

May 11, 2010

**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. RR10-9-000  
Supplemental Filing and Request to Submit Corrected Attachments 3 and 4 to the  
Petition of NERC for Approval of Amended 2010 Business Plan and Budget of the  
Western Electricity Coordinating Council and Amendment to Exhibit E to  
Delegation Agreement with the Western Electricity Coordinating Council**

Dear Ms. Bose:

The North American Electric Reliability Corporation (NERC) hereby submits a “Supplemental Filing and Request to Submit Corrected Attachments 3 and 4” to the “Petition of the North American Electric Reliability Corporation for Approval of Amended 2010 Business Plan and Budget of the Western Electricity Coordinating Council and Amendment to Exhibit E to Delegation Agreement with the Western Electricity Coordinating Council.” The original Petition was filed on April 22, 2010.

NERC’s filing consists of: (1) this transmittal letter, (2) the narrative text of this filing, and (3) Corrected Attachments 3 and 4, all of which are submitted 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

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

**NORTH AMERICAN ELECTRIC** ) **Docket Nos. RR10-9-000**  
**RELIABILITY CORPORATION** )

**SUPPLEMENTAL FILING TO**  
**PETITION OF THE**  
**NORTH AMERICAN ELECTRIC RELIABILITY CORPORATION**  
**FOR APPROVAL OF AMENDED 2010 BUSINESS PLAN AND BUDGET**  
**OF THE WESTERN ELECTRICITY COORDINATING COUNCIL**  
**AND AMENDMENT TO EXHIBIT E TO DELEGATION AGREEMENT**  
**WITH THE WESTERN ELECTRICITY COORDINATING COUNCIL**  
**AND**  
**REQUEST TO SUBMIT CORRECTED ATTACHMENTS 3 AND 4 TO PETITION**

Gerald W. Cauley President and Chief Executive Officer David N. Cook Vice President and General Counsel Michael Walker Chief Financial and Administrative Officer North American Electric Reliability Corporation 116-390 Village Boulevard Princeton, NJ 08540-5721 (609) 452-8060 (609) 452-9550 – facsimile <a href="mailto:david.cook@nerc.net">david.cook@nerc.net</a>	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 <a href="mailto:omacbride@schiffhardin.com">omacbride@schiffhardin.com</a> <a href="mailto:dpalmer@schiffhardin.com">dpalmer@schiffhardin.com</a>  Rebecca J. Michael Assistant General Counsel North American Electric Reliability Corporation 1120 G Street, N.W., Suite 990 Washington, D.C. 20005-3801 (202) 393-3998 (202) 393-3955 – facsimile <a href="mailto:rebecca.michael@nerc.net">rebecca.michael@nerc.net</a>
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May 11, 2010

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### ATTACHMENTS

**Corrected Attachment 3:** Amended Exhibit E to the NERC-WECC Delegation Agreement – Clean version

**Corrected Attachment 4:** Amended Exhibit E to the NERC-WECC Delegation Agreement – Redlined version

## **I. INTRODUCTION**

The North American Electric Reliability Corporation (“NERC”) submits this filing (1) to provide certain supplemental information, as promised in its Petition in these dockets,<sup>1</sup> concerning the execution of contracts between the Western Electricity Coordinating Council (“WECC”) and the U.S. Department of Energy (“DOE”) for two of the DOE grants that are the subject of WECC’s Amended 2010 Business Plan and Budget; and (2) to request leave to submit corrected versions of Attachments 3 and 4 to the Petition. Attachments 3 and 4 are the clean and redlined versions, respectively, of amended Exhibit E to the Delegation Agreement between NERC and WECC, for which approval is sought in this proceeding.

## **II. NOTICES AND COMMUNICATIONS**

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

Gerald W. Cauley  
President and Chief Executive Officer  
David N. Cook\*  
Vice President and General Counsel  
Michael Walker  
Chief Financial and Administrative Officer  
North American Electric Reliability  
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\*Persons to be included on the  
Commission’s official service list.

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<sup>1</sup> *Petition of the North American Electric Reliability Corporation for Approval of Amended 2010 Business Plan and Budget of the Western Electricity Coordinating Council and Amendment to Exhibit E to Delegation Agreement with the Western Electricity Coordinating Council*, filed April 22, 2010 (originally captioned as Docket Nos. RR09-9-000, R08-6-004 and RR07-14-004).

### **III. SUPPLEMENTAL INFORMATION – EXECUTION OF GRANT CONTRACTS**

In Section III.A of its Petition, NERC described the DOE's *Recovery Act – Resource Assessment and Interconnection-Level Transmission Analysis and Planning* grant program under which WECC was selected for grant award negotiations for its Regional Transmission Expansion Planning (“RTEP”) Project. In footnote 5 on page 4 of the Petition, NERC stated:

Negotiation of the grant contract has been completed, and it is scheduled to be approved by the WECC Board on April 30, 2010, and signed by the parties during the following week. NERC will make a supplemental filing in this docket to notify the Commission that the grant contract has been signed.

The grant contract for the RTEP Project was signed on May 7, 2010.

Similarly, in Section III.C of its Petition, NERC described the DOE's *20% Wind by 2030: Overcoming the Challenges* grant program under which WECC was selected for grant award negotiations for its Variable Generation Subcommittee (“VGS”) Project. In footnote 7 at page 7 of the Petition, NERC stated:

Negotiation of the grant contract has been completed, and it is scheduled to be approved by the WECC Board on April 30, 2010, and signed by the parties during the following week. NERC will make a supplemental filing in this docket to notify the Commission that the grant contract has been signed.

The grant contract for the VGS Project was signed on May 3, 2010.

With respect to the grant for the RTEP Project, the DOE intends to conduct an audit of WECC to verify that WECC's accounting systems are adequate for segregating grant-related costs. Accordingly, pending results of the audit, DOE will place a contingent cap on WECC's expenditure of grant funds on the RTEP Project of \$2 million over the next six months, *i.e.*, until approximately mid-November 2010. WECC believes that the operation of the cap will not impact its ability to receive, and to spend in accordance with its Amended 2010 Business Plan and Budget, the budgeted amount of \$3,991,879 for 2010. *See* NERC Petition at 5. Therefore,

this amount of additional expenditures for the RTEP Program for 2010, as presented in WECC's Amended 2010 Business Plan and Budget, continues to be appropriate.

#### **IV. REQUEST TO SUBMIT CORRECTED ATTACHMENTS 3 AND 4 TO PETITION**

NERC and WECC have discovered that there are errors in Attachments 3 and 4 to the Petition, which are the clean and redlined versions, respectively, of proposed amended Exhibit E to the Delegation Agreement between NERC and WECC. The errors do not affect the proposed amendment to Exhibit E, which appears in Section 1 of Exhibit E. Rather, the errors are in Sections 3(a)4 and 3(b) of Exhibit E. The errors resulted from using an earlier version of Exhibit E rather than the version that was approved by the Commission in its Order issued December 19, 2008.<sup>2</sup> Section 3(a)4 of Exhibit E as presented in original Attachments 3 and 4 to the Petition should have included the additional text as shown in legislative style below:

4. WECC will transfer collected funds to the ERO in a timely manner as follows. Once a week, until all funds are collected, WECC will electronically transfer to the ERO, in immediately available funds, all payments received from LSEs or Balancing Authorities for payment of annual invoices. In order to ensure clear communication regarding the allocation of funds, WECC will send an email to the Chief Financial Officer at the ERO outlining the breakdown of funds collected (including a listing of entities from which payments were collected, ~~and~~ the amounts collected from each entity, and the breakdown of the total payments collected among NERC statutory funding, WECC statutory funding and WIRAB statutory funding) on the same day that WECC electronically transfers payment to the ERO.

The entire text of Section 3(b) of Exhibit E as presented in original Attachments 3 and 4 to the Petition should have been deleted and replaced as shown below:

~~(b) Upon approval of the annual funding requirements by applicable governmental authorities, NERC will fund WECC's costs identified in Section 1 of this Exhibit E in four equal quarterly installments. Within three (3) business days following receipt of an electronic transfer of collected assessments from WECC in accordance with Section 3(a)(4) of this Exhibit E, NERC will~~

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<sup>2</sup> *Order Accepting Compliance Filing, Subject to Conditions*, 125 FERC ¶ 61,330 (2008), at PP 114, 117-118, 122.

electronically transfer (i) to WECC, in immediately available funds, the portion of the payment received from WECC constituting WECC statutory funding, and (ii) to WIRAB, in immediately available funds, the portion of the payment received from WECC constituting WIRAB statutory funding.

**Corrected Attachment 3** and **Corrected Attachment 4** to this supplemental filing contain corrected clean and redlined, respectively, versions of proposed amended Exhibit E to the NERC-WECC Delegation Agreement. Again, the corrections have no impact on the proposed amendment to Exhibit E, as Section 1 of Exhibit E is the only section amended.

### **V. CONCLUSION**

For the reasons stated in this filing, the North American Electric Reliability Corporation respectfully requests that the Commission (1) accept this supplemental filing to its Petition in this Docket, and (2) allow NERC to submit the corrected versions of Attachments 3 and 4 to its Petition provided in **Corrected Attachment 3** and **Corrected Attachment 4** to this filing.

Respectfully submitted,

Gerald W. Cauley President and Chief Executive Officer David N. Cook Vice President and General Counsel Michael Walker Chief Financial and Administrative Officer North American Electric Reliability Corporation 116-390 Village Boulevard Princeton, NJ 08540-5721 (609) 452-8060 (609) 452-9550 – facsimile <a href="mailto:david.cook@nerc.net">david.cook@nerc.net</a>	<u>/s/ Owen E. MacBride</u> 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 <a href="mailto:omacbride@schiffhardin.com">omacbride@schiffhardin.com</a> <a href="mailto:dpalmer@schiffhardin.com">dpalmer@schiffhardin.com</a> Rebecca J. Michael Assistant General Counsel North American Electric Reliability Corporation 1120 G Street, N.W., Suite 990 Washington, D.C. 20005-3801 (202) 393-3998 (202) 393-3955 – facsimile <a href="mailto:rebecca.michael@nerc.net">rebecca.michael@nerc.net</a>
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**CERTIFICATE OF SERVICE**

I hereby certify that I have served a copy of the foregoing document upon all parties listed on the official service list compiled by the Secretary in this proceeding.

Dated at Chicago, Illinois this 11th day of May, 2010.

/s/ Owen E. MacBride

Owen E. MacBride

*Attorney for North American*

*Electric Reliability Corporation*

**CORRECTED**

**ATTACHMENT 3**

**AMENDED EXHIBIT E TO THE  
NERC-WECC DELEGATION AGREEMENT**

**CLEAN VERSION**

# **EXHIBIT E**

## **1. Scope of activities funded through the ERO funding mechanism**

The WECC activities that will be funded through the ERO funding mechanism are as follows:

1. Reliability Standard Development
2. Compliance Enforcement  
This category will encompass WECC's Compliance Enforcement Program, including activities under the WECC Reliability Management System
3. Organization Registration and Certification
4. Reliability Readiness Evaluation and Improvement
5. Reliability Assessment and Performance Analysis  
This category includes WECC's Transmission Expansion Planning Program, and Loads and Resources Area, including necessary data gathering activities
6. Training and Education  
This category includes WECC's Training Program
7. Situational Awareness and Infrastructure Security  
This category includes WECC's Reliability Coordinator Functions

WECC shall submit its annual budget for carrying out its Delegated Authority functions and related activities as well as all other WECC activities and funding to NERC no later than June 1 of the prior fiscal year such that NERC may submit its budget to the Commission 130 days in advance of the beginning of each fiscal year. The WECC budget submission shall include supporting materials, including WECC's complete business plan and organization chart, explaining the proposed collection of all dues, fees and charges, the proposed expenditure of funds collected in sufficient detail to justify the requested funding collection and budget expenditures, and how any WIRAB approved funding affects the allocation and collection of costs to WECC end users in the United States. NERC shall develop, in consultation with WECC, a reasonable and consistent system of accounts, with a level of detail and record keeping comparable to the Commission's Uniform System of Accounts and sufficient to allow the Commission to compare each Commission-approved NERC fiscal year budget with the actual results at the NERC and Regional Entity level. WECC shall follow NERC's prescribed system of accounts, except to the extent NERC permits a departure from the prescribed system of accounts. NERC shall make an informational filing with the Commission describing any such waiver it permits and providing an explanation supporting the permitted departure. WECC's funding system shall include reasonable reserve funding for unforeseen and extraordinary expenses and other contingencies, consistent with generally accepted

accounting principles. NERC shall review and approve WECC's budget for meeting its responsibilities under the Delegation Agreement.

## **2. Allocation of Costs**

WECC will equitably allocate its reasonable fees and other charges for activities undertaken pursuant to the Delegation Agreement among all Load-Serving Entities (LSEs) or Balancing Authorities according to the following cost allocation rules:

1. All fees and other charges pursuant to the Delegation Agreement shall be allocated among LSEs or Balancing Authorities within the Western Interconnection on the basis of Net Energy for Load (NEL) unless a different method(s) of allocating and calculating such dues, fees and charges has been submitted to and approved by NERC and the Commission in accordance with Section 8(b) of the delegation agreement.
2. WECC will develop a list of LSEs or Balancing Authorities responsible for paying charges pursuant to the Delegation Agreement.
3. Entities on the list of LSEs or Balancing Authorities will be responsible for collection and/or payment of charges through the mechanism described in either Option 1 or 2 below. Each Balancing Authority will inform WECC by June 1<sup>st</sup> of each year of its choice of Option 1 or 2, and will give WECC at least 90 days notice of its intention to change from one option to the other.
  - a. OPTION 1 -- The Balancing Authority will provide WECC a list of all LSEs located within its area, including each LSE's name, contact information, and Net Energy for Load. This information will be updated annually and provided to WECC no later than June 1<sup>st</sup> of each year. WECC will use this list to bill each LSE for all costs on an annual basis.
  - b. OPTION 2 -- The Balancing Authority will provide WECC a list of all LSEs located within its area no later than June 1<sup>st</sup> of each year. WECC will bill the Balancing Authority for all costs on an annual basis. The Balancing Authority will be responsible for equitably allocating WECC costs among the LSEs in its area (if applicable) on the basis of Net Energy for Load, collecting the funds, and ensuring that WECC receives full payment on an annual basis.
4. WECC will submit annually to NERC an updated list of all LSEs located within the Western Interconnection.

### 3. Collection of Funding

(a) WECC will render invoices and collect funds from LSEs or Balancing Authorities within the Western Interconnection according to the following billing and collection rules:

1. WECC will send an annual invoice in a prompt and timely manner after receipt from NERC of the information needed to issue invoices, but no later than November 15<sup>th</sup> each year to each LSE or Balancing Authority (depending on the Balancing Authority's choice of Option 1 or 2 above).
2. The invoice will identify the total payment due, and will show the allocation of funds between the following three areas:
  - Electric Reliability Organization statutory costs
  - Regional Reliability Organization statutory costs
  - Western Interconnection Regional Advisory Body (WIRAB) costs
3. Payment of all invoiced amounts will be due on or before January 2nd of each year.
4. WECC will transfer collected funds to the ERO in a timely manner as follows. Once a week, until all funds are collected, WECC will electronically transfer to the ERO, in immediately available funds, all payments received from LSEs or Balancing Authorities for payment of annual invoices. In order to ensure clear communication regarding the allocation of funds, WECC will send an email to the Chief Financial Officer at the ERO outlining the breakdown of funds collected (including a listing of entities from which payments were collected, the amounts collected from each entity, and the breakdown of the total payments collected among NERC statutory funding, WECC statutory funding and WIRAB statutory funding) on the same day that WECC electronically transfers payment to the ERO.
5. WECC will exercise commercially reasonable efforts to collect invoices that are not paid on the due date(s) as follows. If WECC does not receive payment in full from an LSE or Balancing Authority by January 2nd, WECC will send the LSE or Balancing Authority a duplicate invoice together with a demand for payment within 30 days of the total due under the invoice, including statutory, and if applicable, non-statutory costs. If the LSE or Balancing Authority fails to remit payment within the additional 30 day period, the account will be turned over to the ERO for collection. WECC agrees that it shall not in any way use its position as billing and collection agent for NERC to attempt to influence NERC's policies or decisions on matters relating to adoption of reliability standards (including regional standards and differences), administration of the compliance monitoring and enforcement program and other compliance and enforcement matters, determination and imposition of penalties and sanctions, budgeting matters including review and approval of WECC's budgets and business plans, or any other NERC decisions, including by issuing invoices, engaging in collection activities or transferring funds

collected to NERC in an untimely manner or other than in accordance with this Agreement. To the extent WECC uses another entity as collection agent, it will incorporate these safeguards in the arrangements with the collection agent.

(b) Within three (3) business days following receipt of an electronic transfer of collected assessments from WECC in accordance with Section 3(a)(4) of this Exhibit E, NERC will electronically transfer (i) to WECC, in immediately available funds, the portion of the payment received from WECC constituting WECC statutory funding, and (ii) to WIRAB, in immediately available funds, the portion of the payment received from WECC constituting WIRAB statutory funding.

#### **4. Application of Penalties**

As part of WECC's Compliance Enforcement Program, WECC may levy monetary sanctions against an organization in the Western Interconnection. Payment of a monetary sanction is due to WECC within 30 days of the date upon which the sanction takes effect under the rules governing WECC Compliance Enforcement Program. If payment is not received on or before the applicable due date, WECC will send a demand for payment and take appropriate steps to ensure collection.

WECC will segregate any payment received from monetary sanctions in a separate accounting group and the monies will be used to offset the next year's statutory function costs. All penalty monies received by WECC, other than penalty monies received from an operational function or division or affiliated entity of WECC shall be applied as a general offset to the entity's budget requirements for U.S.-related activities under this Agreement for the subsequent fiscal year. Any penalty monies received from an operational function or division or affiliated entity of WECC shall be transmitted to or retained by NERC and shall be used by NERC as a general offset to NERC's budget for its activities as the ERO under the Act for the following year.

#### **5. Non-Statutory Activities**

WECC will identify in its annual Business Plan and Budget filing any non-statutory activity, and how WECC will maintain accounts for funding and expenses associated with all non-statutory activities that are separate from the funding and expenses associated with statutory activities. Currently, the only non-statutory activity relates to the Western Renewable Generation Information System ("WREGIS"), a system to identify and track renewable energy credits. WECC maintains separate funding mechanisms and accounts for the funding and expenses of WREGIS, and the program is currently funded through the California Energy Commission. In particular, under the *WECC Time & Expense Guidelines, Accounting for Income, Time and Expenses to Appropriate Activity Codes* (filed with NERC as part of its April 1, 2008 filing concerning the 2007 budget true-up), WECC assigns WREGIS revenues and expenses to a separate accounting code, and incorporates the separate code on

invoices, and expense reports, and for payroll. Although funds associated with statutory and non-statutory net assets are pooled, the above guidelines assure proper allocation between statutory and non-statutory accounts. WECC agrees that no costs of non-statutory activities are to be included in the calculation of WECC's dues, fees, and other charges for its activities pursuant to this Agreement. Instead, as provided in Bylaws section 12.3, any fees to fund non-statutory activities are voluntary and not a condition for membership.

\*\* If any applicable date set forth above falls on a weekend or federal holiday, then the relevant date will be the next business day.

**CORRECTED**

**ATTACHMENT 4**

**AMENDED EXHIBIT E TO THE  
NERC-WECC DELEGATION AGREEMENT**

**REDLINED VERSION**

# **EXHIBIT E**

## 1. **Scope of activities funded through the ERO funding mechanism**

The WECC activities that will be funded through the ERO funding mechanism are as follows:

1. Reliability Standard Development
2. Compliance Enforcement  
This category will encompass WECC's Compliance Enforcement Program, including activities under the WECC Reliability Management System
3. Organization Registration and Certification
4. Reliability Readiness Evaluation and Improvement
5. Reliability Assessment and Performance Analysis  
This category includes WECC's Transmission Expansion Planning Program, and Loads and Resources Area, including necessary data gathering activities
6. Training and Education  
This category includes WECC's Training Program
7. Situational Awareness and Infrastructure Security  
This category includes WECC's Reliability Coordinator Functions, [Western Interconnection Synchrophasor Program](#) and [WECC Interchange Tool](#)

WECC shall submit its annual budget for carrying out its Delegated Authority functions and related activities as well as all other WECC activities and funding to NERC no later than June 1 of the prior fiscal year such that NERC may submit its budget to the Commission 130 days in advance of the beginning of each fiscal year. The WECC budget submission shall include supporting materials, including WECC's complete business plan and organization chart, explaining the proposed collection of all dues, fees and charges, the proposed expenditure of funds collected in sufficient detail to justify the requested funding collection and budget expenditures, and how any WIRAB approved funding affects the allocation and collection of costs to WECC end users in the United States. NERC shall develop, in consultation with WECC, a reasonable and consistent system of accounts, with a level of detail and record keeping comparable to the Commission's Uniform System of Accounts and sufficient to allow the Commission to compare each Commission-approved NERC fiscal year budget with the actual results at the NERC and Regional Entity level. WECC shall follow NERC's prescribed system of accounts, except to the extent NERC permits a departure from the prescribed system of accounts. NERC shall make an informational filing with the Commission describing any such waiver it permits and providing an explanation supporting the permitted departure. WECC's funding system shall include reasonable reserve funding for unforeseen and extraordinary

expenses and other contingencies, consistent with generally accepted accounting principles. NERC shall review and approve WECC's budget for meeting its responsibilities under the Delegation Agreement.

## **2. Allocation of Costs**

WECC will equitably allocate its reasonable fees and other charges for activities undertaken pursuant to the Delegation Agreement among all Load-Serving Entities (LSEs) or Balancing Authorities according to the following cost allocation rules:

1. All fees and other charges pursuant to the Delegation Agreement shall be allocated among LSEs or Balancing Authorities within the Western Interconnection on the basis of Net Energy for Load (NEL) unless a different method(s) of allocating and calculating such dues, fees and charges has been submitted to and approved by NERC and the Commission in accordance with Section 8(b) of the delegation agreement.
2. WECC will develop a list of LSEs or Balancing Authorities responsible for paying charges pursuant to the Delegation Agreement.
3. Entities on the list of LSEs or Balancing Authorities will be responsible for collection and/or payment of charges through the mechanism described in either Option 1 or 2 below. Each Balancing Authority will inform WECC by June 1<sup>st</sup> of each year of its choice of Option 1 or 2, and will give WECC at least 90 days notice of its intention to change from one option to the other.
  - a. OPTION 1 -- The Balancing Authority will provide WECC a list of all LSEs located within its area, including each LSE's name, contact information, and Net Energy for Load. This information will be updated annually and provided to WECC no later than June 1<sup>st</sup> of each year. WECC will use this list to bill each LSE for all costs on an annual basis.
  - b. OPTION 2 -- The Balancing Authority will provide WECC a list of all LSEs located within its area no later than June 1<sup>st</sup> of each year. WECC will bill the Balancing Authority for all costs on an annual basis. The Balancing Authority will be responsible for equitably allocating WECC costs among the LSEs in its area (if applicable) on the basis of Net Energy for Load, collecting the funds, and ensuring that WECC receives full payment on an annual basis.
4. WECC will submit annually to NERC an updated list of all LSEs located within the Western Interconnection.

### 3. Collection of Funding

(a) WECC will render invoices and collect funds from LSEs or Balancing Authorities within the Western Interconnection according to the following billing and collection rules:

1. WECC will send an annual invoice in a prompt and timely manner after receipt from NERC of the information needed to issue invoices, but no later than November 15<sup>th</sup> each year to each LSE or Balancing Authority (depending on the Balancing Authority's choice of Option 1 or 2 above).
2. The invoice will identify the total payment due, and will show the allocation of funds between the following three areas:
  - Electric Reliability Organization statutory costs
  - Regional Reliability Organization statutory costs
  - Western Interconnection Regional Advisory Body (WIRAB) costs
3. Payment of all invoiced amounts will be due on or before January 2nd of each year.
4. WECC will transfer collected funds to the ERO in a timely manner as follows. Once a week, until all funds are collected, WECC will electronically transfer to the ERO, in immediately available funds, all payments received from LSEs or Balancing Authorities for payment of annual invoices. In order to ensure clear communication regarding the allocation of funds, WECC will send an email to the Chief Financial Officer at the ERO outlining the breakdown of funds collected (including a listing of entities from which payments were collected, the amounts collected from each entity, and the breakdown of the total payments collected among NERC statutory funding, WECC statutory funding and WIRAB statutory funding) on the same day that WECC electronically transfers payment to the ERO.
5. WECC will exercise commercially reasonable efforts to collect invoices that are not paid on the due date(s) as follows. If WECC does not receive payment in full from an LSE or Balancing Authority by January 2nd, WECC will send the LSE or Balancing Authority a duplicate invoice together with a demand for payment within 30 days of the total due under the invoice, including statutory, and if applicable, non-statutory costs. If the LSE or Balancing Authority fails to remit payment within the additional 30 day period, the account will be turned over to the ERO for collection. WECC agrees that it shall not in any way use its position as billing and collection agent for NERC to attempt to influence NERC's policies or decisions on matters relating to adoption of reliability standards (including regional standards and differences), administration of the compliance monitoring and enforcement program and other compliance and enforcement matters, determination and imposition of penalties and sanctions, budgeting matters including review and approval of WECC's budgets and business plans, or any other NERC decisions, including by issuing invoices, engaging in collection activities or transferring funds

collected to NERC in an untimely manner or other than in accordance with this Agreement. To the extent WECC uses another entity as collection agent, it will incorporate these safeguards in the arrangements with the collection agent.

(b) Within three (3) business days following receipt of an electronic transfer of collected assessments from WECC in accordance with Section 3(a)(4) of this Exhibit E, NERC will electronically transfer (i) to WECC, in immediately available funds, the portion of the payment received from WECC constituting WECC statutory funding, and (ii) to WIRAB, in immediately available funds, the portion of the payment received from WECC constituting WIRAB statutory funding.

#### **4. Application of Penalties**

As part of WECC's Compliance Enforcement Program, WECC may levy monetary sanctions against an organization in the Western Interconnection. Payment of a monetary sanction is due to WECC within 30 days of the date upon which the sanction takes effect under the rules governing WECC Compliance Enforcement Program. If payment is not received on or before the applicable due date, WECC will send a demand for payment and take appropriate steps to ensure collection.

WECC will segregate any payment received from monetary sanctions in a separate accounting group and the monies will be used to offset the next year's statutory function costs. All penalty monies received by WECC, other than penalty monies received from an operational function or division or affiliated entity of WECC shall be applied as a general offset to the entity's budget requirements for U.S.-related activities under this Agreement for the subsequent fiscal year. Any penalty monies received from an operational function or division or affiliated entity of WECC shall be transmitted to or retained by NERC and shall be used by NERC as a general offset to NERC's budget for its activities as the ERO under the Act for the following year.

#### **5. Non-Statutory Activities**

WECC will identify in its annual Business Plan and Budget filing any non-statutory activity, and how WECC will maintain accounts for funding and expenses associated with all non-statutory activities that are separate from the funding and expenses associated with statutory activities. Currently, the only non-statutory activity relates to the Western Renewable Generation Information System ("WREGIS"), a system to identify and track renewable energy credits. WECC maintains separate funding mechanisms and accounts for the funding and expenses of WREGIS, and the program is currently funded through the California Energy Commission. In particular, under the *WECC Time & Expense Guidelines, Accounting for Income, Time and Expenses to Appropriate Activity Codes* (filed with NERC as part of its April 1, 2008 filing concerning the 2007 budget true-up), WECC assigns WREGIS revenues and expenses to a separate accounting code, and incorporates the separate code on

invoices, and expense reports, and for payroll. Although funds associated with statutory and non-statutory net assets are pooled, the above guidelines assure proper allocation between statutory and non-statutory accounts. WECC agrees that no costs of non-statutory activities are to be included in the calculation of WECC's dues, fees, and other charges for its activities pursuant to this Agreement. Instead, as provided in Bylaws section 12.3, any fees to fund non-statutory activities are voluntary and not a condition for membership.

\*\* If any applicable date set forth above falls on a weekend or federal holiday, then the relevant date will be the next business day.