

**SCHIFF HARDIN LLP**  
A Limited Liability Partnership

Owen E. MacBride  
(312) 258-5680  
Email: [omacbride@schiffhardin.com](mailto:omacbride@schiffhardin.com)

233 SOUTH WACKER DRIVE  
SUITE 6600  
CHICAGO, ILLINOIS 60606  
*Tel.*: 312.258.5500  
*Fax*: 312.258.5700  
[www.schiffhardin.com](http://www.schiffhardin.com)

May 24, 2012

**VIA ELECTRONIC FILING**

Ms. Kimberly D. Bose, Secretary  
Federal Energy Regulatory Commission  
888 First Street, N.E.  
Washington, D.C. 20426

**Re: North American Electric Reliability Corporation  
Docket No. RR12-\_\_ -000  
Petition for Approval of Renewals of the Compliance Monitoring and Enforcement  
Agreements Between SERC Reliability Corporation and Florida Reliability  
Coordinating Council, Inc. and Southwest Power Pool Regional Entity and  
Related Amendments to FRCC and SPP Delegation Agreements**

Dear Ms. Bose:

The North American Electric Reliability Corporation (NERC) hereby submits the “Petition of the North American Electric Reliability Corporation for Approval of Renewals of the Compliance Monitoring and Enforcement Agreements Between SERC Reliability Corporation and Florida Reliability Coordinating Council, Inc. and Southwest Power Pool Regional Entity and Related Amendments to FRCC and SPP Delegation Agreements.”

This filing consists of: (1) this transmittal letter, (2) the narrative text of the Petition, which follows this transmittal letter, and (3) Attachments 1, 2, 3 and 4 to the Petition. All of these documents are transmitted in a single pdf file.

Please contact the undersigned if you have any questions concerning this filing.

Respectfully submitted,

/s/ Owen E. MacBride  
Owen E. MacBride

Attorney for North American Electric  
Reliability Corporation

---

**UNITED STATES OF AMERICA  
Before the  
FEDERAL ENERGY REGULATORY COMMISSION**

**NORTH AMERICAN ELECTRIC RELIABILITY CORPORATION ) Docket No. RR12-\_\_-000**

**PETITION OF THE  
NORTH AMERICAN ELECTRIC RELIABILITY CORPORATION  
FOR APPROVAL OF RENEWALS OF THE  
COMPLIANCE MONITORING AND ENFORCEMENT AGREEMENTS  
BETWEEN SERC RELIABILITY CORPORATION AND  
FLORIDA RELIABILITY COORDINATING COUNCIL AND  
SOUTHWEST POWER POOL REGIONAL ENTITY  
AND RELATED AMENDMENTS TO FRCC AND SPP DELEGATION AGREEMENTS**

Gerry W. Cauley  
President and Chief Executive Officer  
North American Electric Reliability Corporation  
3353 Peachtree Road  
Suite 600, North Tower  
Atlanta, GA 30326  
(404) 446-2560  
(404) 467-0474 – facsimile

Owen E. MacBride  
Debra Ann Palmer  
Schiff Hardin LLP  
1666 K Street, N.W., Suite 300  
Washington, DC 20036-4390  
(202) 778-6400  
(202) 778-6460 – facsimile  
[omacbride@schiffhardin.com](mailto:omacbride@schiffhardin.com)  
[dpalmer@schiffhardin.com](mailto:dpalmer@schiffhardin.com)

David N. Cook  
Senior Vice President and General Counsel  
Rebecca J. Michael  
Associate General Counsel for Corporate and  
Regulatory Matters  
North American Electric Reliability Corporation  
1325 G Street, N.W., Suite 600  
Washington, D.C. 20005  
(202) 400-3000  
(202) 644-8099 – facsimile  
[david.cook@nerc.net](mailto:david.cook@nerc.net)  
[rebecca.michael@nerc.net](mailto:rebecca.michael@nerc.net)

May 24, 2012

---

## **TABLE OF CONTENTS**

I. INTRODUCTION	1
II. NOTICES AND COMMUNICATIONS	3
III. PROPOSED RENEWAL OF THE SERC-FRCC AND SERC-SPP RE CMEP AGREEMENTS	3
IV. REVISIONS IN THE RENEWAL CMEP AGREEMENTS FROM THE CURRENT CMEP AGREEMENTS	7
V. RELATED AMENDMENTS TO THE NERC-FRCC AND NERC-SPP DELEGATION AGREEMENTS	11
VI. NERC APPROVALS FOR THE RENEWAL CMEP AGREEMENTS	12
VII. CONCLUSION	13

## **ATTACHMENTS**

**Attachment 1:** Proposed Agreement Between SERC Reliability Corporation and Florida Reliability Coordinating Council, Inc. Concerning Compliance Monitoring and Enforcement of FRCC Registered Functions – Clean Version

**Attachment 2:** Proposed Agreement Between SERC Reliability Corporation and Florida Reliability Coordinating Council, Inc. Concerning Compliance Monitoring and Enforcement of FRCC Registered Functions – Redlined Against SERC-FRCC Current CMEP Agreement

**Attachment 3:** Proposed Agreement Between SERC Reliability Corporation and Southwest Power Pool Regional Entity Concerning Compliance Monitoring and Enforcement of SPP, Inc. Registered Functions – Clean Version

**Attachment 4:** Proposed Agreement Between SERC Reliability Corporation and Southwest Power Pool Regional Entity Concerning Compliance Monitoring and Enforcement of SPP, Inc. Registered Functions – Redlined Against SERC-SPP RE Current CMEP Agreement

## **I. INTRODUCTION**

In accordance with §215(e)(4) of the Federal Power Act<sup>1</sup> (“FPA”) and 18 C.F.R. §39.8, the North American Electric Reliability Corporation (“NERC”) requests the Commission’s approval of:

- (1) An “Agreement Between SERC Reliability Corporation and Florida Reliability Coordinating Council, Inc. Concerning Compliance Monitoring and Enforcement of FRCC Registered Functions” (the “SERC-FRCC Renewal CMEP Agreement”);
- (2) An “Agreement Between SERC Reliability Corporation and Southwest Power Pool Regional Entity Concerning Compliance Monitoring and Enforcement of SPP, Inc. Registered Functions” (the “SERC-SPP RE Renewal CMEP Agreement”);
- (3) An amendment to Exhibit A to the Amended and Restated Delegation Agreement between NERC and Florida Reliability Coordinating Council (the “NERC-FRCC Delegation Agreement”) to reflect the effective date of the SERC-FRCC Renewal CMEP Agreement; and
- (4) An amendment to Exhibit A to the Amended and Restated Delegation Agreement between NERC and Southwest Power Pool, Inc. (the “NERC-SPP Delegation Agreement”) to reflect the effective date of the SERC-SPP RE Renewal CMEP Agreement.

The SERC-FRCC Renewal CMEP Agreement and the SERC-SPP RE Renewal CMEP Agreement are proposed as renewals, to be effective January 1, 2013, of the currently effective CMEP Agreements between SERC and FRCC (the “SERC-FRCC Current CMEP Agreement”) and between SERC and SPP RE (the “SERC-SPP RE Current CMEP Agreements”), which have termination dates of December 31, 2012. Pursuant to the SERC-FRCC Current CMEP Agreement, SERC acts as the Compliance Enforcement Authority (“CEA”) and performs the compliance monitoring and enforcement program (“CMEP”) responsibilities with respect to FRCC’s compliance with the Reliability Standards that are applicable to FRCC as a Registered Entity. Pursuant to the SERC-SPP RE Current CMEP Agreement, SERC acts as the CEA and

---

<sup>1</sup> 16 U.S.C. §824o (2005).

performs the CMEP responsibilities with respect to Southwest Power Pool, Inc.’s (“SPP”) compliance with the Reliability Standards that are applicable to SPP as a Registered Entity. The Commission originally approved the SERC-FRCC Current CMEP Agreement and the SERC-SPP RE Current CMEP Agreement in an Order issued July 12, 2010,<sup>2</sup> and approved modifications to the Current CMEP Agreements in an Order issued March 1, 2011.<sup>3</sup>

As discussed in §IV of this Petition, the SERC-FRCC Renewal CMEP Agreement and the SERC-SPP RE Renewal CMEP Agreement incorporate certain revisions to the Current CMEP Agreements that NERC, SERC, FRCC and SPP have agreed to and are proposing to the Commission for approval.

This Petition includes the following Attachments:

- **Attachment 1** is the proposed SERC-FRCC Renewal CMEP Agreement.<sup>4</sup>
- **Attachment 2** is a redlined version of the proposed SERC-FRCC Renewal CMEP Agreement against the SERC-FRCC Current CMEP Agreement, showing the proposed revisions.
- **Attachment 3** is the proposed SERC-SPP RE Renewal CMEP Agreement.<sup>5</sup>
- **Attachment 4** is a redlined version of the proposed SERC-SPP RE Renewal CMEP Agreement against the SERC-SPP RE Current CMEP Agreement, showing the proposed revisions.

---

<sup>2</sup> *North American Electric Reliability Corporation, Order Conditionally Accepting Compliance Monitoring and Enforcement Program Amendments and Revised Delegation Agreements and Ordering Compliance Filing*, 132 FERC ¶ 61,024 (2010) (“July 12, 2010 Order”), *Order Granting Rehearing and Accepting Filing*, 133 FERC ¶ 61,1990 (2010).

<sup>3</sup> *North American Electric Reliability Corporation*, Docket Nos. RR10-7-002 and RR10-11-002, letter Order issued March 1, 2011 (“March 1, 2011 Compliance Filing Order”).

<sup>4</sup> The SERC-FRCC Renewal CMEP Agreement will be signed by the Presidents or other appropriate executives of SERC and FRCC at the time the approved agreement is executed.

<sup>5</sup> The SERC-SPP RE Renewal CMEP Agreement will be signed by the Presidents or other appropriate executives of SERC and SPP RE at the time the approved agreement is executed.

The SERC-FRCC Renewal CMEP Agreement and the SERC-SPP RE Renewal CMEP Agreement are being presented to the Commission for approval because each of the Current CMEP Agreements contains a provision, which the July 12, 2010 Order directed be included in these agreements, that the Current CMEP Agreement could not provide for automatic renewal at the end of their respective initial terms, but rather that renewal following the initial terms of the Current CMEP Agreements requires approval by both NERC and the Commission.

## **II. NOTICES AND COMMUNICATIONS**

Notices and communications with respect to this filing may be addressed to:

Gerry W. Cauley  
President and Chief Executive Officer  
North American Electric Reliability Corporation  
3353 Peachtree Road  
Suite 600, North Tower  
Atlanta, GA 30326  
(404) 446-2560  
(404) 467-0474 – facsimile

David N. Cook\*  
Senior Vice President and General Counsel  
Rebecca J. Michael  
Associate General Counsel for Corporate and  
Regulatory Matters  
North American Electric Reliability Corporation  
1325 G Street, N.W., Suite 600  
Washington, D.C. 20005  
(202) 400-3000  
(202) 644-8099 – facsimile  
[david.cook@nerc.net](mailto:david.cook@nerc.net)  
[rebecca.michael@nerc.net](mailto:rebecca.michael@nerc.net)

Owen E. MacBride\*  
Debra Ann Palmer  
Schiff Hardin LLP  
1666 K Street, N.W., Suite 300  
Washington, DC 20036-4390  
(202) 778-6400  
(202) 778-6460 – facsimile  
[omacbride@schiffhardin.com](mailto:omacbride@schiffhardin.com)  
[dpalmer@schiffhardin.com](mailto:dpalmer@schiffhardin.com)

\*Persons to be included on the Commission's official service list

## **III. PROPOSED RENEWAL OF THE SERC-FRCC AND SERC-SPP RE CMEP AGREEMENTS**

In the July 12, 2010 Order and the March 1, 2011 Compliance Filing Order, the Commission approved the SERC-FRCC Current CMEP Agreement and the SERC-SPP RE Current CMEP Agreement, pursuant to which SERC acts as the CEA with respect to the

reliability functions for which FRCC and SPP, respectively, are Registered Entities (the “FRCC Registered Functions” and the “SPP Registered Functions”). FRCC, through its Member Services Division, is registered as the Reliability Coordinator (“RC”) and the Planning Authority (“PA”) in the FRCC Region.<sup>6</sup> SPP is registered as a RC, PA, Interchange Authority (“IA”), Reserve Sharing Group (“RSG”), Transmission Planner (“TP”) and Transmission Service Provider (“TSP”) in the SPP Regional Entity (“SPP RE”) Region.<sup>7</sup> As the result of the Current CMEP Agreements, FRCC does not perform the CMEP responsibilities with respect to the FRCC Registered Functions, and SPP RE does not perform the CMEP Responsibilities with respect to the SPP Registered Functions. The Current CMEP Agreements originally went into effect in July 2010, were subsequently modified in accordance with the March 1, 2011 Compliance Filing Order, and have termination dates of December 31, 2012.

In approving the Current CMEP Agreements, the Commission specified that the agreements should not automatically renew at the end of their initial terms, but rather that if SERC-FRCC and SERC-SPP wanted the agreements to continue in effect beyond December 31, 2012, they should be required to request approval from NERC and the Commission to renew the agreements.<sup>8</sup> In response to this Commission directive, the following provision on “Renewal Terms” was included in the Current CMEP Agreements:

This Agreement shall not renew at the end of the Initial Term without the express approval of NERC and the Commission. If either Party does not plan to seek

---

<sup>6</sup> The boundaries of the FRCC Region are described and shown on Exhibit A to the NERC-FRCC Delegation Agreement, which is available at:  
[http://www.nerc.com/files/FRCC\\_RDA\\_Effective\\_20111007.pdf](http://www.nerc.com/files/FRCC_RDA_Effective_20111007.pdf).

<sup>7</sup> The boundaries of the SPP RE Region are described and shown on Exhibit A to the NERC-SPP Delegation Agreement, which is available at:  
[http://www.nerc.com/files/SPP-RE\\_RDA\\_Effective\\_20111007.pdf](http://www.nerc.com/files/SPP-RE_RDA_Effective_20111007.pdf).

<sup>8</sup> July 12, 2010 Order at PP 26-27.

approval for renewal of the agreement, that Party must give written notice to the other Party and NERC at least one (1) year prior to the end of the Initial Term. In the event the Parties intend to renew the Agreement, they shall make a joint filing to NERC not later than April 1, 2012 requesting approval of the renewal.<sup>9</sup>

None of the Parties to the Current CMEP Agreements gave notice of non-renewal prior to December 31, 2011, and in early 2012, SERC, FRCC and SPP RE advised NERC that they would be seeking approval to renew the Current CMEP Agreements, with revisions. SERC and FRCC and SERC and SPP RE submitted proposed revised agreements to NERC for evaluation and approval prior to April 1, 2012, as specified in Section 6(b) of the Current CMEP Agreements.<sup>10</sup>

In the July 12, 2010 Order, the Commission, in directing that the Current CMEP Agreements should not be subject to automatic renewal at the end of their Initial Terms, stated:

Because the effectiveness of such CMEP arrangements has not yet been tested, the Commission finds it is necessary to modify the CMEP Agreements by removing the automatic renewal provisions, subject to our re-evaluation and re-approval following the initial term, scheduled to end on December 31, 2012. This opportunity for re-evaluation and re-approval will provide the Commission, NERC, and the parties to the CMEP Agreements with an essential opportunity to consider issues that may arise from these CMEP arrangements, after assessing their effectiveness for an initial period of time, prior to renewal.<sup>11</sup>

In accordance with the above-quoted Commission statement, NERC evaluated whether the Current CMEP Agreements have been working as intended to provide effective compliance monitoring and enforcement services with respect to FRCC's and SPP's compliance with the Reliability Standards applicable to their respective Registered Functions. Obviously, for reasons

---

<sup>9</sup> The Renewal Terms provision is Section 6(b) in the SERC-FRCC Current CMEP Agreement and the SERC-SPP RE Current CMEP Agreement. The Commission approved this provision in the March 1, 2011 Compliance Filing Order.

<sup>10</sup> The proposed revisions to the Current CMEP Agreements are described in §IV of this Petition.

<sup>11</sup> July 12, 2010 Order at P 27.

of independence it is desirable that a qualified third party, rather than FRCC and SPP RE, act as the CEA to perform the CMEP responsibilities with respect to, respectively, the FRCC Registered Functions and the SPP Registered Functions. NERC concluded that since the Current CMEP Agreements went into effect in July 2010, SERC has been effectively performing its CEA responsibilities with respect to the FRCC Registered Functions and the SPP Registered Functions.

With respect to SERC's activities as the CEA for the FRCC Registered Functions, SERC conducted an on-site Compliance Audit of the FRCC RC and PA functions for compliance with applicable operating and planning standards, and an on-site Compliance Audit of the FRCC RC function for compliance with applicable Critical Infrastructure Protection standards, in January and February 2012. SERC has also requested and received from FRCC periodic Self-Certifications and Periodic Data Submittals concerning compliance with Reliability Standards applicable to the FRCC Registered Functions, in accordance with posted schedules. Additionally, SERC has been processing open enforcement actions involving the FRCC RC function that were identified when NERC was acting as the CEA for the FRCC RC, as well as any compliance items that have arisen since July 2010. NERC Compliance Operations has monitored SERC's performance as the CEA for the FRCC Registered Functions, and advised the NERC Board of Trustees that SERC has been providing appropriate coverage for its CEA responsibilities concerning the FRCC Registered Functions, and that the SERC-FRCC Current CMEP Agreement should be renewed.

With respect to SERC's activities as the CEA for the SPP Registered Functions, SERC conducted an on-site Compliance Audit in September 2010 of the SPP IA, PA, RC, RSG, TP and TSP functions, covering 78 Requirements of Reliability Standards. SERC has also requested and

received from SPP periodic Self-Certifications and Periodic Data Submittals concerning compliance with Reliability Standards applicable to the SPP Registered Functions, in accordance with posted schedules. NERC Compliance Operations has monitored SERC's performance as the CEA for the SPP Registered Functions, and advised the NERC Board of Trustees that SERC has been providing appropriate coverage for its CEA responsibilities concerning the SPP Registered Functions, and that the SERC-SPP Current CMEP Agreement should be renewed.

As indicated by the above-quoted Commission statement from the July 12, 2010 Order, the renewal process also was intended to provide the opportunity to evaluate whether any revisions to the Current CMEP Agreements are appropriate based on experience. To that end, SERC, FRCC and SPP RE have proposed, and NERC has evaluated and approved, several proposed revisions to the Current CMEP Agreements. These revisions are discussed in the next section of this Petition.

#### **IV. REVISIONS IN THE RENEWAL CMEP AGREEMENTS FROM THE CURRENT CMEP AGREEMENTS**

SERC, FRCC and SPP RE proposed Renewal CMEP Agreements that are revised in a number of respects from the Current CMEP Agreements. NERC staff reviewed the revisions originally proposed by SERC, FRCC and SPP RE, and suggested changes to some of the proposed revisions as well as certain additional revisions. NERC staff's suggestions were accepted by SERC, FRCC and SPP RE and are incorporated into the proposed Renewal CMEP Agreements that were approved by the NERC Board of Trustees and are being presented to the Commission for approval in this Petition.

Among other things, the proposed revisions eliminate some provisions that are no longer needed and modify other provisions based on the Parties' experience. The following discussion describes the principal revisions proposed in the Renewal CMEP Agreements from the Current

CMEP Agreements, and also notes key provisions of the Current CMEP Agreements that are not being revised. Except as noted below, the proposed SERC-FRCC Renewal CMEP Agreement and SERC-SPP RE Renewal CMEP Agreement are substantially identical, and therefore the following discussion applies to both Renewal CMEP Agreements.

1. The proposed Effective Date of the Renewal CMEP Agreements is January 1, 2013.

2. In Recital IV, the text of the SERC-FRCC Renewal CMEP Agreement is conformed to the existing text of the SERC-SPP RE Current CMEP Agreement, by the addition of the phrase “To avoid any appearance of a lack of independence in compliance monitoring and enforcement for FRCC Registered Functions” in the SERC-FRCC Renewal CMEP Agreement.

3. Section 1, “Responsibilities of SERC,” which sets forth SERC’s responsibilities as the CEA under each agreement, has not been substantively revised from the Current CMEP Agreements. However, some revisions have been made to make the text of the two agreements more consistent. A revision has been made to subsection 1(b)(2)(ii) of each agreement as follows:

Scheduled compliance audits of the [FRCC/SPP] Registered Functions ~~shall include all actively monitored standards~~ shall be in accordance with the NERC Annual CMEP Implementation Plan.

4. Section 2 of each agreement, “Responsibilities of [FRCC/SPP],” has not been substantively revised.

5. Section 4 of the Current CMEP Agreements, which concerns the transfer of CEA responsibilities to SERC at the time the Current CMEP Agreements went into effect in July 2010, is deleted in the Renewal CMEP Agreements, as it is no longer needed. The subsequent sections of the Renewal CMEP Agreements are renumbered to reflect the deletion of this section.

6. Section 4 of the Renewal CMEP Agreements (which is Section 5 in the Current CMEP Agreements), concerning Compensation to SERC, has been revised to adopt a more simplified billing arrangement that the Parties have agreed to. Under the Current CMEP Agreements, an estimated cost for SERC's CEA services for the year is determined as part of the annual business plan and budget process and is then billed by SERC to FRCC or SPP RE, as applicable, in four quarterly installments during the year. A reconciliation of the payments to the actual costs incurred by SERC during the year takes place within 90 days following the end of the year and any true-up amounts are reflected in the Parties' budgets and assessments for the second following year. Under the Renewal CMEP Agreements, SERC will continue to prepare, as part of the business plan and budget process, estimates of the costs (including an appropriate allocation of SERC's general and administrative ("G&A") costs) it will incur during the upcoming year to act as CEA for, respectively, the FRCC Registered Functions and the SPP Registered Functions. These estimated costs will be excluded from SERC's assessment to the Load-Serving Entities ("LSEs") in the SERC Region and will be included in FRCC's and SPP RE's assessments to the LSEs in their respective Regions. However, under the Renewal CMEP Agreements, SERC will bill FRCC and SPP RE on a monthly basis for the costs SERC actually incurred in the preceding month (including an appropriate allocation of SERC's G&A costs) in acting as the CEA for the FRCC Registered Functions and the SPP Registered Functions. Therefore, no year-end reconciliation and true-up of billed amounts to the actual costs incurred will be needed under the Renewal CMEP Agreements. Accordingly, the provisions in the Current CMEP Agreements relating to the year-end reconciliations have been deleted in the Renewal CMEP Agreements.<sup>12</sup>

---

<sup>12</sup> If the actual costs charged to FRCC or SPP RE during the year prove to be more or less than

7. Related to the changes described in point 6 above, to ensure that a reconciliation of budgeted to actual costs is provided for purposes of reporting to the Commission in the required annual actual-cost-to-budget “true-up” filings, a new Section 4(c) is added in the Renewal CMEP Agreements, specifying that the Parties shall record their costs and revenues associated with the performance of the Renewal CMEP Agreement at the same level of line-item detail as is used for their budgets that are submitted to NERC, and that each party shall include in its annual true-up report to NERC a separate section showing the Party’s actual and budgeted costs and revenues associated with performance of the Renewal CMEP Agreement, with an explanation of variances. The text of this provision is as follows:

True-up Reports. The Parties shall record their costs and revenues associated with the performance of this Agreement at the same level of line-item detail as is used for their budgets that are submitted to NERC for approval by NERC and by the Commission. Each Party shall include in its annual true-up report submitted to NERC a separate section showing the Party’s actual and budgeted amounts of costs and revenues associated with performance of this Agreement for the year with explanations of variances.

8. Section 5(a) of the Renewal CMEP Agreements, concerning Term and renewals, provides that the Renewal CMEP Agreement shall have a term from the Effective Date (proposed to be January 1, 2013) to December 31, 2017, *i.e.*, 5 years. SERC, FRCC and SPP RE believe, and NERC agrees, that with the Current CMEP Agreements having had an Initial Term of approximately 2.5 years (July 2010 to December 31, 2012), and having been successfully executed during this period and approved for continuation (renewal) after review and evaluation, it is appropriate for the Renewal CMEP Agreements to have initial Terms of 5 years before renewal.

---

the amount originally budgeted by SERC, the increased or decreased payments by FRCC or SPP RE to SERC will be reflected (all other things equal) in a decrease or increase in the payer’s working capital, and therefore will eventually (again, all other things equal) be reflected in increased or decreased assessments to the LSEs in the payer’s Region in a future period.

9. Section 5(b) of each Renewal CMEP Agreements specifies that the Renewal CMEP Agreement shall renew automatically for a Renewal Term of 5 years unless either Party gives written notice of termination at least 12 months prior to the end of the Term ending December 31, 2017. Further, Section 5(b) provides that during a Renewal Term, either Party may terminate the Renewal CMEP Agreement on 12 months written notice. Additionally, Section 5(b) of each Renewal CMEP Agreement provides that the Renewal CMEP Agreement shall not automatically renew if NERC gives written notice to the Parties, at least 12 months prior to the end of the initial Term or any Renewal Term, that the Parties should request NERC's approval to renew the agreement, in which case the Parties shall submit a request to renew the agreement to NERC at least 9 months prior to the end of such Term or Renewal Term. Thus, under the Renewal CMEP Agreements, although obtaining NERC's approval is not automatically required for each renewal of the agreement, this provision gives NERC the ability to step in, by notice given at least 12 months prior to the date of automatic renewal, and require the Parties to make a submission to NERC justifying renewal.

10. In Section 5(c) of each Renewal CMEP Agreement, pertaining to Early Termination, a revision has been made to reflect the fact that SERC, as well as FRCC or SPP, could cease to be a Regional Entity.

## **V. RELATED AMENDMENTS TO THE NERC-FRCC AND NERC-SPP DELEGATION AGREEMENTS**

Exhibit A, "FRCC Boundaries," to the NERC-FRCC Delegation Agreement contains the following sentence:

Within the FRCC Region, compliance monitoring and enforcement functions with respect to reliability functions for which the FRCC is a registered entity are performed by SERC Reliability Corporation (SERC) pursuant to a contract between FRCC and SERC dated as of July 12, 2010.

NERC and FRCC propose to change the date reference “July 12, 2010” to the Effective Date of the SERC-FRCC Renewal CMEP Agreement (requested to be January 1, 2013).

Similarly, Exhibit A, “Regional Boundaries,” of the NERC-SPP Delegation Agreement contains the following sentence:

Within the SPP region, compliance monitoring and enforcement functions with respect to reliability functions for which SPP is the registered entity are performed by SERC Reliability Corporation (SERC) pursuant to a contract between SPP and SERC dated as of (DATE).

NERC and SPP propose to change the blank “DATE” reference to the Effective Date of the SERC-SPP RE Renewal CMEP Agreement (requested to be January 1, 2013).

## **VI. NERC APPROVALS FOR THE RENEWAL CMEP AGREEMENTS**

As noted earlier, SERC, FRCC and SPP RE gave NERC timely notice of their intentions to renew the SERC-FRCC Current CMEP Agreement and the SERC-SPP RE CMEP Agreement beyond December 31, 2012, and submitted the proposed SERC-FRCC Renewal CMEP Agreement and SERC-SPP RE Renewal CMEP Agreement to NERC prior to the April 1, 2012 deadline specified in the Current CMEP Agreements. NERC staff reviewed the proposed Renewal CMEP Agreements, evaluated whether the Current CMEP Agreements should be renewed, and suggested several changes to the revisions to the agreements proposed by SERC, FRCC and SPP RE, as well as proposing additional revisions. NERC’s revision proposals were accepted by SERC, FRCC and SPP RE, and they in turn submitted the further revised versions of the Renewal CMEP Agreements to NERC for approval. The NERC Board of Trustees approved the SERC-FRCC Renewal CMEP Agreement and the SERC-SPP RE Renewal CMEP Agreement on May 9, 2012.

## **VII. CONCLUSION**

For the reasons set forth in this Petition, NERC respectfully requests that the Commission approve (1) the proposed SERC-FRCC Renewal CMEP Agreement, **Attachment 1** to this Petition, (2) the proposed SERC-SPP RE Renewal CMEP Agreement, **Attachment 3** to this Petition, (3) the proposed amendment to Exhibit A to the NERC-FRCC Delegation Agreement described in §V of this Petition, and (4) the proposed amendment to Exhibit A to the NERC-SPP Delegation Agreement described in §V of this Petition, all to be effective January 1, 2013.

Respectfully submitted,

Gerry W. Cauley  
President and Chief Executive Officer  
North American Electric Reliability Corporation  
3353 Peachtree Road  
Suite 600, North Tower  
Atlanta, GA 30326  
(404) 446-2560  
(404) 467-0474 – facsimile

David N. Cook  
Senior Vice President and General Counsel  
Rebecca J. Michael  
Associate General Counsel for Corporate and  
Regulatory Matters  
North American Electric Reliability Corporation  
1325 G Street, N.W., Suite 600  
Washington, D.C. 20005  
(202) 400-3000  
(202) 644-8099 – facsimile  
[david.cook@nerc.net](mailto:david.cook@nerc.net)  
[rebecca.michael@nerc.net](mailto:rebecca.michael@nerc.net)

/s/ Owen E. MacBride  
Owen E. MacBride  
Debra Ann Palmer  
Schiff Hardin LLP  
1666 K Street, N.W., Suite 300  
Washington, DC 20036-4390  
(202) 778-6400  
(202) 778-6460 – facsimile  
[omacbride@schiffhardin.com](mailto:omacbride@schiffhardin.com)  
[dpalmer@schiffhardin.com](mailto:dpalmer@schiffhardin.com)

**ATTACHMENT 1**

**PROPOSED AGREEMENT BETWEEN  
SERC RELIABILITY CORPORATION AND  
FLORIDA RELIABILITY COORDINATING COUNCIL, INC.  
CONCERNING COMPLIANCE MONITORING AND ENFORCEMENT  
OF FRCC REGISTERED FUNCTIONS**

**CLEAN VERSION**

**AGREEMENT BETWEEN  
SERC RELIABILITY CORPORATION AND  
FLORIDA RELIABILITY COORDINATING COUNCIL, INC.  
CONCERNING COMPLIANCE MONITORING AND ENFORCEMENT  
OF FRCC REGISTERED FUNCTIONS**

THIS AGREEMENT ("Agreement") made effective as of January 1, 2013 (the "Effective Date"), is entered into between the SERC Reliability Corporation ("SERC"), an organization established to develop and enforce Reliability Standards, and Florida Reliability Coordinating Council, Inc. ("FRCC"), an organization established to develop and enforce Reliability Standards within the geographic boundaries identified on **Exhibit A** to the Amended and Restated Delegation Agreement between the North American Electric Reliability Corporation ("NERC") and FRCC (referred to herein as the "FRCC Region"), and for other purposes. SERC and FRCC may be individually referred to herein as "Party" or collectively as "Parties."

**RECITALS**

I. SERC is a party to a certain Amended and Restated Delegation Agreement with NERC (the "NERC-SERC Delegation Agreement"), which has been approved by the Federal Energy Regulatory Commission ("Commission") and which states in Section 6 thereof, in pertinent part, that SERC shall enforce Reliability Standards (including Regional Reliability Standards) through a compliance monitoring and enforcement program set forth in Exhibit D to the NERC-SERC Delegation Agreement.

II. FRCC is a party to a certain Amended and Restated Delegation Agreement with NERC (the "NERC-FRCC Delegation Agreement"), which has been approved by the Commission and which states in Section 6 thereof, in pertinent part, that FRCC shall enforce Reliability Standards (including Regional Reliability Standards) within the FRCC Region through a compliance monitoring and enforcement program set forth in Exhibit D to the NERC-FRCC Delegation Agreement.

III. FRCC, through its Member Services Division ("FRCC Member Services Division"), currently performs the Reliability Coordinator ("RC") and Planning Authority ("PA")

functions (as “Reliability Coordinator” and “Planning Authority” are defined in the NERC *Glossary of Terms Used in Reliability Standards*) for the FRCC Region, and is registered on the NERC *Compliance Registry* as the RC and a PA for the FRCC Region. In this Agreement, the RC and PA functions are sometimes referred to as the “FRCC Registered Functions,” and FRCC Member Services Division is referred to as the “Registered Entity” with respect to its performance of the FRCC Registered Functions.

IV. To avoid any appearance of a lack of independence in compliance monitoring and enforcement for FRCC Registered Functions, SERC and FRCC hereby agree, subject to approval by NERC and the Commission, that SERC should assume responsibility for the Compliance Monitoring and Enforcement Program (“CMEP”) with respect to the FRCC Registered Functions within the FRCC Region, and that the terms on which responsibility for the CMEP with respect to the FRCC Registered Functions within the FRCC Region shall be performed by SERC should be memorialized in this Agreement.

NOW, THEREFORE, in consideration of the mutual covenants and agreements contained herein, the Parties, intending to be bound, agree as follows:

**1. Responsibilities of SERC.**

(a) Beginning on the Effective Date, SERC will perform all responsibilities of the Compliance Enforcement Authority (“CEA”) as specified in the NERC uniform CMEP, Appendix 4C to the NERC Rules of Procedure (“ROP”), as amended from time to time (the “NERC Uniform CMEP”), within the FRCC Region with respect to the FRCC Registered Functions.

(b) Without limiting the scope of SERC’s responsibilities as stated in subsection 1(a) of this Agreement, SERC agrees to perform the following activities:

(1) Administer all compliance processes in Section 3.0 of the NERC Uniform CMEP with respect to the FRCC Registered Functions, in accordance with the NERC

Annual CMEP Implementation Plan required by Section 4.1 of the NERC Uniform CMEP for each year. If at any time the FRCC Registered Functions change, SERC will monitor the Registered Functions in effect at that time.

(2) Lead all compliance audits and compliance investigations (“CI”) of the FRCC Registered Functions.

(i) SERC shall conduct a scheduled compliance audit of the FRCC Registered Functions in accordance with the frequency established by NERC in the CMEP. As FRCC is currently registered, SERC will audit the RC function at least once every three (3) years and shall conduct a scheduled compliance audit of the PA function at least once every six (6) years.

(ii) Scheduled compliance audits of the FRCC Registered Functions shall be in accordance with the NERC Annual CMEP Implementation Plan.

(iii) As required by the NERC ROP, all compliance audits of the FRCC RC function shall be conducted on site. Spot checks or other compliance monitoring methods may be completed off site.

(3) Determine if Notice of Possible Violations and Notices of Alleged Violations, as those terms are defined in the CMEP, and proposed penalties or sanctions should be issued to FRCC Member Services Division with respect to the FRCC Registered Functions, and calculate or determine any proposed penalties or sanctions in accordance with the NERC *Sanction Guidelines*.

(4) Administer processes as specified in Section 5.0 of the NERC Uniform CMEP with respect to any Alleged Violations, as that term is defined in the CMEP, and proposed penalties or sanctions issued with respect to the FRCC Registered Functions.

(5) Review and approve proposed Mitigation Plans submitted by a FRCC Registered Function, and monitor implementation and completion of approved Mitigation Plans, in accordance with Section 6.0 of the NERC Uniform CMEP.

(6) Determine if Remedial Action Directives should be issued to FRCC Member Services Division with respect to a FRCC Registered Function, and issue such Remedial Action Directives if determined to be necessary, in accordance with Section 7.0 of the NERC Uniform CMEP.

(7) Conduct settlement negotiations for any violations of Reliability Standards discovered by SERC per this agreement, if requested by FRCC Member Services Division, in accordance with Section 5.4 of the NERC Uniform CMEP.

(8) Provide due process hearings for the FRCC Registered Functions with respect to notices of Alleged Violations, proposed penalties and sanctions, disputed Mitigation Plans, and disputed Remedial Action Directives, as requested by FRCC Member Services Division, in accordance with Attachment 2, Hearing Procedures, to the NERC Uniform CMEP.

(c) Compliance audit teams, CI teams, and review teams for self-certifications, spot check responses, periodic data submittals, self-reports, exception reports and complaints submitted by or relating to a FRCC Registered Function shall not include any employees of FRCC, but may include employees of other Regional Entities, NERC and Commission staff members. Provided, that in accordance with Section 2(c) of this Agreement, SERC may request and obtain technical advice and assistance from FRCC employees, acting in a consulting or advisory capacity, who are not employed in a FRCC Registered Function.

## **2. Responsibilities of FRCC.**

(a) FRCC Member Services Division shall establish and designate to SERC a

primary compliance contact for each FRCC Registered Function, in accordance with Section 2.0 of the NERC Uniform CMEP.

(b) FRCC Member Services Division shall timely respond to and comply with all notices, requests for information and schedules issued by SERC as the CEA pursuant to the NERC Uniform CMEP.

(c) FRCC shall provide subject-matter experts (“SMEs”) as requested by SERC to provide technical advice and assistance to SERC, in SERC’s discretion, in carrying out the CMEP with respect to the FRCC Registered Functions. A SME provided by FRCC may be an employee of FRCC or an industry volunteer, provided, that no SME provided by FRCC may be employed by FRCC in a FRCC Registered Function. The Parties agree that SMEs provided by FRCC shall only be used by SERC in a consulting or advisory capacity to provide expertise and advice on technical matters pertaining to the FRCC Registered Functions, shall have no decision-making responsibilities with respect to any compliance processes or compliance enforcement matters, and shall not be a member of any compliance audit team, CI team, or review team for self-certifications, spot check responses, periodic data submittals, self-reports, exception reports or complaints submitted by or relating to a FRCC Registered Function.

(d) FRCC Regional Entity Division shall reimburse SERC the actual, reasonable costs of SERC’s performance of the CMEP with respect to the FRCC Registered Functions, including an appropriate allocation of SERC’s general and administrative costs, in accordance with Section 4 of this Agreement.

(e) Except as provided in this Agreement, FRCC Regional Entity Division shall continue to perform all CMEP responsibilities in the FRCC Region in accordance with the NERC-FRCC Delegation Agreement.

**3. Disposition of Penalties Paid by FRCC with respect to a FRCC Registered Function.**

Any penalties to be paid by FRCC Member Services Division for violations of Reliability Standards by a FRCC Registered Function shall be transmitted to NERC, to be used by NERC as a general offset to NERC's budget for its activities as the Electric Reliability Organization under the Federal Power Act for the following year, in accordance with the *NERC Accounting, Financial Statement and Budgetary Treatment of Penalties Imposed and Received for Violations of Reliability Standards*.

**4. Compensation to SERC for Performance of CMEP With Respect to the FRCC Registered Functions.**

(a) Compensation, In its annual Business Plans and Budgets submitted to NERC and the Commission for years within the term of this Agreement, SERC shall identify a portion of its CMEP budget (the "FRCC Registered Functions CMEP Budget"), including an appropriate allocation of SERC's general and administrative costs, that is attributable to the performance of the CMEP with respect to the FRCC Registered Functions. SERC's allocation of resources to the performance of its obligations under this Agreement and the corresponding budgeted amount shall be subject to approval by NERC and by the Commission as part of their overall approval of SERC's business plan and budget. The amount of SERC's proposed FRCC Registered Functions CMEP Budget shall also be included in FRCC's business plan and budget that is submitted to NERC and to the Commission for approval. The amount of the FRCC Registered Functions CMEP Budget for each year, as approved by the Commission, shall (i) be excluded from the calculation of SERC's assessments to Load-Serving Entities ("LSEs") in the SERC Region for each such year, and (ii) be included in the calculation of FRCC's assessments to LSEs in the FRCC Region for each such year.

(b) Billing SERC will submit an itemized invoice to FRCC on or before the twentieth (20<sup>th</sup>) day of each month for actual costs (including an appropriate allocation of

SERC's general and administrative costs) incurred during the previous month for work undertaken pursuant to this Agreement. FRCC shall pay SERC within sixty (60) days for the expenses SERC has incurred and for which it has submitted an invoice. SERC shall track the actual costs of the work as it is performed, and should actual costs be on track to exceed budgeted amounts, SERC shall notify the FRCC of this at the next billing cycle.

(c) True-up Reports. The Parties shall record their costs and revenues associated with the performance of this Agreement at the same level of line-item detail as is used for their budgets that are submitted to NERC for approval by NERC and by the Commission. Each Party shall include in its annual true-up report submitted to NERC a separate section showing the Party's actual and budgeted amounts of costs and revenues associated with performance of this Agreement for the year with explanations of variances.

## **5. Term, Renewal Term, Termination and Early Termination.**

(a) Term. The Term of this Agreement shall be from the Effective Date of this Agreement to December 31, 2017.

(b) Renewal Terms. This Agreement shall automatically renew without notice or other action by either Party at the end of the Term specified in (a) or any Renewal Term for a Renewal Term of five (5) years; provided, however, that either Party may give written notice to the other Party at least twelve months prior to the end of the Term specified in (a) of an intent not to renew this Agreement; and provided, further, that during a Renewal Term either Party may terminate this Agreement by providing a written notice to the other Party at least twelve months prior to the desired termination date. Additionally, this Agreement shall not automatically renew if NERC gives written notice to the Parties, at least twelve (12) months prior to the end of the Term or Renewal Term, that the Parties should request NERC's approval to renew the Agreement, in which case the Parties shall submit a request to renew the Agreement to NERC at least nine (9) months prior to the end of such Term or Renewal Term.

In the event of a termination of this Agreement SERC shall continue to perform the CMEP role with respect to the FRCC Registered Functions within the FRCC Region in accordance with the terms of this Agreement and the NERC Uniform CMEP until another entity acceptable to NERC and the Commission is selected to take, and takes, responsibility for performance of the CMEP role with respect to the FRCC Registered Functions. In the event of termination of the Agreement, SERC will work with FRCC to transfer responsibility for any compliance activities in progress to the entity that will be the CEA for the FRCC Member Services Division.

(c) Early Termination. Notwithstanding the provisions of subsections 5(a) and 5(b) of this Agreement, Early Termination of this Agreement shall occur in the following events:

- (i) If FRCC or SERC ceases to be a Regional Entity, this Agreement shall terminate as of the end of the calendar year that FRCC or SERC ceases to be a Regional Entity.
- (ii) If FRCC ceases to be a Registered Entity in the FRCC Region, this Agreement shall terminate as of the last date that FRCC ceases to be a Registered Entity for any FRCC Registered Function.
- (iii) If both Parties agree in writing to terminate this Agreement at any time.
- (iv) If any provision of this Agreement, or the application thereof to any person, entity or circumstance, is held by a court or regulatory authority of competent jurisdiction to be invalid, void, or unenforceable, or if a modification or condition to this Agreement is imposed by the Commission, the Parties shall endeavor in good faith to negotiate such amendment or amendments to this Agreement as will restore the relative benefits and obligations of the signatories under this Agreement immediately prior to such holding, modification or condition. If either Party finds such holding, modification or condition unacceptable and the Parties are unable to renegotiate a mutually acceptable

resolution, either Party may unilaterally terminate this Agreement. Such termination shall be effective as of one (1) year following written notice by either Party to the other Party, or at such other time as may be mutually agreed by SERC and FRCC.

(vi) In the event of the Early Termination of this Agreement, SERC will transfer responsibility for completion of all CMEP processes that are in progress as of the date of Early Termination, or within a reasonable time thereafter as mutually agreed to by the Parties, to the entity that will be the CEA for FRCC Member Services Division.

(d) In the event of termination or Early Termination of this Agreement, the costs associated with the wind-down of this Agreement and transfer of any compliance processes in progress to the new CEA are payable by FRCC to SERC in accordance with Section 4 of this Agreement.

## **6. Representations of the Parties.**

(a) Representations of FRCC. FRCC represents and warrants to SERC that (i) FRCC is and shall remain during the term of this Agreement validly existing and in good standing pursuant to all applicable laws relative to this Agreement, (ii) no applicable law, contract or other legal obligation prevents FRCC from executing this Agreement and fulfilling its obligations hereunder, (iii) entry into this Agreement by FRCC is duly authorized under its governing corporate documents, and (iv) the person or persons executing this Agreement on behalf of FRCC are duly authorized to do so.

(b) Representations of SERC. SERC represents and warrants to FRCC that (i) SERC is and shall remain during the term of this Agreement validly existing and in good standing pursuant to all applicable laws relative to this Agreement, (ii) no applicable law, contract or other legal obligation prevents SERC from executing this Agreement and fulfilling its obligations hereunder, (iii) entry into this Agreement by SERC is duly authorized under its

governing corporate documents, and (iv) the person or persons executing this Agreement on behalf of SERC are duly authorized to do so.

**7. Limitation of Liability.**

SERC and FRCC agree not to sue each other or their directors, officers, employees, and persons serving on their committees and subgroups based on any act or omission of any of the foregoing in the performance of duties pursuant to this Agreement or in conducting activities under the authority of Section 215 of the Federal Power Act, other than seeking a review of such action or inaction by the Commission. SERC and FRCC shall not be liable to one another for any damages whatsoever, other than for non-payment of or failure to remit compensation due pursuant to Section 4 of this Agreement, including without limitation, direct, indirect, incidental, special, multiple, consequential (including attorneys' fees and litigation costs), exemplary, or punitive damages arising out of or resulting from any act or omission associated with the performance of SERC's or FRCC's responsibilities under this Agreement or in conducting activities under the authority of Section 215 of the Federal Power Act, except to the extent that SERC or FRCC is found liable for gross negligence or intentional misconduct, in which case SERC or FRCC shall not be liable for any indirect, incidental, special, multiple, consequential (including without limitation attorneys' fees and litigation costs), exemplary, or punitive damages.

**8. No Third Party Beneficiaries.**

Nothing in this Agreement shall be construed to create any duty to, any standard of care with reference to, or any liability to any third party.

**9. Confidentiality.**

During the course of the Parties' performance under this Agreement, a Party may receive Confidential Information, as defined in Section 1500 of the NERC ROP. Except as set forth herein, the Parties agree to keep in confidence and not to copy, disclose, or distribute any

Confidential Information or any part thereof, without the prior written permission of the issuing Party, unless disclosure is required by subpoena, law, or other directive of a court, administrative agency, or arbitration panel, in which event the recipient hereby agrees to provide the Party that provided the Confidential Information with prompt notice of such request or requirement in order to enable such issuing Party to (a) seek an appropriate protective order or other remedy, (b) consult with the recipient with respect to taking steps to resist or narrow the scope of such request or legal process, or (c) waive compliance, in whole or in part, with the terms of this Section 9. In the event a protective order or other remedy is not obtained or the issuing Party waives compliance with the provisions, the recipient agrees to furnish only that portion of the Confidential Information which the recipient's counsel advises is legally required and to exercise best efforts to obtain assurance that confidential treatment will be accorded to such Confidential Information. In addition, each Party shall ensure that its officers, trustees, directors, employees, subcontractors and subcontractors' employees, and agents to whom Confidential Information is exposed are under obligations of confidentiality that are at least as restrictive as those contained herein. This confidentiality provision does not prohibit reporting and disclosure by SERC, as the CEA with respect to the FRCC Registered Functions, in accordance with Section 8.0 and other provisions of the NERC Uniform CMEP.

**10. Amendment.**

Neither this Agreement nor any of the terms hereof, may be amended unless such amendment is made in writing and signed by the Parties.

**11 . Dispute Resolution.**

In the event a dispute arises under this Agreement between SERC and FRCC, representatives of the Parties with authority to settle the dispute shall meet and confer in good faith in an effort to resolve the dispute in a timely manner. In the event the designated representatives are unable to resolve the dispute within thirty (30) days or such other period as

the Parties may agree upon, each Party shall have all rights to pursue all remedies, except as expressly limited by the terms of this Agreement. Neither Party shall have the right to pursue other remedies until the Dispute Resolution procedures of this Section 11 have been exhausted. This Section 11 shall not apply to enforcement actions or Remedial Action Directives by SERC, as the CEA, against a FRCC Registered Function, or hearings conducted at the request of FRCC as the Registered Entity for a FRCC Registered Function, pursuant to the NERC Uniform CMEP.

## **12. Notices.**

Whether expressly so stated or not, all notices, demands, requests, and other communications required or permitted by or provided for in this Agreement shall be given in writing to a Party at the address set forth below, or at such other address as a Party shall designate for itself in writing in accordance with this Section, and shall be delivered by hand or reputable overnight courier:

If to SERC:

SERC Reliability Corporation  
2815 Coliseum Centre Drive  
Suite 500  
Charlotte, NC 28217

Attn: Marisa Sifontes  
Facsimile: 704-357-7914

If to FRCC:

Florida Reliability Coordinating Council  
1408 N Westshore Blvd  
Suite 1002  
Tampa, FL 33607

Attn: Reva Maskowitz  
Facsimile: 813-289-5646

Provided, that the foregoing notice provision shall not be applicable to notices and other communications between SERC, as the CEA, and FRCC as the Registered Entity for a FRCC Registered Function, which notices and other communications shall instead be provided or transmitted in accordance with the NERC Uniform CMEP.

## **13. Governing Law.**

When not in conflict with or preempted by federal law, this Agreement will be governed

by and construed in accordance with the laws of Delaware without giving effect to the conflict of law principles thereof. The Parties recognize and agree not to contest the exclusive or primary jurisdiction of the Commission to interpret and apply this Agreement; provided however, that if the Commission declines to exercise or is precluded from exercising jurisdiction of any action arising out of or concerning this Agreement, such action shall be brought in any state or federal court of competent jurisdiction in Delaware. All Parties hereby consent to the jurisdiction of any state or federal court of competent jurisdiction in Delaware for the purpose of hearing and determining any action not heard and determined by the Commission.

**14. Headings.**

The headings and captions in this Agreement are for convenience of reference only and shall not define, limit, or otherwise affect any of the terms or provisions hereof.

**15. Entire Agreement.**

This Agreement constitutes the entire agreement, and supersedes all prior agreements and understandings, both written and oral, among the Parties with respect to the subject matter of this Agreement.

**16. Execution of Counterparts.**

This Agreement may be executed in counterparts and each counterpart shall have the same force and effect as the original.

**NOW, THEREFORE**, the Parties have caused this Agreement to be executed by their duly authorized representatives, to be effective as of the Effective Date.

SERC RELIABILITY CORPORATION

FLORIDA RELIABILITY  
COORDINATING COUNCIL

By: \_\_\_\_\_

Name: R. Scott Henry

Title: President and CEO

Date: \_\_\_\_\_

By: \_\_\_\_\_

Name: Sarah Rogers

Title: President and CEO

Date: \_\_\_\_\_

**ATTACHMENT 2**

**PROPOSED AGREEMENT BETWEEN  
SERC RELIABILITY CORPORATION AND  
FLORIDA RELIABILITY COORDINATING COUNCIL, INC.  
CONCERNING COMPLIANCE MONITORING AND ENFORCEMENT  
OF FRCC REGISTERED FUNCTIONS**

**REDLINED AGAINST  
SERC-FRCC CURRENT CMEP AGREEMENT**

**AGREEMENT BETWEEN  
SERC RELIABILITY CORPORATION andAND  
FLORIDA RELIABILITY COORDINATING COUNCIL,INC.  
CONCERNING COMPLIANCE MONITORING AND ENFORCEMENT  
OF FRCC REGISTERED FUNCTIONS**

THIS AGREEMENT ("Agreement") made effective as of July 12, 2010January 1, 2013 (the "Effective Date"), is entered into between the SERC Reliability Corporation ("SERC"), an organization established to develop and enforce Reliability Standards, and Florida Reliability Coordinating Council.Inc. ("FRCC"), an organization established to develop and enforce Reliability Standards within the geographic boundaries identified on **Exhibit A** to the "Amended and Restated Delegation Agreement Btbetween the North American Electric Reliability Corporation ("NERC") and FRCC Florida Reliability Coordinating Council, Inc." (referred to herein as the "FRCC Region"), and for other purposes. SERC and FRCC may be individually referred to herein as "Party" or collectively as "Parties."

**RECITALS**

I. SERC is a party to a certain "Amended and Restated Delegation Agreement Between the North American Electric Reliability Corporation with NERC and SERC Reliability Corporation" (the "NERC-SERC Delegation Agreement"), which has been approved by the Federal Energy Regulatory Commission ("Commission") and which states in Section 6 thereof, in pertinent part, that SERC shall enforce Reliability Standards (including Regional Reliability Standards) through a compliance monitoring and enforcement program set forth in Exhibit D to the NERC-SERC Delegation Agreement.

II. FRCC is a party to a certain "Amended and Restated Delegation Agreement Betweenwith NERC the North American Electric Reliability Corporation and Florida Reliability Coordinating Council, Inc." (the "NERC-FRCC Delegation Agreement"), which has been approved by the Commission and which states in Section 6 thereof, in pertinent part, that FRCC shall enforce Reliability Standards (including Regional Reliability Standards) within the FRCC Region through a compliance monitoring and enforcement program set forth in Exhibit D to

the NERC-FRCC Delegation Agreement.

III. FRCC, through its Member Services Division ("FRCC Member Services Division"), currently performs the Reliability Coordinator ("RC") and Planning Authority ("PA") functions (as "Reliability Coordinator" and "Planning Authority" are defined in the NERC *Glossary of Terms Used in Reliability Standards*) for the FRCC Region, and is registered on the NERC *Compliance Registry* as the RC and a PA for the FRCC Region. In this Agreement, the RC and PA functions are sometimes referred to as the "FRCC Registered Functions," and FRCC Member Services Division is referred to as the "Registered Entity" with respect to its performance of the FRCC Registered Functions.

V.IV. To avoid any appearance of a lack of independence in compliance monitoring and enforcement for FRCC Registered Functions, SERC and FRCC hereby Notwithstanding the provisions of Section 6 of the NERC-FRCC Delegation Agreement, the Commission has ruled that FRCC's performance of compliance monitoring and enforcement functions with respect to compliance with Reliability Standards by FRCC's registered reliability functions results in a lack of independence in compliance monitoring and enforcement for FRCC operational functions. The Commission therefore directed NERC and FRCC to remedy this deficiency. In light of the Commission's directive, SERC and FRCC agree, subject to approval by NERC and the Commission, that SERC should assume responsibility for the Compliance Monitoring and Enforcement Program ("CMEP") with respect to the FRCC Registered Functions within the FRCC Region, and that the terms on which responsibility for the CMEP with respect to the FRCC Registered Functions within the FRCC Region shall be transferred to and performed by SERC should be memorialized in this Agreement.

NOW, THEREFORE, in consideration of the mutual covenants and agreements contained herein, the Parties, intending to be bound, agree as follows:

## **1. Responsibilities of SERC.**

(a) Beginning on the Effective Date, SERC will perform all responsibilities of the Compliance Enforcement Authority ("CEA") as specified in the NERC uniform CMEP, Appendix 4C to the NERC Rules of Procedure ("ROP"), as amended from time to time (the "NERC Uniform CMEP"), within the FRCC Region with respect to the FRCC Registered Functions.

(b) Without limiting the scope of SERC's responsibilities as stated in Subsection 1(a)of this Agreement, SERC agrees to perform the following activities:

(1) Administer all compliance processes in Section 3.0 of the NERC Uniform CMEP with respect to the FRCC Registered Functions, in accordance with the NERC Annual CMEP Implementation Plan required by Section 4.1 of the NERC Uniform CMEP for each year. If at any time, the FRCC's registration status-Registered Functions changes, SERC will monitor the Registered Functions in effect at that time.

(2) Lead all compliance audits and compliance violation-investigations ("CVI") of the FRCC Registered Functions.

(i) SERC shall conduct a scheduled compliance audit of the FRCC Registered Functions in accordance with the frequency established by NERC in the CMEP. As FRCC is currently registered, SERC will audit the RC function at least once every three (3) years and shall conduct a scheduled compliance audit of the PA function, at least once every six (6) years.

(ii) Scheduled compliance audits of the FRCC Registered Functions shall be shall include all actively monitored standards in accordance with the NERC Annual CMEP Implementation Plan.

(iii) As required by the NERC ROP, all compliance audits of the FRCC RC function shall be conducted on site. Spot checks or other compliance monitoring methods may be completed off site.

(3) Determine if Notice of Possible Violations and notices of Alleged Violations, as those terms are defined in the CMEP, and proposed penalties or

sanctions should be issued to FRCC Member Services Division with respect to the FRCC Registered Functions, and calculate or determine any proposed penalties or sanctions in accordance with the NERC *Sanction Guidelines*.

(4) Administer processes as specified in Section 5.0 of the NERC Uniform CMEP with respect to any notices of Alleged Violations, as that term is defined in the CMEP, and proposed penalties or sanctions issued with respect to the FRCC Registered Functions.

(5) Review and approve proposed Mitigation Plans submitted by a FRCC Registered Function, and monitor implementation and completion of approved Mitigation Plans, in accordance with Section 6.0 of the NERC Uniform CMEP.

(6) Determine if Remedial Action Directives should be issued to FRCC Member Services Division with respect to a FRCC Registered Function, and issue such Remedial Action Directives if determined to be necessary, in accordance with Section 7.0 of the NERC Uniform CMEP.

(7) Conduct settlement negotiations for any violations of Reliability Standards discovered by SERC per this agreement, if requested by FRCC Member Services Division, in accordance with Section 5.4 of the NERC Uniform CMEP.

(8) Provide due process hearings for the FRCC Registered Functions with respect to notices of Alleged Violations, proposed penalties and sanctions, disputed Mitigation Plans, and disputed Remedial Action Directives, as requested by FRCC Member Services Division, in accordance with Attachment 2, Hearing Procedures, to the NERC Uniform CMEP.

(c) Compliance audit teams, CVICI teams, and review teams for self-certifications, spot\_check responses, periodic data submittals, self-reports, exception reports and complaints\_submitted by or relating to a FRCC Registered Function shall not include any employees of\_FRCC, but may include employees of other Regional Entities, NERC and Commission staff\_members. Provided, that in accordance with Section 2(c) of this

Agreement, SERC may request and obtain technical advice and assistance from FRCC employees, acting in a consulting or advisory capacity, who are not employed in a FRCC Registered Function.

## **2. Responsibilities of FRCC.**

(a) ~~As the Registered Entity for the FRCC Registered Functions~~, FRCC Member Services Division shall establish and designate to SERC a primary compliance contact for each FRCC Registered Function, in accordance with Section 2.0 of the NERC Uniform CMEP.

(b) ~~As the Registered Entity for the FRCC Registered Functions~~, FRCC Member Services Division shall timely respond to and comply with all notices, requests for information and schedules issued by SERC as the CEA pursuant to the NERC Uniform CMEP.

(c) FRCC shall provide subject-matter experts (“SME~~s~~”) as requested by SERC to provide technical advice and assistance to SERC, in SERC’s discretion, in carrying out the CMEP with respect to the FRCC Registered Functions. A SME provided by FRCC may be an employee of FRCC or an industry volunteer, provided, that no SME provided by FRCC may be employed by FRCC in a FRCC Registered Function. The Parties agree that SMEs provided by FRCC shall only be used by SERC in a consulting or advisory capacity to provide expertise and advice on technical matters pertaining to the FRCC Registered Functions, shall have no decision-making responsibilities with respect to any compliance processes or compliance enforcement matters, and shall not be a member of any compliance audit team, CVI team, or review team for self-certifications, spot check responses, periodic data submittals, self-reports, exception reports or complaints submitted by or relating to a FRCC Registered Function.

(d) FRCC Regional Entity Division shall reimburse SERC the actual, reasonable costs of SERC’s performance of the CMEP with respect to the FRCC Registered Functions, including an appropriate allocation of SERC’s ~~G~~eneral and ~~A~~ddministrative costs, in

accordance with Section 54 of this Agreement.

(e) Except as provided in this Agreement, FRCC Regional Entity Division shall continue to perform all CMEP responsibilities in the FRCC Region in accordance with the NERC-FRCC Delegation Agreement.

### **3. Disposition of Penalties Paid by FRCC with respect to a FRCC Registered Function.**

Any penalties to be paid by FRCC Member Services Division for violations of Reliability Standards by a FRCC Registered Function, shall be transmitted to NERC, to be used by NERC as a general offset to NERC's budget for its activities as the Electric Reliability Organization under the Federal Power Act for the following year, in accordance with the *NERC Accounting, Financial Statement and Budgetary Treatment of Penalties Imposed and Received for Violations of Reliability Standards*.

### **4. Transfer of Responsibilities for CMEP Activities With Respect To FRCC Registered Functions That Are In Progress on the Effective Date.**

~~SERC shall assume full responsibility, as the CEA, for completion of all compliance processes with respect to the FRCC Registered Functions that are in progress as of the Effective Date, including without limiting the foregoing, (i) completion and issuance of reports of compliance audits and CVI of the FRCC Registered Functions, (ii) completion of review of, and issuance of any findings or reports concerning, any self-certifications, spot checks, periodic data submittals, self-reports, exception reports or complaints, submitted by or pertaining to a FRCC Registered Function, (iii) determination of whether any notice of Alleged Violations and/or proposed penalties or sanctions should be issued to a FRCC Registered Function as a result of any such compliance processes, (iv) processing of any notices of Alleged Violations and/or proposed penalties or sanctions that were issued before the Effective Date, or are issued after the Effective Date as the result of compliance processes conducted before the Effective Date,~~

~~and (v) review, approval and monitoring of implementation and completion of any Mitigation Plans required of a FRCC Registered Function as the result of compliance processes conducted before the Effective Date.~~

**5.4. 5. Compensation to SERC for Performance of CMEP With Respect to the FRCC Registered Functions.**

Compensation for 2010.

~~For the period between the Effective Date of this Agreement and December 31, 2010, SERC shall invoice FRCC the amount of \$5000 per quarter (pro-rated for any partial quarter) on or about the first day of each calendar quarter. The first invoice shall also include the amount for the partial quarter, if any between the Effective Date and the date of the first invoice. FRCC shall remit to SERC the amount of each invoice by check or electronic funds transfer to SERC within twenty (20) business days following the date of each invoice.~~

(b) Compensation for Years Subsequent to 2010.

(a) Compensation. ~~(i)~~—In its annual Business Plans and Budgets submitted to NERC and the Commission for ~~the year 2011 and subsequent~~ years within the term of this Agreement, SERC shall identify a portion of its CMEP budget (the “FRCC Registered Functions CMEP Budget”), including an appropriate allocation of SERC’s ~~G~~eneral and ~~A~~dmistrative ~~C~~osts, (the “FRCC Registered Functions CMEP Budget”), that is attributable to the performance of the CMEP with respect to the FRCC Registered Functions. SERC’s allocation of resources to the performance of its obligations under this Agreement and the corresponding budgeted amount shall be subject to approval by NERC and by the Commission as part of their overall approval of SERC’s business plan and budget. The amount of SERC’s proposed FRCC Registered Functions CMEP Budget shall also be included in FRCC’s business plan and budget that is submitted to NERC and to the Commission for approval. The amount of

the FRCC Registered Functions CMEP Budget for each year, as approved by the Commission, shall (i) shall be excluded from the calculation of SERC's assessments to Load-Serving Entities ("LSEs") in the SERC Region for each such year, and (ii) shall be included in the calculation of FRCC's assessments to LSEs in the FRCC Region for each such year.

\_\_\_\_\_ (b) Billing SERC shall invoice FRCC Regional Entity Division for the amount of the FRCC Registered Functions CMEP Budget in four equal quarterly amounts during each year, with the invoices to be issued by SERC to FRCC on or about January 1, April 1, July 1 and October 1 and to be paid by FRCC by check or electronic funds transfer to SERC within twenty (20) business days following the date of the invoice.

(c) Reconciliation of Costs.

No later than 90 days after the end of a budget year, SERC shall provide to FRCC a statement of actual expenses incurred by SERC in the fulfillment of SERC's responsibilities under this agreement for that budget year. The statement shall disclose the actual costs of labor, travel and meetings, and all other direct costs, as well as SERC's allocation of its actual General and Administrative Costs. The statement shall summarize the reasons for any variances as compared to the budget amount. SERC shall provide supporting documentation for the final statement upon request by FRCC. The total variance for the concluded budget year shall be incorporated as a compensating adjustment in both the SERC and FRCC budgets in the second year following the budget year and, as approved by NERC and the Commission, reflected in the quarterly invoices from SERC to FRCC and quarterly payments by FRCC to SERC in such year.

(d) Supplemental Invoice.

If during any budget year, including 2010, the actual cost of performing SERC's responsibilities under this agreement exceeds the budgeted funding by more than ten (10)

~~percent of SERC's budgeted cash reserve (for example as may be necessitated by the conduct of a compliance violation investigation or hearing), SERC shall have the right to issue supplemental invoices to FRCC to recover in full all actual costs incurred above the budgeted funding. Upon receipt of such a supplemental invoice, FRCC shall pay the full amount of the invoice by check or electronic funds transfer to SERC within sixty (60) days. SERC will submit an itemized invoice to FRCC on or before the twentieth (20<sup>th</sup>) day of each month for actual costs (including an appropriate allocation of SERC's general and administrative costs) incurred during the previous month for work undertaken pursuant to this Agreement. FRCC shall pay SERC within sixty (60) days for the expenses SERC has incurred and for which it has submitted an invoice. SERC shall track the actual costs of the work as it is performed, and should actual costs be on track to exceed budgeted amounts, SERC shall notify the FRCC of this at the next billing cycle.~~

(c) True-up Reports. The Parties shall record their costs and revenues associated with the performance of this Agreement at the same level of line-item detail as is used for their budgets that are submitted to NERC for approval by NERC and by the Commission. Each Party shall include in its annual true-up report submitted to NERC a separate section showing the Party's actual and budgeted amounts of costs and revenues associated with performance of this Agreement for the year with explanations of variances.

#### **6.5. Term, Renewal Term, -Termination and Early Termination.**

(a) Initial Term. The Initial Term of this Agreement shall be from the Effective Date of this Agreement to December 31, 20172.

(b) Renewal Terms. This Agreement shall not automatically renew without notice or other action by either Party at the end of the Initial Term specified in (a) or any Renewal Term for a Renewal Term of five (5) years; provided, however, that either Party may give written notice to the other Party at least twelve months prior to the end of the Term specified in (a) of an intent not to renew this Agreement; and provided, further, that during a

Renewal Term either Party may terminate this Agreement by providing a written notice to the other Party at least twelve months prior to the desired termination date. Additionally, this Agreement shall not automatically renew if NERC gives written notice to the Parties, at least twelve (12) months prior to the end of the Term or Renewal Term, that the Parties should request NERC's approval to renew the Agreement, in which case the Parties shall submit a request to renew the Agreement to NERC at least nine (9) months prior to the end of such Term or Renewal Term. In the event of a termination of this Agreement SERC shall continue to perform the CMEP role with respect to the FRCC Registered Functions within the FRCC Region in accordance with the terms of this Agreement and the NERC Uniform CMEP until another entity acceptable to NERC and the Commission is selected to take, and takes, responsibility for performance of the CMEP role with respect to the FRCC Registered Functions, without the express approval of NERC and the Commission. If either Party does not plan to seek approval for renewal of the agreement, that Party must give written notice to the other Party and NERC, at least one (1) year prior to the end of the Initial Term. In the event the Parties intend to renew the Agreement, they shall make a joint filing to NERC not later than April 1, 2012 requesting approval of the renewal. In the event of termination of the Agreement, SERC will work with FRCC to transfer responsibility for any compliance activities in progress to the entity that will be the CEA for the FRCC Member Services Division.

(c) Early Termination. Notwithstanding the provisions of subsections 65(a) and 65(b) of this Agreement, Early Termination of this Agreement shall occur in the following events:

(i) If FRCC or SERC ceases to be a Regional Entity, this Agreement shall terminate as of the end of the calendar year that FRCC or SERC ceases to be a Regional Entity.

(ii) If FRCC ceases to be a Registered Entity in the FRCC Region, this Agreement shall terminate as of the last date that FRCC ceases to be a Registered

Entity for any FRCC Registered Function.

(iii) If both ~~p~~Parties agree in writing to terminate this Agreement at any time.

(iv) If any provision of this Agreement, or the application thereof to any person, entity or circumstance, is held by a court or regulatory authority of competent jurisdiction to be invalid, void, or unenforceable, or if a modification or condition to this Agreement is imposed by the Commission, the Parties shall endeavor in good faith to negotiate such amendment or amendments to this Agreement as will restore the relative benefits and obligations of the signatories under this Agreement immediately prior to such holding, modification or condition. If either Party finds such holding, modification or condition unacceptable and the Parties are unable to renegotiate a mutually acceptable resolution, either Party may unilaterally terminate this Agreement. Such termination shall be effective as of one (1) year following written notice by either Party to the other Party, or at such other time as may be mutually agreed by SERC and FRCC.

(v) ~~Provided, that in~~ In the event of the Early tTermination of this Agreement, SERC will transfer responsibility for completion of all CMEP compliance processes that are in progress as of the date of Early Termination, or within a reasonable time thereafter as mutually agreed to by the ~~p~~Parties, to the entity that will be the CEA for FRCC Member Services Division.

(d) In the event of termination or Early Termination of this Agreement, the costs associated with the wind-down of this Agreement and transfer of any compliance processes in progress to the new CEA are payable by FRCC to SERC in accordance with Section 45 of this Agreement.

7.

6.

**7. Representations of the Parties.**

(a) Representations of FRCC. FRCC represents and warrants to SERC that (i) FRCC is and shall remain during the term of this Agreement validly existing and in good standing pursuant to all applicable laws relative to this Agreement, (ii) no applicable law, contract or other legal obligation prevents FRCC from executing this Agreement and fulfilling its obligations hereunder, (iii) entry into this Agreement by FRCC is duly authorized under its governing corporate documents, and (iv) the person or persons executing this Agreement on behalf of FRCC are duly authorized to do so.

(b) Representations of SERC. SERC represents and warrants to FRCC that (i) SERC is and shall remain during the term of this Agreement validly existing and in good standing pursuant to all applicable laws relative to this Agreement, (ii) no applicable law, contract or other legal obligation prevents SERC from executing this Agreement and fulfilling its obligations hereunder, (iii) entry into this Agreement by SERC is duly authorized under its governing corporate documents, and (iv) the person or persons executing this Agreement on behalf of SERC are duly authorized to do so.

**8-7. Limitation of Liability.**

SERC and FRCC agree not to sue each other or their directors, officers, employees, and persons serving on their committees and subgroups based on any act or omission of any of the foregoing in the performance of duties pursuant to this Agreement or in conducting activities under the authority of Section 215 of the Federal Power Act, other than seeking a review of such action or inaction by the Commission. SERC and FRCC shall not be liable to one another for any damages whatsoever, other than for non-payment of or failure to remit compensation due pursuant to Section 45 of this Agreement, including without limitation, direct, indirect, incidental, special, multiple, consequential (including attorneys' fees and litigation

costs), exemplary, or punitive damages arising out of or resulting from any act or omission associated with the performance of SERC's or FRCC's responsibilities under this Agreement or in conducting activities under the authority of Section 215 of the Federal Power Act, except to the extent that SERC or FRCC is found liable for gross negligence or intentional misconduct, in which case SERC or FRCC shall not be liable for any indirect, incidental, special, multiple, consequential (including without limitation attorneys' fees and litigation costs), exemplary, or punitive damages.

#### **9.8. No Third Party Beneficiaries.**

Nothing in this Agreement shall be construed to create any duty to, any standard of care with reference to, or any liability to any third party.

#### **10.9. Confidentiality.**

During the course of the Parties' performance under this Agreement, a Party may receive Confidential Information, as defined in Section 1500 of the NERC ROP. Except as set forth herein, the Parties agree to keep in confidence and not to copy, disclose, or distribute any Confidential Information or any part thereof, without the prior written permission of the issuing Party, unless disclosure is required by subpoena, law, or other directive of a court, administrative agency, or arbitration panel, in which event the recipient hereby agrees to provide the Party that provided the Confidential Information with prompt notice of such request or requirement in order to enable such issuing Party to (a) seek an appropriate protective order or other remedy, (b) consult with the recipient with respect to taking steps to resist or narrow the scope of such request or legal process, or (c) waive compliance, in whole or in part, with the terms of this Section 940. In the event a protective order or other remedy is not obtained or the issuing Party waives compliance with the provisions, the recipient agrees to furnish only that portion of the Confidential Information which the recipient's counsel advises is legally required

and to exercise best efforts to obtain assurance that confidential treatment will be accorded to such Confidential Information. In addition, each Party shall ensure that its officers, trustees, directors, employees, subcontractors and subcontractors' employees, and agents to whom Confidential Information is exposed are under obligations of confidentiality that are at least as restrictive as those contained herein. This confidentiality provision does not prohibit reporting and disclosure by SERC, as the CEA with respect to the FRCC Registered Functions, in accordance with Section 8.0 and other provisions of the NERC Uniform CMEP.

**11.10. Amendment.**

Neither this Agreement nor any of the terms hereof, may be amended unless such amendment is made in writing and signed by the Parties.

**12.11. Dispute Resolution.**

In the event a dispute arises under this Agreement between SERC and FRCC, representatives of the Parties with authority to settle the dispute shall meet and confer in good faith in an effort to resolve the dispute in a timely manner. In the event the designated representatives are unable to resolve the dispute within thirty (30) days or such other period as the Parties may agree upon, each Party shall have all rights to pursue all remedies, except as expressly limited by the terms of this Agreement. Neither Party shall have the right to pursue other remedies until the Dispute Resolution procedures of this Section 112 have been exhausted. This Section 112 shall not apply to enforcement actions or Remedial Action Directives by SERC, as the CEA, against a FRCC Registered Function, or hearings conducted at the request of FRCC as the Registered Entity for a FRCC Registered Function, pursuant to the NERC Uniform CMEP.

**12.** **13.** **Notices.**

Whether expressly so stated or not, all notices, demands, requests, and other communications required or permitted by or provided for in this Agreement shall be given in writing to a Party at the address set forth below, or at such other address as a Party shall designate for itself in writing in accordance with this Section, and shall be delivered by hand or reputable overnight courier:

If to SERC:

SERC Reliability Corporation  
2815 Coliseum Centre Drive  
Suite 500  
Charlotte, NC 28217

Attn: Marisa Sifontes  
Facsimile: 704-357-7914

If to FRCC:

Florida Reliability Coordinating Council  
1408 N Westshore Blvd  
Suite 1002  
Tampa, FL 33607

Attn: Reva Maskowitz  
Facsimile: 813-289-5646

Provided, that the foregoing notice provision shall not be applicable to notices and other communications between SERC, as the CEA, and FRCC as the Registered Entity for a FRCC Registered Function, which notices and other communications shall instead be provided or transmitted in accordance with the NERC Uniform CMEP.

**14.** **13.** **Governing Law.**

When not in conflict with or preempted by federal law, this Agreement will be governed by and construed in accordance with the laws of Delaware without giving effect to the conflict of law principles thereof. The Parties recognize and agree not to contest the exclusive or primary jurisdiction of the Commission to interpret and apply this Agreement; provided however, that if the Commission declines to exercise or is precluded from exercising jurisdiction of any action arising out of or concerning this Agreement, such action shall be brought in any state or federal court of competent jurisdiction in Delaware. All Parties hereby consent to the jurisdiction of any state or federal court of competent jurisdiction in Delaware for the purpose of hearing and

determining any action not heard and determined by the Commission.

**15.14. Headings.**

The headings and captions in this Agreement are for convenience of reference only and shall not define, limit, or otherwise affect any of the terms or provisions hereof.

**16.15. Entire Agreement.**

This Agreement constitutes the entire agreement, and supersedes all prior agreements and understandings, both written and oral, among the Parties with respect to the subject matter of this Agreement.

**17.16. Execution of Counterparts.**

This Agreement may be executed in counterparts and each counterpart shall have the same force and effect as the original.

**NOW, THEREFORE**, the Parties have caused this Agreement to be executed by their duly authorized representatives, to be effective as of the Effective Date.

SERC RELIABILITY CORPORATION

FLORIDA RELIABILITY  
COORDINATING COUNCIL

By: \_\_\_\_\_ By: \_\_\_\_\_

Name: R. Scott Henry

Name: Sarah Rogers

Title: President and CEO

Title: President and CEO

Date: \_\_\_\_\_ Date: \_\_\_\_\_

**ATTACHMENT 3**

**PROPOSED AGREEMENT BETWEEN  
SERC RELIABILITY CORPORATION AND  
SOUTHWEST POWER POOL REGIONAL ENTITY  
CONCERNING COMPLIANCE MONITORING AND ENFORCEMENT  
OF SPP, INC. REGISTERED FUNCTIONS**

**CLEAN VERSION**

**AGREEMENT BETWEEN  
SERC RELIABILITY CORPORATION AND  
SOUTHWEST POWER POOL REGIONAL ENTITY  
CONCERNING COMPLIANCE MONITORING AND ENFORCEMENT  
OF SOUTHWEST POWER POOL, INC. REGISTERED FUNCTIONS**

THIS AGREEMENT (“Agreement”) made effective as of January 1, 2013 (the “Effective Date”), between the SERC Reliability Corporation (“SERC”), an organization established to develop and enforce Reliability Standards, and Southwest Power Pool Regional Entity (“SPP RE”) a division of Southwest Power Pool, Inc. (“SPP”), an organization established to develop and enforce Reliability Standards within the geographic boundaries identified on Exhibit A (referred to herein as the “SPP RE Region”) to the “Amended and Restated Delegation Agreement between the North American Electric Reliability Corporation (“NERC”) and “SPP”, and for other purposes. SERC and the SPP RE may be individually referred to herein as “Party” or collectively as “Parties”.

**RECITALS**

I. SERC is a party to a certain “Amended and Restated Delegation Agreement between NERC and SERC” (the “NERC-SERC Delegation Agreement”), which has been approved by the Federal Energy Regulatory Commission (“Commission”) and which states in Section 6 thereof, in pertinent part, that SERC shall enforce Reliability Standards (including Regional Reliability Standards) through a compliance monitoring and enforcement program set forth in Exhibit D to the NERC-SERC Delegation Agreement.

II. SPP is a party to a certain “Amended and Restated Delegation Agreement between NERC and SPP (the “NERC-SPP Delegation Agreement”), which has been approved by the Commission and which states in Section 6 thereof, in pertinent part, that the SPP RE shall enforce Reliability Standards (including Regional Reliability Standards) within the geographic boundaries set forth in Exhibit A to the NERC-SPP Delegation Agreement through a

compliance monitoring and enforcement program set forth in Exhibit D to the NERC-SPP Delegation Agreement.

III. SPP serves as a Regional Transmission Organization and is currently registered as an Interchange Authority ("IA"), Planning Authority ("PA"), Reliability Coordinator ("RC"), Reserve Sharing Group ("RSG"), Transmission Planner ("TP"), and Transmission Service Provider ("TSP") in the SPP RE Region. In this Agreement, the IA, PA, RC, RSG, TP and TSP functions are sometimes referred to as the "SPP Registered Functions", and SPP is referred to as the "Registered Entity" with respect to its performance of the SPP Registered Functions.

IV. To avoid any appearance of a lack of independence in compliance monitoring and enforcement for SPP Registered Functions, SERC and the SPP RE hereby agree, subject to approval by NERC and by the Commission, that SERC should assume responsibility for the Compliance Monitoring and Enforcement Program ("CMEP") with respect to the SPP Registered Functions within the SPP RE Region, and that the terms on which responsibility for the CMEP with respect to the SPP Registered Functions within the SPP RE Region shall be performed by SERC should be memorialized in this Agreement.

NOW, THEREFORE, in consideration of the mutual covenants and agreements contained herein, the Parties, intending to be bound, agree as follows:

**1. Responsibilities of SERC.**

(a) Beginning on the Effective Date, SERC will perform all responsibilities of the Compliance Enforcement Authority ("CEA") as specified in the NERC uniform CMEP, Appendix 4C to the NERC Rules of Procedure ("ROP"), as amended from time to time (the "NERC Uniform CMEP"), within the SPP RE Region with respect to the SPP Registered Functions.

(b) Without limiting the scope of SERC's responsibilities as stated in subsection 1(a) of this Agreement, SERC agrees to perform the following activities within the SPP RE Region:

(1) Administer all compliance processes in Section 3.0 of the NERC Uniform CMEP with respect to the SPP Registered Functions, in accordance with the NERC

Annual CMEP Implementation Plan required by Section 4.1 of the NERC Uniform CMEP for each year. If at any time SPP Registered Functions change, SERC will monitor the Registered Functions in effect at that time.

(2) Lead all compliance audits and compliance investigations ("CI") of the SPP Registered Functions.

(i) SERC shall conduct a scheduled compliance audit of the SPP Registered Functions in accordance with the frequency established by NERC in the CMEP. As SPP is currently registered, SERC will audit the RC function at least once every three (3) years and shall conduct a scheduled compliance audit of the remaining functions at least once every six (6) years.

(ii) Scheduled compliance audits of the SPP Registered Functions shall be in accordance with the NERC Annual CMEP Implementation Plan.

(iii) As required by the NERC ROP, all compliance audits of the SPP RC function shall be conducted on site. Spot checks or other compliance monitoring methods may be completed off site.

(3) Determine if Notices of Possible Violations and Notices of Alleged Violations, as those terms are defined in the CMEP, and proposed penalties or sanctions should be issued to SPP with respect to the SPP Registered Functions, and calculate or determine any proposed penalties or sanctions in accordance with the NERC *Sanction Guidelines*.

(4) Administer processes as specified in Section 5.0 of the NERC Uniform CMEP with respect to any Alleged Violations, as that term is defined in the CMEP, and proposed penalties or sanctions issued with respect to the SPP Registered Functions.

(5) Review and approve proposed Mitigation Plans submitted by an SPP Registered Function, and monitor implementation and completion of approved Mitigation Plans, in accordance with Section 6.0 of the NERC Uniform CMEP.

(6) Determine if Remedial Action Directives should be issued to SPP with respect to an SPP Registered Function, and issue such Remedial Action Directives if determined to be necessary, in accordance with Section 7.0 of the NERC Uniform CMEP.

(7) Conduct settlement negotiations for any violations of Reliability Standards discovered by SERC per this agreement, if requested by SPP, in accordance with Section 5.4 of the NERC Uniform CMEP.

(8) Provide due process hearings for the SPP Registered Functions with respect to notices of Alleged Violations, proposed penalties and sanctions, disputed Mitigation Plans, and disputed Remedial Action Directives, as requested by SPP, in accordance with Attachment 2, Hearing Procedures, to the NERC Uniform CMEP.

(c) Compliance audit teams, CI teams, and review teams for self-certifications, spot check responses, periodic data submittals, self-reports, exception reports and complaints submitted by or relating to an SPP Registered Function shall not include any employees of SPP, but may include employees of other Regional Entities, NERC and Commission staff members. Provided, that in accordance with Section 2(c) of this Agreement, SERC may request and obtain technical advice and assistance from SPP employees, acting in a consulting or advisory capacity, who are not employed in an SPP Registered Function.

## **2. Responsibilities of SPP.**

(a) SPP shall establish and designate to SERC a primary compliance contact for each SPP Registered Function, in accordance with Section 2.0 of the NERC Uniform CMEP.

(b) SPP shall timely respond to and comply with all notices, requests for information and schedules issued by SERC as the CEA pursuant to the NERC Uniform CMEP.

(c) The SPP RE shall provide subject-matter experts ("SMEs") as requested by SERC to provide technical advice and assistance to SERC, in SERC's discretion, in carrying out

the CMEP with respect to the SPP Registered Functions. A SME provided by the SPP RE may be an employee of SPP or an industry volunteer, provided, that no SME provided by the SPP RE may be employed by SPP in an SPP Registered Function. The Parties agree that SMEs provided by the SPP RE shall only be used by SERC in a consulting or advisory capacity to provide expertise and advice on technical matters pertaining to the SPP Registered Functions, shall have no decision-making responsibilities with respect to any compliance processes or compliance enforcement matters, and shall not be a member of any compliance audit team, CI team, or review team for self-certifications, spot check responses, periodic data submittals, self-reports, exception reports or complaints submitted by or relating to an SPP Registered Function.

(d) The SPP RE shall reimburse SERC the actual costs of SERC's performance of the CMEP with respect to the SPP Registered Functions, including an appropriate allocation of SERC's general and administrative costs, in accordance with Section 4 of this Agreement.

(e) Except as provided in this Agreement, the SPP RE shall continue to perform all CMEP responsibilities in the SPP RE Region in accordance with the NERC-SPP Delegation Agreement.

### **3. Disposition of Penalties Paid by SPP with respect to an SPP Registered Function.**

Any penalties to be paid by SPP for violations of Reliability Standards by an SPP Registered Function shall be transmitted to NERC, to be used by NERC as a general offset to NERC's budget for its activities as the Electric Reliability Organization under the Federal Power Act for the following year, in accordance with the *NERC Accounting, Financial Statement and Budgetary Treatment of Penalties Imposed and Received for Violations of Reliability Standards*.

### **4. Compensation to SERC for Performance of CMEP With Respect to the SPP Registered Functions.**

(a) Compensation.

In its annual Business Plans and Budgets submitted to NERC and the Commission for years within the term of this Agreement, SERC shall identify a portion of its CMEP budget (the

“SPP Registered Functions CMEP Budget”), including an appropriate allocation of SERC’s general and administrative costs that is attributable to the performance of the CMEP with respect to the SPP Registered Functions. SERC’s allocation of resources to the performance of its obligations under this Agreement and the corresponding budgeted amount shall be subject to approval by NERC and by the Commission as part of their overall approval of SERC’s business plan and budget. The amount of SERC’s SPP Registered Functions CMEP Budget shall also be included in the SPP RE’s business plan and budget that is submitted to NERC and to the Commission for approval. The amount of the SPP Registered Functions CMEP Budget for each year, as approved by the Commission, shall (i) be excluded from the calculation of SERC’s assessments to Load-Serving Entities (“LSEs”) in the SERC region for each such year, and (ii) be included in the calculation of the SPP RE’s assessments to LSEs in the SPP RE Region for each such year.

(b) Billing

SERC will submit an itemized invoice to the SPP RE, on or before the twentieth (20<sup>th</sup>) day of each month, for actual costs (including an appropriate allocation of SERC’s general and administrative costs) incurred during the previous month for work undertaken pursuant to this Agreement. The SPP RE shall pay SERC within sixty (60) days for the expenses SERC has incurred and for which it has submitted an invoice. SERC shall track the actual costs of the work as it is performed, and should actual costs be on track to exceed budgeted amounts, SERC shall notify the SPP RE of this at the next billing cycle.

(c) True-up Reports

The Parties shall record their costs and revenues associated with the performance of this Agreement at the same level of line-item detail as is used for their budgets that are submitted to NERC for approval by NERC and by the Commission. Each Party shall include in its annual true-up report submitted to NERC a separate section showing the

Party's actual and budgeted amounts of costs and revenues associated with performance of this Agreement for the year with explanations of variances.

**5. Term, Renewal Term, Termination and Early Termination.**

(a) Term. The Term of this Agreement shall be from the Effective Date through December 31, 2017.

(b) Renewal Terms. This Agreement shall automatically renew without notice or other action by either Party, at the end of the Term specified in (a) or any Renewal Term for a Renewal Term of five (5) years; provided, however, that either Party may give written notice to the other Party at least twelve (12) months prior to the end of the Term specified in (a) of an intent not to renew this Agreement; and provided, further, that during a Renewal Term either Party may terminate this Agreement by providing a written notice to the other Party at least twelve (12) months prior to the desired termination date. Additionally, this Agreement shall not automatically renew if NERC gives written notice to the Parties, at least twelve (12) months prior to the end of the Term or any Renewal Term, that the Parties should request NERC's approval to renew the Agreement, in which case the Parties shall submit a request to renew the Agreement to NERC at least nine (9) months prior to the end of such Term or Renewal Term. In the event of a termination of this Agreement, SERC shall continue to perform the CMEP role with respect to the SPP Registered Functions within the SPP RE Region, in accordance with the terms of this Agreement and the NERC Uniform CMEP until another entity acceptable to the Commission is selected to take, and takes, responsibility for performance of the CMEP with respect to the SPP Registered Functions.

(c) Early Termination. Notwithstanding the provisions of subsections 5(a) and 5(b) of this Agreement, Early Termination of this Agreement shall occur in the following events:

(i) If SPP or SERC ceases to be a Regional Entity, this Agreement shall terminate as of the end of the calendar year that SPP ceases to be a Regional Entity.

(ii) If SPP or SERC ceases to be a Registered Entity in the SPP RE Region, this Agreement shall terminate as of the last date that SPP or SERC ceases to be a Registered Entity for any SPP Registered Function.

(iii) If both parties agree in writing to terminate this Agreement at any time.

(iv) If any provision of this Agreement, or the application thereof to any person, entity or circumstance, is held by a court or regulatory authority of competent jurisdiction to be invalid, void, or unenforceable, or if a modification or condition to this Agreement is imposed by the Commission, the Parties shall endeavor in good faith to negotiate such amendment or amendments to this Agreement as will restore the relative benefits and obligations of the signatories under this Agreement immediately prior to such holding, modification or condition. If either Party finds such holding, modification or condition unacceptable and the Parties are unable to renegotiate a mutually acceptable resolution, either Party may unilaterally terminate this Agreement. Such termination shall be effective as of one (1) year following written notice by either Party to the other Party, or at such other time as may be mutually agreed by SERC and the SPP RE.

(v) In the event of the Early Termination of this Agreement, SERC will transfer responsibility for completion of all CMEP processes that are in progress as of the date of Early Termination, or within a reasonable time thereafter as mutually agreed to by the Parties, to the entity that will be the CEA for SPP.

(d) In the event of termination or Early Termination of this Agreement, the costs associated with the wind-down of this Agreement and transfer of any compliance processes in progress to the new CEA are payable by the SPP RE to SERC in accordance with Section 4 of this Agreement.

**6. Representations of the Parties.**

(a) Representations of the SPP RE. The SPP RE represents and warrants to SERC that: (i) the SPP RE is and shall remain during the term of this Agreement validly existing and in good standing pursuant to all applicable laws relative to this Agreement, (ii) no applicable law, contract or other legal obligation prevents the SPP RE from executing this Agreement and fulfilling its obligations hereunder, (iii) entry into this Agreement by the SPP RE is duly authorized under its governing corporate documents, and (iv) the person or persons executing this Agreement on behalf of the SPP RE are duly authorized to do so.

(b) Representations of SERC. SERC represents and warrants to SPP that: (i) SERC is and shall remain during the term of this Agreement validly existing and in good standing pursuant to all applicable laws relative to this Agreement, (ii) no applicable law, contract or other legal obligation prevents SERC from executing this Agreement and fulfilling its obligations hereunder, (iii) entry into this Agreement by SERC is duly authorized under its governing corporate documents, and (iv) the person or persons executing this Agreement on behalf of SERC are duly authorized to do so.

**7. Limitation of Liability.**

SERC and the SPP RE agree not to sue each other or their directors, trustees, officers, employees, and persons serving on their committees and subgroups based on any act or omission of any of the foregoing in the performance of duties pursuant to this Agreement or in conducting activities under the authority of Section 215 of the Federal Power Act, other than seeking a review of such action or inaction by the Commission. SERC and the SPP RE shall not be liable to one another for any damages whatsoever, other than for non-payment of or failure to remit compensation due pursuant to Section 4 of this Agreement, including without limitation, direct, indirect, incidental, special, multiple, consequential (including attorneys' fees and litigation costs), exemplary, or punitive damages arising out of or resulting from any act or omission associated with the performance of SERC's or the SPP RE's responsibilities under this Agreement or in conducting activities under the authority of Section 215 of the Federal Power Act, except to the extent that SERC or the SPP RE is found liable for gross negligence or intentional misconduct, in which case SERC or SPP RE shall not be liable for any indirect, incidental, special, multiple, consequential (including without limitation attorneys' fees and litigation costs), exemplary, or punitive damages.

**8. No Third Party Beneficiaries.**

Nothing in this Agreement shall be construed to create any duty to, any standard of care with reference to, or any liability to any third party.

**9. Confidentiality.**

During the course of the Parties' performance under this Agreement, a Party may receive Confidential Information, as defined in Section 1500 of the NERC ROP. Except as set forth herein, the Parties agree to keep in confidence and not to copy, disclose, or distribute any Confidential Information or any part thereof, without the prior written permission of the issuing Party, unless disclosure is required by subpoena, law, or other directive of a court,

administrative agency, or arbitration panel, in which event the recipient hereby agrees to provide the Party that provided the Confidential Information with prompt notice of such request or requirement in order to enable such issuing Party to (a) seek an appropriate protective order or other remedy, (b) consult with the recipient with respect to taking steps to resist or narrow the scope of such request or legal process, or (c) waive compliance, in whole or in part, with the terms of this Section 9. In the event a protective order or other remedy is not obtained or the issuing Party waives compliance with the provisions, the recipient agrees to furnish only that portion of the Confidential Information which the recipient's counsel advises is legally required and to exercise best efforts to obtain assurance that confidential treatment will be accorded to such Confidential Information. In addition, each Party shall ensure that its officers, trustees, directors, employees, subcontractors and subcontractors' employees, and agents to whom Confidential Information is exposed are under obligations of confidentiality that are at least as restrictive as those contained herein. This confidentiality provision does not prohibit reporting and disclosure by SERC, as the CEA with respect to the SPP Registered Functions, in accordance with Section 8.0 and other provisions of the NERC Uniform CMEP.

**10. Amendment.**

Neither this Agreement nor any of the terms hereof, may be amended unless such amendment is made in writing and signed by the Parties.

**11. Dispute Resolution.**

In the event a dispute arises under this Agreement between SERC and the SPP RE, representatives of the Parties with authority to settle the dispute shall meet and confer in good faith in an effort to resolve the dispute in a timely manner. In the event the designated representatives are unable to resolve the dispute within thirty (30) days or such other period as the Parties may agree upon, each Party shall have all rights to pursue all remedies, except as expressly limited by the terms of this Agreement. Neither Party shall have the right to pursue

other remedies until the Dispute Resolution procedures of this Section 11 have been exhausted. This Section 11 shall not apply to enforcement actions or Remedial Action Directives by SERC, as the CEA, against an SPP Registered Function, or hearings conducted at the request of SPP as the Registered Entity for an SPP Registered Function, pursuant to the NERC Uniform CMEP.

## **12. Notices.**

Whether expressly so stated or not, all notices, demands, requests, and other communications required or permitted by or provided for in this Agreement shall be given in writing to a Party at the address set forth below, or at such other address as a Party shall designate for itself in writing in accordance with this Section, and shall be delivered by hand or reputable overnight courier:

If to SERC:

SERC Reliability Corporation  
2815 Coliseum Centre Drive  
Suite 500  
Charlotte, NC 28217  
Attn: Marisa Sifontes  
Facsimile: 704-357-7914

If to the SPP RE:

Southwest Power Pool Regional Entity  
415 North McKinley,  
Suite 140  
Little Rock, AR 72205  
Attn: Stacy Dochoda  
Facsimile: 501-821-8726

Provided, that the foregoing notice provision shall not be applicable to notices and other communications between SERC, as the CEA, and SPP as the Registered Entity for an SPP Registered Function, which notices and other communications shall instead be provided or transmitted in accordance with the NERC Uniform CMEP.

## **13. Governing Law.**

When not in conflict with or preempted by federal law, this Agreement will be governed by and construed in accordance with the laws of Delaware without giving effect to the conflict of law principles thereof. The Parties recognize and agree not to contest the exclusive or primary jurisdiction of the Commission to interpret and apply this Agreement; provided, however, that if the Commission declines to exercise or is precluded from exercising jurisdiction of any action arising out of or concerning this Agreement, such action shall be brought in any state or federal

court of competent jurisdiction in Delaware. All Parties hereby consent to the jurisdiction of any state or federal court of competent jurisdiction in Delaware for the purpose of hearing and determining any action not heard and determined by the Commission.

**14. Headings.**

The headings and captions in this Agreement are for convenience of reference only and shall not define, limit, or otherwise affect any of the terms or provisions hereof.

**15. Entire Agreement.**

This Agreement constitutes the entire agreement, and supersedes all prior agreements and understandings, both written and oral, among the Parties with respect to the subject matter of this Agreement.

**16. Execution of Counterparts.**

This Agreement may be executed in counterparts and each counterpart shall have the same force and effect as the original.

**NOW, THEREFORE**, the Parties have caused this Agreement to be executed by their duly authorized representatives, to be effective as of the Effective Date.

SERC RELIABILITY CORPORATION

SOUTHWEST POWER POOL, INC.

By: \_\_\_\_\_

By: \_\_\_\_\_

Name: R. Scott Henry

Name: Stacy Dochoda

Title: President and CEO

Title: General Manager  
SPP Regional Entity

Date: \_\_\_\_\_

Date: \_\_\_\_\_

**ATTACHMENT 4**

**PROPOSED AGREEMENT BETWEEN  
SERC RELIABILITY CORPORATION AND  
SOUTHWEST POWER POOL REGIONAL ENTITY  
CONCERNING COMPLIANCE MONITORING AND ENFORCEMENT  
OF SPP, INC. REGISTERED FUNCTIONS**

**REDLINED AGAINST  
SERC-SPP RE CURRENT CMEP AGREEMENT**

**AGREEMENT BETWEEN  
SERC RELIABILITY CORPORATION AND and  
SOUTHWEST POWER POOL REGIONAL ENTITY  
CONCERNING COMPLIANCE MONITORING AND ENFORCEMENT  
OF SPP SOUTHWEST POWER POOL, INC. REGISTERED FUNCTIONS**

THIS AGREEMENT ("Agreement") made effective as of January 1, 2013 July 12, 2010 (the "Effective Date"), between the SERC Reliability Corporation ("SERC"), an organization established to develop and enforce Reliability Standards, and Southwest Power Pool Regional Entity ("SPP RE") a division of SPP Southwest Power Pool, Inc. ("SPP"), an organization established to develop and enforce Reliability Standards within the geographic boundaries identified on Exhibit A (referred to herein as the "SPP RE Region") to the "Amended and Restated Delegation Agreement between the North American Electric Reliability Corporation ("NERC") and Southwest Power Pool, Inc." SPP (referred to herein as the "SPP RE Region"), and for other purposes. SERC and the SPP RE may be individually referred to herein as "Party" or collectively as "Parties".<sup>1</sup>

**RECITALS**

I. SERC is a party to a certain "Amended and Restated Delegation Agreement ~~Bbetween NERCthe North American Electric Reliability Corporation and SERC~~" ~~Reliability Corporation~~ (the "NERC-SERC Delegation Agreement"), which has been approved by the Federal Energy Regulatory Commission ("Commission") and which states in Section 6 thereof, in pertinent part, that SERC shall enforce Reliability Standards (including Regional Reliability Standards) through a compliance monitoring and enforcement program set forth in Exhibit D to the NERC-SERC Delegation Agreement.

II. SPP is a party to a certain "Amended and Restated Delegation Agreement ~~Bbetween the North American Electric Reliability Corporation~~NERC and ~~SPP~~Southwest Power Pool, Inc." (the "NERC-SPP Delegation Agreement"), which has been approved by the Commission and which states in Section 6 thereof, in pertinent part, that the SPP RE shall

enforce Reliability Standards (including Regional Reliability Standards) within the geographic boundaries set forth in Exhibit A to the NERC-SPP Delegation Agreement through a compliance monitoring and enforcement program set forth in Exhibit D to the NERC-SPP Delegation Agreement.

III. SPP serves as a Regional Transmission Organization and is currently registered as an Interchange Authority ("IA"), Planning Authority ("PA"), Reliability Coordinator ("RC"), Reserve Sharing Group ("RSG"), Transmission Planner ("TP"), and Transmission Service Provider ("TSP") in the SPP RE Region. In this Agreement, the ~~RC~~-IA, PA, ~~RC~~, RSG, TP and TSP functions are sometimes referred to as the "SPP Registered Functions," and SPP is referred to as the "Registered Entity" with respect to its performance of the SPP Registered Functions.

IV. To avoid any appearance of a lack of independence in compliance monitoring and enforcement for SPP Registered Functions, SERC and the SPP RE hereby agree, subject to approval by NERC and by the Commission, that SERC should assume responsibility for the Compliance Monitoring and Enforcement Program ("CMEP") with respect to the SPP Registered Functions within the SPP RE Region, and that the terms on which responsibility for the CMEP with respect to the SPP Registered Functions within the SPP RE Region shall be ~~transferred to and~~ performed by SERC should be memorialized in this Agreement.

NOW, THEREFORE, in consideration of the mutual covenants and agreements contained herein, the Parties, intending to be bound, agree as follows:

**1. Responsibilities of SERC.**

(a) Beginning on the Effective Date, SERC will perform all responsibilities of the Compliance Enforcement Authority ("CEA") as specified in the NERC uniform CMEP, Appendix 4C to the NERC Rules of Procedure ("ROP"), as amended from time to time (the "NERC Uniform CMEP"), within the SPP RE Region with respect to the SPP Registered Functions.

(b) Without limiting the scope of SERC's responsibilities as stated in ~~S~~ubsection 1(a) of this Agreement, SERC agrees to perform the following activities within the SPP RE Region:

(1) Administer all compliance processes in Section 3.0 of the NERC Uniform CMEP with respect to the SPP Registered Functions, in accordance with the NERC Annual CMEP Implementation Plan required by Section 4.1 of the NERC Uniform CMEP for each year. If at any time, SPP Registered Functions change, SERC will monitor the Registered Functions in effect at that time.

(2) Lead all compliance audits and compliance ~~violation~~-investigations ("CVI") of the SPP Registered Functions.

(i) SERC shall conduct a scheduled compliance audit of the SPP Registered Functions in accordance with the frequency established by NERC in the CMEP. As SPP is currently registered, SERC will audit the RC function at least once every three (3) years and shall conduct a scheduled compliance audit of the remaining functions at least once every six (6) years.

(ii) Scheduled compliance audits of the SPP Registered Functions ~~shall include all actively monitored standards~~ shall be in accordance with the NERC Annual CMEP Implementation Plan.

(iii) As required by the NERC ROP, all compliance audits of the SPP RC function shall be conducted on site. Spot checks or other compliance monitoring methods may be completed off site.

(3) Determine if Notices of Possible Violations and Notices of Alleged Violations, as those terms are defined in the CMEP, and proposed penalties or sanctions should be issued to SPP with respect to the SPP Registered Functions, and calculate or determine any proposed penalties or sanctions in accordance with the NERC Sanction Guidelines.

(4) Administer processes as specified in Section 5.0 of the NERC Uniform CMEP with respect to any notices of Alleged Violations, as that term is defined in the CMEP, and proposed penalties or sanctions issued with respect to the SPP Registered Functions.

(5) Review and approve proposed Mitigation Plans submitted by an SPP Registered Function, and monitor implementation and completion of approved Mitigation Plans, in accordance with Section 6.0 of the NERC Uniform CMEP.

(6) Determine if Remedial Action Directives should be issued to SPP with respect to an SPP Registered Function, and issue such Remedial Action Directives if determined to be necessary, in accordance with Section 7.0 of the NERC Uniform CMEP.

(7) Conduct settlement negotiations for any violations of Reliability Standards discovered by SERC per this agreement, if requested by SPP, in accordance with Section 5.4 of the NERC Uniform CMEP.

(8) Provide due process hearings for the SPP Registered Functions with respect to notices of Alleged Violations, proposed penalties and sanctions, disputed Mitigation Plans, and disputed Remedial Action Directives, as requested by SPP, in accordance with Attachment 2, Hearing Procedures, to the NERC Uniform CMEP.

(c) Compliance audit teams, CVICL teams, and review teams for self-certifications, spot check responses, periodic data submittals, self-reports, exception reports and complaints submitted by or relating to an SPP Registered Function shall not include any employees of SPP, but may include employees of other Regional Entities, NERC and Commission staff members. Provided, that in accordance with Section 2(c) of this Agreement, SERC may request and obtain technical advice and assistance from SPP employees, acting in a consulting or advisory capacity, who are not employed in an SPP Registered Function.

## **2. Responsibilities of SPP.**

- (a) ~~As the Registered Entity for the SPP Registered Functions~~, SPP shall establish and designate to SERC a primary compliance contact for each SPP Registered Function, in accordance with Section 2.0 of the NERC Uniform CMEP.
- (b) ~~As the Registered Entity for the SPP Registered Functions~~, SPP shall timely respond to and comply with all notices, requests for information and schedules issued by SERC as the CEA pursuant to the NERC Uniform CMEP.
- (c) The SPP RE shall provide subject-matter experts ("SMEs") as requested by SERC to provide technical advice and assistance to SERC, in SERC's discretion, in carrying out the CMEP with respect to the SPP Registered Functions. A SME provided by the SPP RE may be an employee of SPP or an industry volunteer, provided, that no SME provided by the SPP RE may be employed by SPP in an SPP Registered Function. The Parties agree that SMEs provided by the SPP RE shall only be used by SERC in a consulting or advisory capacity to provide expertise and advice on technical matters pertaining to the SPP Registered Functions, shall have no decision-making responsibilities with respect to any compliance processes or compliance enforcement matters, and shall not be a member of any compliance audit team, CVICI team, or review team for self-certifications, spot check responses, periodic data submittals, self-reports, exception reports or complaints submitted by or relating to an SPP Registered Function.
- (d) The SPP RE shall reimburse SERC the actual costs of SERC's performance of the CMEP with respect to the SPP Registered Functions, including an appropriate allocation of SERC's General and Administrative costs, in accordance with Section 45 of this Agreement.
- (e) Except as provided in this Agreement, the SPP RE shall continue to perform all CMEP responsibilities in the SPP RE Region in accordance with the NERC-SPP Delegation Agreement.

**3. Disposition of Penalties Paid by SPP with respect to an SPP Registered Function.**

Any penalties to be paid by SPP for violations of Reliability Standards by an SPP Registered Function, shall be transmitted to NERC, to be used by NERC as a general offset to NERC's budget for its activities as the Electric Reliability Organization under the Federal Power Act for the following year, in accordance with the *NERC Accounting, Financial Statement and Budgetary Treatment of Penalties Imposed and Received for Violations of Reliability Standards*.

**4. Transfer of Responsibilities for CMEP Activities With Respect to SPP Registered Functions That Are In Progress on the Effective Date.**

~~SERC shall assume full responsibility, as the CEA, for completion of all compliance processes with respect to the SPP Registered Functions within the SPP RE Region that are in progress as of the Effective Date, including without limiting the foregoing, (i) completion and issuance of reports of compliance audits and CVICL of the SPP Registered Functions, (ii) completion of review of, and issuance of any findings or reports concerning, any self-certifications, spot checks, periodic data submittals, self-reports, exception reports or complaints, submitted by or pertaining to a SPP Registered Function, (iii) determination of whether any notice of Alleged Violations and/or proposed penalties or sanctions should be issued to a SPP Registered Function as a result of any such compliance processes, (iv) processing of any notices of Alleged Violations and/or proposed penalties or sanctions that were issued before the Effective Date, or are issued after the Effective Date as the result of compliance processes conducted before the Effective Date, and (v) review, approval and monitoring of implementation and completion of any Mitigation Plans required of a SPP Registered Function as the result of compliance processes conducted before the Effective Date.~~

**5.4. Compensation to SERC for Performance of CMEP With Respect to the SPP Registered Functions.**

- (a) Compensation for 2010 through December 31, 2012.

~~For the period between the Effective Date of this Agreement and December 31, 2010, SERC shall invoice SPP RE the amount of \$40,000 in four invoices of \$10,000 each. The first such invoice will be issued on or about the Effective Date and the remaining three invoices shall be issued at approximately equal intervals between the Effective Date and December 31, 2010. SPP RE shall remit to SERC the amount of each invoice by check or electronic funds transfer to SERC within twenty (20) business days following the date of each invoice.~~

(b) Compensation for Years Subsequent to 2010.

(i) In its annual Business Plans and Budgets submitted to NERC and the Commission for ~~the year 2011 and subsequent~~ years within the term of this Agreement, SERC shall identify a portion of its CMEP budget (the "SPP Registered Functions CMEP Budget"), including an appropriate allocation of SERC's ~~G~~eneral and ~~A~~dministrative ~~c~~osts~~C~~osts (the "SPP Registered Functions CMEP Budget"), that is attributable to the performance of the CMEP with respect to the SPP Registered Functions. SERC's allocation of resources to the performance of its obligations under this Agreement and the corresponding budgeted amount shall be subject to approval by NERC and by the Commission as part of their overall approval of SERC's business plan and budget. The amount of SERC's SPP Registered Functions CMEP Budget shall also be included in the SPP RE's business plan and budget that is submitted to NERC and to the Commission for approval. The amount of the SPP Registered Functions CMEP Budget for each year, as approved by the Commission, shall (i) ~~shall~~ be excluded from the calculation of SERC's assessments to Load-Serving Entities ("LSEs") in the SERC region for each such year, and (ii) ~~shall~~ be included in the calculation of the SPP RE's assessments to LSEs in the SPP RE Region for each such year. ~~SERC shall invoice SPP RE for the amount of the SPP Registered Functions CMEP Budget in four equal quarterly amounts during each year, with the invoices to be issued by SERC to SPP RE on or about January 1, April 1, July 1 and October 1 and to be paid by SPP RE by check or electronic funds transfer to SERC within (20) business days following the date of the invoice.~~

(c) Reconciliation of Costs.

No later than 90 days after the end of a budget year, SERC shall provide to SPP RE a statement of actual expenses incurred by SERC in the fulfillment of SERC's responsibilities under this agreement for that budget year. The statement shall disclose the actual costs of labor, travel and meetings, and all other direct costs, as well as SERC's allocation of its General and Administrative costs. The statement shall summarize the reasons for any variances as compared to the budget amount. SERC shall provide supporting documentation for the final statement upon request by SPP RE. The total variance for the concluded budget year shall be incorporated as a compensating adjustment in both the SERC and SPP RE budgets in the second year following the budget year and, as approved by NERC and the Commission, reflected in the quarterly invoices from SERC to SPP RE and quarterly payments by SPP RE to SERC in such year.

(d) Supplemental Invoice.

If during any budget year, including the initial budget year~~2012~~, the actual cost of performing SERC's responsibilities under this agreement exceeds the budgeted funding by more than ten (10) percent of SERC's budgeted cash reserve (for example as may be necessitated by the conduct of a compliance violation investigation or hearing), SERC shall have the right to issue supplemental invoices to SPP RE to recover in full all actual costs incurred above the budgeted funding. Upon receipt of such a supplemental invoice, SPP RE shall pay the full amount of the invoice by check or electronic funds transfer to SERC within sixty (60 days).

(be(b) Billing

SERC will submit an itemized invoice to the SPP RE, on or before the twentieth (20<sup>th</sup>) day of each month, for actual costs (including an appropriate allocation of SERC's general and administrative costs) incurred during the previous month for work undertaken pursuant to this Agreement. The SPP RE shall pay SERC within sixty (60) days for the expenses SERC has

incurred and for which it has submitted an invoice. SERC shall track the actual costs of the work as it is performed, and should actual costs be on track to exceed budgeted amounts, SERC shall notify the SPP RE of this at the next billing cycle.

~~SERC shall invoice SPP RE for the amount of the SPP Registered Functions CMEP Budget in four equal quarterly amounts during each year, with the invoices to be issued by SERC to SPP RE on or about January 1, April 1, July 1 and October 1 and to be paid by SPP RE by check or electronic funds transfer to SERC within twenty (20) business days following the date of the invoice.~~

(c) True-up Reports

The Parties shall record their costs and revenues associated with the performance of this Agreement at the same level of line-item detail as is used for their budgets that are submitted to NERC for approval by NERC and by the Commission. Each Party shall include in its annual true-up report submitted to NERC a separate section showing the Party's actual and budgeted amounts of costs and revenues associated with performance of this Agreement for the year with explanations of variances.

**65. Term, Renewal Term, Termination and Early Termination.**

(a) Initial Term. The Initial Term of this Agreement shall be from the Effective Date through December 31, 20122017.

(b) Renewal Terms. This Agreement shall automatically not renew without notice or other action by either Party, at the end of the Initial Term specified in (a) or any Renewal Term for a Renewal Term of five (5) years; provided, however, that either Party may give written notice to the other Party at least twelve (12) months prior to the end of the Term specified in (a) of an intent not to renew this Agreement; and provided, further, that during a Renewal Term

either Party may terminate this Agreement by providing a written notice to the other Party at least twelve (12) months prior to the desired termination date. Additionally, this Agreement shall not automatically renew if NERC gives written notice to the Parties, at least twelve (12) months prior to the end of the Term or any Renewal Term, that the Parties should request NERC's approval to renew the Agreement, in which case the Parties shall submit a request to renew the Agreement to NERC at least nine (9) months prior to the end of such Term or Renewal Term. In the event of a termination of this Agreement, SERC shall continue to perform the CMEP role with respect to the SPP Registered Functions within the SPP RE Region, in accordance with the terms of this Agreement and the NERC Uniform CMEP until another entity acceptable to the Commission is selected to take, and takes, responsibility for performance of the CMEP with respect to the SPP Registered Functions, without the express approval of NERC and the Commission. If either p~~Party~~ does not plan to seek approval for renewal of the agreement, that Party must give written notice to the other Party and NERC, at least one (1) year prior to the end of the Initial Term. In the event the Parties intend to renew the Agreement, they shall make a joint filing to NERC not later than April 1, 2012~~2014~~ requesting approval of the renewal. In the event of termination of the Agreement, SERC will work with SPP RE to transfer responsibility for any compliance activities in progress to the entity that will be the CEA for SPP.

(c) Early Termination. Notwithstanding the provisions of subsections 65(a) and 65(b) of this Agreement, Early Termination of this Agreement shall occur in the following events:

- (i) If SPP or SERC ceases to be a Regional Entity, this Agreement shall terminate as of the end of the calendar year that SPP ceases to be a Regional Entity.
- (ii) If SPP or SERC ceases to be a Registered Entity in the SPP RE Region, this Agreement shall terminate as of the last date that SPP or SERC ceases to be a Registered Entity for any SPP Registered Function.

(iii) If both parties agree in writing to terminate this Agreement at any time.

(iv) If any provision of this Agreement, or the application thereof to any person, entity or circumstance, is held by a court or regulatory authority of competent jurisdiction to be invalid, void, or unenforceable, or if a modification or condition to this Agreement is imposed by the Commission, the Parties shall endeavor in good faith to negotiate such amendment or amendments to this Agreement as will restore the relative benefits and obligations of the signatories under this Agreement immediately prior to such holding, modification or condition. If either Party finds such holding, modification or condition unacceptable and the Parties are unable to renegotiate a mutually acceptable resolution, either Party may unilaterally terminate this Agreement. Such termination shall be effective as of one (1) year following written notice by either Party to the other Party, or at such other time as may be mutually agreed by SERC and the SPP RE.

(v) ~~Provided, that i~~ In the event of the Early Termination of this Agreement,

(i) SERC will transfer responsibility for completion of all CMEP -compliance processes that are in progress as of the date of Early Termination, or within a reasonable time thereafter, as mutually agreed to by the parties, to the entity that will be the CEA for SPP.

(d) In the event of termination or Early Termination of this Agreement, the costs associated with the wind-down of this Agreement and transfer of any compliance processes in progress to the new CEA are payable by the SPP RE to SERC in accordance with Section 54 of this Agreement.

## 76. Representations of the Parties.

(a) Representations of the SPP RE. The SPP RE represents and warrants to SERC that:—(i) the SPP RE is and shall remain during the term of this Agreement validly existing and in good standing pursuant to all applicable laws relative to this Agreement, (ii) no applicable law,

contract or other legal obligation prevents the SPP RE from executing this Agreement and fulfilling its obligations hereunder, (iii) entry into this Agreement by the SPP RE is duly authorized under its governing corporate documents, and (iv) the person or persons executing this Agreement on behalf of the SPP RE are duly authorized to do so.

(b) Representations of SERC. SERC represents and warrants to SPP that: (i) SERC is and shall remain during the term of this Agreement validly existing and in good standing pursuant to all applicable laws relative to this Agreement, (ii) no applicable law, contract or other legal obligation prevents SERC from executing this Agreement and fulfilling its obligations hereunder, (iii) entry into this Agreement by SERC is duly authorized under its governing corporate documents, and (iv) the person or persons executing this Agreement on behalf of SERC are duly authorized to do so.

**87. Limitation of Liability.**

SERC and the SPP RE agree not to sue each other or their directors, trustees, officers, employees, and persons serving on their committees and subgroups based on any act or omission of any of the foregoing in the performance of duties pursuant to this Agreement or in conducting activities under the authority of Section 215 of the Federal Power Act, other than seeking a review of such action or inaction by the Commission. SERC and the SPP RE shall not be liable to one another for any damages whatsoever, other than for non-payment of or failure to remit compensation due pursuant to Section 54 of this Agreement, including without limitation, direct, indirect, incidental, special, multiple, consequential (including attorneys' fees and litigation costs), exemplary, or punitive damages arising out of or resulting from any act or omission associated with the performance of SERC's or the SPP RE's responsibilities under this Agreement or in conducting activities under the authority of Section 215 of the Federal Power Act, except to the extent that SERC or the SPP RE is found liable for gross negligence or intentional misconduct, in which case SERC or SPP RE shall not be liable for any indirect,

incidental, special, multiple, consequential (including without limitation attorneys' fees and litigation costs), exemplary, or punitive damages.

**98. No Third Party Beneficiaries.**

Nothing in this Agreement shall be construed to create any duty to, any standard of care with reference to, or any liability to any third party.

**109. Confidentiality.**

During the course of the Parties' performance under this Agreement, a Party may receive Confidential Information, as defined in Section 1500 of the NERC ROP. Except as set forth herein, the Parties agree to keep in confidence and not to copy, disclose, or distribute any Confidential Information or any part thereof, without the prior written permission of the issuing Party, unless disclosure is required by subpoena, law, or other directive of a court, administrative agency, or arbitration panel, in which event the recipient hereby agrees to provide the Party that provided the Confidential Information with prompt notice of such request or requirement in order to enable such issuing Party to (a) seek an appropriate protective order or other remedy, (b) consult with the recipient with respect to taking steps to resist or narrow the scope of such request or legal process, or (c) waive compliance, in whole or in part, with the terms of this Section 409. In the event a protective order or other remedy is not obtained or the issuing Party waives compliance with the provisions, the recipient agrees to furnish only that portion of the Confidential Information which the recipient's counsel advises is legally required and to exercise best efforts to obtain assurance that confidential treatment will be accorded to such Confidential Information. In addition, each Party shall ensure that its officers, trustees, directors, employees, subcontractors and subcontractors' employees, and agents to whom Confidential Information is exposed are under obligations of confidentiality that are at least as restrictive as those contained herein. This confidentiality provision does not prohibit reporting

and disclosure by SERC, as the CEA with respect to the SPP Registered Functions, in accordance with Section 8.0 and other provisions of the NERC Uniform CMEP.

**1110. Amendment.**

Neither this Agreement nor any of the terms hereof, may be amended unless such amendment is made in writing and signed by the Parties.

**1211. Dispute Resolution.**

In the event a dispute arises under this Agreement between SERC and the SPP RE, representatives of the Parties with authority to settle the dispute shall meet and confer in good faith in an effort to resolve the dispute in a timely manner. In the event the designated representatives are unable to resolve the dispute within thirty (30) days or such other period as the Parties may agree upon, each Party shall have all rights to pursue all remedies, except as expressly limited by the terms of this Agreement. Neither Party shall have the right to pursue other remedies until the Dispute Resolution procedures of this Section 1211 have been exhausted. This Section 1211 shall not apply to enforcement actions or Remedial Action Directives by SERC, as the CEA, against an SPP Registered Function, or hearings conducted at the request of SPP as the Registered Entity for an SPP Registered Function, pursuant to the NERC Uniform CMEP.

**1312. Notices.**

Whether expressly so stated or not, all notices, demands, requests, and other communications required or permitted by or provided for in this Agreement shall be given in writing to a Party at the address set forth below, or at such other address as a Party shall designate for itself in writing in accordance with this Section, and shall be delivered by hand or reputable overnight courier:

If to SERC:

SERC Reliability Corporation

If to the SPP RE:

Southwest Power Pool Regional Entity<sub>+</sub>

2815 Coliseum Centre Drive  
Suite 500  
Charlotte, NC 28217  
Attn: Marisa Sifontes  
Facsimile: 704-357-7914

415 North McKinley,  
Suite 14016101 La Grande  
Suite 103  
Little Rock, AR 7220523  
Attn: Stacy Dochoda  
Facsimile: 501-821-8726

Provided, that the foregoing notice provision shall not be applicable to notices and other communications between SERC, as the CEA, and SPP as the Registered Entity for an SPP Registered Function, which notices and other communications shall instead be provided or transmitted in accordance with the NERC Uniform CMEP.

**1413. Governing Law.**

When not in conflict with or preempted by federal law, this Agreement will be governed by and construed in accordance with the laws of Delaware without giving effect to the conflict of law principles thereof. The Parties recognize and agree not to contest the exclusive or primary jurisdiction of the Commission to interpret and apply this Agreement; provided, however, that if the Commission declines to exercise or is precluded from exercising jurisdiction of any action arising out of or concerning this Agreement, such action shall be brought in any state or federal court of competent jurisdiction in Delaware. All Parties hereby consent to the jurisdiction of any state or federal court of competent jurisdiction in Delaware for the purpose of hearing and determining any action not heard and determined by the Commission.

**1514. Headings.**

The headings and captions in this Agreement are for convenience of reference only and shall not define, limit, or otherwise affect any of the terms or provisions hereof.

**1615. Entire Agreement.**

This Agreement constitutes the entire agreement, and supersedes all prior agreements and understandings, both written and oral, among the Parties with respect to the subject matter of this Agreement.

**1716. Execution of Counterparts.**

This Agreement may be executed in counterparts and each counterpart shall have the same force and effect as the original.

**NOW, THEREFORE**, the Parties have caused this Agreement to be executed by their duly authorized representatives, to be effective as of the Effective Date.

SERC RELIABILITY CORPORATION

SOUTHWEST POWER POOL, INC.

By: \_\_\_\_\_

By: \_\_\_\_\_

Name: R. Scott Henry

Name: Stacy Dochoda

Title: President and CEO

Title: General Manager  
SPP Regional Entity

Date: \_\_\_\_\_

Date: \_\_\_\_\_