established by the Corporate Secretary.

**6.3 Annual Member Meetings:** Peak Reliability will hold an Annual Meeting of all Members at a time and place determined by the MAC in conjunction with the Chief Executive Officer. At the Annual Meeting, in addition to other member decisions, the Membership shall elect Directors and MAC Members.

**6.4 Special Member Meetings:** Members may hold special meetings when called by the Board or the MAC. By simple majority vote, the Board or the MAC may call a Special Member meeting if: (1) a simple majority of the Members of any Class request a meeting, (2) under urgent or exigent circumstances when a Membership vote is necessary, or (3) as is otherwise determined appropriate in consultation with the Chief Executive Officer or the General Counsel.

**6.5 Member Class Meetings:** An individual Member Class may hold a meeting for any purpose relevant to the interests of the Class Members. Such meeting will be initiated by request of one or more Class Members, and agreement of a simple majority of the Class Members.

## **6.6 Notice of Member Meetings**

**6.6.1 Annual Meeting:** The Corporate Secretary shall provide not less than thirty (30) days notice to all Members and the Board of the date, time, and place of the Annual Meeting of the Members. The Notice shall include an Agenda that states the business to be conducted at the Annual Meeting, including any votes to be

taken. Notice shall be effective upon sending electronically. Notice shall also be posted on Peak Reliability website within twenty-four (24) hours of being sent electronically.

**6.6.2 Other Member Meetings:** The Corporate Secretary shall provide not less than fifteen (15) days notice for any other Membership or Member Class meetings, including the date, time and place of the Membership or Member Class meeting. Notice shall be effective upon sending electronically. Notice shall also be posted on Peak Reliability website within twenty-four (24) hours of being sent electronically.

**6.7 Open Meetings:** All Membership or Member Class meetings shall be open to the public unless otherwise set forth herein.

**6.8 Meeting and Voting Procedures:** The MAC, contingent upon approval by the General Counsel, may develop and implement meeting and voting procedures, consistent with these Bylaws for meetings of the Membership. Each Member Class, contingent upon approval by the General Counsel and a simple majority of the Members of the Class, may develop and implement meeting and voting procedures, consistent with these Bylaws for its Member Class Meetings.

## **SECTION 7 – MEMBER ADVISORY COMMITTEE**

**7 Member Advisory Committee:** The Member Advisory Committee (MAC) shall be comprised of at least fifteen (15) Member representatives elected by Member Classes 1 through 5 as set forth herein. Each of Classes 1 through 5 shall seat three (3) MAC representatives. The MAC shall: (1) advise the Board regarding matters referred to the MAC by the Board; and (2) advise the Board on other matters as the MAC Chair deems appropriate.

**7.1 MAC Member Elections:** At the Annual Meeting, the MAC shall hold elections to ensure that at least fifteen (15) MAC Members are seated. As set forth herein, each of Member Classes 1 through 5 may sub-divide into up to three sub-divisions for purposes of electing a Class' MAC Members.

**7.1.1 International Membership on the MAC:** The Board, by resolution, may create up to three additional positions on the MAC, where contracts for Peak Reliability services have been duly executed by Peak Reliability and Canadian and/or Mexican entities, and set forth the mechanism by which Canadian and/or Mexican MAC Members shall be appointed.

**7.1.2 MAC Member Nominations:** Members of each Class or subclass may nominate potential candidates for election as MAC Member Representatives, but cannot nominate a candidate for election to represent another Member Class or

subclass. Candidates for election need not be employees of Members of the Class from which they are nominated.

**7.1.3 Quorum:** A simple majority of the Members within a respective Class shall constitute a quorum. MAC Member Representatives can only be elected after such a quorum has been established..

**7.1.4 Voting:** Voting shall be in person, by proxy, or by absentee ballot. Where there are more candidates for election than positions to fill, absentee ballots shall allow voters to order the candidates by order of preference so that their wishes may be honored in case a runoff is required. Absentee ballots shall be counted in the first ballot based on the top choice or choices if more than one seat is being filled. In any runoff election, absentee ballots shall be counted based on the highest preferences indicated for the candidates who remain in the runoff election.

**7.1.4.1** Each Class Member shall have the number of votes necessary to vote for one candidate for each MAC Member position for which there is a vacancy, either in the Member's Class or Sub-Class in a given year, unless otherwise determined by a sub-divided Class as set forth in Section 7.1.5. No Member may cast more than one vote for the same candidate. For each open position, the candidate receiving the most votes will be elected. In the event of a tie, runoff elections will occur. In each runoff, the candidate with the fewest votes will be eliminated from the ballot, and runoffs will continue in this manner until a candidate is elected. In the event two consecutive runoffs result in a tie, the winner will be determined by lot.

**7.1.5 Member Class Elections and Voting Procedures:** Each Class, contingent upon approval by the General Counsel, may develop and implement election and/or voting procedures consistent with these Bylaws for purposes of electing MAC Members for the Class and for purposes of sub-dividing within a Class for the election of MAC Members.

**7.2 Terms and Election Cycle:** Each MAC Member elected shall serve a three (3) year term. Terms shall be staggered such that each Member Class elects one MAC Member each year. The initial staggering of terms within each Class shall be determined by drawing lots.

**7.2.1 MAC Member Vacancy by Resignation, Removal or Procedure:**

**7.2.1.1 Resignation:** At any time, any MAC Member may resign from their position by providing written notice of resignation to the MAC Chair. Such notices shall be effective as of the date the notice is submitted to the MAC chair by the resigning party.

**7.2.1.2 Removal:** The MAC or the Member Class that elected a MAC Member may remove the MAC Member prior to completion of the MAC Member's term of office as set forth herein:

**7.2.1.2.1 Removal by the MAC:** The MAC may remove any MAC Member for gross negligence or gross misconduct, violation of local, state, provincial, or federal law, or gross failure to carry out the duties of a MAC Member. Such removal will only occur after the affirmative vote of at least two-thirds (2/3) of the MAC Members.

**7.2.1.2.2 Removal by the Electing Member Class or Subclass:** The electing Member Class or subclass may remove any MAC Member elected by that Member Class or subclass, with or without cause. Such removal will only occur after the affirmative vote of a simple majority of the Members of the electing Member Class or subclass.

**7.2.1.2.3 Vacancy:** Whenever a MAC vacancy occurs, the MAC Chair may conduct a proper and effective election, allowing for a reasonable period to select candidates and to organize such an election. Until that election is held, the MAC Chair shall have the discretion to appoint an interim MAC Member to fill the vacancy. The appointee shall serve until an effective election is held. Any interim appointment must come from the same Class or subclass from which the vacancy arose.

**7.3 MAC Chair and Vice Chair:** At the Annual Meeting, after incoming MAC Members have been duly elected by the Member Classes, the MAC will elect the MAC Chair and MAC Vice Chair from the MAC Members. The Chair and Vice Chair must represent different Classes, and shall serve one year terms measured from Annual Meeting to Annual Meeting. In the event of the resignation or removal of the Chair or Vice Chair, the MAC members shall at their next regular or special meeting, whichever is sooner, elect a new MAC Chair or MAC Vice Chair respectively.

**7.4 MAC Member Duties:** All MAC Members shall have a duty to represent the interests of their Member Class in a fair and balanced manner. All MAC Members shall maintain regular contact with the members of their Member Class as issues are considered by the MAC, and shall have a duty to discuss both majority and minority opinions from their Member Class on matters before the MAC.

## SECTION 8 – PROCEDURES FOR MAC DECISION MAKING

### 8 Procedures for MAC Decision Making

#### 8.1 Regular and Special Meetings

**8.1.1 Regular Meetings:** All regular business of the MAC shall occur at MAC meetings that are noticed pursuant to Section 8.2. The MAC shall meet in person not less than two times per year, including once in conjunction with the Annual Meeting. The MAC shall establish a regular meeting schedule that will be made available to the Members and Directors electronically and available to the public through posting on the MAC website.

**8.1.2 Special Meetings:** Whenever the MAC Chair or any two (2) MAC Members find that there is urgent business requiring MAC consideration or action prior to the next regularly scheduled meeting then the a special meeting may be called in accordance with Section 8.2.

#### 8.2 Notice

**8.2.1 Regular Meetings:** All regular meetings of the MAC shall require at least ten (10) days written notice to the MAC Members, the Directors, and the Membership. Such notice shall specify the time and place of the meeting, and an agenda of the business to be conducted including those matters upon which a vote will be taken. Notice of regular MAC meetings shall be effective upon electronic distribution, and shall be posted to Peak Reliability website within twenty-four (24) hours of electronic distribution.

**8.2.2 Special Meetings:** Any special meetings of the MAC shall require at least ten (10) days written notice to the MAC Members, the Directors, and the Membership. Such notice shall specify the time and place of the meeting, and an agenda of the business to be conducted including those matters upon which a vote will be taken. Notice of special MAC meetings shall be effective upon electronic distribution, and shall be posted to Peak Reliability website within twenty-four (24) hours of electronic distribution.

**8.3 Quorum:** No business shall be conducted by the MAC unless a simple majority of the MAC Members is present, including at least one MAC Member from each Member Class that elects MAC Members (not including subclass designations).

**8.4 Majority Vote:** A decision of the MAC will require a simple majority vote of the MAC Members, unless otherwise required herein.

**8.5 Remote Participation at MAC Meetings:** Any or all of the MAC Members may participate in any meeting of the MAC electronically or by telephone, or by any other means of communication that enables the MAC Members to simultaneously hear one

another. Every MAC Member participating in a meeting in this manner will be deemed to be present in person at that meeting.

**8.6 Reporting to the Board:** The MAC Chair shall provide a report to the Board at each Board Meeting detailing the business carried out by the MAC, and advising the Board of MAC recommendations on matters set forth in Section 7. In the event that there are dissenting or minority MAC Member opinions regarding a matter on which the MAC is advising or providing recommendations to the Board, the MAC Chair shall present dissenting and/or minority opinions in conjunction with the respective MAC advice or recommendations.

**8.7 Open Meetings:** Except as provided in Section 8.7.1, all regular and special meetings of the MAC will be open to observation by any Member and/or any member of the public.

**8.7.1 Closed Session:** Notwithstanding the provisions of Section 8.7, after a quorum has been established at any MAC meeting and upon an affirmative vote of two-thirds (2/3) of the MAC Members present, the MAC may close an open meeting and reconvene in closed session to receive and discuss any information that is privileged, confidential, proprietary, trade secret, otherwise protected from public disclosure by law.

**8.7.1.1 Attendance by an Affected MAC Member:** Closed sessions of the MAC may not be attended by a MAC Member under the following circumstances: (1) when the qualifications or performance of the MAC Member is being discussed; (2) when the MAC Member is employed by an Entity that is or is likely to become a party to the litigation or legal issue being discussed; or (3) when the MAC Chair determines that the MAC Member would have a serious and substantial conflict of interest by becoming privy to the privileged or confidential information that is to be presented to or discussed by the MAC in the closed session.

**8.7.1.2 Attendance by Directors:** Any member of the Board may attend a closed session of the MAC at the invitation of the MAC Chair.

**8.7.1.3 Announcement and Adjournment of Closed Session:** Prior to adjourning to closed session, the MAC Chair will announce the purpose of the closed session in a manner that provides the public an understanding of the general subject matter to be discussed but does not reveal privileged, confidential or otherwise sensitive or personal information. The closed session then shall be limited in scope to the publicly stated purpose of the closed session. Once adjourned, the MAC Chair shall provide the public a general description of the business conducted during the closed session, without breaching the confidentiality of the subject matters addressed.

**8.7.1.4 Confidentiality of Closed Session:** All MAC Members and any others present at a closed session shall maintain the confidentiality of the information, discussions, and decisions made in closed session. Unless otherwise required, all MAC Members and closed session attendees shall execute an appropriate confidentiality agreement provided by the General Counsel. The MAC Chair will appoint a secretary for the closed session to take minutes of the closed session. Minutes of the closed session will be maintained as confidential by the Corporate Secretary.

## **SECTION 9 – MAC COMMITTEES**

**9 MAC Committees:** The MAC may appoint such MAC subcommittees and working groups as it deems necessary from time-to-time to carry out its business affairs. In appointing such subcommittees or working groups, the MAC will specify in a charter their purpose, membership, voting, notice and meeting procedures, and other such direction as the MAC deems appropriate. The MAC may appoint one or more MAC Members or other persons to participate in MAC subcommittees or working groups as full voting members or as non-voting advisory members.

## **SECTION 10 – ADVISORY BODIES**

**10 Advisory Bodies:** As required by law, as requested by the Board or the MAC, or as otherwise determined, advisory bodies with relevant expertise may advise the Board and/or the MAC with respect to business before the Board or the MAC respectively.

## **SECTION 11 – OFFICERS AND EMPLOYEES**

### **11 Officers and Employees**

**11.1 Officers:** Peak Reliability shall have a Chief Executive Officer (CEO), a Corporate Secretary, and any other Officers as specified by the Board from time-to-time. The Chief Executive Officer shall also hold the title of President of Peak Reliability if required by applicable law. Each officer will be appointed by the Board and will serve for the term of office specified in the Board action appointing the Officer, and until a successor is appointed. Any two or more offices may be held by the same person except the offices of Chief Executive Officer and Corporate Secretary.



## 11.2 CEO Qualifications and Employment

**11.2.1 CEO Qualifications:** In addition to the requirements set forth in Section 11.1, the CEO shall be a person with senior management or officer-level experience in the electric industry, with a working knowledge of Bulk Electric System operations, planning, and reliability.

**11.2.2 CEO Employment:** The CEO shall be employed by the Board and will serve at the Board's pleasure. Any contract of employment with a CEO will permit the Board to dismiss the CEO at its discretion, without having to demonstrate cause or good reason.

**11.3 Officer Duties:** All Officers shall have fiduciary duties and other duties as specifically set forth in these Bylaws or in the Board action appointing the officer.

**11.3.1 Fiduciary Duties:** At all times, all Officers shall act consistent with, and carry out, the duties of care, loyalty, and good faith, in addition to any requirements set forth for Officers in the laws of the State of Utah for non-profit corporations, these Bylaws, and the Standards of Conduct for Officers and Employees set forth in Appendix B attached hereto.

**11.3.2 CEO Duties:** The CEO shall report to the Board and subject to its direction, the CEO (or designees) shall carry out the following duties, including but not limited to: (1) ensuring that Peak Reliability performs at a level to be established by the Board; (2) executing policies at the direction of the Board; (3) making employment decisions within the constraints of the annual budget; (4) preparing annual budgets for the approval of the Board; (5) ensuring a culture of compliance including compliance with all applicable regulatory requirements; (6) implementing the Officer and Employee Standards of Conduct; and, (7) accepting or rejecting Membership applications in accordance with these Bylaws.

**11.3.3 Corporate Secretary Duties:** The Corporate Secretary shall have the following duties: (1) maintaining official corporate records, including but not limited to corporate registrations, articles of incorporation, minutes of all Peak Reliability meetings including closed sessions of Peak Reliability meetings; (2) maintaining current official lists of Members and all Members who are Affiliates of other Members; (3) providing notice to all Directors, MAC Members, and Members of the results of any vote taken at any Peak Reliability meeting, within five (5) business days of such vote, through posting on Peak Reliability website, electronic mail, or other means of communication; and (4) maintaining Peak Reliability website, and the data and information published through Peak Reliability website, ensuring it is appropriately maintained and updated.

## **11.4 Employees**

**11.4.1 Standards Applicable to all Employees:** All Peak Reliability employees shall comply with The Standards of Conduct for Officers and Employees attached hereto as Appendix B.

**11.4.2 Gifts or Inheritances:** For purposes of the disposition of gifts or inheritances, an “officer or employee” shall include the spouse of an officer or an employee. An officer or employee, who receives a gift or inheritance of securities in any Member or any Affiliate of a Member, must resign or dispose of such securities within six (6) months of the date of receipt. Within six (6) months of the time a new Entity becomes a Member, and an officer or employee owns securities in the new Member, the officer or employee shall resign or dispose of those securities.

## **SECTION 12 – PEAK RELIABILITY SERVICES**

**12 Peak Reliability Services:** Peak Reliability shall provide services consistent with the Vision and Mission set forth in Section 1. In the event that Peak Reliability, in part or in whole, is funded through means other than Section 215, then Peak Reliability Services will be detailed in a tariff or contract and/or associated services agreements.

## **SECTION 13 – FUNDING OF ACTIVITIES**

### **13 Funding of Activities**

**13.1 International Funding:** In the event that an Entity formed pursuant to laws other than those of the United States or its political subdivisions seeks Membership in Peak Reliability and that Entity would be expected to fund Peak other than through Section 215 of the Federal Power Act or the Entity is an operating Entity that is subject to RC Authority under standards enforceable by its regulatory authority, then that Entity shall negotiate with Peak Reliability an agreement that provides the terms upon which that Entity will become a Member and, among other things, participate in and fund Peak Reliability. Until such time as the Entity and Peak Reliability come to such agreement, the Entity shall not be a Member and shall not have an obligation to fund activities undertaken by Peak Reliability.

**13.2 Tariff or Contract Funding:** Any decision to fund Peak Reliability through a Tariff or Contract shall first be made by the Board and then submitted to the Members for approval. Board approval will require a two-thirds (2/3) affirmative vote of all Directors in office. Member approval shall require a simple majority affirmative vote

of the Membership, as well as a simple majority affirmative vote of the Members of four (4) of the five (5) Member Classes (Classes 1-5). Before taking any action to change Peak Reliability's funding source, the Board shall provide not less than thirty (30) days' notice to all Members. Prior to a vote of the Members, written notice shall be provided the Members at least sixty (60) days in advance of the vote.

#### **SECTION 14 – DUES, FEES AND SPECIAL ASSESSMENTS**

- 14 Dues, Fees and Special Assessments:** By a simple majority vote of the Board, Peak Reliability shall have the right to assess Members, or future service-taking entities (subject to relevant terms of agreements with such entities), all dues, fees, and special assessments determined necessary to carry out its duties and responsibilities.

#### **SECTION 15 - PENALTIES**

- 15 Penalties:** In the event that Peak Reliability services are funded through a later developed contract or tariff and associated services agreement, the allocation of penalties shall be addressed in these later developed documents.

#### **SECTION 16 – AMENDMENTS TO THE BYLAWS**

- 16 Amendments to the Bylaws:** These Bylaws may be amended by the Board or the Members as set forth herein.

- 16.1 Amendment by the Board:** Except as otherwise set forth herein, the Board may approve an amendment to these Bylaws after providing not less than thirty (30) days notice of the proposed amendment to all Members. Approval of an amendment requires a two-thirds (2/3) affirmative vote of all of the Directors in office. Such amendment shall become effective sixty (60) days after its approval by the Board unless: (1) the vote is appealed by the Members prior to the sixtieth day; or (2) subsequent regulatory approval is required. A Member appeal shall be sufficient to hold implementation of an amendment if a simple majority of any Member Class files a petition with the Corporate Secretary seeking such appeal. If such an appeal is received, the Membership will vote on whether to rescind the Board approved amendment at the next Annual Meeting or at any earlier time scheduled by the Board for a Membership vote. An appeal will only be successful if a simple majority of the Membership, as well as a simple majority of the Members of three (3) of the five (5) Member Classes (Classes 1-5), votes affirmatively to rescind the amendment. If

the appeal vote is not successful then the amendment will be deemed approved as of the day of the failed Membership vote. If subsequent regulatory approval is required for an amendment, then the amendment shall be effective upon the effective date of such approval.

**16.2 Limitations:** Notwithstanding the foregoing, the Board may not amend Section 1, Section 3, Section 5.2.1, Section 5.10, Section 8.3, this Section 16, and any other sections as required pursuant to Utah law, without such amendment(s) first being approved by the Membership as set forth herein. Proposed amendments to Section 1, Section 3, Section 5.2.1, Section 5.10, Section 8.3, and/or Section 16 must be noticed to the Membership at least sixty (60) days prior to the Annual Meeting or a duly noticed Special Member Meeting. Approval of such amendments shall require a simple majority affirmative vote of the Membership, as well as a simple majority affirmative vote of the Members of four (4) of the five (5) Member Classes (Classes 1-5). Subsequent to Membership approval, the Board may consider and vote upon such Amendments, provided that the Board received written notice of such Amendments at least sixty (60) days prior to such a vote. Notice to the Membership and the Board of Amendments under this Section 16.2 may run concurrently.

**16.3 Amendment by the Membership:** Upon petition filed by any Member or Director, at any Annual Meeting, the Members may amend any provision of these Bylaws; provided: (1) the proposed amendment has first been presented to the Board and not adopted, except as provided for in Section 16.2; (2) the Members have received not less than sixty (60) days written notice of the proposed amendment, including the reasons for the amendment and a statement of the Board's position regarding the amendment; and (3) the amendment receives a two-thirds (2/3) majority affirmative vote of the Membership, as well as a simple majority affirmative vote of the Members of three (3) of the five (5) Member Classes (Classes 1-5).

**16.4 Amendments in Response to Mandatory Membership Requirement:** In the event that entities are required pursuant to applicable determination of a court or regulatory body of competent jurisdiction, or applicable rule, regulation, legislation, order or other type of legal requirement, upon the request of affected entities the Board shall consider amendments to these Bylaws appropriate to such mandatory Membership.

## **SECTION 17 – TERMINATION OF THE ORGANIZATION**

**17 Termination of the Organization:** Peak Reliability may be terminated in accordance with the laws of the state of Utah and/or any applicable requirements of any agreements duly executed with NERC, WECC, or Canadian or Mexican entities delegating Peak Reliability authority and funding to provide Peak Reliability Services. But in no event may Peak Reliability be terminated without (1) the Board first approving a resolution recommending

termination to the Membership, unless the Board determines because of a conflict of interest or other special circumstance that the Board should make no such recommendation, and (2) two-thirds (2/3) of the Membership, as well as a simple majority of the Members of three (3) of the five (5) Member Classes, voting to dissolve Peak Reliability at a meeting of the Membership, either at a duly noticed regular special meeting, where at Members present may vote, or Members may vote by proxy. Immediately upon such a Membership vote, the Board will wind up the corporation in accordance with the requirements of Utah state law, the Internal Revenue Code, and these Bylaws.

## SECTION 18 - MISCELLANEOUS

**18 Miscellaneous:** The provisions of this Section 18 shall remain in force and effect unless otherwise agreed to by later contract, tariff, or services agreement. This Section 18 shall apply to such liability as might arise between Members under these Bylaws. Furthermore, the provisions of this Section 18 do not apply to the Interchange Authority Agreements entered into between WECC and the Balancing Authorities in the portion of the Western Interconnection located within the United States that has been assigned from WECC to Peak Reliability. Nor does this Section 18 apply to any agreements between WECC and entities outside of the United States to provide reliability coordination services that have been assigned from WECC to Peak Reliability. Nor shall this Section 18 apply to any other contractual agreements lawfully entered into by Peak Reliability, or a Member or Members.

**18.1 Limitation on Liability:** It is the express intent, understanding, and agreement of the Members that the remedies provided for in these Bylaws regarding Suspension and Termination of Membership, and Dispute Resolution shall be the sole and exclusive remedies available hereunder for any nonperformance of obligations under these Bylaws. Subject to any applicable state or federal law that may specifically limit a Member's ability to limit its liability, no Member, its directors, members of its governing bodies, officers or employees shall be liable to any other Member or Members or to third parties for any loss or damage to property, loss of earnings or revenues, personal injury, or any other direct, indirect, or consequential damages or injury that may occur or result from the performance or nonperformance of these Bylaws, including any negligence, gross negligence, or willful misconduct arising hereunder.

**18.2 Indemnification:** Peak Reliability shall indemnify and hold harmless its Directors, Officers, employees, agents and advisors against any and all damages, losses, fines, costs and expenses (including attorneys' fees and disbursements), resulting from or relating to, in any way, any claim, action, proceeding or investigation, instituted or threatened, arising out of or in any way relating to any action taken or not taken (or alleged to have been taken or not taken) by such person in connection with actions on behalf of Peak Reliability, and against any and all damages, losses, fines, costs and

expenses (including attorneys' fees and disbursements) incurred in connection with any settlement of any such claim, action, proceeding or investigation unless such action of such person is determined to constitute fraud, gross negligence, bad faith or willful misconduct with respect to the matter or matters as to which indemnity is sought.

**18.3 No Third Party Beneficiaries:** Nothing in these Bylaws shall be construed to create any duty to, any standard of care with reference to, or any liability to any third party.

## **SECTION 19 - INCORPORATION**

**19 Incorporation:** Peak Reliability shall organize itself as a nonprofit corporation pursuant to the laws of the state of Utah regarding non-profit corporations under the name "Peak Reliability" or later agreed upon company name. All Members agree to take no actions that would contravene the ability of Peak Reliability to maintain its status as a non-profit corporation existing pursuant to applicable state or federal law. The Board shall adopt these Bylaws as the Bylaws of Peak Reliability as a non-profit corporation.

Peak Reliability is intended to qualify as an organization described in Section 501(c) (4) of the Internal Revenue Code. Peak Reliability shall be formed to support and promote the social welfare of the Western Interconnection. No part of any net earnings of Peak Reliability shall inure to the benefit of any Member or individual. Upon liquidation, to the extent consistent with the Internal Revenue Code and Utah law, any monies remaining from assessments paid by Members for the costs of Peak Reliability shall be rebated to Members in proportion to their payments, or to Load Serving Entities in proportion to their Net Energy for Load assessments as applicable. Any remaining assets of Peak Reliability shall be transferred to another organization exempt from tax under Section 501(a) of the Internal Revenue Code, or government agency, promoting the same purposes as Peak Reliability, as designated by the Board.

## **SECTION 20 – GOVERNING LAW**

**20 Governing Law:** Unless otherwise agreed, if any conflict of law arises under these Bylaws among the Members, the laws of the United States of America shall govern, as applicable. The venue for any legal action initiated under these Bylaws shall be the city and state (or province) in which the headquarters of Peak Reliability is located.

## SECTION 21 – PEAK RELIABILITY STRUCTURE AND GOVERNANCE REVIEW

**21 Peak Reliability Structure and Governance Review:** After Peak Reliability’s first operating year and at least once every five years thereafter, the Board or its designee will conduct a thorough assessment of whether Peak Reliability is fulfilling its purposes in a manner consistent with these Bylaws, and the then-current state and the expected future evolution of the electric power industry within the Western Interconnection. In particular, the Board will focus on whether the organization is carrying out its duties and performing its functions in a timely, fair, and effective manner, which is also viewed as reasonable and consistent with the commercial, legal, and regulatory needs and objectives of its affected Members. Upon receipt and consideration of this assessment, the Board will review the Board composition, Member Class structure, committee structure and activities, and staff responsibilities as they relate to the foregoing considerations, and will make any recommendation necessary to facilitate efficient and effective operations of Peak Reliability. The assessment and any recommendations approved by the Board in accordance with this Section 21 will be submitted in writing to the Members no later than thirty (30) days after the Board Meeting in which these matters are considered and approved.

## APPENDICES

### Appendix A: Standards of Conduct for Members of the Peak Reliability Board of Directors

By accepting election to the Board of Directors (Board) of Peak Reliability, each Director agrees to abide by the duties required of corporate directors and trustees. Utah law (and similar law in other states) imposes quasi-fiduciary duties of care and loyalty on all corporate directors or trustees, including directors and trustees of nonprofit corporations. For as long as a Director remains a member of the Board of Directors of Peak Reliability, the Director will abide by the standards of conduct herein.

- I. Duty of care. The Directors of a corporation are bound to use due care and to be diligent in the management and administration of the affairs of the corporation. This duty of care generally has two components: the time and attention devoted to corporate affairs, and the skill and judgment reflected in business decisions.
  - A. Each Director will regularly attend Board of Directors meetings, digest relevant materials, participate in Board discussions, and make independent inquiries as needed.
  - B. In voting on any matter before the Board or otherwise acting in the capacity as a Director, each Director will:
    1. make reasonable inquiry to be informed of the nature and consequences of the matter or action at issue;
    2. exercise, at a minimum, the degree of care, skill, and diligence that an ordinarily prudent business person would exercise under similar circumstances; and,
    3. act in a manner the Director, in the exercise of independent judgment, believes to be in the best interests of Peak Reliability.
  - C. In exercising the duty of care described in sections I.A. and I.B. above, a Director has the right to rely on information, opinions, reports, or statements prepared or presented by:
    1. officers or employees of Peak Reliability whom the Director reasonably believes to be reliable and competent in the matters presented;
    2. professionals and experts (such as legal counsel, public accountants, and engineers) as to matters the Director reasonably believes are within the person's professional or expert competence; and



3. committees of Peak Reliability, of which the Director is not a member, if the Director reasonably believes the committee merits confidence.

A Director does not have such rights to rely, and is not acting in good faith in discharging the duty of care by relying, on other persons or committees if the Director has knowledge concerning the matter in question that makes such reliance unwarranted, or if facts or circumstances appear that would prompt further concerns in an ordinarily prudent person.

- II. Duty of loyalty. The duty of loyalty imposes on a Director the obligation to remain loyal to Peak Reliability, acting at all times in the best interests of Peak Reliability and unhampered by any personal pecuniary gain. This duty does not preclude a Director from being employed in a competing or related business so long as the Director acts in good faith, maintains Non-Affiliated Status, and does not interfere with the business of Peak Reliability.
  - A. Each Director will carry out the duties of a Director in good faith.
  - B. Each Director will refrain from using any influence, access, or information gained through service as a Director to confer any improper personal benefit (financial or otherwise) upon him or herself, any family member, or any person living in the Director's household.
  - C. Each Director will refrain from using any influence, access, or information gained through service as a Director to confer an improper benefit (financial or otherwise) on any organization:
    1. for which the Director serves as an officer, director, employee, consultant, or in any other compensated or management position; or
    2. in which the Director or any family member or person living in the Director's household has a material financial interest (whether as a shareholder, partner, or otherwise).
  - D. Except as otherwise required by law, regulatory agency, or body of competent jurisdiction, each Director will maintain the confidentiality of:
    1. any privileged, confidential, or proprietary information of Peak Reliability disclosed or available to the Director;
    2. any privileged, confidential, or proprietary information of Peak Reliability Member(s) to which the Director has access by virtue of the status as Director; and

3. any confidential or proprietary information of third parties that has been provided to Peak Reliability or the Board on condition of confidentiality (collectively referred to herein as “Confidential Information”).

Each Director is required to maintain the confidentiality of Confidential Information regardless of whether the Confidential Information was disclosed during a closed session of the Board or a Peak Reliability committee.

A Director shall not be required to maintain confidentiality of Confidential Information described in this section II.D. if that Confidential Information: (1) is otherwise available to the public through no action of the Director, (2) later becomes public, or (3) becomes available to the Director through a means unrelated to the Director’s role and responsibilities as a Peak Reliability Director.

In the event that a Director is required by law, regulatory agency, or other body of competent jurisdiction to disclose Confidential Information, then the Director shall provide written notice to the disclosing party (whether Peak Reliability, a Peak Reliability member, or a third party) as soon as practicable, unless such notice is prohibited by law.

- III. Conflicts of Interest. Pursuant to and consistent with each Director’s duty of loyalty, each Director must be conscious of the potential for conflicts between the interests of the Director and the interests of Peak Reliability and, in the event that such conflicts of interest arise, each Director shall act with candor and care in addressing the potential or actual conflict.

In the event that a potential or actual conflict arises, Directors with actual or potential conflicts of interest shall:

1. Recognize potential and/or actual conflicts of interest, and in the event that such a conflict arises, consult with the Peak Reliability Chief Executive Officer and/or General Counsel. If any Director has questions about whether a conflict of interest exists, he or she shall consult with the Chief Executive Officer and/or the General Counsel of Peak Reliability for advice.
2. Actual or potential conflicts of interest may arise because of a Director’s private, individual interests (personal conflicts of interest) or because of relationships the Director may have with other organizations or interest groups (organizational conflicts of interest). Whether a potential conflict of interest is personal or organizational, in all cases involving Peak Reliability affairs a Director’s conflicting interests are subordinate to those of Peak Reliability.

3. Personal conflicts of interest.

- a. Personal conflicts of interest exist if a Director, a member of the Director's family, or a person sharing the Director's household: 1) has a material financial interest in a matter or transaction that comes before the Board for action; or 2) stands to receive a benefit (in money, property, or services) from a transaction involving Peak Reliability to which the person is not legally entitled.
- b. In cases of personal conflicts of interest, the affected Director's obligations are to:
  - (1) disclose to the Board, before the Board acts with respect to that matter, the material facts concerning the Director's personal conflict of interest; and
  - (2) refrain from attempting to influence the vote of any other Director(s) in those matters in which the Director has a personal conflict of interest; and
  - (3) recuse him or herself from relevant deliberations and voting.

4. Organizational conflicts of interest.

- a. An organization has a "direct" conflict of interest if a decision by the Board would confer material benefits on that organization that other Peak Reliability Members would not share, or impose material detriments or costs on that organization that other Peak Reliability Members would not share. The fact that many if not all Members are affected to some extent by Board decisions on core issues does not create or constitute a "direct" conflict of interest.
- b. It is not a "direct" conflict of interest for a Director to be associated with an organization or an interest group that may stand to benefit from decisions made or actions taken by the Board, so long as the Director does not attempt to use the position as a Director to confer special benefits on associated organizations or interest groups when other Peak Reliability Members would not share in those benefits.
- c. In cases of potential "direct" organizational conflicts of interest, the affected Director's obligations are to:
  - (1) disclose to the Board, before the Board acts with respect to the matter, the material facts concerning the organizational conflict of interest;
  - (2) refrain from attempting to influence the vote of any other Director(s) with respect to the proposed action or decision; and
  - (3) recuse him or herself from relevant deliberations and voting.

**Appendix B:  
Standards of Conduct for  
Officers and Employees**

By accepting employment with Peak Reliability, each employee agrees to abide by these Standards of Conduct (Standards). For the purpose of these Standards, an employee includes each and all officers, employees and substantially full-time consultants and contractors of Peak Reliability. Nothing in these Standards is intended to alter, contradict, or supersede the Bylaws of Peak Reliability. In the event of any conflict the Bylaws of Peak Reliability shall control.

- I. Duty of care. Each employee is bound to use due care and to be diligent in respect to the management and administration of the affairs of the corporation. This duty of care is generally consists of, but is not limited to, two components: the time and attention devoted to corporate affairs and the skill and judgment reflected in business decisions.
  - A. In carrying out the duty of care, each employee shall act in a manner, as an employee, that is in the exercise of his or her best judgment, in the best interests of Peak Reliability, and shall use the degree of care, skill, and diligence that an ordinary prudent business person with similar duties would exercise in carrying out the employee's duties as an employee.
  - B. Employees shall not have any outside employment that limits in any way their ability to fulfill their employment responsibilities to Peak Reliability. If an employee wants to have or maintain outside employment (including but not limited to self-employment) the employee shall discuss such outside employment with his or her supervisor and the Director of Human Resources to determine if such employment is consistent with these Standards.
  
- II. Duty of loyalty. Each employee is obligated to remain loyal to the Peak Reliability, acting at all times in the best interests of Peak Reliability and its Members as a whole and unhampered by any personal pecuniary gain. All employees shall avoid adversely affecting the public's confidence in the integrity and reputation of Peak Reliability. Any conduct or activities of any employee shall be capable of being justified and withstanding public scrutiny.
  - A. Each employee will carry out his or her duties as an employee in good faith, with integrity and in a manner consistent with these Standards and all applicable laws governing Peak Reliability and/or the employee.
  - B. Each employee will refrain from using, or creating the appearance of using, any influence, access, or information gained through his or her service as an employee to confer any improper personal benefit (financial or otherwise) upon himself or herself, or

Family Member.<sup>1</sup> Employees shall not accept gifts of any kind, except those de minimis gifts permitted pursuant to Peak Reliability policies.

- C. Each employee will refrain from using, or creating the appearance of using, any influence, access, funds or information gained through his or her service as an employee to confer an improper benefit (financial or otherwise) on any organization.
- D. Employees shall not use their Peak Reliability position, or Peak Reliability funds or resources, to support any political party, candidate, or proposition. This prohibition shall not limit the ability of employees to discuss matters in the ordinary course of business with staff or commissioners of relevant regulatory bodies as directed by the employee's supervisor, senior management, or the Chief Executive Officer.
- E. As required by and pursuant to policies of Peak Reliability, relevant law, rule, regulation, or action by a body with competent jurisdiction, each employee shall maintain the confidentiality of:
  - 1. any confidential or proprietary information of Peak Reliability disclosed or available to the employee,
  - 2. any confidential or proprietary information of Peak Reliability Member(s) to which the employee has access by virtue of his or her status as employee, and,
  - 3. any confidential or proprietary information of third parties that has been provided to Peak Reliability or the Board on condition of confidentiality.

III. Conflicts of Interest. Employees shall endeavor to avoid any potential or actual conflict of interest, whether personal or organizational. For purposes of these Standards, personal conflicts of interest exist if an employee, or a Family Member, has a material financial interest in a matter or transaction that comes before Peak Reliability for action, or stands to receive any benefit from a transaction involving Peak Reliability to which the person is not legally entitled. Organizational conflicts of interest exist if an employee, or a Family Member, has a relationship with an organization or interest group that would cause a reasonable person to believe such employee's judgment, loyalty, or objectivity might be influenced in a way that is adverse to the interests of Peak Reliability. Employees with actual or potential conflicts of interest shall:

- A. If an employee discovers or has a questions as to whether a conflict of interest exists, the employee shall disclose to the actual or potential conflict of interest to their manager and the General Counsel as soon as possible and no later than one day

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<sup>1</sup> For purposes of these Standards, a Family Member includes a spouse, domestic partner, child of the Employee, or a relative living in the same home as the Employee.

subsequent to the discovery of the actual or potential conflict of interest, and if possible then in advance of Peak Reliability taking any action with respect to that matter to which the material facts concerning the employee's conflict of interest pertain. In all instances the employee will refrain from participating in, or from attempting to influence the action of any Directors or employee(s) of Peak Reliability regarding those matters in which the employee has an actual or potential conflict of interest.

- B. No employee may be an employee or director of, a consultant to, provide services to, or be associated in any way with any Peak Reliability Member. No substantially full time consultant or contractor who is an employee for purposes of these Standards shall be an employee or director of, a consultant to, provide services to, or be associated in with any Peak Reliability Member in any way without full disclosure to, and written consent of, the Chief Executive Officer. To the extent that an employee becomes aware that a Family Member is or will in the future be engaged in activity described in this Paragraph III.B., the employee shall promptly notify the General Counsel, who shall review all the material facts and determine whether they constitute a conflict of interest pursuant to this Section III.
- C. No employee shall participate in any electric energy transaction except to the extent necessary to, and consistent with, the functions of Peak Reliability and the employee's position duties as a Peak Reliability employee. Participation in an energy transaction includes, but is not limited to, purchasing, selling, marketing, or brokering of electricity, ancillary services, electricity transmission or electricity distribution. To the extent that an employee becomes aware that a Family Member is or will in the future be engaged in activity described in this Section III.C., the employee shall promptly notify the Chief Executive Officer who shall review all the material facts and determine whether they constitute a conflict of interest pursuant to the Section III.
- D. All employees shall promptly disclose to the Director of Human Resources and the General Counsel any direct or known indirect financial interest (including the direct or indirect ownership of securities including commercial paper and corporate notes) held by the employee or a Family Member living with the employee<sup>2</sup> in any Electric Line of Business entity, as defined in Section 2.9 of the Peak Reliability Bylaws, doing business in the Western Interconnection (Western Interconnection Electric Line of Business Entity). The General Counsel shall review the material facts and determine whether they constitute a conflict of interest pursuant to this Section III. For the purposes of this Section III, none of the following shall constitute a direct or indirect financial interest in a Western Interconnection Electric Line of Business Entity (WIELBE) which is a conflict of interest:

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<sup>2</sup> Nothing in this section shall require an Employee to investigate the financial interests of Family Members not living with the Employee. However, to the extent known to the Employee, the financial interests of a Family Member not living with the Employee may create a potential conflict of interest (or appearance thereof) subject to Sections II(B) and/or II(F)(1) of these standards, in which case disclosure pursuant to Section II(F)(3) is appropriate.

1. an interest in a WIELBE that exists through diversified mutual funds managed, and investments directed by, a third party;
2. an interest in a WIELBE that exists for no more than six months following receipt of a gift or inheritance of securities of a WEILBE or acceptance of employment with Peak Reliability;
3. participation in a qualified defined benefits pension plan of a WIELBE, so long as the benefits under such plan do not vary with the economic performance or value of the securities of such WIELBE, which pre-exists acceptance of employment with Peak Reliability; or,
4. participation in a health benefits plan of a WEILBE so long as the benefits under the health benefits plan to not vary with the economic performance or value of the securities of such WIELBE.