

EASTERN INTERCONNECTION RELIABILITY ASSESSMENT GROUP (ERAG)

AGREEMENT

THIS AGREEMENT (“Agreement”), effective as of August 1, 2006 is entered into by and among the Florida Reliability Coordinating Council, Inc., (FRCC), a non-profit corporation registered in the State of Florida; the Midwest Reliability Organization (MRO), a non-profit corporation registered in the State of Delaware; the Northeast Power Coordinating Council, Inc. (NPCC), a non-profit corporation registered in the State of New York, ReliabilityFirst Corporation (RFC), a non-profit corporation registered in the State of Delaware ; SERC Reliability Corporation (SERC), a non-profit corporation registered in the State of Alabama; and Southwest Power Pool (SPP), a non-profit corporation registered in the State of Arkansas, to establish the Eastern Interconnection Reliability Assessment Group (hereinafter referred to as the “ERAG”).

WITNESSETH

WHEREAS, FRCC, MRO, NPCC, RFC, SERC, and SPP are organized for the purpose of ensuring the reliability of the interconnected electric system and the adequacy of infrastructure in their respective regions for the benefit of all end-users of electricity and all entities engaged in providing electric services in the region;

NOW, THEREFORE, in consideration of the mutual promises contained herein, FRCC, MRO, NPCC, RFC, SERC, and SPP agree as follows:

1. DEFINITIONS.

Except as otherwise defined herein, capitalized terms shall have the following meaning:

- 1.1 Joint Area means the Eastern Interconnection.
- 1.2 Party or Parties means a signatory Region or Regions.
- 1.3 Regional Entity means an entity having enforcement authority pursuant to 16 U.S.C. §824n.
- 1.4 Regional Reliability Organization means each of the following organizations or successor organizations: Electric Reliability Council of Texas, Florida Reliability Coordinating Council, Midwest Reliability Organization, Northeast Power Coordinating Council, Inc., ReliabilityFirst Corporation, SERC Reliability Corporation, Southwest Power Pool, and Western Electricity Coordinating Council.
- 1.5 Reliability Standards, as defined in 16 U.S.C. § 824n, means requirements, approved by the Commission and the appropriate Canadian Provincial Authorities, to provide for reliable operation of the bulk-power system. The term includes requirements for the operation of existing bulk-power system facilities, including cyber security protection, and the design of planned additions or modifications to such facilities to the extent necessary to provide for reliable operation of the bulk-

power system, but the term does not include any requirement to enlarge such facilities or to construct new transmission capacity or generation capacity.

- 1.6 Regional Variance means an aspect of a Reliability Standard that applies only within a particular Regional Entity or group of Regional Entities. A Regional Variance may be used to exempt the particular Regional Entity or Regional Entities from all or a portion of a Reliability Standard or may establish different measures or performance criteria as necessary to achieve reliability within the particular Regional Entity or group of Regional Entities. A Regional Variance may not be inconsistent with the Reliability Standard as it would otherwise exist without the Regional Variance. Such a Regional Variance may be proposed by a Regional Entity and, if adopted by NERC and approved by the Commission, shall be enforced within the applicable Regional Entity or Regional Entities pursuant to delegated authority.
- 1.7 Regional Reliability Standard means a type of Reliability Standard that is applicable only within a particular Regional Entity or group of Regional Entities. A Regional Reliability Standard may augment, add detail to, or implement another Reliability Standard or cover matters not addressed by other Reliability Standards. Regional Reliability Standards, upon adoption by NERC and approved by the Commission and applicable Canadian Provincial Authorities, shall be Reliability Standards and shall be enforced within the applicable Regional Entity or Regional Entities pursuant to delegated authorities.
- 1.8 Regional Criteria may be developed by a particular Regional Reliability Organization to implement, to augment, or to comply with reliability standards, but which are not reliability standards. Such Regional Reliability Organization Criteria may be necessary to account for physical differences in the bulk power system, but are not inconsistent with Reliability Standards nor do they result in lesser reliability. Regional Criteria may also address issues not within the scope of Reliability Standards, such as resource adequacy. Regional Criteria may include specific acceptable operating or planning parameters, guides, agreements, protocols or other documents used to enhance the reliability of the Regional Reliability Organization's bulk power system. These documents are not NERC Reliability Standards, Regional Reliability Standards, or Regional Variances, and therefore are not enforceable under authority delegated by NERC pursuant to delegation agreements and do not require NERC approval.

2. PURPOSE.

The purpose of this Agreement is to further augment reliability of the bulk-power system in the joint areas through periodic reviews of generation and transmission expansion programs and forecasted system conditions in the corporate region of the Parties.

3. RELIABILITY ASSESSMENTS AND STUDIES

- 3.1 The Parties shall cooperate on the development and procedures employed to conduct power system analysis, studies and evaluations among the Parties.

- 3.2 Each Party agrees to participate, as necessary, in reliability assessments efforts of the other Parties, including case development, studies, contingency selection, review of results, and meetings when it is determined that the Party may impact or be impacted.
- 3.3 In developing the reliability assessments and studies, the Parties shall use appropriate methods to appraise the ability of the interregional network to meet the requirements set forth in Reliability Standards, to include but not be limited to, TPL-001-0, TPL-002-0, TPL-003-0, and TPL-004-0 and such applicable Regional Criteria, as they may be modified from time to time.
- 3.4 Whenever appropriate the Parties will make use of the investigations made by the Parties or by individual systems to avoid duplication of effort. Studies will be based on the most up-to-date plans of the individual systems.
- 3.5 The Parties shall ensure that the reliability assessments and studies that are adopted by the Parties are as consistent as possible and ensure reliability in the Joint Area or applicable sub areas of the Joint Area.
- 3.6 The Parties recognize that two or more Parties to this Agreement may enter into separate Reliability Assessment Agreements, and such Agreements do not fall under the purview of this Agreement.
- 3.7 Each Party to this Agreement shall maintain confidentiality of information shared consistent with its confidentiality requirements. This Agreement shall not impose requirements to disclose information to third parties that violate terms of each Party's confidentiality requirements.

4. GOVERNANCE

4.1 Management Committee

This Agreement shall be governed by a Management Committee who shall manage the Eastern Interconnection Reliability Assessment Group (ERAG) in accordance with this Agreement. The Management Committee shall consist of two (2) Members from each Party.

4.2 General Powers

The business and affairs of the ERAG shall be managed by the Management Committee which shall have all voting power.

4.3 Designation of Representatives

Each Party shall appoint its Representative(s) to the Management Committee to serve until successors are appointed, or until the earlier resignation or removal of the Representative(s). Each Party shall submit to the Chair of the Management Committee, a written designation of the persons it intends to appoint as its Representative(s). At any time a Party may change its representative(s) by submitting a written notification to the Chair of the Management Committee of the

removal or resignation of the former Representative(s) and the appointment of the new Representative(s).

4.4 Meetings

Regular meetings of the Management Committee shall be held at such times and places as may be determined by the Management Committee. Special meetings of the Management Committee may be called by any officer, and shall be called by any officer upon receipt of requests in writing for a meeting from six (6) or more of the Representatives.

4.5 Notice of Meetings

Notice of any regular or special meeting of the Management Committee shall be e-mailed to each Representative at such Representative's usual place of business at least 10 (ten) business days, in the case of a regular meeting, or 5 (five) business days, in the case of a special meeting, before the date of the meeting. The notice shall set forth a proposed agenda for the meeting, but any matter may be considered and acted upon at any meeting, whether or not the matter was listed in the proposed agenda, if addition of the item to the agenda is approved at the meeting by the vote of Representatives whose votes equal three quarters (3/4) of the total votes of the Representatives present.

4.6 Quorum and Manner of Voting

At all meetings of the ERAG, two thirds (2/3) of the voting Representatives shall constitute a quorum for the transaction of business. If a quorum shall not be present at any meeting of the Management Committee, the Representatives present may adjourn the meeting from time to time without notice until a quorum shall be present. Three quarters (3/4) of the Representatives present must vote in the affirmative to pass any action of the Management Committee. Each Representative shall have one (1) vote. In the event one Representative of a Member cannot attend a meeting of the ERAG, such Representative may give its proxy to the other Member Representative. Such notice of proxy shall be forwarded to the Chair and Vice-Chair/Secretary of the Management Committee.

4.7 Action without Meeting

Any action that may be taken at a meeting of the Management Committee may be taken without a meeting if consent in writing, setting forth the action so to be taken, shall be signed before the action by all Representatives.

4.8 Attendance by Electronic Means

Any member of the Management Committee may participate in any meeting of the Management Committee by telephone, or other electronic means enabling all persons participating in the meeting to communicate with each other. A member participating in a meeting by such means shall be deemed present in person at such meeting.

5. OFFICERS

5.1 The Management Committee shall elect a Chair, and a Vice Chair/Secretary who shall be the officers of the ERAG.

5.2 Term of Office

Each officer shall hold office for two (2) fiscal years, but may be re-elected to unlimited terms.

5.3 Responsibilities of Officers

Chair. The Chair shall serve as the Chair of the Management Committee. The Chair shall preside at all meetings of the Management Committee and shall be responsible for the preparation of the agenda for all meetings of the Management Committee.

Vice Chair/Secretary. The Vice Chair/Secretary shall, in the absence or disability of the Chair, perform the duties and exercise the powers of the Chair, and have such other powers and duties as may be prescribed by the Management Committee.

The **Vice Chair/Secretary** shall be responsible to assure there are adequate procedures to distribute the agenda of the meetings of the Management Committee, give notice of the meetings of the Management Committee, keep the Minutes of the proceedings of said meetings, maintain the records of the ERAG and Management Committee, and have such other powers and duties as may be prescribed by the Management Committee.

6. SERVICE PROVIDER

6.1 The Parties hereby agree that the Management Committee may enter into an Agreement with one Party to this Agreement to act as a Service Provider for administrative and accounting services to the ERAG, and other services as specified by the ERAG.

7. FINANCIAL

7.1 Fiscal Year

The fiscal year for the ERAG shall be the calendar year.

7.2 Cost Sharing and Expenses

All costs for administration and operation of the ERAG shall be split in accordance with the pro-rata NEL calculation below. All costs incurred (such as travel, room and board) by each Representative on the Management Committee for the purpose of attending meetings of the Management Committee shall be borne by the Party.

$$\text{Party \#1 Pro-Rata NEL} = \frac{\text{Party \#1 NEL}}{\text{Total of all Parties NEL}}$$

8. WITHDRAWAL OF PARTIES/TERMINATION

Any Party may withdraw from this Agreement by providing thirty days (30 days) written notice to the Chair of the Management Committee. Provided, however, a Party's withdrawal from this Agreement does not affect in any manner the obligations that such Party may have under other documents. A withdrawing Party shall continue to be liable for any unpaid fees or assessments imposed prior to the date its withdrawal is effective.

The Agreement may be terminated by two-thirds (2/3) of the voting representatives and such termination will be effective 30 days from such vote. At termination, each Party is responsible for its unpaid fees or assessments.

The Agreement shall terminate if four (4) of the Parties withdraw from the Agreement. Such termination will be effective 30 days from the final withdrawal. At termination, each Party is responsible for its unpaid fees or assessments.

9. AMENDMENT OF AGREEMENT

The power to alter, amend or repeal this Agreement shall be vested in the Management Committee. Such action shall require the affirmative votes of three quarters (3/4) or more of the total votes of the Representatives.

10. INDEMNIFICATION

The ERAG shall indemnify and hold harmless, to the maximum extent permitted by law, any Representative, Officer, and the heirs, estates, successors or assigns of any of them, from any and all claims or liabilities, including costs or attorneys fees for defending against assertion of any such claims or liabilities, arising from any act or failure to act of such person for, on behalf of, or at the direction of the ERAG, unless such act or failure to act constituted a willful violation of state or federal law, willful misconduct, or gross negligence.

11. APPLICABLE LAW

This Agreement shall be governed by and construed in accordance with the laws of the State of New Jersey without regard to its conflict of laws, principles or rules.

12. COUNTERPARTS

This Agreement may be executed in any number of counterparts, each of which shall be an original but all of which together shall constitute one instrument, binding upon all parties hereto, notwithstanding that all of such parties may not have executed the same counterpart.

13. THIRD PARTIES

Nothing in this Agreement is intended to create or imply the existence of any rights or waivers hereunder for or on behalf of any third party not a signatory hereto, and no such third party shall be entitled to enforce this Agreement against any person or entity.

IN WITNESS WHEREOF, each of the Parties has executed this Agreement as of the day and year indicated next to the signature.

DATE: _____

FLORIDA RELIABILITY COORDINATING
COUNCIL

By: _____

Name: _____

Title: _____

DATE: _____

MIDWEST RELIABILITY ORGANIZATION

By: _____

Name: _____

Title: _____

DATE: _____

NORTHEAST POWER COORDINATING
COUNCIL, Inc.

By: _____

Name: _____

Title: _____

DATE: _____

RELIABILITYFIRST CORPORATION

By: _____

Name: _____

Title: _____

DATE: _____

SERC RELIABILITY CORPORATION

By: _____

Name: _____

Title: _____

DATE: _____

SOUTHWEST POWER POOL

By: _____

Name: _____

Title: _____