

PRINCIPLES OF CORPORATE GOVERNANCE¹

BOARD OF DIRECTORS

MIDCONTINENT INDEPENDENT SYSTEM OPERATOR, INC.

Under Delaware law, the Midcontinent Independent System Operator, Inc. (“MISO” or “Company”) is managed under the direction of the Board of Directors (“Board”). The Board establishes broad corporate policies and authorizes various types of transactions, but it is not involved in day-to-day management and operations. Its various responsibilities include but are not limited to the selection, evaluation, and compensation of the Chief Executive Officer (“CEO”), the understanding and approval of corporate strategy, and the understanding of the major issues and risks the Company faces on an ongoing basis.

The mission of the Board is to foster the long-term success and corporate sustainability of the Company consistent with its responsibilities to Members, other stakeholders, governmental authorities, and wholesale and end-use customers. The Board performs a central role in achieving this goal by ensuring that management is capable of performing its duties and achieving its objectives consistent with the Company’s strategic plan and core values. MISO’s core values are bound within the framework of ethical business practices. Consequently, the Board requires the Directors, Officers, and employees of the Company to comply with the MISO Standards of Conduct and all other applicable legal and regulatory requirements, and to adhere to the highest ethical standards in the performance of their duties.

Directors also have the obligation to ensure that the Company’s disclosures include accurate information that fairly presents the Company and its operations to stakeholders and the public in conformity with applicable laws and regulations. This is also consistent with the Internal Revenue Service’s designation of the Company as a tax-exempt social welfare organization under Section 501(c)(4) of the Internal Revenue Code.

I. DIRECTOR QUALIFICATION STANDARDS

A. Selection of Directors

The Board of Directors is responsible for nominating Directors, who will be elected by the Members, pursuant to the Company’s Bylaws.² In nominating a slate of Directors, the Board’s objective, with the assistance of the Nominating Committee, is to select qualified individuals with skills and experience that can be useful in overseeing management’s operation of the Company.

¹ On December 9, 2021, the Board of Directors amended these Principles of Corporate Governance which supersede prior versions that have been approved by the Board since 2005.

² The Bylaws are included as Appendix F to the MISO Agreement, which was entered into by the Company’s founding transmission owner members in 1998 to organize the Company as a Delaware non-stock, not-for-profit corporation. The Bylaws are similar in many respects to the MISO Agreement which is a rate schedule under the Company’s FERC-approved tariff and is also referred to as the “Transmission Owners Agreement.”

Directors should possess the highest personal and professional ethics, integrity, and values. They should have an inquisitive and objective perspective, practical wisdom, and mature judgment. Directors should be committed to representing the long-term interests of the Company and its stakeholders. The activities or interests of a Director cannot create a conflict of interest with the Company, or with any Owner, Member, or User of the Transmission System. Directors shall promote the independence of the Board of Directors, in order to represent the best interests of the Company, its Members, and stakeholders as a whole.

Directors should be willing to devote sufficient time to carrying out their duties and responsibilities effectively, with a commitment to serve on the Board consistent with the MISO Transmission Owners Agreement (“MISO Agreement”) and the Bylaws, and to develop knowledge about the Company’s principal operations.

1. Independence Requirement

Consistent with the MISO Agreement and Bylaws, all Directors who are not an Officer or employee of the Company are required to comply with the following independence requirements. A Director shall not be, and shall not have been at any time within one year prior to their election to the Board, either a Director, Officer, or employee of a Member, User, or an affiliate of a Member or User engaged in the electric utility industry or participating in wholesale electricity markets. Directors are prohibited from pursuing a Board or employment position with a Member, User, or an affiliate of a Member or User while serving on the Board. Furthermore, under the MISO Agreement, Directors are prohibited from having any involvement for twelve (12) months after they leave MISO on behalf of any parties other than MISO with regard to any matters in which they were substantially involved when serving for MISO. Directors should have no material business relationship or other affiliation with any Member, User, or an affiliate of a Member or User while serving on the Board.

Directors are required to abide by other provisions in the Bylaws and in the Company’s Standards of Conduct that prevent them from having a direct financial interest in or a conflict of interest with any Member, User, or an affiliate of any Member or User. A Director’s participation in a pension plan of a Member or User, or an affiliate thereof, shall not be deemed to be a material business relationship as long as the Member’s or User’s financial performance has no material effect on such pension plan. Similarly, a Director’s ownership of Prohibited Securities in a Member or User or affiliate thereof (as defined in the MISO Agreement) shall not be deemed to be a material business relationship if such securities are held through a mutual fund, retirement fund, blind trust, or similar arrangement where the Director has no discretion to manage the assets in such an account.

2. Definition of Independence

The Board furthermore adopts the following principles to define when a Director is not considered independent:

- a. A Director who is, or at any time during the past three years was, employed by the Company;

- b. A Director who accepted compensation from the Company during the previous fiscal year, other than compensation for board service, benefits under a tax-qualified retirement plan, or non-discretionary compensation;
- c. A Director who is a member of the immediate family of an individual who is or has been in any of the past three years, employed by the Company as an executive officer. Immediate family includes a person's spouse, parents, children, siblings, mother-in-law, father-in-law, brother-in-law, sister-in-law, son-in-law, daughter-in-law, and anyone who resides in such person's home;
- d. A Director who is a partner in, or a controlling stockholder or an executive officer of, any for-profit business organization to which the Company made, or from which the Company received, payments that exceed 5% of the Company's consolidated gross revenues for that year, or \$200,000, whichever is more, in any of the past three years; or
- e. A Director who is employed as an executive of another entity where any of the Company's executives serve on that entity's compensation committee.

B. Board Composition

The MISO Board of Directors is to consist of nine members, plus the CEO or, alternatively, the President when performing the duties of the CEO in the event of the CEO's absence or disability. The CEO is the only non-independent member of the Board. The Board may exercise all of the powers of a Delaware non-stock, not-for-profit corporation and do all lawful acts and things (including the adoption of such rules and regulations for the conduct of its meetings, the exercise of its powers, and the management of the Company) as it may deem proper and consistent with applicable law, the MISO Agreement, the Tariff, the Articles of Incorporation, and the Bylaws.

The CEO is a permanent member of the Board who may vote on any matter presented at a Board meeting except when the CEO's vote would create a tied Board vote. In that circumstance, the CEO shall be barred from voting. The CEO may also not vote on the selection of or the continued employment of the CEO, or on the CEO's compensation. The CEO is a non-voting, ex officio member of all standing committees of the MISO Board.

Of the nine Directors, six shall have expertise and experience in corporate leadership at the senior management or board of directors level, or in the professional disciplines of finance, accounting, engineering, or utility laws and regulation. Of the other three Directors, one shall have expertise and experience in the operation of electric transmission systems, one shall have expertise and experience in the planning of electric transmission systems, and one shall have expertise and experience in commercial markets and trading, and associated risk management.

If appropriate and consistent with the MISO Agreement, the Board should recommend amendments to the Company's Bylaws, in order to provide for a different Board size than may be set forth therein.

C. Term Limits and Retirement

There are no age limits that govern Director eligibility. The Company's Directors are elected to three-year staggered terms with elections conducted on an annual basis. Regardless of when they commenced service on the Board, Directors will be subject to a standard three, 3-year successive term limit. The standard three, 3-year successive term limit will be subject to waiver if the Board of Directors, upon the recommendation of the Nominating Committee, determines that a Director's continued service is necessary to retain his or her skills or expertise, to maintain geographic or other diversity of the Board, or is otherwise in the best interests of the Company. If granted by the Board, the waiver would allow the Director to stand for re-election and be subject to the Nominating Committee process. If then chosen for the slate and elected by the Members, the Director would serve a maximum fourth, 3-year successive term. A Director who has served three 3-year successive terms (or four 3-year successive terms in the case of a waiver) may be eligible for a future term after one year of non-service on the Board.

II. ETHICS AND CONFLICTS OF INTEREST

A. General Ethics and Conflicts Requirements

The Board expects Directors to act ethically at all times and to acknowledge their adherence to the Company's Standards of Conduct and Code of Business Ethics on an annual basis. The Board will not permit any waiver of the Standards of Conduct for any Director or Officer. If an actual or potential conflict of interest arises for a Director, the Director shall promptly inform the Corporate Governance & Strategic Planning Committee, the General Counsel of the Company, or the Counsel to the Board of Directors. If a conflict exists which cannot be resolved, the Director should resign. All Directors will recuse themselves from any discussion or decision affecting their personal, business, or professional interests. A majority of the Board or a committee may also recuse a Director from any discussion or decision affecting a Director's personal, business, or professional interests.

B. Service on Other Boards of Directors

To ensure that Directors continue to adhere to MISO's independence requirements and qualification standards, the Counsel to the Board will conduct an annual survey of all Directors to determine their service on the boards or similar bodies of other organizations. This survey will be conducted every year at the end of the third quarter, and requires Directors to state the name of the organization, whether it is for-profit, not-for-profit, or governmental, and whether the board or body on which they serve is governing or operational, advisory, or fundraising. The Counsel to the Board will present the results of the survey to all Directors and to management in closed session at the December Board of Directors meeting.

C. Communication of Concerns

Anyone who has a concern about the Company's conduct may communicate that concern directly to the Board of Directors. Communications may also be submitted in writing either to the General Counsel or to the Counsel to the Board of Directors. The Company's hotline is administered by a professional third-party service provider and is published on the Company's website. It can be used by both employees and customers to report anonymously alleged illegal, inappropriate, or unethical activity.

III. DIRECTOR RESPONSIBILITIES

A. Separation of Chair and Company's Chief Executive Officer

Consistent with the Company's Bylaws, the Board selects its Chair and Vice Chair, and appoints the Company's CEO. Two different individuals will hold the positions of Chair and CEO.

B. Chair and Vice Chair

1. Responsibilities of the Chair

The Chair's responsibilities are to (i) preside over meetings of the Board of Directors; (ii) review and approve the agenda for all Board meetings; (iii) call special meetings of the Board as needed; (iv) serve as a channel of communications between the Directors and the CEO (members of the Board are encouraged to communicate directly with the CEO as appropriate); (v) assure that Directors receive timely and necessary information in advance of meetings; and (vi) receive communications from stakeholders on behalf of Directors.

2. Vice Chair

When the Chair is unable to act or the office of Chair becomes vacant, the chair of the Board's Corporate Governance & Strategic Planning Committee, who shall be considered the Vice Chair, shall serve as Acting Chair until the Chair is able to act or until a new Chair is selected. If the Board determines that a vacancy in the office of Chair should be filled before its regular June meeting, the procedures for selecting a Chair that are described in Section III(B)(3) shall be followed, including convening a special meeting of the Board should that be necessary.

3. Election and Terms of the Chair

The Chair is selected annually by majority vote of the Directors for the following calendar year. Any individual selected Chair shall serve no more than five full consecutive terms as Chair. However, any individual who has served five full consecutive terms shall be eligible to serve a subsequent term as Chair if another Director has served at least a full one-year intervening term as Chair. Before the Board is scheduled to meet to select a Chair, the Counsel to the Board will communicate individually with each member of the Board to determine who wishes to be a candidate for Chair. Any member of the Board is eligible to serve as Chair, except the Company's CEO.

During the Board's closed executive session at its meeting to select the next Chair, the Counsel to the Board will report to the Board regarding the Directors who wish to be candidates for Chair. The current Chair of the Board shall confirm the interest of such Directors to be candidates for the office of Chair, who shall be excused from the meeting while the remaining Directors deliberate to select one candidate. If the Chair is one of the candidates, the Vice Chair shall conduct the election. If the Vice Chair is also a candidate, the Director with the most seniority who is not a candidate shall conduct the election.

If more than two Directors express an interest in serving as Chair, a vote by secret ballot of all Directors to narrow the field to two candidates will be taken during this executive session and the ballots will be counted by the Counsel to the Board. The Board shall then select one candidate from the remaining two candidates who shall be excused from the meeting. The actual selection of the Chair shall take place in open session. The result of the selection process will be communicated to the Members and stakeholders, and otherwise publicly announced.

C. Board Meetings

The Board is required to meet at least quarterly at locations determined by the Board. Special meetings are held as required. All Directors are expected to participate in all Board meetings, review relevant materials, serve on Board committees, and prepare appropriately for meetings and for discussions with management. Accordingly, each Director is expected to devote the time and attention necessary to properly discharge his or her responsibilities as Director.

D. Internal Revenue Service Form 990

The Board reviews on an annual basis a final draft of the Company's Form 990 (Return of Organization Exempt from Income Tax) before it is filed with the Internal Revenue Service.

IV. BOARD COMMITTEES

A. Number and Type of Committees

The Board currently has six standing Board committees: Audit & Finance; Corporate Governance & Strategic Planning; Human Resources; Technology; Markets; and System Planning. There is also a Nominating Committee that is convened annually by the Board which is composed of both Directors and members of the Advisory Committee. The Board may add new committees or remove an existing committee, as it deems advisable for purposes of fulfilling its primary responsibilities, provided that the final responsibility for any action recommended by any committee remains subject to the authority of the entire Board. Each committee will perform its duties as assigned by the Board of Directors in compliance with Company Bylaws and Board-approved committee charters.

- Audit & Finance Committee

Oversees and monitors the Company's financial reporting, auditing, and accounting process. It is directly responsible for the appointment, compensation, and oversight of the Company's independent auditors, and reviews and oversees the Company's internal

audit department. The Committee provides an open avenue of communication among the independent auditors, financial and senior management, the internal auditor, and the Board of Directors.

- Corporate Governance & Strategic Planning Committee

Oversees and monitors corporate governance issues, including Director orientation and education, the Board's self-evaluation process, and the Company's Standards of Conduct and ethics policies. It also oversees and monitors the creation and implementation of the Company's strategic plan, including quarterly reporting on its implementation status to the Board. The Committee monitors the enterprise risk management process.

- Human Resources Committee

Oversees and monitors levels of employee compensation and recommends to the Board the compensation of all Company Officers. It also reviews the Company's benefits and retirement programs. The Committee oversees the Company's succession planning and diversity in the workforce initiatives.

- Technology Committee

Monitors and evaluates the Company's procurement and management of technology systems. It also monitors and evaluates the strategy and risks related to the use of technology at the Company, including physical and cyber security. The Committee provides advice to management on advancements in technological and other fields designed to improve the Company's technology systems, as well as on related budgeting and cost issues.

- Markets Committee

Oversees and monitors the Company's conduct of market operations, including key reliability functions directly related to market operations. It is directly responsible for the appointment, compensation, and oversight of the Company's independent market monitor, and reviews and appraises the monitoring efforts of the Company's market operations. The Committee provides an open avenue of communication among the independent market monitor, senior management, and the Board of Directors.

- System Planning Committee

Oversees system planning matters affecting transmission expansion, resource interconnection, resource adequacy, demand response, metering, renewable resources, and other technology enhancements for the Transmission System. The Committee also monitors the development and implementation of the Company's transmission expansion plans, makes recommendations to the Board with regard to such plans, and reports to the Board on the progress of achieving those plans.

The Nominating Committee is a hybrid committee composed of three independent Directors appointed by the Chair and two non-Directors appointed by the Advisory Committee.

The Nominating Committee oversees the recruitment and selection of new Board candidates. Its duties are more specifically described in Section VIII on Board Succession.

B. Selection of Committee Members

The Chair shall select with the approval of the Board the independent Directors to chair and to serve on each committee for a term of one year or until their successors are appointed. The Chair shall give consideration to these guiding principles, in addition to any recommendations put forth by the Corporate Governance & Strategic Planning Committee. The CEO is a non-voting ex officio member of the standing Board committees. Directors are expected to serve on at least two committees. Each committee shall consist of three or more Directors who shall not be an Officer or employee of the Company, but shall be independent of the management of the Company and free of any relationship that, in the opinion of the Board of Directors, would interfere with their exercise of independent judgment as a committee member.

C. Responsibilities

The Board, or the applicable committee pursuant to a Board delegation of authority, shall adopt a charter for such committee. The charters for each of the current Board committees shall include, at a minimum, those responsibilities required to be set forth there by the Company's Bylaws, as well as any other applicable laws or regulations.

D. Conduct of Meetings

Meetings of the Board and the Board committees shall be conducted by their respective chairs, in accordance with customary practice in a manner that ensures open communication, meaningful participation, and timely resolution of issues. All Directors have the opportunity to propose items for consideration to be placed on the agenda. Management, directly or through the Committee Liaisons (as defined below in Subsection F), and the chairs of Board committees should provide Directors with materials concerning matters to be acted upon in advance of the applicable meeting. Directors should review such materials carefully prior to such meetings.

E. Executive Session Meetings of the Board of Directors and Board Committees

Pursuant to the MISO Agreement, the Board and Board committees are authorized to conduct closed executive sessions. Such executive sessions shall be held as necessary to safeguard the confidentiality of (1) personnel-related information; (2) information subject to the attorney-client privilege or to confidential treatment under the attorney-work product doctrine or concerning pending or threatened litigation; (3) information that is confidential under Appendix A to the MISO Agreement (Standards of Conduct); (4) consideration of assumption of liabilities, business combinations, or the purchase or lease of real property or assets; (5) except as may be required by law, consideration of the sale or purchase of securities, investments, or investment contracts; (6) strategy and negotiation sessions in connection with a collective bargaining agreement; (7) discussion of emergency and security procedures; (8) consideration of matters classified as confidential by federal or state law; (9) matters to protect trade secrets, proprietary information, specifications for competitive bidding, or to discuss a specific proposal if open discussion would jeopardize the cost or siting, or give an unfair competitive or bargaining

advantage to any person or entity; and (10) discussion of proceedings by the Alternate Dispute Resolution Committee.

At the conclusion of any executive session, the Chair will insure that the Board (including the CEO) is provided the opportunity to meet without representatives of management to discuss any additional matter that may appropriately be considered in such executive session. Similarly, at the conclusion of any such meeting, the Chair will insure that the Board is provided the opportunity to meet without the CEO to discuss any additional matter that may be appropriately considered in such executive session. The Board Committees should also conduct such executive sessions without management and without the CEO, as appropriate.

F. Committee Liaisons

A Committee Liaison is assigned to each Board committee by the CEO with the consent of the respective committees. The Committee Liaison shall:

1. Review and coordinate with other committees regarding schedules and agendas;
2. Review and assist in preparing information sent to committee members in advance of meetings and between meetings;
3. Meet regularly with the chair of the Board committee to review committee work plans;
4. Review draft minutes of committee meetings before approval by the committee;
5. Assist in reviewing the committee charter;
6. Act as a liaison between committee members and management regarding committee matters; and
7. Assist with orientation for new Directors and committee members.

V. DIRECTOR ACCESS TO MANAGEMENT

A. Communications Outside of Regularly Scheduled Board of Directors and Committee Meetings

Directors shall have reasonable access to the Company's management in order to become and remain informed about the Company's business and for such other purposes as may be helpful to the Board in fulfilling its responsibilities.

The Board encourages the CEO, from time to time, to invite to Board meetings managers who (a) can provide additional insight into the items being discussed because of responsibility for and/or personal involvement in these areas, and/or (b) have future potential that the senior management believes should be given exposure to the Board.

B. Board Access to Senior Management

Board members have complete access to senior management. Board members should exercise good judgment to ensure that such communications are informative to the Board and management. Interactions should not be distracting to the business operation of the Company and should not involve the Board member in the day-to-day management of the Company. The CEO has the responsibility to advise other Board members of issues resulting from these communications, as appropriate. The CEO generally coordinates management communication to the Board. At the invitation of the Board, senior management regularly attends and makes presentations at meetings of the Board of Directors, and at committee meetings at the committee chairs' request.

C. Relationship of Board to Management

Directors are encouraged to develop positive and substantive relationships with members of the Company's senior management. However, it is management's responsibility to operate the Company, and the Board's obligation to hold management responsible for its actions. Directors should avoid undue involvement in the details of the management of the Company, but should constructively engage senior management in analysis and discussion of the decisions they propose and courses of action they have chosen. Generally, the Board will pursue a philosophy that represents a "noses in, fingers out" approach.

D. Communication with Stakeholders

Communication with stakeholders by the Board is encouraged. Such communications are usually most appropriate and useful in conjunction with meetings of the Board, the Advisory Committee, at the Annual Stakeholder Meeting, or at meetings scheduled by state or federal regulators. Directors should be attentive to stakeholder concerns in performing their mission and responsibilities as outlined herein. Directors should advise the CEO and the other Board members of any significant communications.

E. Communication with Third Parties

The business of the Board will be conducted at meetings that are scheduled with notice to all Directors. The Board may appoint the Chair, Vice Chair, or other Director to communicate on behalf of the Board to a third party on a particular matter. The Board recognizes that a third party may initiate a communication directly with a Director on Board or Company business without notice to the other Directors. On such occasions, the Director who is involved in such communication shall promptly report the substance of the discussion to the CEO and to the full Board no later than its next regularly scheduled meeting.

F. Former Employees

Directors will not provide recommendations regarding former employees of the Company whose employment was terminated by management or who resigned prior to management taking steps to terminate such employment. With regard to former employees who have resigned or retired from the Company in good standing, Directors should consult with the CEO prior to providing a recommendation.

G. Director Interaction

Directors are encouraged to interact with each other outside of regularly scheduled Board and committee meetings. Such interactions, to the extent they deal with Company matters, should be shared in Board meetings or committee meetings at appropriate times and in detail that is useful to the Board and Company management.

During Board and committee meetings, all interactions will be respectful and will permit a full and equitable opportunity to share viewpoints, opinions, feedback, and direction to management.

VI. DIRECTOR COMPENSATION

Directors shall receive from the Company such compensation, regular or special, subject to the terms and conditions stated in the MISO Agreement. The Board will assess the reasonableness, competitiveness, and adequacy of the compensation of the independent Directors at least every two years by obtaining an opinion from a qualified compensation consulting firm. Such firm may be retained directly by the Board, or the firm may be retained indirectly through an independent executive search firm, as referenced in the MISO Agreement.

Directors, and their designated successors and assigns shall have the right to reimbursement by the Company for all of their actual expenses reasonably incurred or accrued in the performance of their duties as Directors of the Company.

VII. DIRECTOR ORIENTATION AND CONTINUING EDUCATION

Under the direction of the Corporate Governance & Strategic Planning Committee, the Company shall establish an orientation program for all newly elected Directors, in order to ensure that the Company's Directors are fully informed as to their responsibilities and the means at their disposal for the effective discharge of those responsibilities. The orientation program shall, at a minimum, familiarize new Directors with:

- A. The Company's major business functions relating to the energy markets, its transmission and reliability systems, and its strategic plan;
- B. Financial control systems and procedures, as well as any significant financial, accounting, and risk management issues;
- C. Its legal and regulatory affairs, including reporting obligations to the Federal Energy Regulatory Commission;
- D. Standards of Conduct, conflict of interest policies, and other controls;
- E. Principal Officers and senior management;
- F. Internal auditors and outside independent auditors; and
- G. Major outside contractors and other resources, including the independent market monitor.

The new Directors shall be introduced to such Officers and other personnel, including representatives of the Company's outside legal, accounting, and other outside advisors, as appropriate to familiarize the Directors with the resources available to them.

The Company shall also make continuing education opportunities available to the Company's Directors in areas relevant to its business activities and with respect to corporate governance issues. In addition, Directors are encouraged to participate in educational opportunities (e.g., market operations training) that will enhance their performance as a Director of MISO.

VIII. BOARD SUCCESSION

Succeeding Directors shall be elected to terms of three years, except for any Director elected to fill a vacancy for the remainder of a term. Before the term of a Director expires, the Chair, with the approval of the Board, will appoint a Nominating Committee consisting of three independent Board members whose terms are not expiring, plus two additional non-Director members who are selected by the Advisory Committee. The Nominating Committee shall select an executive search firm to provide at least two candidates for each open Director position. Members may submit the names of candidates to the executive search firm who will provide them to the Nominating Committee. The Board shall provide the Nominating Committee with its views on the expertise and experience needed from future Directors to oversee and guide the Company's operations and to achieve the goals of the strategic plan.

The Nominating Committee shall provide at least two candidates to the Board for each open position. The report of the Nominating Committee shall be provided to the Board at least two weeks prior to the Board meeting when the Director candidates will be selected by the Board. This report will contain the names and biographies of the final candidates, along with any recommendations from the Nominating Committee. The Board shall nominate one candidate to fill each open Director position.

The Board shall distribute to the Members a slate of candidates consisting of one candidate for each Director position to be filled. The Board shall also provide the Members with information on the qualifications and experience of the candidate to fill the Director seat for which each candidate is proposed. A candidate receiving a majority of the votes cast by the Members shall be elected. Should the Members fail to elect a candidate from the slate proposed by the Board, the Board shall select an alternate candidate using the procedures set forth above for consideration by the Members no later than 75 days after each election.

Each Director shall serve until a successor has been duly elected and qualified, or until the Director's earlier resignation or removal. Vacancies on the Board caused by a Director leaving office before the expiration of the Director's term may be filled by the vote of the Board. In filling such vacancies, the Board shall ensure that the Director qualifications for the Board set forth in Section 4.2 of the Bylaws are met. The Nominating Committee, in consultation with an executive search firm that it chooses, shall submit a list of candidates to the Board. A Director selected to fill such a vacancy shall serve out the term of the predecessor Director.

IX. MANAGEMENT SUCCESSION

The Board will oversee the creation and administration of a management succession plan to ensure business continuity as it relates to the position of CEO. In addition, the Board will monitor similar succession plans for both Officers and other executive positions to be established and administered by the CEO. All succession plans will be reviewed on a regular basis by the Human Resources Committee. These same succession plans will be reviewed in summary form by the entire Board in executive session at least annually.

X. ANNUAL PERFORMANCE EVALUATIONS

A. Board Evaluation

The Board shall perform an annual self-evaluation process of its effectiveness and that of its committees. The Corporate Governance & Strategic Planning Committee shall annually evaluate the thoroughness and effectiveness of the Board self-assessment process. The purpose of this evaluation is to increase the efficiency and competence of the Board as a whole, and to gather opinions and information regarding areas where the Board believes that its performance could be improved. In general, committee assessments are discussed in open session. However, as appropriate, the Board shall meet in executive session to discuss confidential information as permitted by the MISO Agreement.

B. Committee Evaluation

Each committee of the Board will annually evaluate its performance in a similar self-evaluation process with a view toward improving its efficiency and competence. Any significant change that a committee proposes with regard to its charter or its operations shall be presented to the Board of Directors for its approval.

C. Chief Executive Officer Evaluation

The CEO shall annually prepare and propose CEO performance goals and objectives which will be submitted to the Human Resources Committee of the Board at a closed session during the fourth quarter of each year for consideration and discussion. Once agreed upon by the Human Resources Committee and the CEO, the Committee will submit the goals and objectives to the Board at a closed session meeting for its review and discussion with the CEO. The Board will approve the CEO's goals and objectives prior to the end of the fourth quarter.

The annual review of the CEO's performance will occur during the first quarter following the year for which the CEO is to be evaluated. The Human Resources Committee will meet in closed session with the CEO to evaluate and assess the CEO's performance for such previous year. The Committee will then provide its assessment and recommendations to the Board, which will meet in closed session to review and discuss such matters with the CEO.

XI. ENTERPRISE RISK MANAGEMENT

The Board takes overall responsibility for the oversight and monitoring of the Company's enterprise risk management.

The CEO has primary responsibility for bringing to the attention of the Board all issues that could have a material effect on the operational or financial condition of the Company, as well as on its regulatory and legal status. A Risk Management representative of the Company will present to the Board on at least a semi-annual basis a risk management report that includes a risk dashboard analysis. Additional risk management reports will be provided as needed to ensure timely communication of potential material risks.

The standing committees of the Board will monitor substantive risk management issues in a manner consistent with their respective charters. For example, financial risks will be monitored by the Audit & Finance Committee, and risks related to the operation of the Company's energy markets will be monitored by the Markets Committee. The Board may also determine to monitor a substantive risk itself.

Responsibility for monitoring the enterprise risk management process will reside with the Corporate Governance & Strategic Planning Committee.

XII. CORPORATE COMPLIANCE PROGRAM

The Board recognizes its obligation to be knowledgeable about and receive information regarding the Company's corporate compliance program. On an annual basis the CEO and appropriate executives of the Company will present a report to the Board on MISO's corporate compliance program, and advise the Board on the status and effectiveness of such program and its policies. The Board has delegated to the Corporate Governance & Strategic Planning Committee the responsibility to oversee on a continuing basis the Company's corporate compliance program.