



MEMORANDUM OF UNDERSTANDING REGARDING LSE AND DP COMPLIANCE OBLIGATIONS

This Memorandum of Understanding (“Memorandum” or “MOU”) sets forth information regarding the standards and related procedures applicable to the registration of Load Serving Entities (“LSEs”) and Distribution Providers (“DPs”) as Registered Entities (“REs”) pursuant to Section 215 of the Federal Power Act and related laws and regulations. This MOU is between **the City of Lompoc (Lompoc)**, a **LSE and/or DP**, and the Western Electricity Coordinating Council (“WECC”) as delegate of North American Electric Reliability Corporation (“NERC”) in the registration process. **Lompoc** and the WECC are collectively referred to below as “Parties.”

RECITALS

WHEREAS, the Energy Policy Act of 2005 was signed into law in August 2005, which added a new Section 215 to the Federal Power Act giving the Federal Energy Regulatory Commission (“FERC”) authority over developing and enforcing reliability standards for the Bulk Power System;

WHEREAS, in Docket RM06-16-000; 118 FERC ¶ 61,218 (“Order No. 693”), FERC approved various Reliability Standards applicable to users, owners and operators of the Bulk Power System developed by the NERC, the entity certified by FERC as the Electric Reliability Organization (“ERO”), and FERC intends to approve additional Reliability Standards;

WHEREAS, the NERC, through the WECC Delegation Agreement (filed with FERC in Docket No. RR07-7) has delegated authority to the WECC for the purposes of proposing Reliability Standards to the ERO and enforcing Reliability Standards within the Western Interconnection;

WHEREAS, LSEs and DPs within the Western Interconnection are required to register with the NERC in accordance with the NERC Statement of Compliance Registry Criteria and to comply with specified standards applicable to them;

WHEREAS, **Lompoc** is user, owner, or operator of the bulk power system and is registered with the NERC as a **LSE and/or DP** in accordance with the NERC Statement of Compliance Registry Criteria;

WHEREAS, it is useful as part of the registration process to specifically identify the NERC and WECC reliability standards and requirements that apply to **Lompoc** pertinent to ensuring compliance;



UNDERSTANDINGS

NOW THEREFORE, in view of the recitals set forth above, which the Parties acknowledge and agree are accurate representations of the facts and are hereby incorporated by reference, the Parties mutually acknowledge the following understandings.

1. DEFINITIONS.

Unless otherwise defined herein, all capitalized terms shall have the meaning set forth in the FERC-approved NERC Glossary of Terms, the NERC Functional Model, the WECC/NERC Delegation Agreement, including the WECC Compliance Monitoring and Enforcement Program contained in Exhibit D to the Delegation Agreement, and the NERC Rules of Procedure.

“Applicable Reliability Standard” means a Reliability Standard that is applicable by law to **Lompoc** in its capacity as an **LSE and/or DP**.

“Compliance” means full performance of the tasks and responsibilities and associated measures required by the Applicable Reliability Standards requirements, by the NERC compliance procedures and the WECC Compliance Monitoring and Enforcement Program (CMEP).

“Confidential Information” means (i) all written materials marked “Confidential”, “Proprietary” or with words of similar import provided to either Party by the other Party, and (ii) all observations of equipment (including computer screens) and oral disclosures related to either Party’s systems, operations and activities that are indicated as such at the time of observation or disclosure, respectively (collectively, “Confidential Information”) and (iii) all materials deemed confidential by operation of law. Confidential Information includes portions of documents, records and other material forms or representations that either Party may create, including but not limited to, handwritten notes or summaries that contain or are derived from such Confidential Information.

“Delegate Entity” means a person or entity that has contractually agreed to ensure compliance with one or more Applicable Reliability Standards on behalf of **Lompoc**.

Distribution Provider (DP) is defined as an entity which “[p]rovides and operates the “wires” between the transmission system and the end-use customer. For those end-use customers who are served at transmission voltages, the Transmission Owner also serves as the Distribution Provider. Thus, the Distribution Provider is not defined by a specific voltage, but rather as performing the Distribution function at any voltage.”
Source: NERC Glossary of Terms.



Load-Serving Entity is defined as an entity which “[s]ecures energy and transmission service (and related Interconnected Operations Services) to serve the electrical demand and energy requirements of its end-use customers.”
Source: NERC Glossary of Terms.

“Good Utility Practice” means any of the practices, methods, and acts engaged in or approved by a significant portion of the electric utility industry during the relevant time period, or any of the practices, methods, and acts that, in the exercise of reasonable judgment in light of the facts known at the time the decision was made, could have been expected to accomplish the desired result at a reasonable cost consistent with good business practices, reliability, safety, and expedition. Good Utility Practice is not intended to be any one of a number of the optimum practices, methods, or acts to the exclusion of all other, but rather to be acceptable practices, methods, or acts generally accepted in the region.

“Penalty and Sanctions” means any monetary penalty and / or non-monetary sanction issued or assessed by the WECC or NERC.

“Reliability Standard” means a mandatory Reliability Standard approved by the FERC under Section 215 of the Federal Power Act to provide for reliable operation of the Bulk Power System. This definition includes NERC and WECC Regional Reliability Standards which have been approved by FERC.

2. SCOPE OF THIS MEMORANDUM

This MOU is applicable to **Lompoc's** registration as an **LSE and/or DP**. To the extent that **Lompoc** may also be a registered for other functions, this MOU is not applicable to those functions.

3. RELIABILITY STANDARDS.

The Applicable Reliability Standards are set forth in Appendix 1 to this MOU. In consultation with **Lompoc**, the WECC will update Appendix 1 on an annual basis to reflect approved updates, deletions and additions to the Applicable Reliability Standards.

Note: Appendix 1 is intended to inform **Lompoc** regarding its compliance obligations but cannot, as a matter of law, alter **Lompoc's** independent obligation under the Federal Power Act to comply with all Applicable Reliability Standards immediately upon their effective date, whether Appendix 1 has been updated to reflect such standards or not. Accordingly, any discrepancy between Appendix 1 and the Applicable Reliability Standards made effective after the date of the most recent version of Appendix 1 will be resolved in favor of the Applicable Reliability Standards. WECC and **Lompoc** will make best efforts to jointly address changes to standards as they occur to



address applicability. The Entity may work with other Entities which have signed this MOU and are parties to this filing to form an ad hoc committee to work with WECC in updating the matrix. Any changes made to Appendix 1 during the year will be included in the annual update. Appendix 1 will contain the complete set of applicable requirements except for changes that occur during the year.

4. DELEGATION OF TASKS ASSOCIATED WITH RELIABILITY STANDARD REQUIREMENTS

It is understood that an entity may delegate certain tasks associated with Reliability Standard Requirements to another entity for the purpose of maintaining compliance with the Requirements. Although an entity may delegate tasks, the ultimate responsibility for ensuring compliance with Requirements falls on the registered entity. All formal delegation agreements will be referenced in Appendix 2 of this filing.

N/A has entered into an agreement or agreements with a Delegate Entity or Entities for compliance with certain Applicable Reliability Standards. Such agreement or agreements are referenced in Appendix 2. For the purposes of auditing **[Entity's]** compliance, the WECC acknowledges these (and only these) delegation agreements; provided, however, that such agreement(s) does/do not relieve **[Entity]** of its ultimate obligation to ensure compliance with Applicable Reliability Standards. Such obligation includes, but is not limited to, the obligation to reasonably supervise and communicate with any Delegate Entity. **[Entity]** will promptly notify the WECC and update Appendix 2 whenever there is any new delegation agreement or any material change in any delegation agreement.

Lompoc has not entered into any agreement or agreements with a Delegate Entity or Entities for compliance with specified Applicable Reliability Standards.

5. USE OF CONTRACTORS.

Lompoc may use qualified third party contractors or agents to meet its obligations under the Applicable Reliability Standards. Such use does not constitute a delegation pursuant to Section 4, above, and does not relieve **Lompoc** of its primary obligation to comply with any Applicable Reliability Standard.

6. CHANGE IN REGISTRATION STATUS OF ENTITY

Lompoc may assign the obligations described in this MOU only under applicable law. Should the status of **Lompoc** as an **LSE and/or DP** change for any reason, including but not limited to transfer, sale or other transaction involving **Lompoc** or its facilities, **Lompoc** will promptly notify the WECC.



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7. AUDITS AND ENFORCEMENT

Lompoc understands that its compliance with Applicable Reliability Standards is subject to audit, enforcement and possible penalties pursuant to Section 215 of the Federal Power Act and related regulations, orders and policies of the FERC, NERC and the WECC. Chief among these policies is the WECC CMEP described in Attachment D to the Delegation Agreement between the NERC and the WECC and set forth here as Appendix 3. Pursuant to the WECC CMEP, WECC will monitor, assess, and enforce compliance with Applicable Reliability Standards using eight (8) monitoring processes to collect information in order to make assessments of compliance: (1) Compliance Audits, (2) Self-Certifications, (3) Spot Checking, (4) Compliance Violation Investigations, (5) Self-Reporting, (6) Periodic Data Submittals, (7) Exception Reporting, and (8) Complaints.

Lompoc understands that it is subject to audit for compliance with Applicable Reliability Standards. Compliance Audits will be conducted on **Lompoc** site or off-site at WECC's offices to the extent required by NERC Rule of Procedure 403.11.2. All Compliance Audits shall be conducted in accordance with Section 3.0 of the WECC CMEP.

8. GENERAL TERMS AND CONDITIONS

8.1 Dispute Resolution. Any dispute regarding an enforcement action asserting non-compliance with any Applicable Reliability Standard will be resolved in accordance with Section 5.0 of the WECC CMEP set forth at Appendix 3. Nothing in this section shall abridge any party's right to appeal a decision of the WECC in accordance with applicable law.

8.2 Liability. Except for Penalties assessed pursuant to applicable law, no Party to this MOU will be liable to any other party for any indirect, special, incidental or consequential losses, damages, claims, liabilities, costs or expenses (including attorneys fees and court costs) arising from the performance or non-performance of its obligations explicitly arising under the operation of this MOU.

8.3 Confidentiality. The WECC acknowledges that for the purposes of auditing and enforcing Applicable Reliability Standards, it may receive information from **Lompoc** that has been marked as Confidential Information. The WECC will protect such information from disclosure in accordance with the procedures set forth at Section 1500 of the NERC Rules of Procedures and Section 9.0 of the WECC CMEP set forth in Appendix 3.

8.4 No Contract or Third Party Beneficiaries. This MOU is intended to document the Parties' mutual understandings of applicable law and is not intended to create any independent contract or obligation other than under such



applicable law. This MOU is not intended to and does not create rights, remedies, or benefits of any character whatsoever in favor of any persons, corporations, associations, or entities including the Parties or any Third Party.

8.5 Multiple Counterparts. This MOU may be executed in two or more counterparts, each of which is deemed an original but all constitute one and the same instrument.

8.6 No Partnership. This MOU will not be interpreted or construed to create an association, joint venture, agency relationship, or partnership between the Parties or to impose any partnership obligation or partnership liability upon any Party. No Party will have any right, power or authority to enter into any agreement or undertaking for, or act on behalf of, or to act as or be an agent or representative of, or to otherwise bind, another Party.

8.7 Governing Law. The interpretation of this MOU will be governed by the law of Utah, excluding its conflicts of law rules, except if a federal party is involved, in which case federal law will apply as if performed within the state of Utah. Notwithstanding the foregoing, nothing will affect the rights and obligations of the Parties under Section 215 of the FPA, any applicable agreement, the NERC Rules of Procedure, or rules or orders promulgated by FERC.

8.8 Notices.

Any written notice provided in this MOU or pursuant to the Applicable Reliability Standards will be in writing transmitted via electronic mail to the persons identified in Appendix 4 followed with a hard copy delivered in person, sent by overnight mail or United States certified mail within three (3) days of the electronic mail transmission. Electronic mail notice will be deemed effective upon transmission unless the Party sending the electronic mail learns that delivery was unsuccessful, in which case notice is deemed effective upon service of the hard copy. Any Party may at any time, by at least fifteen (15) days notice to the other Party, change the designation or address of a person specified in Appendix 4. Such a change to Appendix 4 will not constitute an amendment to this MOU. Notices under this section pertain only to this MOU and do not affect or alter any notification requirements or timelines specified in the NERC Rules of Procedure or the Compliance Monitoring and Enforcement Program.

9.0 TERMINATION

WECC or the Registered Entity may terminate this contract at any time by providing written notice.



Western Electricity Coordinating Council

10.0 FILING REQUIREMENTS

Once the MOU has been signed and executed it will be filed with WECC. Appendix 1 to the filing represents the standards and requirements for which **Lompoc** will be responsible for demonstrating compliance as described in section 7 of this MOU.

IN WITNESS WHEREOF, the Parties have executed this MOU and it is effective as of date of the last signature below.

Dated:

Western Electricity Coordinating Council

By _____

Dated:

City of Lompoc

By _____

APPENDIX 1

APPLICABLE RELIABILITY STANDARDS

[SECTION 3]

APPENDIX 2

DELEGATION AGREEMENTS

[Section 4]

N/A

APPENDIX 3

WECC COMPLIANCE MONITORING AND ENFORCEMENT PROGRAM

[Sections 7 and 8.1]

APPENDIX 4

NOTICES
[Section 8.8]

City of Lompoc

100 Civic Center Plaza

Lompoc, CA 93438-8001

Attention: Ronald V. Stassi

Utility Director