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September 30, 2008

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. RR07-7-____
Petition for Approval of Revisions to Exhibit E to Delegation Agreement
with the Western Electricity Coordinating Council**

Dear Ms. Bose:

On behalf of the North American Electric Reliability Corporation, we hereby submit for filing the *Petition of the North American Electric Reliability Corporation for Approval of Revisions to Exhibit E to Delegation Agreement with the Western Electricity Coordinating Council*. This filing consists of this transmittal letter, the attached Petition and Attachments 1, 2 and 3 to the Petition, all of which are being filed electronically 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*

Attachment

UNITED STATES OF AMERICA
Before the
FEDERAL ENERGY REGULATORY COMMISSION

North American Electric Reliability Corporation)	
)	
)	Docket No. RR07-7-___
Delegation Agreement Between the North American Electric Reliability Corporation and Western Electricity Coordinating Council)	
)	
)	

PETITION OF THE
NORTH AMERICAN ELECTRIC RELIABILITY CORPORATION
FOR APPROVAL OF REVISIONS TO EXHIBIT E TO DELEGATION AGREEMENT
WITH THE WESTERN ELECTRICITY COORDINATING COUNCIL

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September 30, 2008

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Attachment 1: Clean version of revised Exhibit E to the NERC-WECC Delegation Agreement based on NERC-WECC Delegation Agreement filed in July 21 2008 Compliance Filing, Docket Nos. RR06-1-017 and RR07-7-004

Attachment 2: Redlined version of revised Exhibit E to the NERC-WECC Delegation Agreement based on NERC-WECC Delegation Agreement filed in July 21 2008 Compliance Filing, Docket Nos. RR06-1-017 and RR07-7-004

Attachment 3: Redlined version of revised Exhibit E to the NERC-WECC Delegation Agreement based on currently-approved NERC-WECC Delegation Agreement filed April 7, 2008 in Docket No. RR07-7-002

I. INTRODUCTION

The North American Electric Reliability Corporation (“NERC”), pursuant to §215(e)(4) of the Federal Power Act and 18 C.F.R. §39.8, requests Commission approval of two revisions to §3 of Exhibit E to the delegation agreement between NERC and the Western Electricity Coordinating Council (“WECC”). **Attachment 1** to this filing is a “clean” version of Exhibit E to the NERC-WECC Delegation Agreement, as filed with the Commission on July 21, 2008,¹ but incorporating the proposed revisions that are the subject of this petition. **Attachment 2** is a redlined version of Exhibit E as filed in the July 21 Compliance Filing, showing the two proposed revisions to §3 in legislative style. **Attachment 3** is a redlined version of the current Commission-approved version of Exhibit E, showing the two proposed revisions to §3 in legislative style.² The two revisions to §3 of Exhibit E shown in redline in **Attachment 2** are the only revisions to the NERC-WECC Delegation Agreement for which approval is sought herein.

As explained in greater detail below, the purpose of the proposed revisions to Exhibit E is to provide that NERC will transmit to WECC and to the Western Interconnection Regional Advisory Body (“WIRAB”) the portions of assessments collected by WECC and remitted to NERC representing WECC and WIRAB statutory funding, within three business days after

¹ *Compliance Filing of the North American Electric Reliability Corporation in Response to March 21, 2008 Order*, filed July 21, 2008 in Dockets RR06-1-017 and RR07-7-004 (“July 21 2008 Compliance Filing”). The July 21 2008 Compliance Filing was made in response to the Commission’s Order issued March 21, 2008, *Order Addressing Revised Delegation Agreements*, 122 FERC ¶ 61,245 (2008) (“March 21 2008 Order”). The revised NERC-WECC Delegation Agreement was included in Attachment 11 to the July 21 2008 Compliance Filing.

² In the March 21 2008 Order, the Commission accepted the NERC-WECC Delegation Agreement (and other Regional Entity delegation agreements) that NERC had filed on October 30, 2007 (*Compliance Filing of the North American Electric Reliability Corporation in Response to April 19, 2007 Order* (“October 30 2007 Compliance Filing”)), but directed various revisions to be made in a compliance filing. See March 21 2008 Order at PP 2, 21 and 225 and ordering paragraph (A). On April 7, 2008, NERC filed, in Docket RR07-7-002, an executed copy of the NERC-WECC delegation agreement that had been accepted in the March 21 2008 Order.

WECC remits the collected assessments to NERC, rather than funding WECC's and WIRAB's statutory costs in four equal quarterly payments.

As discussed herein, the timing by which NERC transfers to WECC and WIRAB the portion of assessments collected by WECC that are WECC or WIRAB statutory funding has been raised in two prior Commission orders concerning the NERC-WECC Delegation Agreement.³ Unfortunately, NERC and WECC failed to respond to the opportunities presented by these prior orders, in that NERC and WECC failed to explain in the ensuing compliance filings or a rehearing request why a provision requiring NERC to promptly transfer to WECC and WIRAB the portions of assessments collected by WECC that represent WECC and WIRAB statutory funding is necessary and justified. Nevertheless, as explained herein, there are valid and appropriate reasons for omitting from Exhibit E to the NERC-WECC Delegation Agreement the provision in the *pro forma* delegation agreement specifying NERC will fund a Regional Entity's statutory costs in four equal quarterly payments;⁴ and for instead allowing NERC to transfer back to WECC (which, unlike the process in the other Regions, bills and collects the statutory assessments through a single annual invoice to load-serving entities ("LSEs") and Balancing Authorities in the WECC Region) the WECC statutory portion of assessments collected by WECC, within a short time after WECC transmits the collections to NERC.⁵

Recognizing that the Commission has looked with disfavor on the submission of compliance filings that depart from directives in the Order being complied with and attempt to justify the deviation, NERC and WECC included the provision directed by P 238 of the March

³ *Order Accepting ERO Compliance Filing, Accepting ERO/Regional Entity Delegation Agreements, and Accepting Regional Entity 2007 Business Plans*, 119 FERC ¶ 61,060 (2007) ("April 19 2007 Order"), at P 533; March 21 2008 Order at P 238.

⁴ See March 21 2008 Order at P 238.

⁵ See April 19 2007 Order at P 533.

21 Order in §3(b) of Exhibit E to the NERC-WECC Delegation Agreement that was submitted in the July 21 2008 Compliance Filing. NERC is now filing this separate petition requesting approval of the proposed revisions to §3 of Exhibit E to the NERC-WECC Delegation Agreement shown in III.A below. For the reasons detailed in this petition, NERC and WECC respectfully request that the Commission approve the proposed revisions to §3 of Exhibit E to the NERC-WECC Delegation Agreement. Additionally, NERC and WECC respectfully request that the Commission issue an order approving the proposed revisions by on or about December 15, 2008. Receipt of approval of the proposed revisions in the mid-December 2008 time frame is important because in November, WECC will issue its annual invoices for the Commission-approved statutory assessments for 2009 to the balancing authorities and LSEs in the WECC region, and will collect most of the 2009 assessments in late December 2008 and January 2009.

II. NOTICES AND COMMUNICATIONS

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

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III. DISCUSSION

A. Text of Proposed Revisions to §3 of Exhibit E to the NERC-WECC Delegation Agreement

NERC and WECC propose the following revisions to §3(a)(4) and §3(b) of Exhibit E to their Delegation Agreement. To provide context, §3 of Exhibit E is shown below in its entirety, with the proposed revisions shown in legislative style. The proposed revisions shown below are to §3 of Exhibit E to the NERC-WECC Delegation Agreement submitted in Attachment 11 to the July 21 2008 Compliance Filing

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 15th 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, ~~and~~ 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.

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) 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 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.~~

As can be seen from Section 3(a) of Exhibit E, quoted above, within the WECC region, WECC invoices LSEs and Balancing Authorities for their assessments for NERC, WECC and WIRAB statutory costs by issuance of a single, annual invoice to each LSE or Balancing Authority, with the single annual invoice issued by November 15 and due in full by the following January 2. WECC collects the assessments from the LSEs and Balancing Authorities and remits the collections to NERC on a weekly basis. The method of billing and collecting assessments in the WECC Region, as embodied in Exhibit E to the NERC-WECC Delegation

Agreement, differs from the method followed in the seven other Regions in two important respects: First, WECC bills and collects the assessments to/from the LSEs and Balancing Authorities, whereas in the other Regions it is NERC that bills and collects the assessments.⁶ Second, the assessments are billed and collected in the WECC Region through a single annual invoice and payment, whereas in the other seven Regions the assessments are billed and collected through four quarterly invoices issued and collected during the course of the year.

The proposed revisions to §3 of Exhibit E to the NERC-WECC Delegation Agreement were approved by the WECC Board of Directors and by the NERC Board of Trustees, both on September 29, 2008.

B. History of this Provision and Prior Commission Orders

Since well before it became a Regional Entity, WECC has funded its operations through a single annual funding request and collection. WECC has found the single annual funding approach to be important to ensuring efficient and low-cost operations. This approach ensures that sufficient funds will be available as working capital throughout the year notwithstanding variations in expense patterns throughout the year. It also enables WECC to take advantage of beneficial banking relationships that require maintenance of minimum balance requirements. Additionally, issuing and collecting only one, rather than several, invoice or other funding request per year per LSE or Balancing Authority reduces WECC's administrative costs. Finally, the funding collected at the start of the year can be deposited in WECC's banks or used for other short-term investments that generate interest income used to offset WECC's expenses.

⁶ In the Northeast Power Coordinating Council ("NPCC") Region, NERC bills the assessments to a single entity for each of the six Balancing Authority Areas within NPCC. In the Texas Regional Entity Region, NERC bills the assessments to the Electric Reliability Council of Texas. In the other five Regions, NERC bills the assessments to the individual LSEs.

Upon becoming a Regional Entity, WECC has continued its pre-existing procedure by billing and collecting the statutory assessments through a single annual invoice to LSEs and Balancing Authorities. This procedure has been embodied in the successive versions of the NERC-WECC Delegation Agreement that have been submitted to and approved by the Commission. NERC initially submitted a proposed Delegation Agreement with WECC to the Commission in a filing dated November 29, 2006.⁷ Section 3 of Exhibit E to the NERC-WECC Delegation Agreement submitted in the November 29 2006 Compliance Filing included – consistent with WECC’s long-standing practice – the provision that WECC would issue, on or before November 15, a single annual invoice to each LSE and Balancing Authority for the billed entity’s entire assessment for NERC, WECC and WIRAB statutory funding for the following years, with payment of the single annual invoice due by January 2. Section 3 of Exhibit E submitted in that filing also provided that “Once a week, until all funds are collected, WECC will electronically transfer to the ERO any statutory funds received from LSEs or Balancing Authorities for payment of annual invoices.” Additionally, §3 of Exhibit E submitted in that filing provided, “The ERO will in turn electronically transfer WECC’s and WIRAB’s statutory portion of such payment back to WECC within 24 hours.”⁸

The Commission’s April 19 2007 Order addressed the delegation agreements submitted in the November 29 2006 Compliance Filing. The April 19 2007 Order approved the NERC-WECC Delegation Agreement (and other regional delegation agreements) submitted in the

⁷ *Additional Compliance Filing and Request by the North American Electric Reliability Corporation to Approve Regional Delegation Agreements*, filed November 29, 2006 in Docket RR06-1 (“November 29 2006 Compliance Filing”). The proposed NERC-WECC Delegation Agreement was Attachment 7 to the November 29 2006 Compliance Filing.

⁸ A similar sentence was included elsewhere in §3 in a provision concerning the treatment of assessments that were collected after the due date or as a result of turning the assessment invoice over to a collection agency.

November 29 2006 Compliance Filing, and specified that these delegation agreements be effective in thirty days,⁹ but directed various revisions to be made to the delegation agreements in a subsequent compliance filing. With respect to Exhibit E to the NERC-WECC Delegation Agreement, the Commission stated in P 533 of the April 19 2007 Order:

533. With respect to the proposed deviation requiring NERC to electronically transfer WECC's and WIRAB's statutory costs within 24 hours, we are not persuaded that this proposal is either necessary or appropriate. In fact, WECC has an important role in ensuring NERC's financial security and requiring NERC to operate with this degree of turn-around time may not be time or cost-effective. Accordingly, because NERC and WECC have not addressed this deviation, we direct NERC and WECC to do so.

NERC submitted the October 30 2007 Compliance Filing, including a revised version of the NERC-WECC Delegation Agreement, in response to the April 19 2007 Order.¹⁰ Unfortunately, NERC and WECC failed, in response to P 533 of the April 19 2007 Order, to explain to the Commission why the provision in Exhibit E requiring NERC to electronically transfer WECC's and WIRAB's statutory costs to them within 24 hours after receiving assessment collections from WECC was appropriate and justified. Rather, NERC and WECC deleted this provision from Exhibit E to the revised NERC-WECC Delegation Agreement submitted with the October 30 2007 Compliance Filing.¹¹ As a result, the NERC-WECC Delegation Agreement submitted with the October 30 2007 Compliance Filing was silent on the

⁹ See April 19 2007 Order at PP 4-5. On May 18, 2007, NERC filed an executed copy of the NERC-WECC Delegation Agreement that had been submitted in the November 29 2006 Compliance Filing (Docket RR07-7).

¹⁰ The revised NERC-WECC Delegation Agreement was included in Attachment 11 to the October 30 2007 Compliance Filing. Exhibit E of the revised NERC-WECC Delegation Agreement continued to include the provisions that WECC will bill the annual statutory assessments to LSEs and Balancing Authorities in the WECC Region through a single annual invoice to be issued by November 15 and due by January 2, and that WECC will electronically transfer assessment collections to NERC on a weekly basis.

¹¹ See October 30 2007 Compliance Filing at pp. 117-118.

timing for NERC to transmit to WECC and WIRAB the portions of collected assessments that constituted WECC's and WIRAB's respective statutory funding amounts.

In the March 21 2008 Order, the Commission addressed the revised NERC-WECC Delegation Agreement (and those of other Regional Entities) that had been submitted in the October 30 2007 Compliance Filing. The Commission accepted the revised NERC-WECC Delegation Agreement submitted in Attachment 11 to the October 30 2007 Compliance Filing, to become effective in fifteen days,¹² but directed that additional revisions be made in a subsequent compliance filing. In P 238 of the March 21 2008 Order, the Commission stated:

238. We reject, as unsupported, the WECC Exhibit E omission, at section 3(b), of the following *pro forma* provision: “[u]pon approval of the annual funding requirements by applicable governmental authorities, NERC shall fund [Regional Entity’s] costs identified in this Exhibit E in four equal quarterly payments.” We direct NERC and WECC to adopt this language.

NERC and WECC complied with this directive in the revised version of the NERC-WECC Delegation Agreement that was submitted with the July 21 2008 Compliance Filing to the March 21 2008 Order, by adding the provision cited in P 233 as §3(b) of Exhibit E to the NERC-WECC Delegation Agreement.¹³ Section 3 of Exhibit E to the NERC-WECC Delegation Agreement submitted in the July 21 2008 Compliance Filing continued to include the provisions that WECC will bill the annual statutory assessments to LSEs and Balancing Authorities in the WECC Region through a single annual invoice to be issued by November 15 and due by January 2, and that WECC will electronically transfer assessment collections to NERC on a weekly basis.

¹² See March 21 2008 Order at P 225. On April 7, 2008, NERC filed an executed copy of the NERC-WECC Delegation Agreement that had been submitted in Attachment 11 to the October 30 2007 Compliance Filing.

¹³ See July 21 2008 Compliance Filing at p. 91. The revised NERC-WECC Delegation Agreement was included in Attachment 11 to the July 21 2008 Compliance Filing.

C. Reasons Supporting Approval of the Proposed Revisions to §3 of Exhibit E to the NERC-WECC Delegation Agreement

NERC and WECC acknowledge that they failed to respond to the opportunities provided by the April 19 2007 Order and the March 21 2008 Order to explain the justification for specifying that NERC will re-transfer to WECC and WIRAB the portions of assessments collected by WECC that constitute WECC and WIRAB statutory funding, within a short time after WECC sends the collected assessments to NERC. However, as explained in this section, this procedure is reasonable and appropriate, and therefore the Commission should approval the proposed revisions to §3 of Exhibit E that provide for this procedure.

First, NERC and WECC note that the provision that NERC will re-transfer to WECC and WIRAB the portions of assessments collected by WECC that constitute WECC and WIRAB statutory funding, within a short time after WECC sends the collected assessments to NERC, is founded on the fact that WECC bills the entire annual statutory assessment to LSEs and Balancing Authorities in its Region via a single invoice, collects a single annual payment from each LSE and Balancing Authority, and electronically transfers the collected assessments to NERC on a weekly basis.¹⁴ In this regard, the procedure for billing and collecting the NERC and WECC (and WIRAB) statutory assessments from LSEs and Balancing Authorities is unique among the Regional Entities. In the other Regions, (i) it is NERC, not the Regional Entity, that bills and collects the statutory assessments, and (ii) the statutory assessments for a year are billed and collected on a quarterly basis.

¹⁴ As described earlier in this petition, the collection of WECC funding through a single annual invoice and payment is a long-standing WECC practice. NERC and WECC note that, as described above, this procedure has been embodied in the NERC-WECC Delegation Agreements submitted to the Commission in a total of five compliance filings or filings of executed agreements during 2006, 2007 and 2008, and no comments have been filed with the Commission by entities in the WECC Region objecting to the single annual invoice and payment process (as opposed to the quarterly invoicing and payment process employed in the other Regions).

Second, therefore, specifying that NERC will re-transfer to WECC and WIRAB the portions of assessments collected by WECC that constitute WECC and WIRAB statutory funding, within a short time after WECC sends the collected assessments to NERC, actually places the NERC-WECC funding relationship on equivalent footing to the funding relationships between NERC and the other seven Regional Entities. In the other seven Regions, NERC bills LSEs and/or Balancing Authorities for the annual statutory assessment in four equal quarterly installments, NERC collects the assessments in four equal quarterly installments, and therefore NERC appropriately funds the Regional Entity's statutory costs in four equal quarterly installments. This procedure, which is provided for in the *pro forma* Delegation Agreement and in the individual Delegation Agreements between NERC and the other seven Regional Entities, ensures that NERC is not advancing statutory funding to a Regional Entity ahead of NERC's collection of the corresponding assessment revenues from LSEs within that Region.

Consistent with this objective, the proposed revisions to §3 of Exhibit E to the NERC-WECC Delegation Agreement provide for NERC to fund WECC's (and WIRAB's) statutory costs shortly after, but only after, NERC receives collected assessments from WECC. Under the proposed revised text of §3(b) of Exhibit E, NERC is *only* required to fund WECC's and WIRAB's statutory costs after NERC receives collected assessments, and only from assessments actually collected. The only difference between the NERC-WECC procedure and the procedure in the other Regions is that in the WECC Region, the assessments are billed and collected through a single annual invoice and payment, while in the other Regions the assessments are billed and collected in quarterly installments. Moreover, once a dollar of assessment representing WECC statutory funding has been collected by WECC and transmitted to NERC,

there is no reason why NERC should need to hold that dollar and only pay it out to WECC in four 25 cent installments over the course of the year.

Third, the single annual billing and collection of assessments by WECC, accompanied by the prompt re-transfer by NERC of the WECC and WIRAB statutory funding to those entities after NERC receives the collected assessments from WECC, helps to ensure that funds will be available to WECC to meet expenses notwithstanding variations in expenses throughout the year. Indeed, from the perspective of funding WECC's statutory activities, the cash flow benefits of the single annual invoicing and payment process are largely defeated if NERC is restricted to funding WECC's statutory costs in four equal quarterly installments.

Fourth, the single annual billing and collection of assessments by WECC, accompanied by the prompt re-transfer by NERC of the WECC and WIRAB statutory funding to those entities after NERC receives the collected assessments from WECC, allows WECC to take advantage of beneficial banking relationships that may require maintenance of minimum balances, and thereby realize a lower cost of credit when needed. For example, as the Commission is aware, WECC is financing the accelerated completion of its Reliability Center Strategic Initiative ("RCIS"), including the accelerated operation of its two new Reliability Coordination Centers, through borrowing against a \$6 million line of credit with a commercial lending institution.¹⁵ The line of credit agreement requires WECC to maintain a minimum cash balance with the lender in amounts as high as \$6 million. This minimum balance provision enabled WECC to obtain a

¹⁵ The accelerated RCIS and the arrangements to finance it were explained in detail in the *Request of the North American Electric Reliability Corporation for Approval of an Amendment to the 2008 Business Plan and Budget of the Western Electricity Coordinating Council and for Approval for WECC to Include Loan Repayment and Interest Costs in its 2009 and 2010 Assessments* (corrected version filed March 17, 2008) in Docket RR07-16. The Commission approved this request in an Order issued April 17, 2008. *Order Approving Amendment to Western Electricity Coordinating Council Business Plan and Budget*, 123 FERC ¶61,031 (2008).

lower interest rate on the borrowing. Further, to lessen the amount of time over which interest must be paid on the loan and thus the total interest costs, the borrowing arrangement provides for WECC to make just two loan principal and interest payments, in the first quarter of 2009 and the first quarter of 2010, totaling approximately \$3.3 million in the first quarter of 2009 and \$3.1 million in the first quarter of 2010. If WECC were to receive its statutory funding in four quarterly installments during the course of 2009, rather than receiving essentially all of its statutory funding for the year in late December 2008 and January 2009, WECC would not be able to meet its loan repayment obligations as well as fund its ongoing operating expenses during the first quarter of 2009. Under these circumstances, it would have been necessary for WECC to enter into less favorable borrowing arrangements with repayment extended over a longer period, resulting in higher borrowing costs to finance the accelerated RCIS and accelerated operation of the new Reliability Coordinator Centers.

Fifth, as it receives its annual statutory funding for the year from NERC in December of the prior year and January of the budget year (rather than in four equal quarterly installments over the course of the year), WECC can place funds in excess of current expenses (and in 2009-2010, loan servicing obligations) into interest-bearing accounts or other short-term investments, and the interest and other earnings on these deposits and investments can be used to fund WECC statutory expenses that otherwise would have necessitated higher assessments. For 2008, WECC budgeted \$609,000 of interest income as a funding source, which served to reduce the amount of WECC's statutory expenses to be funded by assessments to LSEs and Balancing Authorities.¹⁶

¹⁶ See *Request of the North American Electric Reliability Corporation for Acceptance of its 2009 Business Plan and Budget and the 2009 Business Plans and Budgets of Regional Entities and for Approval of Proposed Assessments to Fund Budgets*, filed Aug. 22, 2008 (Docket RR08-6-000), Attachment 10 (WECC Business Plan and Budget) at 62 (Table 5 shows 2008 WECC budget).

NERC and WECC note that, as described above, Exhibit E to the NERC-WECC Delegation Agreement as originally submitted to the Commission in the November 29 2006 Compliance Filing stated that “The ERO will in turn electronically transfer WECC’s and WIRAB’s statutory portion of such payment back to WECC within 24 hours.” NERC and WECC are now proposing that §3(b) of Exhibit E to the NERC-WECC Delegation Agreement state that NERC will make these transfers to WECC and WIRAB “[w]ithin three (3) business days following receipt of an electronic transfer of collected assessments from WECC.”¹⁷ In the past, NERC has generally been able to electronically transfer the portions of collected assessments constituting WECC and WIRAB statutory funding to WECC and WIRAB within 24 hours after receiving an assessment transfer from WECC. This has been possible in large part due to the high degree of communications between NERC and WECC concerning the status of assessment collections and the amounts of collected assessments that WECC prepares to electronically transfer to NERC on a weekly basis. However, providing that such re-transfers of funds to WECC and WIRAB will be made within three business days after NERC receives an electronic transfer of collected assessments from WECC will ensure that NERC has adequate time to verify the amount and sources of the funds received and the amounts of the payments that constitute NERC, WECC and WIRAB statutory funds.

D. Request for Approval of the Proposed Revisions by On or About December 15, 2008

NERC and WECC respectfully request that the Commission issue an order approving the proposed revisions to §3 of Exhibit E to the NERC-WECC Delegation Agreement by on or about December 15, 2008. As explained earlier in this filing, pursuant to Exhibit E, WECC issues the

¹⁷ In addition, the language now proposed for §3(b) of Exhibit E provides that NERC will transfer the portion of the collected assessments constituting WIRAB statutory funding directly to WIRAB, rather than transferring these funds to WECC for the benefit of WIRAB.

single annual assessment invoice for the upcoming year to LSEs and Balancing Authorities by November 15, with a payment due date of January 2. As a result, WECC collects almost all of its annual statutory funding for a year in late December of the preceding year and in January (and typically has virtually no collections during the rest of the year). If the proposed revisions to §3 of Exhibit E are approved by on or about December 15, 2008, NERC will be able to promptly transfer the portion of WECC’s 2009 statutory funding collected during December 2008 and January 2009 back to WECC, thereby enabling WECC to fund both its operating expenses and the scheduled loan principal and interest payment during the first quarter of 2009.

IV. CONCLUSION

For the reasons stated on this petition, NERC respectfully asks the Commission to approve the proposed revisions to §3 of Exhibit E to the NERC-WECC Delegation Agreement, and to issue its order approving the proposed revisions by on or about December 15, 2008.

Respectfully submitted,

<p>Rick Sergel President and Chief Executive Officer David N. Cook Vice President and General Counsel North American Electric Reliability Corporation 116-390 Village Boulevard Princeton, NJ 08540-5721 (609) 452-8060 (609) 452-9550 – facsimile david.cook@nerc.net</p>	<p>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 dpalmer@schiffhardin.com</p> <p>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 rebecca.michael@nerc.net</p>
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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 30th day of September, 2008.

/s/ Owen E. MacBride
Owen E. MacBride

*Attorney for North American Electric
Reliability Corporation*

ATTACHMENT 1

**CLEAN VERSION OF REVISED EXHIBIT E
TO NERC-WECC DELEGATION AGREEMENT**

**BASED ON NERC-WECC DELEGATION AGREEMENT
FILED IN JULY 21 2008 COMPLIANCE FILING
DOCKET NOS. RR06-1-017 AND RR07-7-004**

ATTACHMENT 1

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 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 -- The Balancing Authority will provide WECC a list of all LSEs located within its area no later than June 1st 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 15th 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.

ATTACHMENT 2

**REDLINED VERSION OF REVISED EXHIBIT E
TO NERC-WECC DELEGATION AGREEMENT**

**BASED ON NERC-WECC DELEGATION AGREEMENT
FILED IN JULY 21 2008 COMPLIANCE FILING
DOCKET NOS. RR06-1-017 AND RR07-7-004**

ATTACHMENT 2

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 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 -- The Balancing Authority will provide WECC a list of all LSEs located within its area no later than June 1st 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 15th 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, ~~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.
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) 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 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.

ATTACHMENT 3

**REDLINED VERSION OF REVISED EXHIBIT E
TO NERC-WECC DELEGATION AGREEMENT**

**BASED ON CURRENTLY-APPROVED
NERC-WECC DELEGATION AGREEMENT
FILED APRIL 7, 2008
IN DOCKET NO. RR07-7-002**

ATTACHMENT 3

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 Audit 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, and the proposed expenditure of funds collected in sufficient detail to justify the requested funding collection and budget expenditures. 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. 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 is expressly provided for in the annual business plan and budget submitted by NERC and WECC to the Commission pursuant to 18 C.F.R. §39.4.
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 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 -- The Balancing Authority will provide WECC a list of all LSEs located within its area no later than June 1st 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 15th each year to each LSE or Balancing Authority (depending on the Balancing Authority's choice of Option 1 or 2 above).
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 - Western Interconnection Regional Advisory Body (WIRAB) costs
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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.
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 accounts for the funding and expenses of WREGIS, and the program is currently funded through the California Energy Commission. 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.