

**AGREEMENT FOR REGISTRATION AS A JOINT REGISTRATION
ORGANIZATION AND FOR PERFORMANCE OF ACTIVITIES
REQUIRED UNDER ELECTRIC RELIABILITY STANDARDS**

executed by the

BONNEVILLE POWER ADMINISTRATION

and

Benton Rural Electric Association

This AGREEMENT FOR REGISTRATION AS A JOINT REGISTRATION ORGANIZATION AND FOR PERFORMANCE OF ACTIVITIES REQUIRED UNDER ELECTRIC RELIABILITY STANDARDS ("JRO Agreement") is entered into by and between Benton Rural Electric Association ("Utility") and the UNITED STATES OF AMERICA, Department of Energy, by and through the Bonneville Power Administration ("Bonneville"), a federal power marketing agency who are sometimes referred to individually as "Party", and collectively as "Parties" as the context suggests below.

WITNESSETH

WHEREAS the Energy Policy Act of 2005 ("Act") authorized the Federal Energy Regulatory Commission ("FERC") to approve Electric Reliability Standards with which users, owners and operators of the bulk power system are required to comply ("Electric Reliability Standards");

WHEREAS FERC has approved certain Electric Reliability Standards and associated Requirements proposed by the Electric Reliability Organization ("ERO") authorized by the Act to develop such Standards;

WHEREAS the ERO holds entities responsible for compliance with particular Electric Reliability Standards and Requirements based on the function those entities perform with respect to the operation of the bulk power system;

WHEREAS the ERO maintains a list of entities that are registered ("Registered Entity") and subject to the Electric Reliability Standards and Requirements, which also lists the functions for which the entities are responsible;

WHEREAS Utility, a customer of Bonneville, is an electric utility that is a Registered Entity, registered as a Distribution Provider (DP) and Load Serving Entity (LSE);

WHEREAS FERC and the ERO permit an entity ("Joint Registration Organization" or "JRO") to register on behalf of other responsible entities;

WHEREAS Utility meets the eligibility requirements established by Bonneville for participating in this JRO Agreement;

WHEREAS Bonneville agrees to register as a JRO on behalf of Utility and undertake the compliance responsibilities to the RRO and the ERO that attach to such registration, and Utility agrees to compensate Bonneville for undertaking such compliance responsibilities;

WHEREAS, in addition to registering for Utility, Bonneville agrees to perform certain activities on or with respect to Utility's system required of DPs and LSEs by the Electric Reliability Standards and Requirements as more fully set forth herein; and

WHEREAS Utility agrees to perform the remainder of such Electric Reliability Standards and Requirements applicable to Utility's system and to provide the reports, data and other information to Bonneville that it needs to carry out its compliance responsibilities under this JRO Agreement;

NOW THEREFORE, in order to define the roles and responsibilities for meeting the Electric Reliability Standards and Requirements and in consideration of the mutual covenants set forth herein, the receipt and sufficiency of which is hereby acknowledged, Bonneville and Utility agree as follows:

1. **Definitions.** When used in this JRO Agreement, the following terms have the meaning shown below:
 - a. "Day" means a business day as recognized by Utility.
 - b. "Electric Reliability Organization" and "ERO" refer to the North American Electric Reliability Corporation or its successor approved by FERC under its authority pursuant to the Energy Policy Act of 2005.
 - c. "Electric Reliability Standard and Requirement ("Standard and Requirement") means a reliability standard or its component requirements as approved by FERC under its authority pursuant to the Energy Policy Act of 2005.
 - d. "Incremental Costs" means those costs that Bonneville incurs (i) to perform its obligations under this JRO Agreement that are materially increased due to changes to Standards and Requirements occurring after the effective date of this JRO Agreement or (ii) to perform obligations related to new Standards and Requirements that Bonneville did not perform prior to June 18, 2007, but which Bonneville agrees to perform pursuant to Section 5c of this JRO Agreement.
 - e. "Regional Reliability Organization" and "RRO" refer to the Western Electricity Coordinating Council or its successor to which the ERO has delegated authority under the Energy Policy Act of 2005.

2. **Effective Date.** This JRO Agreement shall be effective at 12:00 AM in the time zone applicable to the address of Utility on the day after Utility actually receives from Bonneville an original copy executed by both Parties ("Effective Date"), notwithstanding anything to the contrary in Section 18.

3. **Term and Termination**

a. This JRO Agreement shall continue in effect until 2400 hours on September 30, 2010, unless otherwise extended by written agreement of the Parties or terminated prior to such date in accordance with the provisions of this JRO Agreement.

b. The Parties may terminate this JRO Agreement by written mutual agreement.

c. A Party to this JRO Agreement may unilaterally terminate this JRO Agreement pursuant to the following provisions where the other Party has materially breached this JRO Agreement.

(1) The Party seeking to terminate this JRO Agreement shall give the other Party written notice of the nature of the material breach ("Notice of Breach"). Such written notice shall contain a specific description of the breach, the reasons for which it is deemed material and the actions required to cure the breach. If the Party receiving the Notice of Breach contests in good faith the existence of the material breach alleged in such notice, then such Party shall have ten (10) days from receipt of the Notice of Breach to request in writing a meeting with the Party that issued the Notice of Breach. Such meeting shall be conducted within twenty (20) days of receipt of the Notice of Breach.

(2) If requested pursuant to Section 3c(1), the meeting shall be attended by representatives of both Parties with decision-making authority who may bring appropriate members of their respective staffs. The Parties shall make a good faith effort to agree on whether a material breach has occurred, what steps should be taken to cure the breach, and how much time will be allowed to implement such cure.

(3) Regardless of whether a meeting was requested pursuant to Section 3c(1), the Party that issued the Notice of Breach may issue a written termination notice ("Notice of Termination") to the other Party no sooner than forty (40) days after receipt of the Notice of Breach, which Notice of Termination shall specify an effective date of termination to occur no sooner than sixty (60) days after receipt of the Notice of Breach.

(4) From the date of the Notice of Termination until the effective date of termination, the Parties shall work cooperatively to facilitate the

transfer of responsibilities between the Parties as a result of the termination.

- (5) Any Notice of Termination shall be rendered moot and ineffective if the Party receiving a Notice of Termination, at any time after receipt thereof but prior to the effective date of termination, implements either the cure provided in the Notice of Breach to the satisfaction of the Party issuing the Notice of Breach or the cure agreed upon by the Parties in a meeting conducted pursuant to Section 3c(2).
 - d. From the time that Notice of Termination is given (or the Parties agree to terminate) until the time termination becomes effective, the Parties shall continue to abide by and perform their obligations in accordance with the terms of this JRO Agreement.
 - e. At the time termination becomes effective, Bonneville may de-register as the JRO on Utility's behalf.
 - f. Before the termination of this JRO Agreement pursuant to this Section 3 becomes effective, Bonneville shall offer to Utility for execution an agreement pursuant to which Bonneville agrees to perform certain Standards and Requirements with terms and conditions comparable to the terms and conditions contained in Bonneville's JRO Agreement for Performance of Certain Activities Required Under Electric Reliability Standards for similarly-situated utilities in effect at the time of termination.
4. **Amendment of Agreement.** Except as expressly stated otherwise in Sections 5b and 18 of this JRO Agreement, the Parties may amend or revise this JRO Agreement only by a signed written mutual agreement. New or revised exhibits to this JRO Agreement shall be deemed to be part of this JRO Agreement and shall be effective on the date specified therein.
5. **Exhibits**
- a. Exhibit A ("Bonneville Responsibilities"), Exhibit B ("Utility Responsibilities") and Exhibit D ("Charges for Services") are hereby incorporated as part of this JRO Agreement.
 - b. **Unilateral Revisions**
 - (1) Bonneville may unilaterally revise Exhibit A to incorporate FERC-approved changes to Standards and Requirements set forth in Exhibit A. Such changes shall be effective on the date Utility receives written notice of such changes by Bonneville.
 - (2) Bonneville may unilaterally revise Exhibit A to incorporate additional Standards and Requirements. Such revision will be effective seven (7) days after Utility receives written notice of such revision from Bonneville unless Utility provides objection by telephone to Bonneville

within such period followed by delivery of written notice of such objection within five (5) days, in which case such revision shall be deemed ineffective.

- (3) Exhibit D may be revised annually by Bonneville if Bonneville determines that the charges specified in Exhibit D must be adjusted to conform to Bonneville's current reasonable costs, including overhead.
- c. **Negotiated Revisions.** Pursuant to Section 4 of this JRO Agreement, Utility may request that Bonneville assume responsibility for compliance with additional Standards and Requirements not set forth in Exhibit A or with changes to Standards and Requirements set forth in Exhibit A, and Bonneville may in its discretion agree to assume responsibility under terms acceptable to Bonneville and Utility, which may include Utility's agreement to reimburse Bonneville for the Incremental Cost associated with its assumption of responsibility for such additional or changed Standards and Requirements.
- d. The Parties shall make a good faith attempt to negotiate by December 31, 2007, an Exhibit C to this JRO Agreement to specify each Party's operational and other technical obligations to enable and facilitate the Parties' compliance with the Standards and Requirements. In the absence of an Exhibit C, an arbitrator may make findings regarding a Party's reasonable operational or other technical responsibilities in determining comparative fault under Section 7.

6. **Performance Obligations**

- a. **Bonneville's Performance Obligations**
- (1) Bonneville shall register as soon as practicable as a JRO on behalf of Utility and thereafter comply with the requirements applicable to JRO's set forth in Section 507 of the NERC Rules of Procedure, as amended or succeeded.
 - (2) Bonneville shall be responsible for the operations, maintenance, reporting, documentation and such other responsibilities required by the Standards and Requirements specified in Exhibit A. Bonneville shall not be responsible to Utility for performance of Standards and Requirements other than those set forth in Exhibit A.
 - (3) Bonneville shall accept and be bound by the relevant interpretations and final orders of FERC, the ERO, and the RRO regarding the actions that are required to be taken by Bonneville in order to fulfill its obligations under Exhibit A. Bonneville may comply with such interpretations without the consent of Utility.
 - (4) If performance of Bonneville's obligations hereunder requires access by Bonneville personnel to property or facilities of Utility, Bonneville

shall comply with all applicable Utility access procedures and safety regulations and take any necessary safety instruction that may be required by Utility.

b. Utility Performance Obligations

- (1) Except for those Standards and Requirements set forth in Exhibit A, Utility shall perform all activities required to comply with the Standards and Requirements applicable to Utility.
- (2) Utility shall accept and be bound by the relevant interpretations and final orders of FERC, the ERO, and the RRO regarding the actions that are required to be taken by Utility in order to fulfill its obligations under Section 6b(1).
- (3) Utility shall cooperate with Bonneville in its efforts to perform its responsibilities under Section 6a and Exhibit A. Utility's obligation to cooperate includes, without limitation, the timely addition, maintenance, repair, and replacement of equipment necessary for Bonneville to perform its obligations under this JRO Agreement, and allowing timely access to Utility facilities where required or convenient for purposes of Bonneville's performance of its obligations, subject to Section 6a(4).

7. Liability for Monetary Penalties

- a. As the Registered Entity, Bonneville shall be responsible for paying to the RRO, ERO or FERC any monetary penalty imposed by the RRO, ERO or FERC for violation of any Standard and Requirement applicable to Utility or Utility's system or for failure to comply with other obligations of a Registered Entity regardless of whether a dispute exists between the Parties under Sections 7d and 7e below.
- b. Utility shall reimburse Bonneville for any monetary penalty imposed on Bonneville as the Registered Entity for violations of Standards and Requirements for which Utility is responsible under Section 6b. Utility shall reimburse Bonneville for any such penalties within thirty (30) days of Utility's receipt of an invoice from Bonneville or within thirty (30) days of, and consistent with, the final resolution of any dispute under Section 7e. If Bonneville's acts or omissions are responsible in whole or in part for Utility's failure to comply with such Standards and Requirements, Bonneville shall bear a share of the penalty based on its comparative fault.
- c. In the event that FERC, the ERO or the RRO imposes a monetary penalty on Bonneville for any violation of Standards and Requirements or of JRO requirements for which Bonneville has assumed responsibility pursuant to Section 6a, Utility shall have no obligation to reimburse Bonneville for such penalty except as provided in the following two sentences. Bonneville shall recover the costs of such penalty through generally applicable rates and

charges, and not through any charge, surcharge or penalty that assesses such penalty on Utility. If Utility's acts or omissions are responsible in whole or in part for Bonneville's failure to comply with such Standards and Requirements, Utility shall bear a share of the penalty based on its comparative fault.

- d. In determining whether and to what extent the Utility is responsible for any part of monetary penalties imposed with respect to Bonneville's performance of its responsibilities under this JRO Agreement or Bonneville is responsible for any part of monetary penalties imposed with respect to Utility's performance of its responsibilities under this JRO Agreement, the Parties shall use good faith efforts to reach agreement on the proper amount, if any, of the monetary penalty that should be assumed by Utility or Bonneville.
 - e. If such dispute is not resolved after good faith efforts of the Parties to reach a resolution, the dispute shall be finally resolved by binding arbitration administered by the American Arbitration Association under its Commercial Arbitration Rules, unless the Parties agree in writing upon another method for resolving the dispute. Each Party shall have discovery rights as set out in the Federal Rules of Civil Procedure. In order to keep Bonneville whole, the award shall include interest on the amount of such monetary penalty for which Utility is determined to be responsible. Judgment upon any award rendered by an arbitrator may be entered in any court or administrative body having appropriate jurisdiction. The Parties shall equally share the costs of any arbitration process, including the cost of the arbitrator, court reporter and room rental. Each party shall be responsible for the costs of presenting its own case, including, without limitation, witnesses, attorneys, and consultants.
8. **Non-Monetary Sanctions and Other Non-Monetary Directives.** As the Registered Entity, Bonneville shall fully inform Utility of any non-monetary sanctions or other non-monetary directives proposed by the RRO, ERO or FERC with respect to the obligations under this JRO Agreement.
9. **Challenges to Penalties, Non-Monetary Sanctions and other Non-Monetary Directives**
- a. If Utility elects to challenge a monetary penalty, non-monetary sanction or other non-monetary directive noticed by the RRO, ERO or FERC for performance or non-performance of activities for which Utility has assumed responsibility under this JRO Agreement, then Utility shall notify Bonneville in writing of its decision to challenge and shall consult with Bonneville regarding the potential risks, costs and liabilities resulting from the challenge before filing any such challenge. Bonneville shall cooperate with Utility in initiating and pursuing such challenge, and the Parties shall assume their own costs of initiating and pursuing such challenge.
 - b. If Utility does not elect to challenge a monetary penalty, non-monetary sanction or other non-monetary directive noticed by the RRO, ERO or FERC

for the performance or non-performance of activities for which Utility has assumed responsibility under this JRO Agreement, but Bonneville desires to challenge such monetary penalty, non-monetary sanction or other non-monetary directive, then Bonneville shall notify Utility in writing of its decision to challenge and consult with Utility regarding the potential risks, costs and liabilities resulting from the challenge before filing such challenge. Utility shall cooperate with Bonneville in initiating and pursuing such challenge, and the Parties shall assume their own costs of initiating and pursuing such challenge.

10. Reporting Responsibilities and Information Exchange

- a. Each Party shall provide in a timely manner to the other any information that is reasonably required and requested by the other Party in writing, and which is needed to perform its obligations under this JRO Agreement, including without limitation information required by FERC, the ERO or the RRO to determine compliance with the Standards and Requirements for which the Parties have assumed responsibility under this JRO Agreement. Such information shall be provided in a timely manner.
- b. As soon as practicable but not more than five (5) days after learning of an upcoming compliance audit by FERC, the ERO or the RRO, Bonneville shall provide written notice to Utility describing the date, time, and location of such audit. Upon receiving such written notice, Utility shall deliver as soon as practicable, but no later than two (2) days prior to the scheduled audit, all documents, correspondence, and materials related to the performance of its responsibilities under this JRO Agreement that are determined by FERC, the ERO or the RRO to be required by such audit. Utility shall deliver materials to the location listed in Bonneville's notice. Utility shall have a representative capable of explaining the Utility's materials in attendance at the audit to explain all documentation provided by Utility under the terms of this JRO Agreement.
- c. Where a Party provides information to the other Party under this JRO Agreement and marks such information as privileged commercial and financial information or critical infrastructure information submitted to a public body in confidence or as trade secret information for purposes of the Freedom of Information Act or similar law of the State of Washington, the other Party shall treat such information as confidential and protected from disclosure to the extent permitted by such law. The Party possessing such information shall notify in writing the providing Party of any request to release such information. The Parties agree to use such information only for purposes of performing the Party's obligations under this JRO Agreement.

If Bonneville receives a request to disclose such information provided to it by Utility, it shall promptly notify Utility in writing of such request and shall not disclose such information without obtaining the consent of Utility, consistent with Bonneville's obligations under the Freedom of Information Act. If Utility receives a request to disclose such information provided to it

by Bonneville, Utility shall promptly notify Bonneville in writing of such request and shall not disclose such information without Bonneville's consent, consistent with Utility's obligations under state law. In the event legal proceedings are initiated to require Utility to release such information, it shall be the responsibility of Bonneville to take any and all actions necessary to protect the confidentiality of such information, and Utility shall not be in breach of its obligations hereunder if Utility does not take legal or other action to resist the disclosure of such information.

11. Monitoring, Self-Reporting and Mitigation Plans

- a. If Utility determines that it is not in compliance with one or more of the Standards and Requirements for which it is responsible under this JRO Agreement, it shall prepare a report of such violations pursuant to the requirements of the RRO and submit such report to Bonneville as soon as possible. Bonneville shall submit such report to the RRO and inform Utility of the date of such submission. Utility may submit its report directly to the RRO if Bonneville has not submitted such report to the RRO within five (5) days of its receipt from Utility. As soon as practicable after the report is submitted to Bonneville, Utility shall prepare a mitigation plan to correct the violation and shall submit such plan to Bonneville which shall then submit such plan to the RRO and inform Utility of the date of such submission. Utility may submit its mitigation plan directly to the RRO if Bonneville has not submitted such plan to the RRO within five (5) days of its receipt from Utility.
- b. If Bonneville determines that it is not in compliance with one or more of the Standards and Requirements set forth in Exhibit A, it shall prepare a report of such violations pursuant to the requirements of the RRO and submit such report to the RRO as soon as possible. At the same time, Bonneville shall provide a copy of such report to Utility. As soon as practicable after the report is submitted, Bonneville shall prepare a mitigation plan to correct the violation and shall submit such plan to the RRO. Bonneville shall provide a copy of such mitigation plan to Utility.
- c. Bonneville may monitor Utility's compliance with its obligations pursuant to this JRO Agreement through site visits and reasonable requests for information. Utility shall allow Bonneville representatives to visit its facilities upon reasonable notice and shall provide to Bonneville requested information related to compliance with Utility's obligations under this JRO Agreement.

- 12. Payment.** Bonneville shall include the monthly amount specified in Exhibit D as a separate charge on Utility's monthly transmission service invoice. Utility shall make payment pursuant to the billing and payment provisions included in Transmission Contract No. 96MS-95364.

13. Liability for Acts and Omissions

- a. To the extent allowed by the Federal Tort Claims Act, 62 Stat. 982, as amended, Bonneville agrees to indemnify and hold harmless Utility, its board of directors, officers, employees, agents and representatives against and from any and all loss, claims, actions or suits for or on account of injury, bodily or otherwise, to or death of persons or for damages to or destruction of property belonging to Utility or others, resulting from Bonneville's negligent acts or omissions or intentional misconduct in connection with the performance of this JRO Agreement, excepting that any liability attaching to Bonneville shall be reduced by any proportion that such harm or damage is caused by negligence or intentional misconduct of Utility, its board of directors, officers, employees, agents or representatives.
- b. To the extent allowed by state law, Utility agrees to indemnify and hold harmless Bonneville, its officers, employees, agents and representatives against and from any and all loss, claims, actions or suits for or on account of injury, bodily or otherwise, to or death of persons or for damages to or destruction of property belonging to Bonneville or others, resulting from Utility's negligent acts or omissions or intentional misconduct in connection with the performance of this JRO Agreement, excepting that any liability attaching to Utility shall be reduced by any proportion that such harm or damage is caused by negligence or intentional misconduct of Bonneville, its officers, employees, agents or representatives.
- c. In no event shall Bonneville be liable to Utility, its board of directors, officers, employees, agents or representatives for any lost or prospective profits or any other special, punitive, exemplary, consequential, incidental or indirect losses or damages (in tort, contract or otherwise) under or in respect of this JRO Agreement.
- d. In no event shall Utility be liable to Bonneville, its officers, employees, agents or representatives for any lost or prospective profits or any other special, punitive, exemplary, consequential, incidental or indirect losses or damages (in tort, contract or otherwise) under or in respect of this JRO Agreement.

14. Relationship of the Parties. The Parties agree that Bonneville is an independent contractor to Utility in the performance of its obligations under Sections 6a(1) and 6a(2) of this JRO Agreement and that Utility is an independent contractor to Bonneville in the performance of its obligations under Section 6b(1) of this JRO Agreement. Neither Party is the agent or principal of the other, nor are they partners or joint venturers. Each Party agrees that it will not represent that in performing its obligations hereunder that it acts in the capacity of agent or principal of the other Party, nor that it is a partner or joint venturer with the other Party with respect to the subject matter of this JRO Agreement.

15. Governing Law. This JRO Agreement shall be interpreted, construed and enforced in accordance with Federal law; provided, however, that the capacity, power and authority of Utility to enter into this JRO Agreement and any issue

relating to the interpretation of Utility's enabling statutes or its obligations under information access and disclosure laws and regulations shall be governed by and construed in accordance with the constitution and laws of the State of Washington.

16. **Assignment.** Neither this JRO Agreement nor any rights or responsibilities under this JRO Agreement may be assigned by either Party to a third party without the written consent of the other Party, and such consent shall not be unreasonably delayed, conditioned or withheld.
17. **No Third Party Beneficiaries.** This JRO Agreement is made and entered into for the sole protection and legal benefit of the Parties, and no other person shall be a direct or indirect legal beneficiary of, or have any direct or indirect cause of action or claim in connection with this JRO Agreement or of any duty, obligation, or undertaking established herein.
18. **Notices.** Where this JRO Agreement requires the determination of the date of receipt or delivery of any written notice, request, demand or other communication, it shall be deemed to occur on the earlier of: (i) the date when telefaxed with confirmed transmission, (ii) four (4) days after being deposited into the United States mail; or (iii) the day after being placed into overnight delivery. Any notice, request, demand or other communication under this JRO Agreement shall be directed to the Parties' respective contacts as shown below. Either Party may change or supplement its respective contact information by giving the other Party written notice of such change.

If to the Utility:

Benton Rural Electric Association
P.O. Box 1150
Prosser, WA 99350
Title: General Manager/ Executive
Vice President
Phone: (509) 786-2913
Fax: (509) 786-7615

If to Bonneville:

Attention: Transmission Account Executive
for Benton Rural Electric Association –
TSE/TPP-2
Phone: (360) 619-6003
Fax: (360) 619-6940

If by First Class Mail:

Bonneville Power Administration
P.O. Box 61409
Vancouver, WA 98666-1409

If by Overnight Delivery Service:

Bonneville Power Administration – TSE/TPP-2
7500 NE 41st Street, Suite 130
Vancouver, WA 98662-7905

19. **Waivers.** Any waiver at any time by either Party of its rights under this JRO Agreement, or with respect to any other matter arising in connection with this JRO Agreement, shall not constitute or be deemed a waiver with respect to any subsequent assertion of that right or matter arising in connection with this JRO Agreement. Any delay short of the statutory period of limitations in asserting or

enforcing any right under this JRO Agreement shall not constitute or be deemed a waiver of such right.

- 20. **Satisfaction of Liabilities.** All liabilities incurred prior to termination of this JRO Agreement are hereby preserved until satisfied.
- 21. **Entire Agreement.** This JRO Agreement constitutes the entire agreement between the Parties regarding (i) Bonneville's duty to be the Registered Entity and to perform on Utility's behalf certain activities that are otherwise Utility's responsibility under the Standards and Requirements and (ii) Utility's duty to perform activities to enable Bonneville's performance of its duties herein.
- 22. **Signature Clause.** The Parties' representatives signing below represent that they have been properly authorized to enter into this JRO Agreement on behalf of the Party for whom they sign.

IN WITNESS WHEREOF, the Parties hereto have caused this JRO Agreement to be executed as shown below.

BENTON RURAL ELECTRIC ASSOCIATION UNITED STATES OF AMERICA
Department of Energy
Bonneville Power Administration

By: _____

By: _____

Name: _____
(Print/Type)

Name: Brian D. Altman
(Print/Type)

Title: _____

Title: Transmission Account Executive

Date: _____

Date: _____

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