

January 8, 2014

**VIA OVERNIGHT MAIL**

Sheri Young, Secretary of the Board  
National Energy Board  
444 Seventh Avenue SW  
Calgary, Alberta  
T2P 0X8

Re: *North American Electric Reliability Corporation*

Dear Ms. Young:

The North American Electric Reliability Corporation (“NERC”) hereby submits Notice of Filing of the North American Electric Reliability Corporation Regarding the Western Electricity Coordinating Council. NERC requests, to the extent necessary, a waiver of any applicable filing requirements with respect to this filing.

Please contact the undersigned if you have any questions.

Respectfully submitted,

*/s/ Rebecca J. Michael*  
Rebecca J. Michael  
Associate General Counsel for  
Corporate and Regulatory Matters  
North American Electric Reliability  
Corporation

Enclosure

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**BEFORE THE  
NATIONAL ENERGY BOARD**

**NORTH AMERICAN ELECTRIC )  
RELIABILITY CORPORATION )**

**FILING OF THE  
NORTH AMERICAN ELECTRIC RELIABILITY CORPORATION  
REGARDING THE WESTERN ELECTRICITY COORDINATING COUNCIL**

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## **ATTACHMENTS**

**Attachment 1:** Revised Exhibit E to the Amended and Restated Delegation Agreement Between North American Electric Reliability Corporation and Western Electricity Coordinating Council – Clean version

**Attachment 2:** Revised Exhibit E to the Amended and Restated Delegation Agreement Between North American Electric Reliability Corporation and Western Electricity Coordinating Council – Redlined version

## **I. INTRODUCTION**

The North American Electric Reliability Corporation (“NERC”) hereby provides notice of actions taken in response to the Federal Energy Regulatory Commission’s (“FERC”) order issued December 6, 2013 regarding the Western Electricity Coordinating Council (“WECC”).<sup>1</sup> In this filing, NERC:

- (1) as specified in PP 2 and 50 of the December 6 Order, submits a revised Exhibit E to its Delegation Agreement with WECC;
- (2) in response to P 41 of the December 6 Order, confirms that in agreeing to and supporting the sub-delegation of certain responsibilities and functions in the Western Interconnection as proposed by WECC to Peak Reliability, Inc., NERC intended to seek a waiver of the provision of §1205 of the NERC Rules of Procedure (“ROP”) that “[r]esponsibilities and authorities [of a Regional Entity] may only be sub-delegated to another Regional Entity;” and
- (3) in response to P 52 of the December 6 Order, states that it does not presently intend to file a supplemental funding request to fund WECC’s performance of the responsibilities and functions that WECC proposes to sub-delegate to Peak Reliability.

**Attachment 1** to this filing is a clean version of Exhibit E to the WECC Delegation Agreement that has been revised in accordance with PP 2 and 50 of the December 6 Order (as further explained in §III of this filing), and **Attachment 2** to this filing is a redlined version of revised Exhibit E.

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<sup>1</sup> *Order on Rehearing, Independent Reliability Coordinator for Western Interconnection Filings, and Directing Compliance Filings*, 145 FERC ¶ 61,202 (2013) (“December 6 Order”).

## **II. NOTICES AND COMMUNICATIONS**

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

Gerald 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) 446-2595 – facsimile	Charles A. Berardesco 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 <a href="mailto:charles.berardesco@nerc.net">charles.berardesco@nerc.net</a> <a href="mailto:rebecca.michael@nerc.net">rebecca.michael@nerc.net</a>
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## **III. COMPLIANCE WITH PP 2 AND 50 OF THE DECEMBER 6 ORDER**

NERC has revised Exhibit E to the WECC Delegation Agreement, as originally submitted in NERC’s November 4, 2013 filing, to restore the text to Section 1 of Exhibit E that was proposed to be deleted in the WECC RDA Amendment Filing. Additionally, text has been added to Section 1 of Exhibit E to provide (as suggested by footnote 3 of the December 6 Order) that the costs for the Reliability Coordinator Functions, Western Interconnection Synchrophasor Program, WECC Interchange Tool and necessary supporting activities shall not be included in WECC’s annual budget submission to NERC but rather shall be included in the budget of Peak Reliability (referred to in Exhibit E as the “Reliability Coordination Company”). Footnote 3 to the December 6 Order stated: “We recognize that, in maintaining the deleted language in section 1 of Exhibit E, section 1 may need to be modified elsewhere to indicate that the costs associated with the deleted language need not be included in WECC’s annual budget submission to NERC.”

With the restoration of text originally proposed for deletion and the added text described above, Section 1 of Exhibit E will state as follows (the restored and added text is underscored):

1. Scope of activities funded through the ERO funding mechanism

WECC shall include in its annual budget submission to NERC amounts for costs it will incur in performing its delegated functions and related activities as described in Sections 5, 6 and 7 of the Agreement. These activities shall include:

- Reliability Standards Development
- Compliance Monitoring and Enforcement

This category encompasses WECC's Compliance Monitoring and Enforcement Program, including activities under the WECC Reliability Management System

- Reliability Assessment and Performance Analysis (including necessary data gathering activities)

This category includes WECC's Transmission Expansion Planning Program, Loads and Resources Activities, and all necessary supporting activities

- Event Analysis and Reliability Improvement
- Training and Education

This category includes WECC's Training Program

- Situation Awareness

This category includes WECC's Reliability Coordinator Functions, Western Interconnection Synchrophasor Program, WECC Interchange Tool, and all necessary supporting activities. If sub-delegated by WECC, the costs for the Reliability Coordinator Functions, Western Interconnection Synchrophasor Program, WECC Interchange Tool and necessary supporting activities shall not be included in WECC's annual budget submission to NERC but rather shall be included in the budget of the Reliability Coordination Company.

- Infrastructure Security

**Attachment 1** to this filing is a clean version of Exhibit E to the WECC Delegation Agreement with text restored and added as shown above. **Attachment 2** to this filing is a redlined version of Exhibit E, showing the restored and added text in legislative style. Both **Attachment 1** and **Attachment 2** incorporate all other changes that were proposed to Exhibit E in the WECC RDA Amendment Filing.

#### **IV. COMPLIANCE WITH P 41 OF THE DECEMBER 6 ORDER**

In P 41 of the December 6 Order, FERC stated that NERC, in its compliance filing (and WECC, in its separate compliance filing) should indicate whether they intended to seek a waiver of §1205 of the NERC ROP. Section 1205 of the ROP states:

##### **1205. Sub-delegation**

The Regional Entity shall not sub-delegate any responsibilities and authorities delegated to it by its regional delegation agreement with NERC except with the approval of NERC and FERC and other Applicable Governmental Authorities. Responsibilities and authorities may only be sub-delegated to another Regional Entity. Regional Entities may share resources with one another so long as such arrangements do not result in cross-subsidization or in any sub-delegation of authorities.

The provision of §1205 for which a waiver would be needed is: “Responsibilities and authorities may only be sub-delegated to another Regional Entity.” Peak Reliability, to which WECC proposes to sub-delegate certain responsibilities and functions, is not a Regional Entity.

NERC hereby confirms that in agreeing to and supporting WECC’s proposal to sub-delegate certain responsibilities and functions to Peak Reliability, NERC intended to seek a waiver of this provision of §1205 of the NERC ROP. Clearly, as described in the December 6 Order, NERC has agreed to and has supported the sub-delegation of responsibilities and functions, as proposed by WECC, to the RCCo (Peak Reliability), which is not a Regional Entity, and the other actions incident thereto (such as the removal of costs of the sub-delegated functions from WECC’s annual budgets and the inclusion of those costs in a separate annual budget of Peak Reliability).<sup>2</sup> Necessarily, therefore, by agreeing to and supporting the sub-delegation of responsibilities and functions as proposed by WECC to the RCCo (Peak Reliability), which is not a Regional Entity, and the related actions, NERC sought waiver of the

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<sup>2</sup> See, e.g., the December 6 Order at PP 22, 23, 30, 50 and 52. With respect to §10 of the WECC Delegation Agreement, which is quoted in footnote 36 of the December 6 Order (“WECC may not delegate in whole or in part its Delegated Authority to any other entity without NERC’s express consent”), clearly NERC, by its actions and its filing with the applicable governmental authorities, has expressly consented to the sub-delegation of responsibilities and functions to Peak Reliability as proposed by WECC.

provision of §1205 of the NERC ROP that “Responsibilities and authorities may only be sub-delegated to another Regional Entity.”

**V. COMPLIANCE WITH P 52 OF THE DECEMBER 6 ORDER**

In P 52 of the December 6 Order, FERC stated:

On November 1, 2013, the Commission issued an order on the 2014 business plans and budgets of NERC, the Regional Entities, WIRAB, and Peak Reliability in Docket No. RR13-9-000. The Commission accepted the business plan and budget of Peak Reliability subject to the outcome of the dockets addressed in this order. While this order conditionally accepts the Peak Reliability governance documents and amended NERC-WECC Delegation Agreement, the Commission does not authorize the issuance of billing invoices to fund the fiscal 2014 operations of Peak Reliability until after the Commission issues an order on compliance in this proceeding. Recognizing that it may not be possible to resolve these issues by January 1, 2014, NERC and WECC should indicate in their compliance filings whether they intend to file a supplemental funding request to fund the existing WECC reliability coordinator function.

NERC and WECC do not at this time intend to file a supplemental funding request to fund the performance by WECC of the responsibilities and functions that WECC is proposing to sub-delegate to Peak Reliability. NERC respectfully submits that it would be an unnecessary expenditure of the time and resources of NERC, WECC, the applicable governmental authorities and other interested and affected parties for NERC and WECC to file a supplemental funding request to fund the performance by WECC, for a part or all of 2014, of the responsibilities and functions that WECC proposes to sub-delegate to Peak Reliability.

NERC supports the use of statutory funding under §215 of the Federal Power Act to fund Peak Reliability pursuant to a sub-delegation of the specified responsibilities and functions from WECC for 2014 and 2015. The transfer of the specified reliability responsibilities and functions from WECC to a separate entity which is not responsible for the Compliance Monitoring and Enforcement function in the Western Interconnection is a salutary development that both NERC and FERC have sought for years.<sup>3</sup> WECC and Peak Reliability should use this two-year transition period to effectuate all appropriate related changes to business processes, including

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<sup>3</sup> See, e.g., the history of this issue recounted at PP 4-10 of the December 6 Order.



termination of the sub-delegation of responsibilities and functions from WECC to Peak Reliability, as well as termination of statutory funding under §215 of the Federal Power Act to fund Peak Reliability and replacement with a non-§215 funding mechanism.

Similarly, NERC notes that the term of the current WECC Delegation Agreement (and the other Regional Entity delegation agreements) runs through December 31, 2015.<sup>4</sup> In connection with the five-year review of the WECC Delegation Agreement prior to the expiration of the current term at the end of 2015, NERC and WECC intend to comprehensively address any additional revisions to the WECC Delegation Agreement that are necessary in light of the WECC bifurcation, including any further aspects of the bifurcation that may be identified and implemented in the ensuing two years.

Respectfully submitted,

Gerald 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) 446-2595 – facsimile	<i>/s/ Rebecca J. Michael</i> Charles A. Berardesco 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 <a href="mailto:charles.berardesco@nerc.net">charles.berardesco@nerc.net</a> <a href="mailto:rebecca.michael@nerc.net">rebecca.michael@nerc.net</a>
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<sup>4</sup> See §§12(a) and 12(b) of the WECC Delegation Agreement as filed in the WECC RDA Amendment Filing.

**NORTH AMERICAN ELECTRIC RELIABILITY CORPORATION**

**ATTACHMENT 1**

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

**CLEAN VERSION**

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## Exhibit E — Funding

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

WECC shall include in its annual budget submission to NERC amounts for costs it will incur in performing its delegated functions and related activities as described in Sections 5, 6 and 7 of the Agreement. These activities shall include:

- Reliability Standards Development

- Compliance Monitoring and Enforcement

This category encompasses WECC's Compliance Monitoring and Enforcement Program, including activities under the WECC Reliability Management System

- Organization Registration and Certification

- Reliability Assessment and Performance Analysis (including necessary data gathering activities)

This category includes WECC's Transmission Expansion Planning Program, Loads and Resources Activities, and all necessary supporting activities

- Event Analysis and Reliability Improvement

- Training and Education

This category includes WECC's Training Programs

- Situation Awareness

This category includes WECC's Reliability Coordinator Functions, Western Interconnection Synchrophasor Program, WECC Interchange Tool, and all necessary supporting activities. If sub-delegated by WECC, the costs for the Reliability Coordinator Functions, Western Interconnection Synchrophasor Program, WECC Interchange Tool and necessary supporting activities shall not be included in WECC's annual budget submission to NERC but rather shall be included in the budget of the Reliability Coordination Company.

- Infrastructure Security

### 2. Preparation of Annual Business Plan and Budget Plan and Budget

(a) NERC and WECC, in conjunction with the other Regional Entities, shall collaboratively develop an annual schedule for the development, submission, review and

approval of WECC's business plan and budget. The annual schedule for the preparation of business plans and budgets shall require WECC (i) to submit to NERC draft(s) of WECC's proposed business plan and budget and other preliminary documents and information, and (ii) to submit a final proposed business plan and budget that has been approved by WECC Board of Trustees to NERC by July 1 or such other agreed date as provides sufficient time for NERC's review, approval and submission of WECC's business plan and budget to the Commission 130 days in advance of the beginning of each fiscal year. The WECC business plan and budget submission shall include supporting materials, including WECC's complete business plan and organization chart, explaining the proposed collection of all assessments, dues, fees and charges, the proposed expenditure of the funds to be collected in sufficient detail to justify the requested budgeted expenditures and assessments. WECC's business plan and budget and proposed assessments shall provide for reasonable reserve mechanisms for unforeseen and extraordinary expenses and other contingencies, consistent with generally accepted accounting principles.

(b) NERC shall review and approve WECC's proposed business plan and budget and proposed assessments for performing the delegated functions and related activities described in Sections 5, 6 and 7 of this Agreement and listed above in Section 1 of this **Exhibit E**, or shall direct WECC to make such revisions as NERC deems appropriate prior to approval. NERC shall submit WECC's approved business plan and budget and proposed assessments to the Commission for approval as part of NERC's overall business plan and budget submission, in accordance with the ERO Regulations.

### 3. Allocation of Costs

Assessments to fund the costs of WECC's delegated functions and related activities pursuant to the Agreement shall be allocated among all load-serving entities on the basis of Net Energy for Load, unless a different method(s) of allocating and calculating such assessments has been submitted to and approved by NERC and the Commission in accordance with Section 9(b) of the Agreement. WECC shall submit to NERC annually at the same time it submits its budget request a list of the load-serving entities or designees within its geographic boundaries that shall be responsible for paying WECC's assessment

and the load-serving entities' proportionate Net Energy for Load, and such other data and information as is necessary to allocate and calculate the allocation of the assessment to the load-serving entities or designees under the method(s) of allocation and calculation that will be used.

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 1st 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 1st of each year. WECC will use this list to bill each LSE for all costs on an annual basis.
- b. OPTION 2 -- 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. Collection of Funding

(a) NERC and WECC agree that WECC shall act as the billing and collection agent on behalf of NERC to bill and collect the NERC, WECC, and WIRAB assessments from load-serving entities and designees (or such other entities as agreed by NERC and WECC). WECC agrees that it shall (i) issue all invoices to each LSE or Balancing Authority (depending on the Balancing Authority's choice of Option 1 or 2 above) in a prompt and timely manner after receipt from NERC of the information needed to issue invoices, but no later than November 15th each year; (ii) exercise commercially reasonable efforts to collect invoices that are not paid as of the due date(s); and (iii) transfer all funds collected to NERC in a timely manner, as follows: Once per week until all billings are collected, WECC will electronically transfer to NERC, in immediately available funds, all payments received by WECC from load-serving entities or other entities for the payment of the NERC, WECC, and WIRAB assessments billed on the

annual invoices. In the event that (1) WECC includes Reliability Coordination Company (“RCCo”) assessments (or assessments of a differently named company performing the same functions) on the annual invoices; (2) a payment received is less than the total amount billed for the NERC, WECC, WIRAB, and RCCo assessments; and (3) WECC does not know and, after due inquiry with the entity submitting the underpayment and consultation with NERC, is unable to determine which invoiced item accounts for the shortfall, WECC shall be permitted to prorate the shortfall among all assessments received from that entity. On the same day that WECC makes each electronic transfer of funds to NERC, WECC shall send an e-mail to the Chief Financial Officer or Controller of NERC detailing the collections being transmitted, including a listing of the load-serving entities or other entities from which payments were collected and the amount collected from each entity and the breakdown of the total payments collected among NERC statutory funding, WECC statutory funding, and WIRAB statutory funding.

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 Reliability Standards and Regional Variances), 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.

Within three (3) business days following receipt of an electronic transfer of collected assessments from WECC in accordance with Section 4(a) 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.

(b) NERC shall pursue any non-payments of assessment amounts constituting NERC, WECC, and WIRAB statutory funding and shall request assistance from ERO Governmental Authorities as necessary to secure collection. To the extent reasonably practicable, WECC shall assist NERC in pursuing and collecting any non-payments. Notwithstanding the foregoing, WECC is not responsible and does not assume any liability for recovering non-payments or underpayments of assessment amounts. NERC shall retain sole responsibility for recovering non-payments or underpayments of assessment amounts constituting NERC, WECC, and WIRAB statutory funding. NERC shall add the amount of any non-payments by end-users or designees within WECC's region, that are reasonably determined to be uncollectible, to NERC's assessments for a subsequent year with the amount of such non-payments to be allocated to end-users within WECC's region.

#### 5. Application of Penalties

Except as otherwise approved by the Commission, 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 WECC's budget requirements for U.S.-related activities under this Agreement for a subsequent fiscal year. Funds from financial penalties shall not be directly applied to any program maintained by the investigating entity. Except as otherwise approved by the Commission, any penalty monies received by NERC 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.

#### 6. Budget and Funding for WECC's Non-Statutory Activities

In addition to its delegated functions and related activities, as specified in Sections 5, 6 and 7 of the Agreement and in Section 1 of this **Exhibit E** (such delegated functions and activities referred to in this Section 6 as "statutory activities"), WECC performs the following other functions and activities (such other functions and activities being referred to in this Section 6 as "non-statutory activities"): Western Renewable Generation Information System ("WREGIS").

WECC shall employ the following methods and procedures to (i) keep its funding mechanisms for its statutory activities separate from its funding mechanisms for its non-statutory activities, and (ii) record the costs it incurs in the performance of its non-statutory functions separately from the costs it incurs in the performance of its statutory functions: WECC utilizes a fund accounting system with capabilities to segregate receipts and expenses based on function or activity. WECC has segregated non-statutory activities by assigning a separate fund code to those receipts and expenses. All expenditures or receipts that are entered into WECC's accounting system must include a fund code identifying whether the transaction is related to statutory or non-statutory activities. General and administrative costs are allocated to non-statutory activities based on an FTE ratio that is consistent with NERC's accounting methodology for allocation of overhead to statutory activities. For these reasons, time records are not necessary for WECC to properly allocate costs between statutory and non-statutory activities.

WECC shall provide its budget for such non-statutory activities to NERC at the same time that WECC submits its proposed annual business plan and budget for statutory activities to NERC pursuant to Section 9 of the Agreement. WECC's budget for non-statutory activities that is provided to NERC shall contain a detailed list of WECC's non-statutory activities and a description of the funding sources for the non-statutory activities. WECC agrees that no costs (which shall include a reasonable allocation of WECC's general and administrative costs) of non-statutory activities are to be included in the calculation of WECC's assessments, dues, fees, and other charges for its statutory activities.

#### 7. Amended or Supplemental Business Plans and Budgets

During the course of the fiscal year, if WECC determines it does not or will not have sufficient funds to carry out its delegated functions and related activities, WECC shall submit to NERC one or more proposed amended or supplemental business plans and budgets and requests for approval of supplemental assessments, reflecting costs, cost increases or funding shortfalls not provided for in WECC's approved business plan and budget for the fiscal year. NERC shall review and approve the proposed amended or supplemental business plan and budget and proposed supplemental assessment, or shall direct WECC to make such revisions as NERC deems appropriate prior to approval.



NERC shall submit WECC's approved amended or supplemental business plan and budget and proposed supplemental assessment to the Commission for approval.

8. NERC Review of Regional Entity Financial Records

Upon a request made to WECC with reasonable notice, NERC shall have access to and may review all financial records of WECC, including records used to prepare WECC's financial statements. NERC shall conduct reviews of the quarterly and annual financial statements submitted by WECC pursuant to Section 9(h) and (i) of the Agreement.

WECC shall provide supporting documentation for the quarterly and annual audited financial statements as reasonably requested by NERC.

**NORTH AMERICAN ELECTRIC RELIABILITY CORPORATION**

**ATTACHMENT 2**

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

**REDLINED VERSION**

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## Exhibit E — Funding

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

WECC shall include in its annual budget submission to NERC amounts for costs it will incur in performing its delegated functions and related activities as described in Sections 5, 6 and 7 of the Agreement. These activities shall include:

- Reliability Standards Development

- Compliance Monitoring and Enforcement

This category encompasses WECC's Compliance Monitoring and Enforcement Program, including activities under the WECC Reliability Management System

- Organization Registration and Certification

- Reliability Assessment and Performance Analysis (including necessary data gathering activities)

This category includes WECC's Transmission Expansion Planning Program, Loads and Resources Activities, and all necessary supporting activities

- Event Analysis and Reliability Improvement

- Training and Education

This category includes WECC's Training Programs

- Situation Awareness

This category includes WECC's Reliability Coordinator Functions, Western Interconnection Synchrophasor Program, WECC Interchange Tool, and all necessary supporting activities. If sub-delegated by WECC, the costs for the Reliability Coordinator Functions, Western Interconnection Synchrophasor Program, WECC Interchange Tool and necessary supporting activities shall not be included in WECC's annual budget submission to NERC but rather shall be included in the budget of the Reliability Coordination Company.

- Infrastructure Security

### 2. Preparation of Annual Business Plan and Budget Plan and Budget

(a) NERC and WECC, in conjunction with the other Regional Entities, shall collaboratively develop an annual schedule for the development, submission, review and

approval of WECC's business plan and budget. The annual schedule for the preparation of business plans and budgets shall require WECC (i) to submit to NERC draft(s) of WECC's proposed business plan and budget and other preliminary documents and information, and (ii) to submit a final proposed business plan and budget that has been approved by WECC Board of Trustees to NERC by July 1 or such other agreed date as provides sufficient time for NERC's review, approval and submission of WECC's business plan and budget to the Commission 130 days in advance of the beginning of each fiscal year. The WECC business plan and budget submission shall include supporting materials, including WECC's complete business plan and organization chart, explaining the proposed collection of all assessments, dues, fees and charges, the proposed expenditure of the funds to be collected in sufficient detail to justify the requested budgeted expenditures and assessments. WECC's business plan and budget and proposed assessments shall provide for reasonable reserve mechanisms for unforeseen and extraordinary expenses and other contingencies, consistent with generally accepted accounting principles.

(b) NERC shall review and approve WECC's proposed business plan and budget and proposed assessments for performing the delegated functions and related activities described in Sections 5, 6 and 7 of this Agreement and listed above in Section 1 of this **Exhibit E**, or shall direct WECC to make such revisions as NERC deems appropriate prior to approval. NERC shall submit WECC's approved business plan and budget and proposed assessments to the Commission for approval as part of NERC's overall business plan and budget submission, in accordance with the ERO Regulations.

### 3. Allocation of Costs

Assessments to fund the costs of WECC's delegated functions and related activities pursuant to the Agreement shall be allocated among all load-serving entities on the basis of Net Energy for Load, unless a different method(s) of allocating and calculating such assessments has been submitted to and approved by NERC and the Commission in accordance with Section 9(b) of the Agreement. WECC shall submit to NERC annually at the same time it submits its budget request a list of the load-serving entities or designees within its geographic boundaries that shall be responsible for paying WECC's assessment

and the load-serving entities' proportionate Net Energy for Load, and such other data and information as is necessary to allocate and calculate the allocation of the assessment to the load-serving entities or designees under the method(s) of allocation and calculation that will be used.

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 1st 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 1st of each year. WECC will use this list to bill each LSE for all costs on an annual basis.

b. OPTION 2 -- 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. Collection of Funding

(a) NERC and WECC agree that WECC shall act as the billing and collection agent on behalf of NERC to bill and collect the NERC, WECC, and WIRAB assessments from load-serving entities and designees (or such other entities as agreed by NERC and WECC). WECC agrees that it shall (i) issue all invoices to each LSE or Balancing Authority (depending on the Balancing Authority's choice of Option 1 or 2 above) in a prompt and timely manner after receipt from NERC of the information needed to issue invoices, but no later than November 15th each year; (ii) exercise commercially reasonable efforts to collect invoices that are not paid as of the due date(s); and (iii) transfer all funds collected to NERC in a timely manner, as follows: Once per week until all billings are collected, WECC will electronically transfer to NERC, in immediately available funds, all payments received by WECC from load-serving entities or other entities for the payment of the NERC, WECC, and WIRAB assessments billed on the

annual invoices. In the event that (1) WECC includes Reliability Coordination Company (“RCCo”) assessments (or assessments of a differently named company performing the same functions) on the annual invoices; (2) a payment received is less than the total amount billed for the NERC, WECC, WIRAB, and RCCo assessments; and (3) WECC does not know and, after due inquiry with the entity submitting the underpayment and consultation with NERC, is unable to determine which invoiced item accounts for the shortfall, WECC shall be permitted to prorate the shortfall among all assessments received from that entity. On the same day that WECC makes each electronic transfer of funds to NERC, WECC shall send an e-mail to the Chief Financial Officer or Controller of NERC detailing the collections being transmitted, including a listing of the load-serving entities or other entities from which payments were collected and the amount collected from each entity and the breakdown of the total payments collected among NERC statutory funding, WECC statutory funding, and WIRAB statutory funding.

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 Reliability Standards and Regional Variances), 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.

Within three (3) business days following receipt of an electronic transfer of collected assessments from WECC in accordance with Section 4(a) 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.

(b) NERC shall pursue any non-payments of assessment amounts constituting NERC, WECC, and WIRAB statutory funding and shall request assistance from ERO Governmental Authorities as necessary to secure collection. To the extent reasonably practicable, WECC shall assist NERC in pursuing and collecting any non-payments. Notwithstanding the foregoing, WECC is not responsible and does not assume any liability for recovering non-payments or underpayments of assessment amounts. NERC shall retain sole responsibility for recovering non-payments or underpayments of assessment amounts constituting NERC, WECC, and WIRAB statutory funding. NERC shall add the amount of any non-payments by end-users or designees within WECC's region, that are reasonably determined to be uncollectible, to NERC's assessments for a subsequent year with the amount of such non-payments to be allocated to end-users within WECC's region.

#### 5. Application of Penalties

Except as otherwise approved by the Commission, 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 WECC's budget requirements for U.S.-related activities under this Agreement for a subsequent fiscal year. Funds from financial penalties shall not be directly applied to any program maintained by the investigating entity. Except as otherwise approved by the Commission, any penalty monies received by NERC 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.

#### 6. Budget and Funding for WECC's Non-Statutory Activities

In addition to its delegated functions and related activities, as specified in Sections 5, 6 and 7 of the Agreement and in Section 1 of this **Exhibit E** (such delegated functions and activities referred to in this Section 6 as "statutory activities"), WECC performs the following other functions and activities (such other functions and activities being referred to in this Section 6 as "non-statutory activities"): Western Renewable Generation Information System ("WREGIS").

WECC shall employ the following methods and procedures to (i) keep its funding mechanisms for its statutory activities separate from its funding mechanisms for its non-statutory activities, and (ii) record the costs it incurs in the performance of its non-statutory functions separately from the costs it incurs in the performance of its statutory functions: WECC utilizes a fund accounting system with capabilities to segregate receipts and expenses based on function or activity. WECC has segregated non-statutory activities by assigning a separate fund code to those receipts and expenses. All expenditures or receipts that are entered into WECC's accounting system must include a fund code identifying whether the transaction is related to statutory or non-statutory activities. General and administrative costs are allocated to non-statutory activities based on an FTE ratio that is consistent with NERC's accounting methodology for allocation of overhead to statutory activities. For these reasons, time records are not necessary for WECC to properly allocate costs between statutory and non-statutory activities.

WECC shall provide its budget for such non-statutory activities to NERC at the same time that WECC submits its proposed annual business plan and budget for statutory activities to NERC pursuant to Section 9 of the Agreement. WECC's budget for non-statutory activities that is provided to NERC shall contain a detailed list of WECC's non-statutory activities and a description of the funding sources for the non-statutory activities. WECC agrees that no costs (which shall include a reasonable allocation of WECC's general and administrative costs) of non-statutory activities are to be included in the calculation of WECC's assessments, dues, fees, and other charges for its statutory activities.

#### 7. Amended or Supplemental Business Plans and Budgets

During the course of the fiscal year, if WECC determines it does not or will not have sufficient funds to carry out its delegated functions and related activities, WECC shall submit to NERC one or more proposed amended or supplemental business plans and budgets and requests for approval of supplemental assessments, reflecting costs, cost increases or funding shortfalls not provided for in WECC's approved business plan and budget for the fiscal year. NERC shall review and approve the proposed amended or supplemental business plan and budget and proposed supplemental assessment, or shall direct WECC to make such revisions as NERC deems appropriate prior to approval.



NERC shall submit WECC's approved amended or supplemental business plan and budget and proposed supplemental assessment to the Commission for approval.

8. NERC Review of Regional Entity Financial Records

Upon a request made to WECC with reasonable notice, NERC shall have access to and may review all financial records of WECC, including records used to prepare WECC's financial statements. NERC shall conduct reviews of the quarterly and annual financial statements submitted by WECC pursuant to Section 9(h) and (i) of the Agreement.

WECC shall provide supporting documentation for the quarterly and annual audited financial statements as reasonably requested by NERC.