

Customer Briefing

BPA Delegation Agreements

NERC/WECC Mandatory Reliability Standards

Sept. 21, 2007

BPA Rates Hearing Room, Portland, Ore.

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Background/Framing the Process

- The purpose of the delegation agreements are to clearly define roles and responsibilities between BPA and customers to meet mandatory standards and requirements.
 - Joint Registration Organization (JRO): Provides a short transitional period for certain utilities for whom BPA would act as a JRO
- There were two major efforts that were brought together to develop the delegation agreements.
 - Terms and Conditions (Agreements)
 - BPA Developed the agreements in a collaborative process with public power representatives
 - Recognized need for uniformity of agreements with customers
 - Cooperative effort between BPA and public power technical staff and lawyers
 - ❖ Combined research, and monitoring of efforts of other regions on this topic
 - ❖ Contract negotiations and drafting
 - Sought participation and feedback through open invitation
 - Exhibits
 - Using technical worksheets, developed through a coordinated cross-agency review, intended to be consistent for each customer type

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Delegation Agreements/ Technical Worksheets

- The technical worksheets are and will continue to be working documents that will help inform customers and identify responsibilities for the delegation agreement exhibits.
 - Technical worksheets include all applicable requirements addressed in Exhibits A and B.
 - http://www.bpa.gov/corporate/business/reliability/docs/2007/LSE_DP_Generic6-15-07_mj.xls
- Exhibits:
 - Exhibit A contains the standards for which BPA assumes responsibility
 - Exhibit B contains the standards that will remain the customers responsibility
 - Exhibit C is being developed with customer representatives and will help clarify the communications protocols/procedures for information exchanges between BPA and customers related to compliance activities.
 - Exhibit D reflects the amount to be billed for JRO services
- BPA anticipates putting in place expanded Exhibits A and Exhibits B with customers who are registered for functions beyond LSE/DP/PSE.

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Key Elements – Standard Agreement

Agreement for Performance of Certain Activities Required Under Electric Reliability Standards

1. Utility is the Registered Entity responsible to WECC/NERC for compliance with all applicable standards.
2. Utility contracts with Bonneville for compliance with specified standards (Exhibit A).
 - A. Bonneville assumes contractual responsibility to maintain Utility's compliance with the standards specified in Exhibit A.
 - B. Bonneville has no contractual responsibility for compliance with any other standards applicable to Utility.
3. Bonneville submits self-reports of its violations and its mitigation plans to Utility which then submits them to WECC.
4. Prior to a WECC audit, Bonneville is required to provide to Utility material that is required to document Bonneville's implementation of the standards in Exhibit A and to attend any audit that is conducted on site.
5. Utility required to inform Bonneville within two days of learning of any investigation of a possible violation of the standards in Exhibit A.

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Key Elements – Standard Agreement (cont.)

- Bonneville not responsible for (i) FERC-approved changes to standards in Exhibit A or (ii) additional FERC-approved standards unless Bonneville unilaterally accepts responsibility or negotiates acceptable terms with Utility (which could include payment of Bonneville's Incremental Costs). Utility may prevent Bonneville from unilaterally assuming responsibility for additional standards by objecting within a specified time period.
- 6. Utility pays all monetary penalties to WECC/NERC, but Bonneville is required to reimburse Utility to the extent a penalty is imposed for violations of standards for which Bonneville is responsible under Exhibit A (except to the extent Utility is at fault for the violation by Bonneville).
- 7. Arbitration is available to resolve disagreements over the extent to which Utility may be at fault for Bonneville's violation of a standard in Exhibit A.
- 8. Utility and Bonneville are contractually responsible to facilitate the other party's implementation of its contractual obligations. An Exhibit C will be negotiated to address each party's responsibilities to aid the other party.
- 9. Ten year term

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Key Elements – JRO Agreement

Agreement for Registration as a Joint Registration Organization And for Performance of Activities Required Under Electric Reliability Standards

1. Bonneville agrees to be the Registered Entity responsible to WECC/NERC for compliance with all standards applicable to Utility. Utility pays Bonneville a specified monthly fee for this service (Exhibit D) which may be revised annually by Bonneville to conform to its current reasonable costs.
2. Utility contractually agrees to perform all activities required to comply with all applicable standards except for those specified in Exhibit A (for which Bonneville retains responsibility). Bonneville may monitor Utility's compliance through site visits and reasonable requests for information.
3. Either party may unilaterally terminate Agreement for material breach of its contractual obligations effective no sooner than 60 days after receipt of proper notice. Upon termination, Bonneville may de-register as the JRO on Utility's behalf. Termination may be rendered null and void if breach is properly cured prior to effective date of termination.
4. Utility submits self-reports of its violations and its mitigation plans to Bonneville which then submits them to WECC. Bonneville submits self-reports of its violations of standards listed in Exhibit A and its mitigation plans directly to WECC and provides copies to Utility.
5. Prior to a WECC audit, Utility is required to provide to Bonneville material that is required to document Utility's implementation of applicable standards other than the standards listed in Exhibit A. Utility must also attend any audit that is conducted on site.

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Key Elements – JRO Agreement (cont.)

6. Bonneville is not responsible to Utility for (i) FERC-approved changes to standards in Exhibit A or (ii) additional FERC-approved standards unless Bonneville unilaterally accepts responsibility or negotiates acceptable terms with Utility (which could include payment of Bonneville's Incremental Costs). Utility may prevent Bonneville from unilaterally assuming responsibility for additional standards by objecting within a specified time period.
7. Bonneville pays all monetary penalties to WECC/NERC. Utility is required to reimburse Bonneville to the extent a penalty is imposed for violations of standards for which Utility is responsible (except to the extent Bonneville is at fault for the violation by Utility). Where a monetary penalty is imposed for violations of the standards in Exhibit A, Utility has no responsibility for payment except to the extent it is at fault for Bonneville's violation.
8. Arbitration is available to resolve disagreements over the extent to which one party may be at fault for the other party's violation of a standard for which it is responsible.
9. Utility and Bonneville are contractually responsible to facilitate the other party's implementation of its contractual obligations. An Exhibit C will be negotiated to address each party's responsibilities to aid the other party.
10. Three year term

Contacts for Delegation Agreement Questions

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