

Balancing Authority of Northern California

Regular Meeting of the Commissioners of BANC

2:00 P.M.

Wednesday, March 23, 2022

Teleconference Meeting

Balancing Authority of Northern California

NOTICE OF REGULAR MEETING AND AGENDA

Notice is hereby given that a regular meeting of the Commissioners of the Balancing Authority of Northern California (BANC) will be held on **March 23, 2022 at 2:00 p.m.** **This meeting will be conducted pursuant to the provisions of Assembly Bill 361. Some, or all, of the Commissioners may attend the meeting electronically or telephonically.**

The following information is being provided as the forum by which members of the public may observe the meeting and offer public comment:

Phone number: 1-669-900-9128 **Meeting ID:** 929 0431 9762 **Passcode:** 252181
Meeting Link: <https://zoom.us/j/92904319762?pwd=Sm1jRXZka242N3pLTHJDL3c3ZmM1Zz09&from=addon>

AGENDA

- 1 Call to Order and Verification of Quorum.**
- 2 Matters subsequent to posting the Agenda.**
- 3 Public Comment** – any member of the public may address the Commissioners concerning any matter on the agenda.
- 4 Consent Agenda.**
 - A. Resolution 22-03-01 *Reconsideration of the Determination that Meeting in Person Would Present Imminent Risks to the Health or Safety of Attendees as a Result of the Proclaimed State of Emergency.*
 - B. Minutes of the Regular Commission Meeting held on February 23, 2022.
 - C. BANC Operator Report (February).
 - D. Compliance Officer Report (March).
 - E. PC Committee Chair Report (March).
 - F. General Manager's Report and Strategic Initiatives Update.
- 5 Regular Agenda Items – Discussion and Possible Action.**
 - A. General Manager Updates.
 - i. EIM Update.
 - ii. EDAM Update.
 - iii. SB100 Update.
 - iv. Resource Procurement Update.
 - B. Consider and Possibly Approve Resolution 22-03-04 *Acceptance of BANC 2021 Audited Financials.*
 - C. Update on 2022 WECC Audit Preparations.
 - D. Consider and Possibly Approve Resolution 22-03-02 *Approval of BANC Internal Compliance Program Charter.*
 - E. Consider and Possibly Approve Resolution 22-03-03 *Approval of Second Amended and Restated EIM Participation Agreement: Addition of Flex Ramp Approach and Product.*
 - F. Member Updates.
- 6 Closed Session:** Conference with legal counsel in anticipation of litigation pursuant to Cal. Gov't Code § 54956.9; anticipated FERC litigation.
- 7 Adjournment.**

Accessible Public Meetings - Upon request, BANC will provide written agenda materials in appropriate alternative formats, or disability-related modification or accommodation, including auxiliary aids or services, to enable individuals with disabilities to participate in public meetings. Please send a written request, including your name, mailing address, phone number and brief description of the requested materials and preferred alternative format or auxiliary aid or service at least 3 days before the meeting. Requests should be sent to: Kris Kirkegaard, 555 Capitol Mall, Suite 570, Sacramento, CA 95814 or to administrator@braunlegal.com.

Balancing Authority of Northern California

Consent Agenda Items

- A. **Resolution 22-03-01 *Reconsideration of the Determination that Meeting in Person Would Present Imminent Risks to the Health or Safety of Attendees as a Result of the Proclaimed State of Emergency.***
- B. **Minutes of the February 23, 2022 BANC Regular Meeting.**
- C. **BANC Operator Report (February).**
- D. **Compliance Officer Report (March).**
- E. **PC Committee Chair Report (March).**
- F. **General Manager Report and Strategic Initiatives Update.**

**Balancing Authority of Northern California
Resolution 22-03-01**

**RECONSIDERATION OF THE DETERMINATION THAT MEETING IN PERSON WOULD PRESENT
IMMINENT RISKS TO THE HEALTH OR SAFETY OF ATTENDEES AS A RESULT OF THE
PROCLAIMED STATE OF EMERGENCY**

WHEREAS, on March 4, 2020 the Governor of California proclaimed a state of emergency in California as a result of the threat of COVID-19; and

WHEREAS, on March 17, 2020, the Governor issued Executive Order N-29-20 authorizing exemptions to certain notice requirements under the Ralph M. Brown Act to facilitate virtual meetings of a legislative body of a local agency; and

WHEREAS, on June 11, 2021, the Governor issued Executive Order N-08-12 extending the provisions of N-29-20 until September 30, 2021; and

WHEREAS, on September 16, 2021, the Governor of California signed Assembly Bill 361 which provides for the continued suspension of certain notice requirements for virtual meeting when a legislative body of a local agency holds a meeting during a declared state of emergency and either:

- (1) state or local officials have imposed or recommended measures to promote social distancing,
- or
- (2) the legislative body holds a meeting for the purpose of determining, by majority vote, whether as a result of the emergency, meeting in person would present imminent risks to the health or safety of attendees.

WHEREAS, pursuant to AB 361, a legislative body of a local agency must, not later than 30 days after teleconferencing for the first time pursuant to AB 361, and every 30 days thereafter, reconsider the circumstances of the state of emergency and determine that the state of emergency continues to directly impact the ability of the members to meet safely in person.

NOW, THEREFORE, BE IT RESOLVED that the Commissioners of the Balancing Authority of Northern California hereby determine that meeting in person continues to present imminent risks to the health or safety of attendees as a result of the proclaimed state of emergency.

PASSED AND ADOPTED by the Commissioners of the Balancing Authority of Northern California this 23rd day of March, 2022.

James McFall
Chair

Attest by: C. Anthony Braun
Secretary

MINUTES OF THE REGULAR MEETING OF THE COMMISSIONERS OF THE
BALANCING AUTHORITY OF NORTHERN CALIFORNIA (BANC)

February 23, 2022

On this date, a Regular Meeting of the Commissioners of the Balancing Authority of Northern California was held telephonically, pursuant to the provisions of Assembly Bill 361.

Representatives:

Member Agency	Commissioner
Modesto Irrigation District (MID)	James McFall, Chair
City of Redding	Nathan Aronson, Alternate
City of Roseville	Dan Beans
Sacramento Municipal Utility District (SMUD)	Paul Lau
City of Shasta Lake	Absent
Trinity Public Utilities District (TPUD)	Paul Hauser

Other Participants:

Jim Shetler	General Manager
Tony Braun	General Counsel
Kris Kirkegaard	General Counsel Support
Jeanne Haas	Western Area Power Administration (WAPA)
Arun Sethi	WAPA

1. Call to Order: Mr. Shetler verified that there was a quorum to proceed; attendance is noted above. Chair McFall called the meeting to order at 2:02 p.m.
2. Matters Subsequent to Posting the Agenda: None.
3. Public Comment (any matter on the agenda): None.
4. Consent Agenda: Chair McFall invited comments from the Commission on the Consent Agenda, and there were none.

ACTION: M/S (Lau/Beans) to **approve the Consent Agenda**. Motion carried by a unanimous roll call vote (Absent: Commissioner Takehara).

MINUTES OF THE REGULAR MEETING OF THE COMMISSIONERS OF THE
BALANCING AUTHORITY OF NORTHERN CALIFORNIA (BANC)

5. Regular Agenda Items.

A. Consider and Possibly Approve Resolution 22-02-02 Approval of BANC Flex Ramp Approach and Product.

Mr. Shetler introduced this item, noting the proposed implementation date of March 1st.

ACTION: M/S (Beans/Hauser) to **approve Resolution 22-02-02 Approval of BANC Flex Ramp Approach and Product.** Motion carried by a unanimous roll call vote (Absent: Commissioner Takehara).

The Commission adjourned at 2:08 p.m.

Minutes approved on March 23, 2022.

C. Anthony Braun, Secretary



BALANCING AUTHORITY OF NORTHERN CALIFORNIA

P.O. BOX 15830 • D109 • SACRAMENTO • CA 95852 -1830

TO: BANC Commission

RE: BANC Operator Report for February 2022

Operations:

- BA Operations: Normal
- Significant BA Issues: None
- Declared BA Energy Emergency Alert Level (EEA): EEA0
- NWPP Reserve Energy Activations
 - 0 contingency requiring activation of NWPP
 - 0 MW average generation lost
 - 0 MW maximum generation lost
 - Generating unit(s) and date(s) affected: None
 - All recoveries within 0 minutes
- USF
 - 10 of 28 days with instances of USF mitigation procedure utilized
 - 0 days on Path 66
 - No operational impact on BANC
- BAAL Operation:
 - Maximum duration of BAAL exceedance: 2 Minutes
 - Number of BAAL exceedance >10 minutes: None
 - BAAL violation (BAAL exceedance >30 minutes): None
- Frequency Response (FR) Performance – Quarterly Metric:
 - 2022 Frequency Response Obligation (FRO): -18.8 MW/0.1Hz

Monthly Notes:

- No additional notes or impacts for February 2022

A JOINT POWERS AUTHORITY AMONG

Modesto Irrigation District, City of Redding, City of Roseville, Trinity Public Utilities District,
City of Shasta Lake, and Sacramento Municipal Utility District

Compliance Officer Report

BANC Commission Meeting

March 2022

The following summarizes routine issues for the Commission's information and consideration. Any major issues or action items will be identified separately on the Commission agenda for action.

BA Compliance Issues:

- No significant operational Balancing Authority compliance events occurred.
- All required BA compliance reports and operating data were submitted to WECC.
- All BA/PC-applicable NERC Standard requirements have been reviewed and the BANC annual compliance self-certification submittal was submitted to WECC on March 3rd in advance of the April 1st deadline.
- Planning continues for the 2022 BANC/SMUD WECC Audit:
 - The BANC ICPC and the BANC MCRC Charter have been reviewed by the MCRC, and proposed revisions are included in the Commission packet.
 - An audit update presentation is on the Commission agenda.
 - The audit is scheduled to take place the last two weeks in August of 2022.
- SMUD is currently conducting an internal audit of the BANC Internal Compliance Program. The results will be communicated to the Commission at a future meeting.

BANC MCRC:

- The next BANC MCRC meeting is scheduled to be held at 10:00 AM on Monday, March 28th via teleconference.

PC Committee Chair Report

BANC Commission Meeting

March 2022

The following summarizes Planning Coordinator-related issues for the Commission's information and consideration. Any major issues or action items will be identified separately on the Commission agenda for action.

BANC PC Committee Updates or Issues:

SMUD staff continue to work toward demonstrating compliance with PC-related NERC reliability standards:

- MOD-031-2 Demand and Energy Data – Staff continues to participate in WECC planning webinars for the 2022 Loads and Data request cycle. Parts One and Two of the data request have been completed, and the data has been submitted to WECC. Staff is now coordinating the supplemental portion of the data request with the BANC PC Participants.
- FAC-002-3 Facility Interconnection Studies – Staff sent out an email requesting review of the “BANC PC Qualified Changes” document from BANC PC Participants by February 25th. BANC PC Participants were also solicited to provide any new BES or qualified changes projects which would require FAC-002 assessment and reports. Staff has received responses from REU, and follow-up requests for responses by March 4th were sent to MID and Roseville Electric.
- TPL-001-4 - Transmission System Planning Performance – The Study Plan was sent on February 18th along with the first data request for base cases to be reviewed and data to be sent back by March 25th. The second data request regarding contingency review for the TPL-001-5 update was sent on February 25th, requesting that data be sent back by 3/25/22. The third data request of sparing equipment was sent on March 4th with a response deadline of April 15th.
- MOD-033-2 – Event selection for SMUD system study and related base case is nearly finalized. Transient stability analysis is currently underway.
- TPL-007-4 - Transmission System Planned Performance for Geomagnetic Disturbance Events – Ongoing; TPL-007-4 Annual GMD data submission to NERC for GMD events – NERC has declared a GMD event (Kp>7) for reporting purposes. The GMD event duration was from 11/3/2021 3:00pm to 11/4/2021 11:59pm. Recording data for these two events will be downloaded and saved for reporting prior to the annual due date of June 30, 2022.

The table below shows the current status of all PC-related standards:

	PC Standard	Estimated % Complete	Notes
1	FAC-002-3 Interconnection Studies	25%	Email resent to BANC PC Participants (MID and Roseville) soliciting information on whether there are any new BES projects or existing projects with qualified changes that would require FAC-002-3 assessment and report. A review of the Qualified Changes document was also re-requested. Responses due back to BANC PC by 03/04/22.
2	FAC-010-3 SOL Methodology for Planning Horizon	100%	The finalized version was sent to external stakeholders and BANC PC Participants on 12/28/2020.
3	FAC-014-2 Establish and Communicate SOLs	0%	The Study plan will be sent out in May 2022 for BANC PC Participant review and comment.
4	IRO-017-1 Outage Coordination	0%	Awaiting completion of TPL assessment by December to send out report.
5	MOD-031-2 Demand and Energy Data	70%	2022 Loads and Resources Parts One and Two were completed and uploaded to the WECC EFT server. Staff is coordinating responses for the supplemental data request.
6	MOD-032-1 Data for Power System Modeling & Analysis		Ongoing activity.
7	MOD-033-1 System Model Validation	20%	Event has been selected for SMUD system and base case is near finalized. Stability analysis is being performed.
8	PRC-006-5 Underfrequency Load Shedding	0%	BANC PC data request will be sent out towards end of April 2022 and will be due by the end of May 2022.
9	PRC-010-2 Undervoltage Load Shedding	100%	Study has been completed. The report was finalized on 12/30/2019.

	PC Standard	Estimated % Complete	Notes
10	PRC-012-2 Remedial Action Schemes	80%	New Standard effective on 1/1/2021. Study Plan finalized on 4/10/2020. Working on performing studies for each RAS scheme.
11	PRC-023-4 Transmission Relay Loadability	0%	The Study plan will be sent out in May 2022 for BANC PC Participant review and comment.
12	PRC-026-1 Relay Performance During Stable Power Swings	0%	The Study plan will be sent out in June 2022 for BANC PC Participant review and comment.
13	TPL-001-4 Transmission System Planning Performance	15%	Two of the three initial DRs have been sent out with a deadline of 3/25/22. One more DR sent on 3/4/22.

	PC Standard	Estimated % Complete	Notes
14	TPL-007-4 Transmission System Planned Performance for Geomagnetic Disturbance Events	90%	<p>Registered the SMUD/BANC PC GIC monitoring device at Carmichael with NERC – compliance requirement.</p> <p>Made request to the GIC manufacturer to increase sampling rate from the default once every hour to once every 10s or faster per NERC recommendation</p> <p>SMUD sent TPL-007-4 requirements R12 and R13 to the BANC PC members. The effective date for these requirements was 07/01/2021.</p> <p>Ongoing; NERC has declared a GMD event (Kp>7) for reporting purpose. The GMD event duration was from 11/3 2021 3:00pm to 11/4/2021 11:59pm. Recording data for these two events will be downloaded and saved for reporting prior to the annual due date of 06/30/2022.</p>

GM Report

BANC Commission Meeting

March 23, 2022

I wanted to summarize routine issues for the Commission's information and consideration. Any major issues or action items will be identified separately on the Commission agenda for action.

Outreach Efforts:

Refer to GM outreach report provided under separate distribution. In addition, here are some other noteworthy items:

LADWP/Seattle City Light/SRP

Dialogue continues with these entities regarding EIM participation. Based upon the group's discussions, we have agreed to continue to interact on an informal basis to make sure we are aligned on EIM issues from a POU perspective. We are routinely holding bi-weekly calls to provide updates and discuss issues. We have also used this forum to discuss POU positions regarding the EDAM development and to discuss potential summer heat wave impacts on EIM and EDAM design. We expect this group will become more active as the EDAM stakeholder process ramps up.

POU Western Markets Initiative

BANC continues to participate in this effort, which is being coordinated by APPA. The group has stepped back and is taking a less formal role with occasional update conference calls. The last call was on January 24, 2022.

Coronavirus Restrictions

With the recent decline in infections from the Omicron restrictions are again being lifted. BANC has transitioned to using a hybrid meeting model, both for our own internal member meetings, as well as outside meetings. We anticipate that we will be moving to more in-person meetings over the next several weeks. In addition, the BANC BA Operator (SMUD) has instituted measures to reduce coronavirus risks, including stay at home for most employees with only essential staff working at the offices. The BANC Operator is looking to start transition some staff back to the office in late March.

Market Initiatives:

EIM Participation

Staff continues monitoring EIM participation. CAISO quarterly benefit reports continue to show that BANC is seeing benefits from EIM participation, with the 4th Quarter 2021 report showing gross benefits of \$31.44 million for BANC, with a total of \$175.83 million of gross benefits for BANC since joining in 2019.

With respect to BANC EIM Phase 2 effort, BANC has been passing both the EIM Capacity and Flex Ramp tests with a high success rate. Both the Technical Evaluation Subcommittee and the Settlements Subcommittee are meeting routinely and evaluating EIM operations. Staff provided a recommendation to the Commission at the September 2021 meeting regarding the Flex Ramp Approach, which the Commission approved. Additional dialogue has been held at the working level regarding a potential “pooling” concept for Flex Ramp among the WAPA Sub-BA participants. This concept was presented to the Commission at the October 2021 meeting where the Commission approved a 90-day extension of the binding date for Flex Ramp charges in order for staff and EIM Participants to further pursue the “pooling” concept. Staff worked at the subcommittee levels to evaluate and finalize the concept. Based upon Commission approval at its February meeting, staff has proceeded to implement the Flex Ramp, Sub-BA settlement process effective March 1, 2022, with initial invoices to be issued April 1, 2022.

EDAM Participation

The EDAM stakeholder process was on hold due to the CAISO’s focus on 2021 Summer readiness, which was also a focus for the EIM Entities. With the end of the summer months, the CAISO held a Market Forum on October 13, 2021, to address next steps with EDAM. The efforts of the sub-group discussions among the CAISO, PTOs, and EIM Entities was reported out as the basis for reinitiating the EDAM stakeholder process. The CAISO is looking at an expedited process with a goal of a final EDAM design by the end of 2022, implementation efforts in 2023, and initial go-live in 2024. The CAISO held an initial stakeholder meeting on November 12 where it laid out the concept of using stakeholder work groups to help guide the definition of an initial straw proposal for EDAM. The CAISO held an initial working group formation meeting in December and kicked off the detailed working group meetings in early January, which have been making progress over the last 60-days. The CAISO goal is to wrap-up the work group meetings in late March and have an initial straw proposal issued in April 2022.

Other Market Developments

In parallel with the re-initiation of the EDAM process, two other West-wide market developments have occurred:

1. SPP has announced its “Markets +” effort to support utilities in the West with a range of market options from EIM to full RTO services. SPP held stakeholder information sessions on November 17, 2021, and December 1,

2021, to explain their initial concepts. Their stakeholder work group meetings were initiated in January 2022 seeking input on a final design that could be agreed upon by late 2022. Initial goal would be a market launch in 2024. BANC staff have been monitoring this effort and intend to attend the SPP “Markets+” update meeting in Phoenix, AZ, at the end of March.

2. A group of Western utilities have formed a group called Western Market Exploratory Group (WMEG) with a stated purpose of identifying what a full market in the West should entail. They are in the process of hiring a consultant to assist in this effort. BANC is also monitoring this group and evaluating possible participation.

WAPA:

Market Engagement

WAPA-SNR continues to be an active participant in the EIM.

WAPA-SNR and BANC continue to hold periodic calls with NCPA to help facilitate discussions on joint issues.

San Luis Transmission Project

WAPA-SNR has announced its intent to work with the Bureau of Reclamation to construct the SLTP. The San Luis & Delta-Mendota Water Authority is moving forward with approving bonding authority to provide WAPA with funding for this project. We will keep the Commission informed as more information becomes available.

WECC

WECC Board Meetings

The last set of Board and committee meetings was held in March, which were virtual. WECC has indicated that they will be moving to a hybrid meeting format starting in May, which should allow for outside entities to attend meetings in person.

WECC has issued an assessment of resource adequacy for the Western Interconnection.

WECC is also coordinating with NERC on a lessons-learned assessment of the ERCOT/SPP cold weather events this last winter. Preliminary results and recommendations were issued in September.

NWPP

Resource Adequacy Project

As agreed at the September meeting, BANC has informed NWPP that it will not be participating in Phase 3 of the Western Resource Adequacy Project (WRAP) due to our lack of ability to have firm, long-term transfer capability at Mid-C, which is the hub for the WRAP interchanges. BANC will continue to monitor development of the WRAP and has initiated discussions with NWPP regarding our ability to participate in the future. SPP has indicated that they intend to use the WRAP as the Resource Adequacy program for any “Markets +” development.

RSG and FRSG Participation

BANC continues to participate in the Reserve Sharing Group and the Frequency Response Sharing Group through the NWPP and receive benefits in doing so.

NWPP Transition

NWPP announced on February 7, 2022, that it will now be doing business as the Western Power Pool (WPP) to reflect its broader Western membership. In addition, as part of moving to a FERC approved tariff for the WRAP program, the WPP board will be transitioning from its current structure to a fully independent board. A nominating committee has been formed to assist in the selection of the new independent board members. The WPP members who are not in WRAP have been granted a seat on the nominating committee and the BANC General Manager was selected to fill that role. The nominating committee has held its first meeting with a goal of having a slate of independent directors to present to the current board for approval by late this year.

CDWR Delta Pumping Load:

BANC is coordinating with SMUD, CDWR, WAPA, and the CAISO regarding how the construction and pumping loads and ancillary services will be provided for this project. The CAISO has reached out to BANC/SMUD/WAPA-SNR regarding contacts for initiating discussions on how CAISO will supply energy for the construction loads in our footprints. With the Governor’s announcement that the project will be downsized from two to one tunnel, CDWR has withdrawn the current applications and will be submitting revised environmental documentation. SMUD reported that CDWR has approached them regarding the revised environmental review and updated project schedule and SMUD is initiating updated studies.

SB100 Implementation

As part of SB100, the CPUC, CEC, and CARB (Joint Agencies) are required to collaborate with the California BAs to develop a quadrennial report on the status of achieving the goals of SB100. The four POU BAs (BANC, IID, LADWP, and TID) are collaborating on positions and responses. The final, initial report was scheduled for

submittal to the Legislature in early January 2021; however, it was delayed and not issued until 3/15/21. The CEC did reach out to the POU BAAs via CMUA in early March 2021 seeking more engagement with the BAAs for the next round of analysis for the SB100 effort. The POU BAAs are coordinating via CMUA on how to engage in this request. A subgroup of the POU BAAs, including BANC, participated in a Joint Agency SB100 workshop on June 2, 2021. We have also had several follow-up discussions with the Joint Agencies. Based upon recent discussions, the POU BAAs have hired a consultant via CMUA to assist in this effort. We are also working on concepts for a reliability analysis effort and providing current known interconnection queue information as well as forecast renewable resource procurement assumptions.

Western Electricity Industry Leaders (WEIL) Group

The WEIL CEOs last met on February 17, 2022. The next meeting of the WEIL group is being planned for May 20, 2022.

The BANC General Manager had been serving on the WEIL Steering Committee since August 2021. The Steering Committee helps to develop the agenda for the group meetings and coordinate/facilitate the meetings. Membership on the Steering Committee will be changing, and the BANC General Manager has transitioned off of the steering committee effective with the last meeting.

Strategic Initiatives

The 2021/2022 Strategic Initiatives updates are attached to this report.

BANC 2021/2022 Strategic Plan - Routine Initiatives March 2022 Update

No./Priority	Focus Area	Initiative	Responsibility	Target Due Date	Status
1 Medium	INDEPENDENCE	Effectively oversee the BA operations.	Jim Shetler	Ongoing	See monthly Ops, PC, Compliance, & GM Reports
2 Medium		Maintain long-term succession plan and traits for General Manager	Jim Shetler/Commission	Ongoing as Necessary	Revisit 3rd Qtr. 2022
3 Medium	OUTREACH	Engage in industry forums (WECC, Peak, NWPPA, etc.)	Jim Shetler	Ongoing	Attend RC West, WECC Board, WEIL, & NWPP Exec. Forum meetings
4 Medium		Coordinate with other POU BAs (Ca and regionally)	Jim Shetler	Ongoing	Coordinating with SCL/SRP/LA/TP/TID on EIM/EDAM & SB100
5 Medium		Outreach to regulatory and legislative bodies on key issues	Jim Shetler/BBSW	Ongoing as Necessary	Participating in WEIL group Sched. FERC staff update
6 Medium		More formal engagement with TID on BA/EIM/EDAM issues	Jim Shetler/BBSW	Ongoing	Continue periodic discussions on areas of collaboration
7 Medium	ASSETS	Evaluate establishing BANC criteria for RA resources	Resource Committee	4th Qtr. 2022	Developed SOW for consult. support & discussion at REC
8 Low	MEMBER SERVICES	Identify and outreach to potential new BANC members	Jim Shetler	Ongoing	

Balancing Authority of Northern California

Agenda Item 5B

1. **Resolution 22-03-04 Acceptance of BANC 2021 Audited Financials.**
2. **Report and Insights from the 2021 Audit: Balancing Authority of Northern California.**
3. **Audited Financial Statements as of and for the Years Ended December 31, 2021 and 2020.**

**Balancing Authority of Northern California
Resolution 22-03-04**

Acceptance of BANC 2021 Audited Financials

WHEREAS, the Balancing Authority of Northern California (“BANC”) was created by a Joint Powers Agreement (“JPA”) to, among other things, acquire, construct, maintain, operate, and finance projects; and

WHEREAS, JPA Section 19 provides that the Controller of BANC shall either make or contract with a certified public accountant or firm to make an annual audit of the accounts and records of BANC; and

WHEREAS, the minimum requirements of that audit shall be those prescribed by the State Controller for special districts under Section 26909 of the Government Code of the State of California and shall conform to generally accepted auditing standards; and

WHEREAS, the JPA specifies that a report of that audit shall be filed with each Member and also with the County Auditor of the County of Sacramento within twelve (12) months of the end of the fiscal year under examination; and

WHEREAS, BANC has contracted with Baker Tilly US, LLP to provide these audit services; and

WHEREAS, the the BANC Commission approved an extension of that contract through the year ending December 31, 2021 via Resolution 22-01-06, approved in January of 2022.

NOW, THEREFORE, BE IT RESOLVED that the Commissioners of the Balancing Authority of Northern California hereby acknowledge and accept the BANC 2021 Audited Financials.

PASSED AND ADOPTED by the Commissioners of the Balancing Authority of Northern California this 23rd day of March 2022, by the following vote:

		Aye	No	Abstain	Absent
Modesto ID	Martin Caballero				
City of Redding	Nick Zettel				
City of Roseville	Dan Beans				
City of Shasta Lake	James Takehara				
SMUD	Paul Lau				
TPUD	Paul Hauser				

Acting Chair

Attest by: C. Anthony Braun
Secretary

Reporting and insights from the 2021 audit:

Balancing Authority of Northern California

December 31, 2021

Executive summary

March 1, 2022

The Commissioners
Balancing Agency of Northern California
6201 S Street
Sacramento, California 95817

We have completed our audit of the financial statements of the Balancing Authority of Northern California (the "Agency") for the year ended December 31, 2021, and have issued our report thereon dated March 1, 2022. This letter presents communications required by our professional standards.

Your audit should provide you with confidence in your financial statements. The audit was performed based on information obtained from meetings with management, data from your systems, knowledge of the Agency's operating environment and our risk assessment procedures. We strive to provide you clear, concise communication throughout the audit process and of the final results of our audit.

Additionally, we have included information on key risk areas the Agency should be aware of in your strategic planning. We are available to discuss these risks as they relate to your organization's financial stability and future planning.

If you have questions at any point, please connect with us:

- Aaron Worthman, CPA, Partner: Aaron.Worthman@bakertilly.com or +1 (512) 975 7281
- Ryan O'Donnell, CPA, Senior Manager: Ryan.Odonnell@bakertilly.com or +1 (608) 240 2606

Sincerely,

Baker Tilly US, LLP



Aaron Worthman, CPA

Responsibilities

Our responsibilities

As your independent auditor, our responsibilities include:

- Planning and performing the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. Reasonable assurance is a high level of assurance.
- Assessing the risks of material misstatement of the financial statements, whether due to fraud or error. Included in that assessment is a consideration of the Agency's internal control over financial reporting.
- Performing appropriate procedures based upon our risk assessment.
- Evaluating the appropriateness of the accounting policies used and the reasonableness of significant accounting estimates made by management.
- Forming and expressing an opinion based on our audit about whether the financial statements prepared by management, with the oversight of the Commissioners:
 - Are free from material misstatement
 - Present fairly, in all material respects and in accordance with accounting principles generally accepted in the United States of America
- Our audit does not relieve management or the Commissioners of their responsibilities.

We are also required to communicate significant matters related to our audit that are relevant to the responsibilities of the Commissioners, including:

- Internal control matters
- Qualitative aspects of the Agency's accounting practice including policies, accounting estimates and financial statement disclosures
- Significant unusual transactions
- Significant difficulties encountered
- Disagreements with management
- Circumstances that affect the form and content of the auditors' report
- Audit consultations outside the engagement team
- Corrected and uncorrected misstatements
- Other audit findings or issues

Audit status

Significant changes to the audit plan

There were no significant changes made to either our planned audit strategy or to the significant risks and other areas of emphasis identified during the performance of our risk assessment procedures.

Audit approach and results

Planned scope and timing

Audit focus

Based on our understanding of the Agency and environment in which you operate, we focused our audit on the following key areas:

- Key transaction cycles
- Areas with significant estimates

Our areas of audit focus were informed by, among other things, our assessment of materiality. Materiality in the context of our audit was determined based on specific qualitative and quantitative factors combined with our expectations about the Agency's current year results.

Key areas of focus and significant findings

Significant risks of material misstatement

A significant risk is an identified and assessed risk of material misstatement that, in the auditor's professional judgment, requires special audit consideration. Within our audit, we focused on the following areas below.

Significant risk areas	Testing approach	Conclusion
Management override of controls	Incorporate unpredictability into audit procedures, emphasize professional skepticism and utilize audit team with industry expertise	Procedures identified provided sufficient evidence for our audit opinion
Improper revenue recognition due to fraud	Confirmation or validation of certain revenues supplemented with detailed predictive analytics based on non-financial data and substantive testing of related receivables	Procedures identified provided sufficient evidence for our audit opinion

Other areas of emphasis

We also focused on other areas that did not meet the definition of a significant risk, but were determined to require specific awareness and a unique audit response.

Other areas of emphasis		
Cash and investments	Revenues and receivables	Collateral deposits
General disbursements	Financial reporting and required disclosures	Information technology

Internal control matters

We considered the Agency's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing an opinion on the financial statements. We are not expressing an opinion on the effectiveness of the Agency's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis.

A material weakness is a deficiency or combination of deficiencies in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

Required communications

Qualitative aspect of accounting practices

- Accounting policies: Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we have advised management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Agency are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing accounting policies was not changed during 2021. We noted no transactions entered into by the Agency during the year for which accounting policies are controversial or for which there is a lack of authoritative guidance or consensus or diversity in practice.
- Accounting estimates: Accounting estimates, including fair value estimates, are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements, the degree of subjectivity involved in their development and because of the possibility that future events affecting them may differ significantly from those expected. There were no significant estimates.
- Financial statement disclosures: The disclosures in the financial statements are neutral, consistent and clear.

Significant unusual transactions

There have been no significant transactions that are outside the normal course of business for the Agency or that otherwise appear to be unusual due to their timing, size or nature.

Significant difficulties encountered during the audit

We encountered no significant difficulties in dealing with management and completing our audit.

Disagreements with management

Professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Audit report

There have been no departures from the auditors' standard report.

Audit consultations outside the engagement team

We encountered no difficult or contentious matters for which we consulted outside of the engagement team.

Uncorrected misstatements and corrected misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. There were no misstatements identified.

Other audit findings or issues

We encountered no other audit findings or issues that require communication at this time.

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Agency's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Management's consultations with other accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing or accounting matters.

Written communications between management and Baker Tilly

The Appendix includes copies of other material written communications, including a copy of the management representation letter.

Compliance with laws and regulations

We did not identify any non-compliance with laws and regulations during our audit.

Fraud

We did not identify any known or suspected fraud during our audit.

Going concern

Pursuant to professional standards, we are required to communicate to you, when applicable, certain matters relating to our evaluation of the Agency's ability to continue as a going concern for a reasonable period of time but no less than 12 months from the date the financial statements are issued or available to be issued, including the effects on the financial statements and the adequacy of the related disclosures, and the effects on the auditor's report. No such matters or conditions have come to our attention during our engagement

Independence

We are not aware of any relationships between Baker Tilly and the Agency that, in our professional judgment, may reasonably be thought to bear on our independence.

Related parties

We did not have any significant findings or issues arise during the audit in connection with the Agency's related parties.

Other matter

We applied certain limited procedures to the required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Audit committee resources

Visit our resource page for regulatory updates, trending challenges and opportunities in your industry and other timely updates.

Visit the resource page at <https://www.bakertilly.com/insights/audit-committee-resource-page>.

Management representation letter



BALANCING AUTHORITY OF NORTHERN CALIFORNIA

RELIABILITY • COLLABORATION • SUSTAINABILITY

March 1, 2022

Baker Tilly US, LLP
4807 Innovate Ln
P.O. Box 7398
Madison, WI 53707-7398

Dear Baker Tilly US, LLP:

We are providing this letter in connection with your audits of the financial statements of Balancing Authority of Northern California (the Agency) as of December 31, 2021 and 2020 and for the years then ended for the purpose of expressing an opinion as to whether the financial statements present fairly, in all material respects, the financial position, results of operations and cash flows of the Agency in conformity with accounting principles generally accepted in the United States of America. We confirm that we are responsible for the fair presentation of the previously mentioned financial statements in conformity with accounting principles generally accepted in the United States of America. We are also responsible for adopting sound accounting policies, establishing and maintaining internal control over financial reporting, and preventing and detecting fraud.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, the following representations made to you during your audits.

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter.
2. The financial statements referred to above are fairly presented in conformity with accounting principles generally accepted in the United States of America and include all financial information required by accounting principles generally accepted in the United States of America.
3. We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
4. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
5. Significant assumptions we used in making accounting estimates, if any, are reasonable.

A JOINT POWERS AUTHORITY BETWEEN

Modesto Irrigation District, City of Redding, City of Roseville, Trinity Public Utilities District,
City of Shasta Lake and Sacramento Municipal Utility District

6201 S STREET, MS B356, SACRAMENTO, CA 95852-0830
WWW.THEBANC.ORG

6. All events subsequent to the date of the financial statements and for which accounting principles generally accepted in the United States of America require adjustment or disclosure have been adjusted or disclosed. No other events, including instances of noncompliance, have occurred subsequent to the balance sheet date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements.
- 7 All material transactions have been recorded in the accounting records and are reflected in the financial statements.
8. We are not aware of any known actual, possible, pending, or threatened litigation, claims, or assessments or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements in accordance with accounting principles generally accepted in the United States of America, and we have not consulted a lawyer concerning litigation, claims, or assessments.

Information Provided

9. We have provided you with:
 - a. Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as financial records and related data, documentation, and other matters.
 - b. Additional information that you have requested from us for the purpose of the audit.
 - c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
 - d. Minutes of the meetings of the Agency or summaries of actions of recent meetings for which minutes have not yet been prepared.
10. We have disclosed to you results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
11. We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
 - a. Management,
 - b. Employees who have significant roles in internal control, or
 - c. Others where the fraud could have a material effect on the financial statements.
12. We have no knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, former employees, regulators, or others.
13. We have no knowledge of known instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse, whose effects should be considered when preparing financial statements.
14. We have disclosed to you the names of our related parties and all the related party relationships and transactions, including any side agreements.

Other

15. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
16. We have a process to track the status of audit findings and recommendations.
17. We are responsible for compliance with federal, state, and local laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits, debt contracts, and IRS arbitrage regulations; and we have identified and disclosed to you all federal, state, and local laws, regulations and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives, including legal and contractual provisions for reporting specific activities in separate funds.
18. There are no:
 - a. Violations or possible violations of budget ordinances, federal, state, and local laws or regulations (including those pertaining to adopting, approving and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency, or for reporting on noncompliance, except those already disclosed in the financial statement, if any.
 - b. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by accounting principles generally accepted in the United States of America.
 - c. Nonspendable, restricted, committed, or assigned fund balances that were not properly authorized and approved.
 - d. Rates being charged to customers other than the rates as authorized by the applicable authoritative body.
19. The Agency has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
20. The Agency has complied with all aspects of contractual agreements that would have a material effect on the financial statement in the event of noncompliance.
21. Components of net position (net investment in capital assets; restricted; and unrestricted) are properly classified and, if applicable, approved.
22. The Agency has no derivative financial instruments such as contracts that could be assigned to someone else or net settled, interest rate swaps, collars or caps.

23. Deposits are properly classified, valued and disclosed (including risk disclosures, collateralization agreements, valuation methods, and key inputs, as applicable).
24. We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.
25. The auditing standards define an annual report as "a document, or combination of documents, typically prepared on an annual basis by management or those charged with governance in accordance with law, regulation, or custom, the purpose of which is to provide owners (or similar stakeholders) with information on the entity's operations and the entity's financial results and financial position as set out in the financial statements." Among other items, an annual report contains, accompanies, or incorporates by reference the financial statements and the auditor's report thereon. We do not prepare an annual report.

Sincerely,

Balancing Authority of Northern California

Signed: 

 Jim Shetler, General Manager

Signed: **Russell Mills**
Digitally signed by Russell Mills
 DN: cn=Russell Mills, o=Sacramento Municipal
 Utility District, ou=Treasury Department,
 email=russellmills@smud.org, c=US
 Date: 2022.03.01 09:06:14 -08'00'

 Russell Mills, Treasurer

Signed: **Lisa Limcaco**
Digitally signed by Lisa Limcaco
 DN: dc=org, dc=smud, dc=corporate,
 ou=Corporate, ou=User Accounts,
 cn=Lisa Limcaco
 Date: 2022.02.28 17:07:55 -08'00'

 Lisa Limcaco, Controller

Accounting changes relevant to Balancing Authority of Northern California

Future accounting standards update

GASB Statement Number	Description	Potentially Impacts you	Effective Date
87	Leases	✓	12/31/22*
91	Conduit Debt		12/31/22*
93	Replacement of Interfund Bank Offered Rates		12/31/22*
94	Public-Private and Public-Public Partnerships and Availability Payment Arrangements		12/31/23
96	Subscription-Based Information Technology Arrangements	✓	12/31/23
97	Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans		12/31/22

*The statements listed above through Statement No. 93 had their required effective dates postponed by one year with the issuance of Statement No. 95, *Postponement of Effective Dates of Certain Authoritative Guidance*, with the exception of Statement No. 87 which was postponed by one and a half years. The effective date reflected above is the required revised implementation date.

Further information on upcoming [GASB pronouncements](#).

Ready or not – the new lease standard is here!

GASB's new single model for lease accounting is effective for next year's audit (fiscal years ending June 30, 2022 and later). This standard requires the Agency to identify and evaluate contracts that convey control of the right to use another entity's nonfinancial asset for a period of time in an exchange or exchange-like transaction. Contracts meeting the criteria for control, term and other items within the standard will result in recognizing a right to use asset and lease liability or a receivable and deferred inflow of resources. The standard specifies that leases should be recognized and measured using the facts and circumstances that exist at the beginning of the period of implementation (or, if applied to earlier periods, the beginning of the earliest period restated).

The implementation process can be broken down into a four-step methodology:



Now is the time to evaluate where your Agency is in this process and the timeline to complete implementation. The third step for lease evaluation, data extraction and review is typically the most time-consuming step; organizations should begin this process well before year end to ensure adequate lead time. A key decision that will need to be made is whether a lease administration software package is necessary. Depending on the volume and complexity of your lease activity, spreadsheets may not be sufficient to track and calculate all the required information.

We are available to discuss this further and help you develop an action plan. Baker Tilly also has complimentary resources available online including:

- GASB 87 lease identification questionnaire
- GASB 87 lease assistance tool
- Variety of GASB 87 podcasts and articles

Access tools and learn more about [GASB 87](#).

Preparing for the new conduit debt reporting

Conduit debt includes arrangements where there are three separate parties involved including a third party that is obligated for payment, a debt holder or lender and an issuing party which is often a government. This standard provides additional criteria for identifying and classifying conduit debt with the intent of providing consistency in how the debt is recorded and reported in governmental financial statements. The Agency should identify any existing debt arrangements involving third-party obligors and evaluate how those arrangements will be reported under the new standard in order to determine the potential impact of this standard on future financial reporting.

Determining if GASB 94 applies for your organization

GASB 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* provides guidance related to public-private and public-public partnerships (PPP) and availability payment arrangements (APA).

A PPP is an arrangement in which an entity contracts with an operator to provide public services by conveying control of the right to operate or use infrastructure or other capital asset. A common example of PPP is a service concession arrangement.

An APA is an arrangement in which an entity compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an asset.

The Agency should start to identify any contracts that could meet either definition to ensure they are reviewed for applicability and accounted for correctly when the standard is effective. Initial steps include reviewing contracts that didn't meet the definition of a lease under GASB 87 and identifying any other agreements where the organization contracts with or partners with another entity to provide services.

Future accounting for subscription-based IT arrangements

Subscription-based IT arrangements include contracts that convey control of the right to use another party's IT software. It would not include any licensing arrangements that provide a perpetual license, which would still be accounted for as an intangible asset. Subscription-based IT arrangements are becoming more and more popular with IT vendors. This standard mirrors the new lease standard. The Agency will be able to utilize the systems put into place to implement the lease standard to properly account for these contracts. Common examples of these contracts in the utility industry include:

- Leasing space in the cloud
- GIS systems
- SCADA systems
- Some work order or inventory systems as well as some general ledger or billing systems

The Agency should work with its IT department and department managers to determine a population listing of contracts that would fall under this standard to determine the potential future impact to financial reporting.

Two-way audit communications

As part of our audit of your financial statements, we are providing communications to you throughout the audit process. Auditing requirements provide for two-way communication and are important in assisting the auditor and you with more information relevant to the audit.

As this past audit is concluded, we use what we have learned to begin the planning process for next year's audit. It is important that you understand the following points about the scope and timing of our next audit:

- a. We address the significant risks of material misstatement, whether due to fraud or error, through our detailed audit procedures.
- b. We will obtain an understanding of the five components of internal control sufficient to assess the risk of material misstatement of the financial statements whether due to error or fraud, and to design the nature, timing and extent of further audit procedures. We will obtain a sufficient understanding by performing risk assessment procedures to evaluate the design of controls relevant to an audit of financial statements and to determine whether they have been implemented. We will use such knowledge to:
 - Identify types of potential misstatements.
 - Consider factors that affect the risks of material misstatement.
 - Design tests of controls, when applicable, and substantive procedures.
- c. We will not express an opinion on the effectiveness of internal control over financial reporting or compliance with laws, regulations and provisions of contracts or grant programs.
- d. The concept of materiality recognizes that some matters, either individually or in the aggregate, are important for fair presentation of financial statements in conformity with generally accepted accounting principles while other matters are not important. In performing the audit, we are concerned with matters that, either individually or in the aggregate, could be material to the financial statements. Our responsibility is to plan and perform the audit to obtain reasonable assurance that material misstatements, whether caused by errors or fraud, are detected.

Our audit will be performed in accordance with auditing standards generally accepted in the United States of America.

We are very interested in your views regarding certain matters. Those matters are listed here:

- a. We typically will communicate with your top level of management unless you tell us otherwise.
- b. We understand that the governing board has the responsibility to oversee the strategic direction of your organization, as well as the overall accountability of the Agency. Management has the responsibility for achieving the objectives of the Agency.
- c. We need to know your views about your organization's objectives and strategies, and the related business risks that may result in material misstatements.
- d. We anticipate that the Agency will receive an unmodified opinion on its financial statements.
- e. Which matters do you consider warrant particular attention during the audit, and are there any areas where you request additional procedures to be undertaken?
- f. Have you had any significant communications with regulators or grantor agencies?
- g. Are there other matters that you believe are relevant to the audit of the financial statements?

Also, is there anything that we need to know about the attitudes, awareness and actions of the governing body concerning:

- a. The Agency's internal control and its importance in the Agency, including how those charged with governance oversee the effectiveness of internal control?
- b. The detection or the possibility of fraud?

We also need to know if you have taken actions in response to developments in financial reporting, laws, accounting standards, governance practices, or other related matters, or in response to previous communications with us.

With regard to the timing of our audit, here is some general information. If necessary, we may do preliminary financial audit work during the months of October-December, and sometimes early in January. Our final financial fieldwork is scheduled during January and/or February to best coincide with your readiness and report deadlines. After fieldwork, we wrap up our financial audit procedures at our office and may issue drafts of our report for your review. Final copies of our report and other communications are issued after approval by your staff. This is typically 4-6 weeks after final fieldwork, but may vary depending on a number of factors.

Keep in mind that while this communication may assist us with planning the scope and timing of the audit, it does not change the auditor's sole responsibility to determine the overall audit strategy and the audit plan, including the nature, timing and extent of procedures necessary to obtain sufficient appropriate audit evidence.

We realize that you may have questions on what this all means, or wish to provide other feedback. We welcome the opportunity to hear from you.

Balancing Authority of Northern California Sacramento, CA

Financial Statements

as of and for the years ended
December 31, 2021 and 2020
including

Independent Auditors' Report

BALANCING AUTHORITY OF NORTHERN CALIFORNIA
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As of and for the Years Ended December 31, 2021 and 2020

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Independent Auditors' Report

To the Commissioners of
Balancing Authority of Northern California

Opinion

We have audited the accompanying financial statements of Balancing Authority of Northern California, as of and for the years ended December 31, 2021 and 2020 and the related notes to the financial statements, which collectively comprise Balancing Authority of Northern California's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Balancing Authority of Northern California as of December 31, 2021 and 2020 and the changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Balancing Authority of Northern California and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other Matters

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Balancing Authority of Northern California's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Balancing Authority of Northern California's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Balancing Authority of Northern California's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Baker Tilly US, LLP

Madison, Wisconsin
March 1, 2022

**BALANCING AUTHORITY OF NORTHERN CALIFORNIA
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED
As of and for the Years Ended December 31, 2021 and 2020**

Using this Financial Report

This annual financial report for Balancing Authority of Northern California (Agency) consists of management's discussion and analysis and the financial statements, including notes to the financial statements. The basic Financial Statements consist of the Statements of Net Position, the Statements of Revenues, Expenses and Changes in Net Position and the Statements of Cash Flows.

The Agency's accounting records are maintained in accordance with Generally Accepted Accounting Principles for proprietary funds as prescribed by the Governmental Accounting Standards Board. The Agency's accounting records generally follow the Uniform System of Accounts for Public Utilities and Licensees prescribed by the Federal Energy Regulatory Commission (FERC).

Overview of the Financial Statements

The following discussion and analysis of the financial performance of the Agency provides an overview of the financial activities for the years ended December 31, 2021 and 2020. This discussion and analysis should be read in conjunction with the Agency's financial statements and accompanying notes, which follow this section.

The Statements of Net Position provide information about the nature and amount of resources and obligations at a specific point in time.

The Statements of Revenues, Expenses and Changes in Net Position report all of the Agency's revenues and expenses during the periods indicated.

The Statements of Cash Flows report the cash provided and used by operating activities, as well as other cash sources such as investment income and debt financing, and other cash uses such as payments for debt service and capital additions.

The Notes to Financial Statements provide additional detailed information to support the financial statements.

Nature of Operations

The Agency is a joint powers authority consisting of the following California publicly owned utilities: the Sacramento Municipal Utility District (SMUD), the Modesto Irrigation District, the City of Redding, the City of Roseville, the Trinity Public Utilities District, and the City of Shasta Lake (collectively, Members). The Agency performs FERC approved Balancing Authority Area (BAA) and Planning Coordinator (PC) reliability functions that are overseen by North American Electric Reliability Corporation, nationally, and by Western Electricity Coordinating Council (WECC) in the West. The Agency also has the ability to acquire, construct, maintain, operate and finance projects for the Agency and for the benefit of any one or more of the Members. The Agency has no employees. The Agency has a contract with an industry professional to serve as the general manager. The Agency also has a contract with a legal firm to provide legal services for the Agency. An Agency Member, SMUD, serves as the Treasurer and Controller, Compliance Officer, BAA Operator and PC services provider.

Operational Highlights

The Agency continues to support the Members' desire to have the BAA provide a strong base for maintaining their independence and ability for self-determination. In 2021, the Agency's Commission continued to reinforce its strategic direction for this goal with a focus on initiatives in the areas of:

- *Independence*
- *Assets*
- *Outreach*
- *Customer Services*

In the area of Independence, the Agency has been proactive at ensuring BAA operations are maintained in full compliance with industry standards. This has been accomplished through the proactive use of the Agency's Operations Committee, Member Compliance Review Committee, Resource Committee, and Energy Imbalance Market (EIM) Committee. The Agency, through its compliance group, has been proactive in taking a risk-based approach to evaluating operational incidents, including near miss lessons-learned. The Agency has been actively engaged in evaluating market alternatives for its Members, as well as the Western Area Power Administration – Sierra Nevada Region (WAPA-SNR), which is a contract participant in BANC. This included the Northwest Power Pool (NWPP) market evaluation efforts. With the termination of the NWPP effort in late 2015, the Agency formally evaluated participation in the California Independent System Operator Corporation (CAISO) Western Energy Imbalance Market (WEIM). This evaluation resulted in a decision for the Agency to become an EIM Entity and allow phased-in participation by Members and possibly WAPA-SNR. SMUD was the first entity in BANC to become an EIM Participating Resource, with go-live in April 2019, referred to as BANC EIM Phase 1. In addition, three other Members (Modesto Irrigation District, City of Redding, and City of Roseville) and WAPA-SNR decided to participate in EIM and went live in late March 2021, which was referred to as BANC EIM Phase 2. The Agency is also an active participant with other EIM Entities and stakeholders in evaluating the Extended Day Ahead Market (EDAM) with the CAISO. As proposed, EDAM will allow an expansion of CAISO participation for EIM entities into the day ahead market. Like EIM, EDAM participation is proposed to be voluntary, maintain the independence of the EDAM participant's BAA, and will not require participants to turn over operational control of their transmission or generation facilities to the CAISO. Based upon the results of an EDAM Feasibility Assessment conducted in 2019, the EIM Entities and CAISO proceeded with a formal stakeholder process to develop detailed EDAM design which was initiated in 2020. Due to resource adequacy issues in the summer of 2020, the CAISO and EIM Entities placed a hold on EDAM discussions, with the hold lasting through the summer of 2021. The CAISO reinitiated the EDAM stakeholder process in late 2021 with a goal of finalizing a market design for EDAM by the end of 2022. BANC is an active participant in this effort. BANC is also engaged in discussions on other potential West-wide efforts, including the Southwest Power Pool (SPP) Markets+ initiative and the NWPP Western Resource Adequacy Program (WRAP).

Regarding Assets, the Agency has finalized the arrangement with its BAA Operator, which is also a registered transmission operator, to determine relative responsibilities for funding facility assets. The Agency funds its fair share of these assets. The Agency also worked with the BAA Operator and WECC to finalize compliance responsibilities for any joint violations that might be imposed on the Agency and the BAA Operator. The Agency worked with its Members to understand how the implementation of Senate Bill (SB)100 requirements for "zero" carbon emissions from electric generation will impact future BA operations. This includes active engagement with the oversight agencies (California Public Utilities Commission, California Energy Commission, and California Air Resources Board) and other California BAAs in supporting the development of the first assessment report on implementation of SB100 and ongoing discussions on implementation of SB100 goals. As a result of the resource adequacy concerns raised in the summers of 2020 and 2021, the BANC Members have directed the Agency to issue

a request for proposals for new, renewable resources that could be interconnected to the BANC grid. The evaluation of proposals will be conducted in early 2022.

In the area of Outreach, the Agency has been reaching out to the appropriate state and federal agencies regarding its BAA role. The Agency has been proactive in its engagement with WECC and the reliability coordinator (formerly Peak Reliability [Peak], now RC West). This includes involvement with such issues as data sharing, alternative funding for Peak, and the transition of Reliability Coordinator (RC) services from Peak to other providers. The Agency has also been proactive in reaching out to other Publicly Owned Utilities BAAs in the West, engaging in the EIM Regional Issues Forum, and in CAISO regionalization discussions. The Agency is also an active participant in the Western Electricity Industry Leaders (WEIL) group, including its General Manager serving on the WEIL steering committee.

Regarding Customer Services, the Agency has worked with its Members to take on the role of PC for a part of the Agency's footprint. The Agency has contracted with SMUD to provide the PC services for participating Members. The initial study work was completed in 2017 and the Agency was fully compliant as a PC by January 1, 2018, for those Members that have elected to take PC service. In addition, the agency has assisted members with software needs for implementation of EIM Phase 2 in 2021. Also, as noted above, the Agency is assisting the Members with new renewable resource additions to improve grid reliability for BANC.

FINANCIAL POSITION

Statements of Net Position Summary (Dollars in thousands)

	December 31,			Change			
	2021	2020	2019	2021 vs. 2020		2020 vs. 2019	
Assets							
Current assets	\$ 6,596	\$ 3,177	\$ 3,683	\$ 3,419	107.6%	\$ (506)	-13.7%
Noncurrent assets	500	4,948	2,501	(4,448)	-89.9%	2,447	97.8%
Total Assets	<u>\$ 7,096</u>	<u>\$ 8,125</u>	<u>\$ 6,184</u>	<u>\$ (1,029)</u>	-12.7%	<u>\$ 1,941</u>	31.4%
Liabilities							
Current liabilities	\$ 6,596	\$ 3,177	\$ 3,683	\$ 3,419	107.6%	\$ (506)	-13.7%
Noncurrent liabilities	500	4,948	2,501	(4,448)	-89.9%	2,447	97.8%
Total Liabilities	<u>7,096</u>	<u>8,125</u>	<u>6,184</u>	<u>(1,029)</u>	-12.7%	<u>1,941</u>	31.4%
Net position							
Unrestricted	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	0.0%	<u>-0-</u>	0.0%
Total net position	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	0.0%	<u>-0-</u>	0.0%
Total liabilities and net position	<u>\$ 7,096</u>	<u>\$ 8,125</u>	<u>\$ 6,184</u>	<u>\$ (1,029)</u>	-12.7%	<u>\$ 1,941</u>	31.4%

2021 Compared to 2020

ASSETS

Current Assets increased by \$3.4 million due to higher unrestricted cash and receivables from Members for WEIM related activities, offset by lower Due from Members.

Noncurrent Assets decreased by \$4.4 million primarily due to lower Credit Support Collateral posted by the Agency to CAISO for WEIM participation.

LIABILITIES

Current Liabilities increased by \$3.4 million primarily due to higher Due to Members and accruals for WEIM related activities.

Noncurrent Liabilities decreased by \$4.4 million primarily due to lower Credit Support Collateral posted by the Agency to CAISO for WEIM participation.

2020 Compared to 2019

ASSETS

Current Assets decreased by \$0.5 million due to lower receivables from Members for WEIM related activities, offset by higher unrestricted cash and Due from Members.

Noncurrent Assets increased by \$2.4 million primarily due to the additional Credit Support Collateral posted by the Agency to CAISO for WEIM participation.

LIABILITIES

Current Liabilities decreased by \$0.5 million primarily due to the payment to SMUD for the Energy Management System and the decrease in Advances from members which represents cash contributions partially offset by cash used to pay operating expenses.

Noncurrent Liabilities increased by \$2.4 million due to the additional Credit Support Collateral to CAISO funded by Members.

RESULTS OF OPERATIONS

Summary of Revenues, Expenses and Changes in Net Position

(Dollars in thousands)

	December 31,			Change			
	2021	2020	2019	2021 vs. 2020		2020 vs. 2019	
Operating revenues	\$ 6,063	\$ 5,029	\$ 3,955	\$ 1,034	20.6%	\$ 1,074	27.2%
Operating expenses	(6,063)	(5,029)	(3,955)	(1,034)	-20.6%	(1,074)	-27.2%
Operating income	-0-	-0-	-0-	-0-	0.0%	-0-	0.0%
Change in net position	-0-	-0-	-0-	-0-	0.0%	-0-	0.0%
Net position - beginning of year	-0-	-0-	-0-	-0-	0.0%	-0-	0.0%
Net position - end of year	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	0.0%	<u>\$ -0-</u>	0.0%

2021 Compared to 2020

Operating Revenues increased by \$1.0 million primarily due to higher billings to Members for WEIM expenses.

Operating Expenses increased by \$1.0 million primarily due to higher payments for WEIM expenses.

2020 Compared to 2019

Operating Revenues increased by \$1.1 million primarily due to higher billings to Members for WEIM expenses.

Operating Expenses increased by \$1.1 million primarily due to higher payments for WEIM expenses.

Requests for Information

For more information about the Balancing Authority of Northern California, visit our website at www.thebanc.org or contact us at JimShetler@thebanc.org.

**BALANCING AUTHORITY OF NORTHERN CALIFORNIA
STATEMENTS OF NET POSITION**

	December 31,	
	2021	2020
ASSETS		
CURRENT ASSETS		
Unrestricted cash	\$ 3,582,918	\$ 1,710,899
Receivable from Members	3,013,513	769,576
Due from Members	-0-	696,292
Total current assets	6,596,431	3,176,767
NONCURRENT ASSETS		
Credit support collateral deposits	500,082	4,948,385
Total noncurrent assets	500,082	4,948,385
TOTAL ASSETS	\$ 7,096,513	\$ 8,125,152
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable	\$ 2,031,479	\$ 1,150,059
Advances from Members	2,165,794	2,014,894
Due to Members	2,395,576	-0-
Other	3,582	11,814
Total current liabilities	6,596,431	3,176,767
NONCURRENT LIABILITIES		
Due to Members	500,082	4,948,385
Total noncurrent liabilities	500,082	4,948,385
TOTAL LIABILITIES	7,096,513	8,125,152
NET POSITION		
Unrestricted	-0-	-0-
TOTAL NET POSITION	-0-	-0-
CONTINGENCIES (Note 3)		
TOTAL LIABILITIES AND NET POSITION	\$ 7,096,513	\$ 8,125,152

The accompanying notes are an integral part of these financial statements.

BALANCING AUTHORITY OF NORTHERN CALIFORNIA
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	Years Ended December 31,	
	2021	2020
OPERATING REVENUES		
Member revenues	\$ 5,787,688	\$ 4,363,256
Other	275,589	665,296
Total operating revenues	6,063,277	5,028,552
OPERATING EXPENSES		
Operations	4,166,560	3,067,782
Administrative and general	1,896,717	1,960,770
Total operating expenses	6,063,277	5,028,552
OPERATING INCOME	-0-	-0-
CHANGE IN NET POSITION	-0-	-0-
NET POSITION - BEGINNING OF YEAR	-0-	-0-
NET POSITION - END OF YEAR	\$ -0-	\$ -0-

The accompanying notes are an integral part of these financial statements.

**BALANCING AUTHORITY OF NORTHERN CALIFORNIA
STATEMENTS OF CASH FLOWS**

	Years Ended December 31,	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Members	\$ 2,613,805	\$ 8,439,090
(Payments)/receipts from credit support collateral deposit	4,448,303	(2,446,982)
Payments to vendors	(5,190,089)	(5,457,995)
Net cash provided by operating activities	1,872,019	534,113
Net increase in cash	1,872,019	534,113
Cash - beginning of the year	1,710,899	1,176,786
Cash - end of the year	\$ 3,582,918	\$ 1,710,899
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income	\$ -0-	\$ -0-
Adjustments to reconcile operating income to net cash provided by operating activities:		
Changes in operating assets and liabilities:		
Receivable from Members	(2,243,937)	1,484,730
Due from Members	696,292	(444,306)
Credit support collateral deposit	4,448,303	(2,446,982)
Accounts payable	881,420	(425,498)
Other payable	(8,232)	(3,945)
Advances from Members	150,900	(76,868)
Due to Members	(2,052,727)	2,446,982
Net cash provided by operating activities	\$ 1,872,019	\$ 534,113

The accompanying notes are an integral part of these financial statements.

BALANCING AUTHORITY OF NORTHERN CALIFORNIA
NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2021 and 2020

NOTE 1. ORGANIZATION AND OPERATIONS

The Balancing Authority of Northern California (Agency) is a joint powers authority (JPA) consisting of the following California publicly owned utilities: the Sacramento Municipal Utility District (SMUD), the Modesto Irrigation District, the City of Redding, the City of Roseville, the Trinity Public Utilities District, and the City of Shasta Lake (collectively, Members). The Agency performs Federal Energy Regulatory Commission approved Balancing Authority Area (BAA) and Planning Coordinator (PC) reliability functions that are overseen by the North American Electric Reliability Corporation, nationally, and by the Western Electricity Coordinating Council in the West. The Agency also has the ability to acquire, construct, maintain, operate and finance projects for the Agency and for the benefit of any one or more of the Members.

The Agency has no employees. The Agency has a contract with an industry professional to serve as the general manager. An Agency Member, SMUD, serves as the Treasurer and Controller, Compliance Officer, BAA Operator and PC service provider.

The Agency's Commission is comprised of one commissioner from each Member. The Members pay its participation percentage share of the costs associated with the operation of the Agency, with a minimum cost share of \$25.0 thousand per calendar year. The participation percentage of each Member is based on their proportional share of the annual retail load from the previous calendar year.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Method of Accounting. The accounting records of the Agency are maintained in accordance with Generally Accepted Accounting Principles for proprietary funds as prescribed by the Governmental Accounting Standards Board (GASB). The Agency's accounting records generally follow the Uniform System of Accounts for Public Utilities and Licensees prescribed by the Federal Energy Regulatory Commission. The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Use of Estimates. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Actual results could differ from those estimates.

Cash and Cash Equivalents. Cash and cash equivalents include all debt instruments purchased with an original maturity of 90 days or less.

Custodial Credit Risk. This is the risk that in the event of the failure of a depository financial institution or counterparty to a transaction, the Agency's deposits may not be returned or the Agency will not be able to recover the value of its deposits, investments or collateral securities that are in the possession of another party. The Agency does not have a deposit policy for custodial credit risk. At December 31, 2021 and 2020, \$3.4 million and \$1.5 million of the Agency's bank balance were uninsured, respectively.

Credit Support Collateral Deposits. The Agency entered into a Western Energy Imbalance Market (WEIM) participation agreement with the California Independent System Operator (CAISO), which allows participants to buy and sell power close to the time electricity is consumed. In 2021 and 2020, the Agency contributed \$0.5 million and \$2.4 million, respectively for the collateral deposit to cover the WEIM settlement activity credit requirements. The collateral deposit was reduced in 2021 as a result of a lower CAISO requirement for the participation in the EIM Phase 2. These deposits are recorded as noncurrent assets.

Receivable from Members. The Agency records as a Receivable from Members the costs incurred related to the WEIM activities.

Advances from Members. Members provide cash to the Agency in advance for operations costs. These advances are recognized as operating revenue as expenses are incurred.

Due From (To) Members. The Due from Members represents proceeds from CAISO for Members WEIM power trading activities. The Due to Members represents amounts posted by Members for the Credit Support Collateral Deposits to CAISO.

Net Position. The Agency classifies its net position as unrestricted.

Operating Revenues. The Agency invoices its Members for their respective participation percentage in accordance with the JPA agreement.

Operating Expenses. Operating expenses include the operations and administrative expenses of the Agency.

Subsequent Events. Subsequent events for the Agency have been evaluated through March 1, 2022, which is the date that the financial statements were available to be issued.

Recent Accounting Pronouncements, adopted. In May 2020, GASB issued SGAS No. 95, *“Postponement of the Effective Dates of Certain Authoritative Guidance”* (GASB No. 95). The primary objective of this statement is to provide temporary relief to governments and other stakeholders as a result of the COVID-19 pandemic. GASB No. 95 postpones the effective dates of certain provisions in statements and implementation guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later. This statement is effective for the Agency in 2020. The Agency will postpone the implementation of GASB No. 87, *Leases*.

Recent Accounting Pronouncements, not yet adopted. In June 2017, GASB issued SGAS No. 87, *“Leases”* (GASB No. 87). The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. The statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. GASB No. 87 establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under GASB No. 87, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. This statement is effective for the Agency in 2022. The Agency is currently assessing the financial statement impact of adopting this statement.

In May 2020, GASB issued SGAS No. 96, *“Subscription-Based Information Technology Arrangements”* (GASB No. 96). This statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for governments. The statement (1) defines a SBITA as a contract

that conveys control of the right to use another party's information technology software, alone or in combination with tangible capital assets, as specified in the contract for a period of time in an exchange or exchange-like transaction; (2) establishes that a SBITA results in a right-to-use subscription asset and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in GASB No. 87, *Leases*, as amended. This statement is effective for the Agency in 2023. The Agency is currently assessing the financial statement impact of adopting this statement.

NOTE 3. CONTINGENCIES

General Contingencies. In the normal course of operations, the Agency may be party to various claims, disputes and litigation. There are no such matters pending. Thus, there are no such actions that could have a material adverse impact on the Agency's financial position or results of operations.

Balancing Authority of Northern California

Agenda Item 5D

1. **Resolution 22-03-02 Approval of *BANC Internal Compliance Program Charter*.**
2. **Attachment A to Resolution 22-03-02: BANC Internal Compliance Program Charter, Version 7.0.**
3. **BANC Member Compliance Review Committee Charter, Version 7.0.**

Braun Blaising Smith Wynne, P.C.

Attorneys at Law

3/16/22

To: BANC Commission
From: BANC Counsel
RE: Approval of BANC Internal Compliance Program Charter

The Compliance Officer is seeking Commission approval of the revisions made to the Balancing Authority of Northern California (BANC) Internal Compliance Program (ICP) Charter (ICPC), conducted under his direction. The last review and revision, Version 6, occurred in March of 2019. Certain revisions to the ICPC, discussed further herein, were determined by the Compliance Officer to be necessary to ensure that the substance of ICPC keeps pace with the best practices being followed by the BANC compliance staff as they implement the ICP. ICPC Version 7 is therefore being provided to the Commission for your review and approval.

Background

The BANC ICP is comprised of both policy-level and program-level components. The document before the Commission is the ICPC, which outlines the policy-level component of the ICP. The ICPC provides the overall policy framework for the ICP and therefore requires approval by the Commission.

The ICP implementation details are outlined in separate program-level documents, including the Member Compliance Review Committee (MCRC) Charter, found in Appendix A of the ICPC, the North American Electric Reliability Corporation (NERC) Compliance Monitoring and Enforcement Program Implementation Plan, found in Appendix B of the ICPC, and a detailed compliance program components document, which serves as the manual for the ongoing day-to-day processes and procedures related to implementing and managing the ICP. These program-level working documents, while entirely consistent with ICPC policies, are not separately approved by the Commission.

Summary of ICPC Changes

The ICPC changes were undertaken in anticipation of Sacramento Municipal Utility District's (SMUD) internal audit and 2022 WECC audit preparations under the direction of the BANC Compliance Officer. Regular audits of the compliance program are conducted by the SMUD's Audit & Quality Services team, and WECC conducts triennial audits as a part of its Compliance Monitoring and Enforcement Program (CMEP) activities. Regular updates of compliance documents are an important part of the preparation for these activities.

In this review cycle, minor ICPC updates and clean up changes were made, including, but not limited to:

- Minor revisions to definitions to ensure consistency with other BANC agreements and documentation
- Updates to conform with changes made to WECC's CMEP Implementation Plan and/or other Compliance Enforcement Authority guidance, including updates to footnotes and hyperlinks
- Revised Figure 2 to reflect updates to functional registrations
- Formatting and terminology usage consistency

Conforming changes were also made to the MCRC Charter, and a copy is being provided for your information.

Conclusion

The ICPC has been reviewed and accepted by the MCRC, which includes representatives from each of the BANC member organizations and the Western Area Power Administration – Sierra Nevada Region. We are seeking Commission approval of these changes. A clean approval draft of Version 7 of the ICPC has been included as Attachment A to Resolution 22-03-02 *Approval of BANC Internal Compliance Program Charter*.

**Balancing Authority of Northern California
Resolution 22-03-02**

Approval of BANC Internal Compliance Program Charter

WHEREAS, the Balancing Authority of Northern California (“BANC”) maintains an Internal Compliance Program (“ICP”) to ensure compliance with North American Electric Reliability Corporation (“NERC”) Reliability Standards (“Standards”); and

WHEREAS, the Commission has adopted the BANC ICP Charter (“ICPC”) to establish its policies relating to the ICP; and

WHEREAS, the Compliance Officer, in consultation with the Member Compliance Review Committee (“MCRC”), periodically reviews and proposes revisions to the ICPC to ensure the ICP is aligned with changes and/or revisions to Standards and/or changes in BANC’s obligations thereto; and

WHEREAS, the Compliance Officer has proposed revisions to the ICPC, referred to as ICPC Version 7, primarily to address administrative updates, ensure alignment with other WECC documentation, and capture changes to functional registrations; and

WHEREAS, the MCRC has reviewed and has concurred with the proposed ICPC revisions.

NOW, THEREFORE, BE IT RESOLVED that the Commissioners of the Balancing Authority of Northern California hereby acknowledge and approve the ICPC, attached hereto as Attachment A.

PASSED AND ADOPTED by the Commissioners of the Balancing Authority of Northern California this 23rd day of March 2022, by the following vote:

		Aye	No	Abstain	Absent
Modesto ID	Martin Caballero				
City of Redding	Nick Zettel				
City of Roseville	Dan Beans				
City of Shasta Lake	James Takehara				
SMUD	Paul Lau				
TPUD	Paul Hauser				

Acting Chair

Attest by: C. Anthony Braun
Secretary

**BALANCING AUTHORITY OF
NORTHERN CALIFORNIA**

Internal Compliance Program Charter

Version 7.0

BANC Members:

Modesto Irrigation District (MID)
City of Redding (REU)
City of Roseville
City of Shasta Lake
Sacramento Municipal Utility District (SMUD)
Trinity Public Utilities District (TPUD)

Internal Compliance Program Charter

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Section 1. Overview

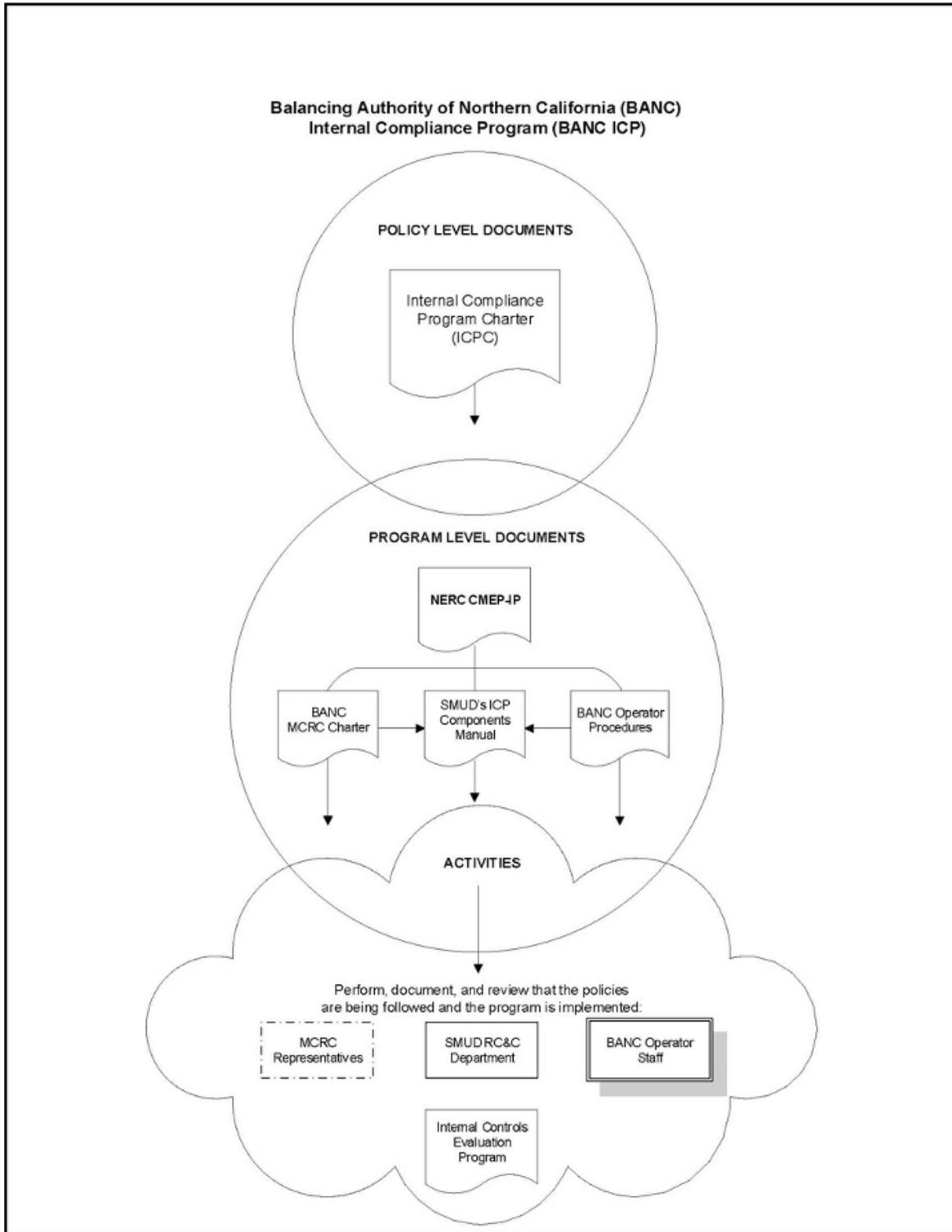
The Balancing Authority of Northern California (BANC) Internal Compliance Program (ICP) is comprised of two types of component documents: (1) policy-level; and (2) program-level. This document outlines the first, policy-level component of the ICP, referred to as the “Internal Compliance Program Charter” (ICPC). Developed by the Compliance Officer and approved by the BANC Commission, the ICPC provides the overall policy framework for the ICP. The ICP implementation details are outlined in separate program-level documents, including: the BANC Member Compliance Review Committee (MCRC) Charter, found in Appendix A; the North American Electric Reliability Corporation (NERC) Compliance Monitoring and Enforcement Program Implementation Plan (CMEP-IP), found in Appendix B; the SMUD Internal Controls Evaluation Program (ICE Program); and the SMUD Reliability Internal Compliance Program Components Manual.

The ICPC has been reviewed by the MCRC and provided to Compliance Staff and Subject Matter Experts (SMEs) responsible for maintaining compliance with the NERC Reliability Standards requirements and the mandatory Western Electricity Coordinating Council (WECC) Regional Reliability Standards (NERC/WECC collectively, “Reliability Standards”) requirements applicable to the functions for which BANC is registered. Diagram 1, below, shows the general framework of the ICP.

The goal of the ICP is to actively support a culture that continuously promotes and fosters a reliable and efficient Bulk Electric System (BES) by striving for operational excellence, including the incorporation of best-practices, principles, and processes that support Reliability Standards compliance. This ICPC establishes the framework for the plans, policies, procedures, systems, roles and responsibilities to monitor, assess, and ensure compliance with all applicable Reliability Standards and associated rules, orders, and regulations.

Compliance is accomplished through committed leadership, clear communication channels, training, individual performance and accountability, and a commitment to continuous improvement through monitoring activities, measuring, reporting, reviewing root causes, prevention, risk assessments, and responding to compliance and reliability issues.

Diagram 1: BANC ICP Framework



The ICP comprises six elements:

1. A Commission, comprised of an executive from each BANC Member (Member) agency, which is responsible for directing the program to meet the Reliability Standards applicable to BANC in its capacity as a NERC-registered Balancing Authority (BA) and Planning Coordinator (PC).
2. An independent Compliance Officer (CO), appointed by the Commission and responsible for reviewing compliance processes and plans, investigating potential violations of applicable Reliability Standards, self-reporting determined violations of those standards, directing the overall program goals, and providing periodic briefings and updates to the Commission, MCRC and BANC management.
3. A Member Compliance Review Committee (MCRC), comprised of representatives from each Member and a participant from the Western Area Power Administration -- Sierra Nevada Region (WASN), that is responsible for consulting with the CO with respect to compliance with applicable Reliability Standards.
4. The BANC Operator, who employs the SMEs responsible for meeting, maintaining, and providing the relevant documentation and technical expertise required to demonstrate compliance with all applicable Reliability Standards and who supports the compliance efforts of the CO and the MCRC.
5. BANC Counsel that provides legal support to the ICP.
6. A General Manager who implements the directives of the Commission and supports the ICP.

Section 2. Definitions and Terms

Unless otherwise defined herein, capitalized terms when used with initial capitalization, whether singular or plural, shall have the meaning set forth in the FERC-approved Glossary of Terms used in NERC Reliability Standards, the NERC Functional Model, or the WECC/NERC Delegation Agreement, including the WECC Compliance Monitoring and Enforcement Program (CMEP).

2.1 “BA/PC Compliance List” shall mean the informational list of Reliability Standards applicable to BANC in its capacity as a NERC-registered Balancing Authority and Planning Coordinator maintained by Compliance Staff and made available to Members from time to time.

2.2 “Balancing Authority” or “BA” shall be defined by the prevailing FERC-approved definition of the term as published in the NERC Glossary of Terms.

2.3 “Balancing Authority Area” or “BAA” shall mean the collection of generation, transmission, and loads within the metered electrical boundaries of the Balancing Authority.

- 2.4 “Balancing Authority Operation Services Agreement” shall mean the Agreement between BANC and SMUD as the BANC Operator whereby SMUD shall perform specified services for BANC in accordance with the terms of that Agreement.
- 2.5 “BANC Operator” is the role that shall be filled by the entity contracted as operator of the BANC BAA.
- 2.6 “Bulk Electric System” shall be defined by the prevailing FERC-approved definition of the term as published in the NERC Glossary of Terms.
- 2.7 “Commission” shall mean the BANC Commission as established in the JPA, as that agreement may be amended from time to time.
- 2.8 “Compliance” shall mean the full performance of the duties and obligations necessary to comply with applicable Reliability Standards.
- 2.9 “Compliance Enforcement Authority” shall mean FERC, NERC, WECC, and any other agency, court, organization, or other entity or person duly authorized pursuant to law or regulation to: (a) audit or determine compliance with applicable Reliability Standards; or (b) impose, enforce, excuse, or rescind Penalties or otherwise take action binding on one or more Parties with respect to a finding of failure to comply with a Reliability Standard.
- 2.10 “Compliance Investigation Report” shall mean a report resulting from an Internal Compliance Investigation or other documentation as approved by the Compliance Officer for the purposes of documenting such an investigation, pursuant to Section 5.3 of this Charter.
- 2.11 “Compliance Monitoring and Enforcement Program Implementation Plan” or “CMEP-IP” shall mean the program used by WECC to monitor, assess, and enforce compliance with Reliability Standards for entities within its footprint.
- 2.12 “Compliance Officer” or “CO” shall mean the individual appointed by the Commission to establish and direct the implementation of the BANC Internal Compliance Program approved by the Commission.
- 2.13 “Compliance Staff” shall mean a compliance team, consisting of one or more members, led by the CO.
- 2.14 “FERC” shall mean the Federal Energy Regulatory Commission.
- 2.15 “General Manager” shall have the meaning described in Section 3.8 of this Charter.
- 2.16 “Internal Compliance Investigation” shall have the meaning described in Section 5.3 of this Charter.

- 2.17 “Internal Compliance Program” or “ICP” shall mean both the policy-level and program-level component documents and all implementing actions that are done in support of Compliance.
- 2.18 “Internal Compliance Program Charter” or “ICPC” shall mean the policy-level component document of the BANC Internal Compliance Program, approved by the Commission and implemented by the Compliance Officer to ensure Compliance. The BANC ICPC is the governing document for the BANC ICP, and the MCRC is a functional component of that program. MCRC roles and responsibilities are defined in the MCRC Charter.
- 2.19 “Internal Controls” shall have the same meaning as used in SMUD’s Internal Controls Evaluation Program, as this definition may be amended from time to time.
- 2.20 “Joint Powers Agreement” or “JPA” shall mean the Second Amended Joint Exercise of Powers Agreement, effective July 1, 2013, as such agreement may be amended from time to time under its provisions.
- 2.21 “Member” shall mean a party to the JPA, as that agreement may be amended from time to time.
- 2.22 “NERC” shall mean the North American Electric Reliability Corporation.
- 2.23 “PC Participant” shall mean a Member signatory to the PC Participation Agreement.
- 2.24 “PC Participation Agreement” shall mean the agreement between BANC and certain Members who desire to have BANC serve as their PC.
- 2.25 “PC Services Agreement” shall mean the agreement between BANC and SMUD whereby SMUD has agreed to perform specified PC services for BANC in accordance with the terms of that agreement.
- 2.26 “PC Services Provider” shall mean the entity providing PC Services to BANC. SMUD is the contracted PC Services Provider pursuant to the terms set forth in the PC Services Agreement.
- 2.27 “Planning Coordinator” or “PC” shall have the same meaning as used in the NERC Glossary of Terms, as this definition may be amended from time to time.
- 2.28 “Reliability Standards” shall mean those NERC Reliability Standards and WECC Regional Reliability Standards that have been approved by FERC under Section 215 of the Federal Power Act and WECC applicable Regional Criterion referenced in FERC-approved Reliability Standards.
- 2.29 “Representative” shall mean a member of MCRC.
- 2.30 “Subject Matter Expert” or “SME” shall mean those responsible for maintaining compliance with applicable Reliability Standards.

2.31 “WECC” shall mean the Western Electricity Coordinating Council or its successor.

Section 3. BANC Internal Compliance Program Structure

3.1 BANC

BANC is registered for the following NERC Functions:

- BA (Balancing Authority)
- PC (Planning Coordinator)

BANC Members and other relevant NERC functional registrations within the BANC BAA footprint are provided in Appendix C.

3.2 Commission

The Commission collaborates with and directs the CO as issues regarding BANC’s system reliability policies, strategies, and priorities are identified and addressed. The Commission shall ensure that necessary resources are provided to the BANC Operator to support compliance activities and the ICP. The Commission shall facilitate communication, the exchange of information, and coordination among Members on issues that impact electric reliability. It shall meet on compliance matters, as required by events and conditions. These meetings may be held in conjunction with regular meetings of the Commission.

3.3 Compliance Officer

The Compliance Officer reports directly to the Commission. The CO shall have authorized executive responsibility for the approval of all compliance certifications and submittals that are required of BANC. The CO shall ensure that BANC’s policies, decisions, and documentation regarding Reliability Standards are appropriate and effective. The CO, in coordination with Compliance Staff and the MCRC, interacts with the SMEs to ensure that the elements of the ICP are being met. The CO shall conduct independent reviews of processes and documentation prepared to demonstrate compliance. Specifically, the CO shall:

- 3.3.1 Assess the BANC Operator’s performance with respect to its adherence to applicable Reliability Standards.
- 3.3.2 Lead Internal Compliance Investigations and determine compliance with applicable Reliability Standards.
- 3.3.3 Ensure that the ICP is in place and effective in meeting BANC’s reliability obligations.
- 3.3.4 Approve all official compliance documents and certifications on behalf of BANC.
- 3.3.5 Periodically update the Commission on BANC’s compliance efforts.

3.3.6. Ensure the General Manager and BANC Counsel are updated on an “as-needed” basis regarding compliance events or other matters impacting ICP objectives.

3.3.7 Request additional resources from the Commission, when necessary, to meet compliance obligations.

3.3.8 Monitor compliance performance data from the BANC Operator and recommend appropriate actions or mitigation procedures.

3.3.9 Ensure effective processes are in place to develop accurate and timely responses for compliance-related requests from a Compliance Enforcement Authority.

3.3.10 Act as an independent point of contact for the BANC Operator or Members to report potential violations of applicable Reliability Standards.

3.3.11 Develop and maintain ICP documents that outline more detailed internal reliability compliance processes.

3.3.12 Serve as Chair of the MCRC.

3.4 Member Compliance Review Committee

Under the direction of the CO, the Member Compliance Review Committee (MCRC) provides input with respect to the following: (1) the development of, and ongoing improvements to, the ICP; (2) ongoing updates to the BA/PC Compliance List; (3) ongoing compliance matters regarding BANC in its capacity as a BA and a PC; and (4) the review of notices or actions directed to BANC from a Compliance Enforcement Authority. A more detailed description of the roles and responsibilities of the MCRC is set forth in the “Member Compliance Review Committee Charter,” which is provided as Appendix A to this ICPC.

3.5 BANC Operator

The BANC Operator is responsible for managing and generating the critical information to meet compliance requirements and respond to other regulatory obligations at the direction of the CO or the MCRC. The BANC Operator shall employ SMEs with the expertise to meet or exceed that which is necessary to ensure Compliance. BANC Operator SMEs shall provide documentation that demonstrates compliance with applicable Reliability Standards in accordance with specified timelines. In particular, the BANC Operator shall:

3.5.1 Promote the exchange of information through development of good practices and effective work processes that assist in achieving safe, reliable, and efficient operation.

3.5.2 Recognize the importance of improving or revising existing practices when necessary.

- 3.5.3 Report any potential violations to the CO for further investigation and cooperate with the CO during any such investigation.
- 3.5.4 Identify any resource issues associated with compliance with applicable Reliability Standards and work with the CO and MCRC to promptly address those concerns to ensure Compliance.
- 3.5.5 Upon request, provide a position, and, if further requested, propose language to the MCRC with respect to applicable Reliability Standards under development.

3.6 BANC Planning Coordinator

BANC is the registered PC for its Members who have executed the PC Participation Agreement. As the registered PC for PC Participants, BANC is responsible for managing and generating the critical information to meet compliance requirements and respond to other regulatory obligations at the direction of the CO or the MCRC. To support this obligation, BANC has contracted with a PC Services Provider. The PC Services Provider is required to employ SMEs with the expertise to meet or exceed that which is necessary to ensure Compliance with all applicable Reliability Standards. Specifically, the PC Services Provider shall:

- 3.6.1 Promote the exchange of information through development of good practices and effective work processes that assist in achieving safe, reliable, and efficient operation.
- 3.6.2 Recognize the importance of improving or revising existing practices when necessary.
- 3.6.3 Report any potential violations to the CO for further investigation and cooperate with the CO during any such investigation.
- 3.6.4 Identify any resource issues associated with compliance with applicable Reliability Standards and work with the CO and MCRC to promptly address those concerns to ensure Compliance.
- 3.6.5 Upon request, provide a position, and, if further requested, propose language to the MCRC with respect to applicable Reliability Standards under development.

3.7 BANC Counsel

BANC Counsel shall advise the Commission, Compliance Officer, and MCRC on NERC reliability compliance and enforcement matters, regulatory proceedings before FERC involving the development of NERC standards, and all other issues involving NERC Reliability Standards and compliance as they relate to BANC. BANC Counsel shall assist with Internal Compliance Investigations and determinations. BANC Counsel shall coordinate with the Commission, MCRC, BANC Operator, BANC Planning Coordinator, and General Manager to develop BANC comments on Reliability Standards before FERC, if so requested.

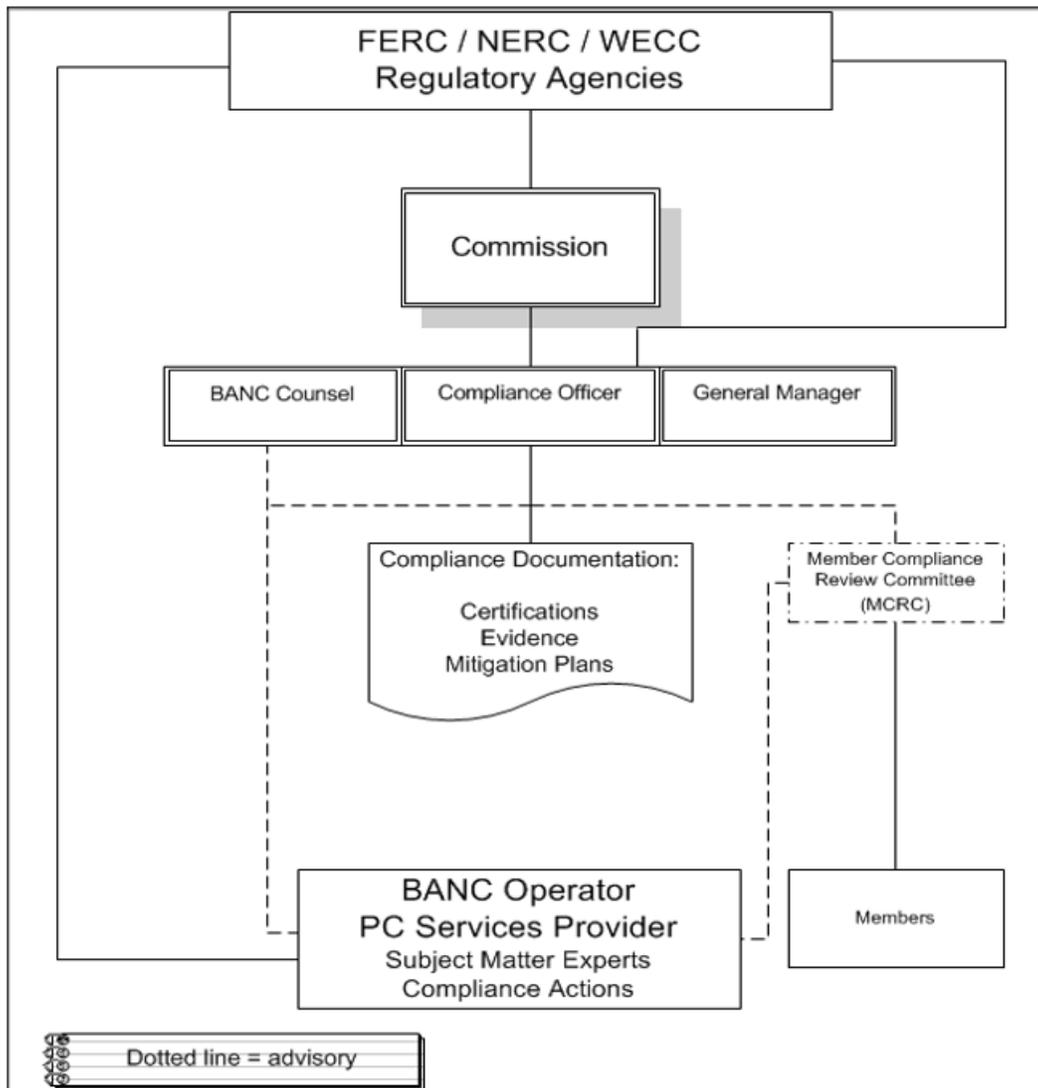
3.8 General Manager

The General Manager is the chief executive officer of BANC. The General Manager is responsible for implementing the directives of the Commission, providing executive support for the ICP and supporting a culture of compliance within the organization.

Section 4. Compliance Reporting Structure

The ICP is organized to ensure that appropriate and effective processes, policies, and practices related to Balancing Authority and Planning Coordinator reliability are established and executed. It is structured to keep the execution of work as close to the primary implementers and experts as possible. The relationship of these components is illustrated in Diagram 2.

Diagram 2: Illustration of BANC Internal Compliance Program Relationships



Section 5. Elements of BANC Internal Compliance Program

The ICP promotes coordination, communication, efficiency, and effectiveness to ensure Compliance.

5.1 Operational Independence

The CO, in coordination with the MCRC and Compliance Staff, implements the ICP. The CO, Compliance Staff, and the MCRC do not manage or perform line functions or make operational decisions. The BANC Operator and PC Services Provider perform line functions and operational actions in accordance with the Balancing Authority Operation Services Agreement. The PC Services Provider performs PC functions in accordance with the PC Services Agreement. The MCRC reports directly to the CO, who in turn reports directly to the Commission.

5.2 Compliance Monitoring and Training

The CO, in coordination with the MCRC and Compliance Staff, shall proactively monitor compliance.

5.2.1 Continuous Self-Assessment and Correction

The CO, in coordination with the MCRC and Compliance Staff, may direct periodic assessments of BANC compliance efforts, generally with an emphasis on those Reliability Standards that pose the greatest risk to the reliability of the BES and BANC BAA. These assessment(s) aim to identify and address reliability risks that may lead to potential violation(s). The CO may share the results of these assessments with the General Manager and with the Commission in closed session, as directed by BANC Counsel. An example of continuous review may include ensuring that the BANC Operator and/or PC Services Provider completes and documents a rigorous analysis of potentially compliance-related events. The need for such assessment shall be determined by the CO; however, such assessment(s) may be also requested by the Commission.

5.2.2 Compliance Communication and Training

The CO, in coordination with the MCRC, shall disseminate to the BANC Operator and PC Services Provider “lessons learned,” compliance application notices, compliance application reports, and other issuances related to BANC’s compliance obligations. The BANC Operator and Planning Coordinator SMEs and staff shall receive annual compliance training, which shall include the process for self-reporting potential violations. The BANC Operator and Planning Coordinator SMEs shall have access to an internal compliance website with a link available to any SME or staff member to report any potential violation of a Reliability Standard.

The CO, in coordination with the MCRC, shall review the need for a meeting no less frequently than once per quarter. Meetings may be held either in person or via

teleconference. During any such meeting, the MCRC shall receive an update on BANC compliance activities. The CO shall keep the MCRC apprised of the status of any potential violations.

The CO shall regularly update the Commission on BANC compliance activities. Such updates shall be held in closed session to the extent that the discussion requires disclosure of critical infrastructure information, personnel matters or information regarding pending or threatened litigation. The determination as to whether all or a portion of the update on other compliance activities should be held in closed session shall be determined by BANC Counsel.

5.3 Internal Compliance Investigations

Upon learning of any circumstance of potential non-compliance, the CO shall first confirm with the BANC Operator and/or PC Services Provider that any ongoing possible reliability risks have been removed and will then commence an investigation to determine whether a potential violation of one or more applicable Reliability Standards occurred. The CO may consult with BANC Counsel and notify the General Manager and the MCRC regarding items reviewed at any point during the investigation. Further, the CO may seek review and recommendations from the MCRC on any matter undergoing an Internal Compliance Investigation. The role of the MCRC regarding an Internal Compliance Investigation is set forth in more detail in Section 6 of the MCRC Charter.

Upon conclusion of the investigation, if the CO believes that a potential violation of an applicable Reliability Standard occurred, the CO shall file either a Self-Report or a Self-Log¹ with a Compliance Enforcement Authority. If the CO concludes that no potential violation occurred, the CO shall close the matter and maintain relevant documentation, including a Compliance Investigation Report, in BANC's compliance files. Further, the CO may recommend that the BANC Operator or PC Services Provider conduct a review and/or revision of related processes and procedures to ensure that full compliance is reinforced.

5.4 Process for Handling Potential Non-Compliance

The CO may be notified of a potential violation by any compliance monitoring method utilized by a Compliance Enforcement Authority including: (1) Audit; (2) Self-Certification; (3) Spot Checks; (4) Periodic Data Submittals; (5) Exception Reporting; (6) Compliance Violation Investigations; (7) Self-Report/Self-Log; and (8) Complaint.

Upon receipt of a notice of potential violation and/or Compliance Exception² issued by a Compliance Enforcement Authority, the CO shall notify BANC Counsel and

¹ Following the 2016 NERC Compliance Audit, BANC was awarded self-logging privileges for minor issues that pose minimal risk to the reliability of the BES. See §3.5A of the NERC CMEP, Appendix 4C to the Rules of Procedure.

² The Compliance Exception process is set forth in §3A.1 of the NERC CMEP, Appendix 4C to the Rules of Procedure.

the General Manager. The CO shall ensure that such notice is also provided to the BANC Operator and/or PC Services Provider and the MCRC. The CO shall coordinate with BANC Counsel, the General Manager, the MCRC and the Commission in responding to any notices of potential violation.

The CO shall follow and adhere to all of the processes described in the CMEP-IP regarding the processing of violations. The CMEP-IP is included in Appendix B of this ICPC.

5.5 Internal Controls Evaluations Program

The CO shall oversee the implementation of an Internal Controls Evaluation (ICE) Program that describes how BANC identifies, documents, and evaluates internal controls. The ICE Program incorporates internal controls guidance provided by NERC and WECC and is consistent with established industry best practices. ICE Program activities support BANC's participation in the ICE process that WECC conducts as a part of its CMEP activities.

The ICE Program integrates with other Internal Compliance Program elements related to BANC's reliability, security, and compliance objectives. The identification and documentation of internal controls primarily focus on areas that are determined to have higher levels of inherent risk. The ICE Program includes a transparent and repeatable process to evaluate the effectiveness of internal controls, resulting in reports that convey control effectiveness, residual risk, areas of strength, and recommendations for consideration. These reports are utilized as a part of the overall ICP to facilitate a better understanding of residual risk associated with applicable Reliability Standards. Updates regarding ICE Program activities are communicated in accordance with Section 5.2.2 of this charter.

5.6 Review of BANC Internal Compliance Program and Internal Compliance Program Charter

The CO shall conduct an annual audit of the ICP. The CO may request that such an audit be performed by a third-party. A copy of the final annual ICP audit report shall be provided to the Commission. The MCRC shall have an opportunity to review the ICP audit report prior to the report going to the Commission.

Additionally, at any time, the CO, the Commission, any MCRC Representative or BANC Counsel may propose any appropriate or necessary changes to ensure the effectiveness of the ICP or the accuracy of this ICPC. Such changes may include incorporating elements proposed by FERC in its policy statements, rules, or orders, or any other guidance proposed by a Compliance Enforcement Authority. The CO shall document the date of any review, as well as any changes made to the ICP or this ICPC. Changes to the ICPC are reflected through a change to its version number.

Section 6. Review and Approval

BANC Internal Compliance Program Charter	
<i>Prepared by:</i>	
_____	Date _____
James Leigh-Kendall BANC Compliance Officer	
<i>Legal Concurrence:</i>	
_____	Date _____
C. Anthony Braun BANC General Counsel	
<i>General Manager Concurrence:</i>	
_____	Date _____
James R. Shetler BANC General Manager	
<i>Commission Approval:</i>	
_____	Date _____
BANC Chairperson BANC Commission	

Section 7. Revision History

BANC Internal Compliance Program Charter			
Version	Issue Date	Approved	Remarks
1.0	March 18, 2011	March 4, 2011	Approved by Commission as to Substance
2.0	May 16, 2012	May 23, 2012	Approved by Commission as to Substance
3.0	May 23, 2014	May 28, 2014	Approved by Commission as to Substance
4.0	April 29, 2016	June 22, 2016	Approved by Commission as to Substance
5.0	July 31, 2017	August 23, 2017	Approved by Commission as to Substance
6.0	March 21, 2019	March 27, 2019	Approved by Commission as to Substance
7.0	March 17, 2022	March 23, 2022	

Appendix A

Member Compliance Review Committee Charter

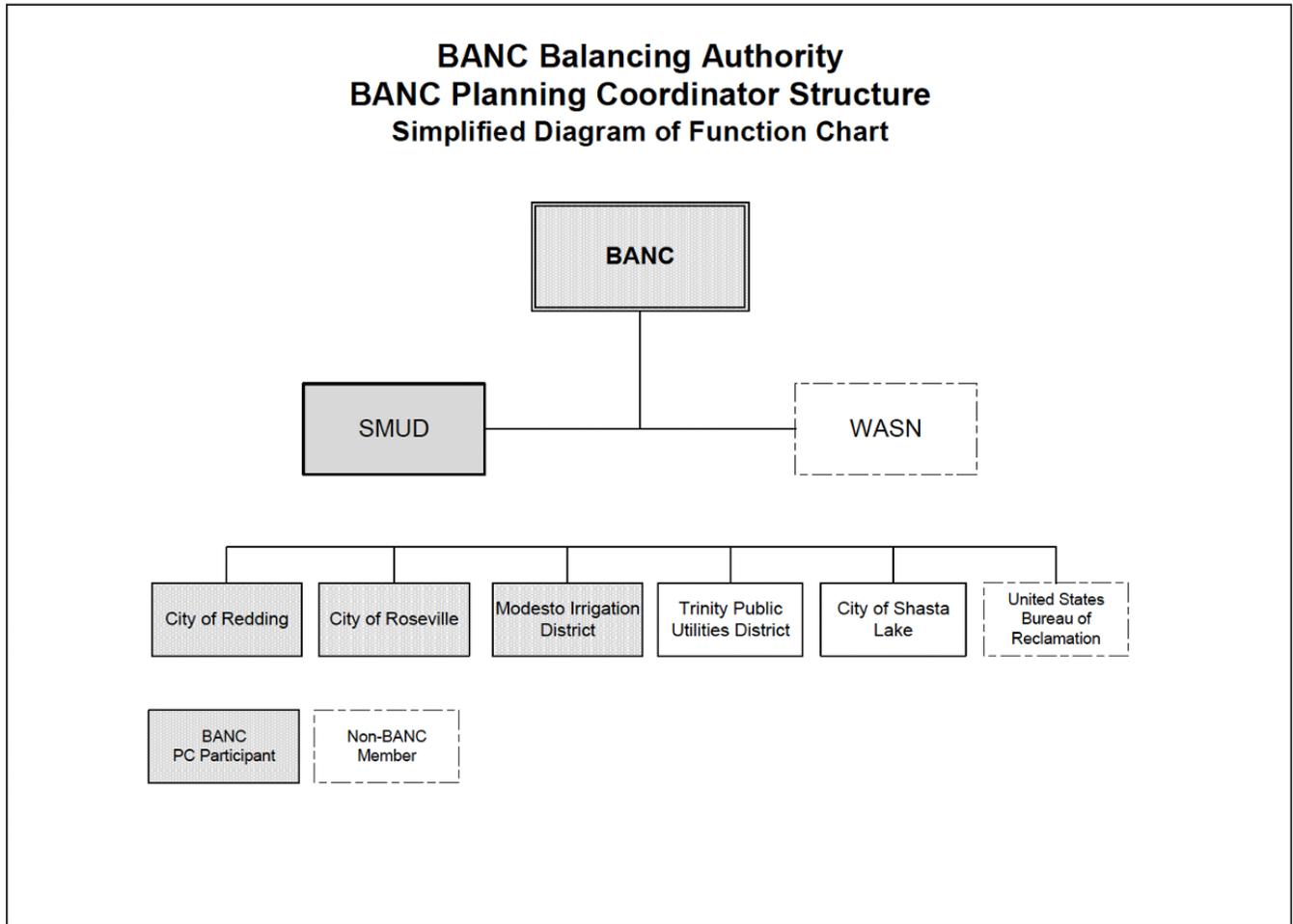
Appendix B

[NERC Compliance Monitoring and Enforcement Program Implementation Plan](#)

Appendix C

General Structure and Relevant NERC Functional Registrations within the BANC Balancing Authority Area Footprint

Figure 1: General BANC BA/PC Structure



**Figure 2: Relevant NERC Functional Registrations
within the BANC BA Area Footprint**

	BANC	City of Roseville	City of Shasta Lake	MID	REU	SMUD	TPUD	WASN	US BoR
BANC Member	X	X	X	X	X	X	X		
BANC PC Participant	X	X		X	X	X			
Western SBA Member		X	X	X	X		X		X
Functional Registration									
BA	X								
DP		X		X	X	X			
GO				X	X	X			X
GOP				X	X	X			X
PA/PC	X							X	
RP		X		X	X	X		X	
TO				X	X	X		X	X
TOP				X	X	X		X	
TP				X	X	X		X	
TSP						X		X	

(**Note:** Western Area Power Administration -- Sierra Nevada Region (WASN) operates under the BANC BA as a sub-Balancing Authority (SBA), and many utilities operate under the WASN SBA. However, not all utilities are members of BANC. The table above shows the utilities, their operational relationship(s), BANC membership and functional registration(s).

Balancing Authority of Northern California

Appendix A to the BANC Internal Compliance Program Charter

Member Compliance Review Committee Charter

Version 7.0

Member Compliance Review Committee Charter

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Introduction

Pursuant to Section 6.2 of the Balancing Authority Operation Services Agreement (BOSA) between the Balancing Authority of Northern California (BANC) and the Sacramento Municipal Utility District (SMUD), the BANC Commission authorized the Compliance Officer (CO) to form the Member Compliance Review Committee (MCRC), which serves in an advisory role to the CO. This BANC MCRC Charter (Charter) sets forth the general roles and responsibilities of the MCRC, consistent with this authorization.

General Statement of Purpose of MCRC

The MCRC will consult with the BANC CO with respect to: (1) the development and ongoing improvements to the BANC Internal Compliance Program (ICP); (2) ongoing updates to the list of Reliability Standards applicable to the BANC in its capacity as a NERC-registered Balancing Authority (BA) and Planning Coordinator (PC) (BA/PC Compliance List); (3) ongoing compliance matters regarding the BANC BA and PC functions; and (4) the review of notices or actions directed to the BANC from the Compliance Enforcement Authority.

Section 1. Definitions and Terms

Unless otherwise defined herein, capitalized terms when used with initial capitalization, whether singular or plural, shall have the meaning set forth in the FERC-approved Glossary of Terms Used in NERC Reliability Standards, the NERC Functional Model, the WECC/NERC Delegation Agreement, including the WECC Compliance Monitoring and Enforcement Program (CMEP), or the BANC ICPC.

1.1 “BANC Member Agreement” or “Member Agreement” shall mean the Agreement between BANC and its participating members that sets forth the roles, obligations, and responsibilities of the Parties to one another with regard to the operation of the Balancing Authority.

1.2 "Confidential Information" shall mean: (a) all written materials marked "Confidential," "Proprietary," or with words of similar import provided to the Representative by another Representative, the CO, the BANC Operator, the PC Services Provider, or a Member; and (b) all observations of equipment (including computer screens) and oral disclosures related to a Representative's, the BANC Operator's, the PC Services Provider's, or Member's systems, operations, or activities that are indicated as such at the time of observation or disclosure (or identified as "confidential" or "proprietary" in a letter sent to the Representative, the MCRC or the CO no later than five (5) calendar days after the disclosure), respectively. Confidential Information includes portions of documents, records, and other material forms or representations that the Representative(s), the CO, the BANC Operator, the PC Services Provider, or Member(s) may create, including but not limited to, handwritten notes or summaries that contain or are derived from such Confidential Information.

1.3 “Identified Member” shall mean any entity that is a member of the MCRC (inclusive of the Western Area Power Administration - Sierra Nevada Region or “WASN”) and identified in an incident subject to an Internal Compliance Investigation.

1.4 “Segment” shall have the meaning and include the qualifications set forth in Appendix 3D [Registered Ballot Body Criteria — Development of the Registered Ballot Body]¹ of the NERC Rules of Procedure, as that procedure may be periodically updated by NERC and approved by FERC.

Section 2. Functions

2.1 General Forum. The MCRC provides a general forum for members to discuss and address issues relating to applicable Reliability Standards compliance matters. The MCRC assists the CO in the implementation of the ICP, the development of BANC’s positions on proposed Reliability Standards, and all compliance regulation matters affecting BANC as directed by the CO.

2.2 Consultation. The MCRC consults with the CO with respect to:

2.2.1 Development and Ongoing Improvements to the ICP. Upon request by the CO, the MCRC will review specific elements of the ICP and provide its recommendations to the CO.

2.2.2 Development and Ongoing Improvements to the ICPC. Upon request by the CO, the MCRC will conduct periodic reviews of the ICPC and provide its recommendations to the CO. The MCRC will have the opportunity to review and make recommendations on all proposed changes to the ICPC.

2.2.3 Ongoing Updates to the BA/PC Compliance List. At the direction of the CO, an updated list of current and near-term future enforceable applicable Reliability Standards shall be provided to MCRC members for their review, use, and reference.

2.2.4 Ongoing BANC Compliance Matters. The CO will apprise the MCRC regarding any compliance matters directed towards the BA and/or PC, and the MCRC will provide the CO with its input on such matters in accordance with Section 6 of this Charter.

2.2.5 Review of Notices or Actions Directed to BANC. At the direction of the CO, the MCRC will review any notices or actions directed to BANC from a Compliance Enforcement Authority, including actions resulting from the CMEP-IP.

¹https://www.nerc.com/FilingsOrders/us/RuleOfProcedureDL/Appendix_3D_BallotBodyCriteria_20180309.pdf

Section 3. Membership

3.1 Selection. Each Member shall have one Representative serve on the MCRC. Each Member may select one or more alternate Representatives meeting the requirements of Section 3.2 to serve in the primary Representative's absence.

3.1.1 WASN may have a non-voting Representative and alternate(s).

3.2 Qualifications. The MCRC is a technical committee and requires competency to review materials prepared by SMEs regarding electric utility BA operations, PC activities, and/or Reliability Standards compliance matters. The CO may interview or seek additional information regarding the Representatives put forward by the Members. In the event that the CO believes that a particular Representative advanced by a Member is unqualified and the Member has a more qualified candidate to be the Member Representative, the CO shall raise (either verbally or in writing) his or her concerns directly with the appropriate member of the Commission.

3.3 Expectations of Representatives. Each Representative is expected to:

3.3.1 Be or become competent to review materials prepared by SMEs for the MCRC's use in preparing or reviewing compliance-related responses.

3.3.2 Attend and/or participate regularly in MCRC meetings and/or teleconferences.

3.3.3 Provide input that looks beyond the individual Member's interests and attempts to advocate and advise in the best interest of BANC.

3.3.4 Complete any assignment or review requested by the CO in a timely and professional manner.

3.3.5 Remain apprised of developments regarding applicable Reliability Standards as those developments are brought to the attention of the MCRC.

3.4 Expectations of the Compliance Officer. The CO shall also serve as the official contact to and from MCRC Representatives for the purpose of gathering and disseminating BANC compliance-related information. With respect to the MCRC, the CO is expected to:

3.4.1 Attend and/or participate in MCRC meetings and/or teleconferences.

3.4.2 Consult with MCRC Representatives on all required compliance-related matters as described in Section 6.2 of the BOSA.

3.4.3 Make recommendations that are in the best interest of BANC. In making these recommendations, the CO shall consider individual Members' concerns and interests after consulting with the MCRC.

3.4.4 Investigate and report to WECC and to the MCRC any potential violation of a Reliability Standard as required in Section 7.3 of the Member Agreement.

3.4.5 Convene a meeting of the MCRC upon receipt of a written notice of an alleged violation as required in Section 7.4 of the Member Agreement.

3.4.6 Notify the MCRC of any scheduled compliance audit as required in Section 7.5 of the Member Agreement.

3.4.7 Develop and maintain a BA/PC Compliance List in consultation with the MCRC as required in Section 6.3 of the BOSA.²

3.5 Term. Each Representative serves at the will of the appointing Member, or, in the case of WASN, at the discretion of its internal selection process.

Section 4. Meetings

4.1 Formal Actions. The MCRC serves in a consultative role to the CO. From time to time, the MCRC may desire, or be asked by the CO, to adopt a formal position or decision while serving in this capacity. Any formal action taken by the MCRC shall require the affirmative vote of a majority of the Member Representatives (thus, the determination of a majority does not include the CO, the BANC Operator representative(s), or the PC Services Provider representative(s)). Positions and/or decisions from the MCRC adopted pursuant to this Section 4.1 are not binding upon the CO; however, should the CO take action contrary to an adopted position and/or decision of the MCRC, the CO will follow the process described in Section 6.3.

4.2 Voting. Each Member Representative shall have one vote.

4.3 WASN. WASN may serve as a non-voting Representative at all MCRC meetings. Should WASN become a voting member on the Commission, its Representative will become eligible to vote on MCRC matters.

4.4 BANC Counsel will provide legal support to the CO and the MCRC.

4.5 The BANC Operator and/or the PC Services Provider shall attend meetings and provide updates as to relevant performance when requested by the CO.

4.6 The General Manager will provide executive support to the CO and the MCRC.

² Section 6.3 of the BOSA specifically references the “BA Compliance List” and not the “BA/PC Compliance List.” This has been changed to address the expanded role of BANC as a registered Planning Coordinator. The authority of the CO to make such a change resides in this same section, which provides that : “[t]he Compliance Officer, in consultation with the MCRC, shall update the BA Compliance List from time to time to reflect changes in Reliability Standards applicable to a BA, *or for any other reason deemed appropriate by the Compliance Officer*” (emphasis added).

4.7 Teleconferencing may be used for all purposes in connection with any meeting. Voting Representatives attending a meeting by teleconference shall be included in the calculation of a quorum. All votes taken during a teleconferenced meeting shall be by roll call.

Section 5. Officers

5.1 Chairperson. The CO shall be the Chairperson of MCRC meetings.

5.2 Vice Chair. The Representatives may select from among themselves a Vice Chair who shall work to direct any work product or other tasks assigned to Representatives. The Vice Chair shall also be responsible for communicating to the CO the MCRC's adopted formal position on a newly proposed Reliability Standard and/or modifications to an existing Reliability Standard, as set forth in Section 6.4 below.

5.3 Secretary. The Representatives may select a Secretary to record minutes of MCRC meetings, provide meeting notices, and address other administrative matters as directed by the Chairperson. In the absence of the specific selection of a Secretary, the Chairperson will ensure that meeting minutes, notices and other administrative matters required to support the MCRC are provided.

5.4 Term. Except for the Chairperson, Officers shall serve at the pleasure of the MCRC.

Section 6. Reports, Recommendations and Segment Voting

6.1 Reports. At the direction of the CO, the MCRC will develop reports from time to time regarding specific compliance matters. Except for any reports provided directly to the Commission pursuant to Section 8, all reports are directed to the CO and are to be treated as Confidential Information in accordance with Section 10. The BANC Operator and/or PC Services Provider shall provide assistance to the MCRC in the development of any reports as requested by the CO.

6.2 Recommendations of MCRC to the Compliance Officer.

6.2.1 General Recommendations of MCRC. The CO will submit a self-log or file a self-report with WECC for any violation of a NERC Reliability Standard. During the investigation of events or other reviews, except as provided in Section 6.2.1.1, the CO may seek a recommendation from the MCRC regarding a specific compliance matter, including, but not limited to, whether to submit a self-log or self-report to a Compliance Enforcement Authority the potential violation of an applicable Reliability Standard. Such matters may include MCRC review of draft Compliance Investigation Reports, subject to the process further described in Section 6.2.1.1, resulting from an Internal Compliance Investigation by the CO. Recommendations may require voting in accordance with Section 4 of this Charter, and such recommendations may be given verbally or, if requested by the

CO, in writing. Recommendations are not binding on the CO; however, they should be afforded proper deference.

6.2.1.1 Identified Member(s) Initial Review of Draft Compliance Investigation Report. An Identified Member or Identified Members shall be afforded an opportunity to review and comment on the draft Compliance Investigation Report prior to its distribution to the full MCRC in accordance with the following:

6.2.1.1 Identified Member(s) shall be afforded an opportunity to review the *initial* draft Compliance Investigation Report prior to its distribution to the full MCRC.

6.2.1.2 A reasonable time for review shall be provided to the Identified Member(s) to review the *initial* draft Compliance Investigation Report.

6.2.1.3 The CO shall address the Identified Member's (or Members') comments and create a *revised* draft for review by the entire MCRC.

6.2.1.4 The CO shall distribute the *revised* draft Compliance Investigation Report and Identified Member comments to the entire MCRC.

6.2.1.5 A final decision as to the content of the Report, although subject to Identified Member's (or Members') review, resides with the CO.

6.2.2 All exchanges of Compliance Investigation Reports under this Section 6.2 shall be through BANC Counsel.

6.3 CO Actions Contrary to the Position or Decision of the MCRC. If the CO takes any action contrary to a position and/or decision of the MCRC adopted pursuant to Section 4.1, the CO shall provide a report to the Commission providing the details of the discussions with the MCRC on the subject, the details of the CO's action, and rationale for such action. A copy of such report shall be provided to the MCRC Representatives.

6.4 MCRC Segment Voting in NERC Reliability Standard Development Process. BANC will join the appropriate NERC Registered Ballot Body and self-select the segment(s) for which BANC qualifies. At the direction of the CO, the MCRC may be required to determine its position specific to a newly proposed Reliability Standard and/or modifications to an existing Reliability Standard. The MCRC's formal position shall be adopted by consensus, or, if requested by a Representative, a vote of the Representatives pursuant to Section 4.1. It shall be the responsibility of the CO to ensure BANC's position, as communicated to the CO by the MCRC, is properly registered with NERC.

Section 7. Interaction with BANC Operator and PC Services Provider

7.1 **Advisory Role.** The BANC Operator and PC Services Provider serve in an advisory role to review or make recommendations on materials prepared by the MCRC for proposed compliance actions. The BANC Operator's and PC Services Provider's SMEs are reasonably expected to develop and expand the knowledge base of the MCRC by maintaining and providing the base documentation and technical expertise required to demonstrate compliance and respond to other regulatory obligations at the direction of the CO. This may further include offering recommendations upon request regarding various matters, including, but not limited to, the MCRC's responses to the CMEP-IP, the adoption of a position as to a revision to an existing Reliability Standard, the adoption of a new Reliability Standard, or modifications to the BANC ICP.

7.2 **MCRC Contact with BANC Operator and PC Services Provider.** It is expected that the primary interaction between Representatives and the BANC Operator and PC Services Provider will occur at MCRC meetings.³ Questions or concerns from Representatives outside of an approved process or inquiry shall be directed to the CO. In the case of inquiries providing evidence or in reviewing or developing reports agreed upon by the CO and the MCRC, the BANC Operator and/or PC Services Provider shall use reasonable efforts to respond to the CO in a timely manner.

Section 8. Interaction with Commission

Unless specifically requested by the CO or the Commission, the MCRC shall not provide direct reports to the Commission. If so requested, the Vice Chair or his or her designee shall make such a report. However, an individual Representative may consult with his or her internal legal counsel or Commission member.

Section 9. External Communications

Representatives shall abide and are bound by all of the Confidentiality provisions of this Charter and shall not provide or disseminate any Confidential Information obtained through participation on the MCRC. Further, Representatives shall not initiate or respond to requests for information from third parties, including but not limited to a Compliance Enforcement Authority or media outlets unless otherwise directed by the Commission or the CO.

Section 10. Confidentiality

10.1 **Confidentiality.** Representatives recognize that for the purposes of performing their role on the MCRC, which may include advising the CO as to how BANC should respond to any report or notice of potential violation of a Reliability Standard, Representatives may receive information from Members, the BANC Operator, the PC Services Provider, and/or the CO that has been marked as Confidential Information.

³ The PC Services Provider also interacts with participating BANC PC member representatives through a separate working committee to address their respective functional obligations.

Representatives agree to keep in confidence and not to copy, disclose, or distribute any Confidential Information or any part thereof, unless directed, in writing, by the CO or the Commission. Any requests for the disclosure of Confidential Information made to the MCRC or an individual Representative shall be directed to the CO. Any questions relating to Confidentiality as applied to the MCRC shall be directed to BANC Counsel. Consultation with the Representative's internal counsel or Commission member is not a violation of Confidentiality.

10.2 Survival of Obligation. Obligations regarding Confidentiality shall continue after a Representative ends his or her role on the MCRC.

Section 11. Revision History

BANC MCRC Charter	
Version	Issue Date
1.0	February 21, 2011
2.0	October 27, 2011
3.0	April 25, 2012
4.0	May 23, 2014
5.0	July 31, 2017
6.0	March 7, 2019
7.0	March 17, 2022

Balancing Authority of Northern California

Agenda Item 5E

1. **Redline of Second Amended and Restated EIM Participation Agreement.**
2. **Resolution 22-03-03 *Approval of Second Amended and Restated EIM Participation Agreement: Addition of Flex Ramp Approach and Product.***
3. **Attachment A to Resolution 22-03-03: Second Amended and Restated EIM Participation Agreement.**

Braun Blaising Smith Wynne, P.C.

Attorneys at Law

3/17/22

To: BANC Commission

From: BANC Counsel

RE: Commission Approval of BANC Second Amended and Restated EIM Participation Agreement: Addition of Flex Ramp Approach and Product

Introduction

We are seeking Commission approval of revisions to the Balancing Authority of Northern California (BANC) Second Amended and Restated Energy Imbalance Market (EIM) Participation Agreement (EIM PA). The EIM PA is the project agreement which defines the respective roles and responsibilities of BANC, as the EIM Entity, and BANC EIM Participants. It was last approved by the Commission via Resolution 21-01-20 and executed by all parties subsequent to that approval.

This updated version reflects changes and clarifications deemed necessary to incorporate the BANC Flex Ramp Approach and Product, approved by the Commission on February 23, 2022 by BANC Resolution 22-02-02, which directed BANC Counsel to incorporate the proposal into the appropriate BANC EIM documents. BANC Counsel reviewed the BANC EIM Business Practices and its Attachment A: BANC EIM Settlement Allocations Manual, as well as the EIM PA, and it was determined that the most appropriate location for this information was in the EIM PA.

The EIM PA was chosen because it explicitly allows for the addition of additional services, such as the Flex Ramp Approach and Product, to be provided by the EIM Entity. EIM PA Section 8.4 states:

Any EIM Participant may request and agree to additional services to be provided by the EIM Entity, including but not limited to, technical assistance, analysis, software acquisition, *and energy and/or capacity-related products*. Any additional costs incurred by an EIM Participant in accordance with this Section 8.4 shall be approved by the Commission and shall be recovered solely from the EIM Participant(s) which have made such a request or requests and set forth in Exhibit E to this Agreement, each separate product and service set forth with its own title and in a separate numbered attachment to Exhibit E (e.g., Exhibit E, Service Schedule E-1 (Title of Product/Service)). Emphasis added.

Therefore, it is proposed, consistent with Section 8.4, that we add the Flex Ramp Approach and Product to Exhibit E, as a new service schedule.

These changes, along with other edits identified at the time of incorporation, are outlined below and can be seen in the redline included as Exhibit A to this memo. These changes have been shared with both the EIM Committee and Legal Committee and no objections or concerns were raised.

Summary of Key Changes

Service Schedule E-2

This section was *added* to incorporate the BANC Flex Ramp Approach and Product. In addition, conforming, non-substantive updates were made to correct formatting, define terms and/or improve consistency of terminology usage throughout this Agreement and within other EIM documents.

Section 8.5

The addition of the wording “Unless specified in the individual Exhibit E Service Schedule” to clarify any exceptions to invoicing procedures specific to Service Schedule(s).

Other Changes

1. Addition of a Revision History section to the Agreement. Previously, Revision History sections were included in the Appendices but not in the Agreement itself.
2. Correcting the location of two sections of Exhibit E (Service Identification in Exhibit E and Amendments), which were inadvertently located within Service Schedule E-1.
3. Minor formatting and non-substantive updates to Exhibit E.

Conclusion and Recommendation

Based upon vetting with the EIM Committee and Legal Committee, BANC Counsel recommends that the Commission approve these updates and direct BANC Counsel to distribute these revisions to signatories in accordance Appendix 1 – Notices. An approval draft of the Second Amended and Restated EIM PA has been provided as Attachment A to the Resolution 22-02-03. Note that this approval draft does not contain signature blocks, Appendix 1, Exhibit C, and Exhibit F, which will be added in advance of distribution.

**SECOND AMENDED AND RESTATED
ENERGY IMBALANCE MARKET PARTICIPATION AGREEMENT
BETWEEN THE
BALANCING AUTHORITY OF NORTHERN CALIFORNIA
AND THE
MODESTO IRRIGATION DISTRICT,
CITY OF REDDING,
CITY OF ROSEVILLE,
SACRAMENTO MUNICIPAL UTILITY DISTRICT
AND THE
UNITED STATES
DEPARTMENT OF ENERGY
WESTERN AREA POWER ADMINISTRATION
CENTRAL VALLEY PROJECT, CALIFORNIA**

Approval Draft

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Commented [KK1]: Note the addition of Appendix 2 and the two sub-items under Exhibit E, which were not included in the ToC in previous versions.

1 PREAMBLE

This Second Amended and Restated Energy Imbalance Market (EIM) Participation Agreement (Agreement) is entered into between the BALANCING AUTHORITY OF NORTHERN CALIFORNIA, a joint exercise of powers agency organized under Section 6500 *et seq.*, of the California Government Code, hereinafter called "BANC," its successors and assigns; and the MODESTO IRRIGATION DISTRICT (MID), the CITY OF REDDING, CA (Redding), the CITY OF ROSEVILLE, CA (Roseville), and the SACRAMENTO MUNICIPAL UTILITY DISTRICT (SMUD), each created and existing under the laws of the State of California, and the UNITED STATES OF AMERICA, acting by and through the Administrator, WESTERN AREA POWER ADMINISTRATION, DEPARTMENT OF ENERGY (WAPA), all operating Electric Systems within the BANC Balancing Authority Area. BANC or EIM Participant may be referred to herein individually as the "EIM Participant" or "Party" or collectively as the "EIM Participants" or the "Parties."

2 EXPLANATORY RECITALS

- 2.1 WHEREAS, BANC was created by a Joint Powers Agreement to, among other things, acquire, construct, maintain, operate, and finance projects;
- 2.2 WHEREAS, BANC had evaluated various market options including the Energy Imbalance Market operated by the California Independent System Operator Corporation (CAISO);
- 2.3 WHEREAS, BANC engaged certain consultants for the purposes of providing initial analytical studies to assess both the cost and the benefits of individual BANC member and WAPA participation in the CAISO EIM through the BANC Balancing Authority;
- 2.4 WHEREAS the initial studies produced on behalf of BANC did show net benefits to some BANC members, while also highlighting for some BANC members and WAPA that some of the technical and operational hurdles might take additional time to address;
- 2.5 WHEREAS, based upon these studies and further discussions among BANC members, WAPA and the CAISO, it was also determined that SMUD was in the best position to join the EIM initially and that subsequent phases of EIM implementation would continue to be investigated in order to allow other BANC members and WAPA to join if they determined it was in each of their respective interests to do so upon further study;
- 2.6 WHEREAS, the Commission therefore directed BANC staff to pursue the CAISO EIM under a phased approach, including that BANC become an EIM Entity and execute all applicable agreements with the CAISO and among BANC and EIM Participants, as approved by the Commission, and that SMUD, pursuant to approval by

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its governing board, might also become the first EIM Participating Resource in the BANC EIM footprint;

- 2.7 WHEREAS, it was contemplated that in the future, additional BANC members and/or WAPA may desire to become Parties to this Agreement, at which time BANC and SMUD would use reasonable efforts to accommodate new EIM Participants, including the adoption of any amendments to this Agreement deemed necessary to enable such participation;
- 2.8 WHEREAS, it was decided by certain non-participating BANC members and WAPA, to conduct further studies to determine what gaps need to be addressed in their systems and processes to participate in the CAISO EIM through BANC;
- 2.9 WHEREAS, on April 26, 2017, by Resolution 17-04-06, the Commission authorized the General Manager to enter into contracts with consultants to perform Phase 2 studies to further determine what might be required for certain BANC members and WAPA to participate in EIM;
- 2.10 WHEREAS, on April 3, 2019, BANC began participating in the CAISO EIM as an EIM Entity and SMUD as the first EIM Participating Resources within the BANC EIM Entity footprint;
- 2.11 WHEREAS, based upon extensive discussions among BANC staff, BANC members and WAPA, and the individual EIM Phase 2 assessments and approval processes conducted by certain BANC members and WAPA, decisions were reached to participate in BANC EIM Phase 2 and to execute the First Amended and Restated Energy Imbalance Market Participation Agreement (First Amended Agreement), being approved by the Commission on August 21, 2019, by Resolution 19-08-13, and made effective on September, 17, 2019;
- 2.12 WHEREAS, based on the decision to proceed with EIM implementation for the specified BANC members and WAPA, the original EIM Participation Agreement was amended and restated by the First Amended Agreement to reflect the expanded participation within the BANC EIM Entity footprint;
- 2.13 WHEREAS, certain issues have arisen during the course of Phase 2 implementation that have prompted the need for additional changes to the First Amended Agreement; and
- 2.14 WHEREAS, this Second Amended and Restated Energy Imbalance Market Participation Agreement (Agreement) is intended to address such revisions as deemed necessary and appropriate by the Parties hereto.

NOW THEREFORE, in view of the understandings set forth in the recitals above, which the Parties acknowledge and agree are accurate representations of the facts, the Parties agree to the terms of this Agreement that set forth the roles, obligations, and responsibilities of each Party to one another.

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3 DEFINITIONS

Unless otherwise defined herein, capitalized terms when used with initial capitalization, whether singular or plural, shall have the meaning set forth in the FERC-approved Glossary of Terms used in NERC Reliability Standards, the NERC Functional Model, the CAISO Tariff, as defined, the BANC EIM Business Practices, the SMUD Open Access Transmission Tariff (OATT), the Interconnected Operating Agreements, and the WAPA OATT.

- 3.1 **Balancing Authority** shall mean the responsible entity that integrates resource plans ahead of time, matches generation and load, maintains interchange with other Balancing Authority Areas, and maintains frequency in real time of the electric power systems.
- 3.2 **Balancing Authority Area** shall mean the collection of generation, transmission, and loads within the metered electrical boundaries of the Balancing Authority.
- 3.3 **BANC EIM Business Practices or BPs** shall mean the business practices established by BANC to govern participation in EIM as these BANC EIM Business Practices may be adopted or amended from time-to-time in accordance with this Agreement.
- 3.4 **CAISO** shall mean the "California Independent System Operator Corporation," or its successor. The CAISO serves as the EIM Market Operator and may be referred to as the "Market Operator" from time-to-time.
- 3.5 **CAISO Tariff** shall mean the CAISO's open access transmission tariff filed with, and approved by, FERC, as that tariff may be amended from time-to-time.
- 3.6 **Commission** shall mean the "BANC Commission," as established in the BANC Joint Powers Agreement, as that agreement may be amended from time-to-time.
- 3.7 **Compliance Costs** shall mean those costs described in Section 12.2.2 of this Agreement.
- 3.8 **Compliance Enforcement Authority** shall mean FERC, NERC, WECC, and any other agency, court, organization, or other entity or person duly authorized pursuant to law or regulation to: (a) audit or determine compliance with applicable Reliability Standards; or (b) impose, enforce, excuse, or rescind penalties or otherwise take action binding on one or more Parties with respect to a finding of failure to comply with a Reliability Standard.
- 3.9 **Confidential Information** shall mean : (a) all written materials marked "Confidential," "Proprietary," or with words of similar import provided to a Party by another Party; and (b) all observations of equipment (including computer screens) and oral disclosures related to a Party's systems, operations, or activities that are indicated as such at the time of observation or disclosure (or are identified as "confidential" or "proprietary" in a letter sent to another Party no later than five (5) calendar days after the disclosure), respectively. Confidential Information includes portions of

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documents, records, and other material forms or representations that any Party may create, including but not limited to, handwritten notes or summaries that contain or are derived from such Confidential Information.

- 3.10 **Energy Imbalance Market or EIM** shall have the meaning set forth in the CAISO Tariff, as that tariff shall be amended from time-to-time.
- 3.11 **EIM Committee** shall mean the administrative committee established in Section 10 of this Agreement.
- 3.12 **EIM Entity** shall have the meaning set forth in the CAISO Tariff, as that tariff shall be amended from time-to-time. BANC is the EIM Entity under this Agreement.
- 3.13 **EIM Entity Agreement** shall have the meaning set forth in the CAISO Tariff, as that tariff shall be amended from time-to-time. The EIM Entity Agreement is between BANC and the CAISO.
- 3.14 **EIM Entity Supplemental Services** shall mean any additional services and/or products provided by the EIM Entity to an EIM Participant or to EIM Participants as described in Section 8.4 of this Agreement.
- 3.15 **EIM Implementation Agreement** shall have the meaning set forth in the CAISO Tariff, as that tariff shall be amended from time-to-time. The EIM Implementation Agreement for this participation is between BANC and the CAISO.
- 3.16 **EIM Operator** shall have the meaning set forth in the CAISO Tariff, as that tariff shall be amended from time-to-time. The CAISO is the EIM Operator.
- 3.17 **EIM Participant** shall mean a signatory to this Agreement.
- 3.18 **EIM Participant Cost(s)** shall mean the cost responsibility of each EIM Participant to BANC as described in Section 8 (EIM Participant and New EIM Participant Costs) of this Agreement.
- 3.19 **EIM Participant Reserve Account** shall mean that account established in Section 8.3 of this Agreement and into which each EIM Participant shall contribute for purposes of ensuring sufficient funding for EIM Entity participation in accordance with the CAISO Tariff.
- 3.20 **EIM Participating Resource** shall have the meaning set forth in the CAISO Tariff, as that tariff may be amended from time to time.
- 3.21 **EIM Participation Agreement** shall mean this Agreement, as amended from time-to time.
- 3.22 **EIM Participation Percentage** shall mean the percentage allocation attributable to each EIM Participant for purposes of EIM Participant Costs in Section 8 (EIM Participant and New EIM Participant Costs) and Exhibit A (New EIM Participant

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Costs and EIM Participant Allocations) and liability for NERC Penalties as set forth in Section 12 (BANC Violations of Reliability Standards Arising from EIM Participation) of this Agreement.

- 3.23 **EIM Project Manager** shall mean the individual(s) selected by the Parties to oversee and manage BANC EIM implementation activities.
- 3.24 **EIM Project Work** shall mean the multi-phased work plan to implement and operate in the EIM as developed and overseen by the EIM Committee.
- 3.25 **EIM Services** shall mean the services provided by the EIM Services Provider to BANC, as set forth in the EIM Services Agreement.
- 3.26 **EIM Services Agreement** shall mean the agreement between BANC, as the EIM Entity, and the EIM Services Provider.
- 3.27 **EIM Services Provider** shall mean the entity providing EIM Services to BANC. SMUD, or its successor, shall be the EIM Services Provider.
- 3.28 **Electric System** shall mean all properties and assets that are owned or operated by a Party, including any interests in joint powers agency facilities, that are used for or pertain to the generation, transmission, transformation, or distribution of electric power, including all additions, replacements, extensions, expansions, improvements, and betterments thereto, and equipment associated therewith. Communication systems and equipment associated with operation of the Electric System shall be included as part of a Party's Electric System. To the extent a Party is not the sole owner of an asset or property, only that entity's ownership portion or entitlement in such property shall be considered as a part of its Electric System.
- 3.29 **FERC** shall mean the "Federal Energy Regulatory Commission," or its successor.
- 3.30 **Financial Penalties** shall mean those costs described in Section 12.2.1 of this Agreement.
- 3.31 **Interconnected Operating Agreements** shall mean agreements between WAPA and individual BANC members which define the roles and responsibilities of the interconnected parties.
- 3.32 **Internal Compliance Program** shall mean the BANC Internal Compliance Program, approved by the Commission, as that program may be amended from time-to-time.
- 3.33 **Internal Compliance Program Charter** shall mean the policy-level document outlining the Internal Compliance Program, which has been adopted by the Commission, as that program may be amended from time-to-time.
- 3.34 **NERC** shall mean the "North American Electric Reliability Corporation," or its successor.

3.35 *NWPP* shall mean the “Northwest Power Pool.”

3.36 *Phase 1 EIM Participant* shall mean SMUD.

3.37 *Phase 2 EIM Participants* shall mean MID, Redding, Roseville and WAPA for Phase 2 implementation and these entities plus SMUD for ongoing EIM operations.

3.38 *Reliability Standards* shall mean those NERC Reliability Standards and WECC Regional Reliability Standards that have been approved by FERC under Section 215 of the Federal Power Act and WECC applicable Regional Criteria referenced in FERC-approved Reliability Standards.

3.39 *Reserve Sharing Group* shall mean the group operated by the NWPP to comply with Reliability Standard BAL-002-WECC-2a, or its successor standard. BANC is a member of the NWPP and a participant in the NWPP Reserve Sharing Group.

3.40 *SMUD OATT* shall mean the “Open Access Transmission Tariff” posted on the SMUD Open Access Same-Time Information System website.

3.41 *WAPA OATT* shall mean the “Open Access Transmission Tariff” posted on the WAPA Open Access Same-Time Information System website.

3.42 *WECC* shall mean the “Western Electricity Coordinating Council,” or its successor.

4 TERM AND TERMINATION

4.1 Effective Date

This Agreement shall be effective upon the date of execution by the Parties (Effective Date).

4.2 Term

This Agreement shall remain in effect from the Effective Date until terminated pursuant to Section 4.3 (Termination by EIM Participants), 4.4 (Termination of this Agreement), or 4.5 (Surviving Obligations) of this Agreement.

4.3 Termination by EIM Participants

Subject to Section 4.5 (Surviving Obligations), any EIM Participant may terminate its participation in this Agreement by providing a notice of termination not less than one (1) year in advance of the date of intended termination.

4.4 Termination of this Agreement

This Agreement shall terminate if: 1) terminated by BANC, 2) if BANC ceases to be a Balancing Authority, 3) the CAISO terminates the EIM Entity Agreement between the

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CAISO and BANC, 4) there are no remaining EIM Participants, or 5) upon the expiration of forty (40) years from the Effective Date. BANC shall provide EIM Participants no less than sixty (60) calendar days written notice prior to seeking a termination decision by the Commission. In the event of a decision by the Commission to terminate this Agreement and there is a successor entity assuming the role of EIM Entity on behalf of the EIM Participant(s), BANC agrees to work with the successor EIM Entity and EIM Participant(s) to coordinate transfer of the EIM Entity responsibilities to a successor EIM Entity. BANC shall also conform its termination with the EIM Participant(s) timelines and procedures required for termination as an EIM Entity as set forth in its EIM Entity Agreement with the CAISO.

4.5 Surviving Obligations

Termination of this Agreement or a Party's participation herein shall not extinguish the obligation of any Party to complete in-progress compliance investigations, implement any resulting corrective mitigating actions and otherwise complete any active compliance process as well as satisfy all other obligations, including any financial responsibilities. In addition, any outstanding financial right or obligation, and any provision of this Agreement necessary to give effect to such right or obligation, shall survive until satisfied, and all limitations of liability provided in this Agreement will survive until all statutes of limitation related to claims that could be made in connection with this Agreement have run.

5 SCOPE OF AGREEMENT

This Agreement, including its Exhibit A (EIM Participation Percentages), Exhibit B (BANC EIM Phase 2 Model), Exhibit C (BANC Phase 2 EIM Implementation Agreement), Exhibit D (EIM Participant Reserve Account), Exhibit E (EIM Entity Supplemental Services), and Exhibit F (BANC Phase 2 EIM Entity Agreement), which are incorporated herein by reference, is for the purpose of establishing BANC as the EIM Entity in support of the EIM Participant(s) and is the sole expression of the Parties. Exhibits may be subject to future revision in accordance with the individual terms contained in that Exhibit and such changes do not constitute an amendment hereto.

6 BANC (EIM ENTITY) OBLIGATIONS

BANC shall be responsible for the following:

- 6.1 Negotiating a new or amended EIM Implementation Agreement and a new or amended EIM Entity Agreement with the CAISO which reflects the directive of the Commission;
- 6.2 Participating, through the General Manager, on the EIM Committee as set forth in Section 10 (EIM Committee) of this Agreement and providing support to Committee activities, as needed;

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- 6.3 Managing the EIM Services Agreement between BANC and SMUD, which contains the agreed upon terms and conditions respecting the EIM Services to be provided by SMUD to BANC;
- 6.4 Cooperating with the EIM Participant(s) in the exchange of data and information necessary to support EIM activities;
- 6.5 Providing support and information needed to facilitate EIM examination and/or participation by any proposed new EIM Participant;
- 6.6 Providing regular updates to the Commission, as needed;
- 6.7 Participating, as the EIM Entity, in any relevant stakeholder activities related to EIM;
- 6.8 To the extent reasonably practicable, taking any position on regulatory actions to ensure that the interest of BANC, as an EIM Entity, and those of the EIM Participant(s), are reasonably maintained, as deemed necessary by the Commission, or by the General Manager, to the extent consistent with authority delegated by the Commission for participation in those fora;
- 6.9 Serving as the EIM Entity on behalf of the EIM Participant(s) in accordance with this Agreement, including its Exhibits, as they may be amended from time-to-time;
- 6.10 Ensuring its role as EIM Entity does not adversely affect its compliance with NERC Reliability Standards;
- 6.11 Complying with CAISO Tariff provisions applicable to an EIM Entity; and
- 6.12 Management and oversight of the EIM Participant Reserve Account as set forth in Section 8 (EIM Participant and New EIM Participant Costs) of this Agreement; and
- 6.13 Coordinating with the CAISO on EIM activities related to the operation and implementation of EIM.

7 EIM PARTICIPANT OBLIGATIONS

The EIM Participant shall be responsible for the following, “EIM Participant Obligations,” as set forth herein:

- 7.1 Negotiating necessary agreements for its EIM participation;
- 7.2 Working collaboratively with BANC in the most transparent means practicable;
- 7.3 Along with BANC, using reasonable efforts to control costs associated with EIM implementation with respect to costs re-assignable to new the EIM Participant(s) under the terms of this Agreement;

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- 7.4 Comply with CAISO Tariff provisions applicable to EIM Participating Resources or EIM non-Participating Resources;
- 7.5 Using reasonable efforts to comply and/or abide by any directives of the EIM Entity, consistent with BANC EIM Business Practices, the CAISO Tariff and procedures, policies or timelines adopted by the EIM Committee;
- 7.6 Participating on the EIM Committee, as set forth in Section 10 (EIM Committee) of this Agreement;
- 7.7 Paying in a timely manner any cost assessed to the EIM Participant, including but not limited to EIM Participant Costs as set forth in Section 8 and any final costs associated with EIM-related violation(s) of Reliability Standards applicable to the Balancing Authority, as set forth in Section 12 (BANC Violations of Reliability Standards Arising from EIM Participation) of this Agreement; and
- 7.8 To the extent reasonably practicable, taking any positions on regulatory actions deemed needed to ensure that the interest of BANC, as the EIM Entity, and those of the EIM Participant(s), are reasonably maintained; however, nothing herein requires EIM Participant to take a position that it reasonably believes is contrary to its own interests.

8 EIM PARTICIPANT AND NEW EIM PARTICIPANT COSTS

Each EIM Participant shall be responsible to pay its share of costs associated with its participation in EIM within the BANC EIM Entity footprint. First, all EIM Participants shall pay a one-time assessment associated with becoming a new EIM Participant as described below in Section 8.1. Second, each EIM Participant shall pay its share of the BANC EIM implementation costs associated with its phase of EIM implementation, as described in Section 8.2. Third, each EIM Participant shall pay its share of the ongoing costs incurred by BANC as the EIM Entity, as described in Section 8.3, including the “as needed” funding of the EIM Participant Reserve Account. Collectively, these costs set forth in Sections 8.1, 8.2, and 8.3 herein are referred to as EIM Participant Costs and are described as follows:

- 8.1 Phase 1 and Phase 2 EIM Participants shall be required to pay a one-time EIM assessment to BANC based on BANC’s implementation costs multiplied by the allocation percentage contained in Table 1 of Exhibit A. This one-time EIM assessment is intended to cover the new EIM Participant’s share of the costs incurred by the BANC in order to facilitate it becoming an EIM Entity and EIM participation by entities within the BANC footprint. These costs should be allocated to Phase 1 and Phase 2 EIM Participants based on their respective load ratio percentage of overall BANC member load.

- 8.1.1 For Phase 2 EIM Participants, the costs collected by BANC shall be allocated back to the Phase 1 EIM Participant, consistent with those accounting and tracking metrics developed and adopted by the EIM Committee and approved

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by the Commission. BANC and the Phase 2 EIM Participants may agree on the method of payment of the EIM assessment, which may be paid in installments in any manner agreed upon by the Parties

- 8.1.2 For any future EIM Participant(s) (Future EIM Participant) which join subsequent to Phase 2, the Future EIM Participant(s) shall work with BANC and the EIM Committee to determine either a pro rata share, or some other reasonable share, of the costs paid by Phase 1 and Phase 2 EIM Participants under this section, and the Future EIM Participant(s) shall pay BANC this amount in a manner and timeline determined by the Commission. Existing EIM Participants shall be reimbursed this full amount by BANC in accordance with the percentages set forth in Table 1 of Exhibit A, or by another manner so approved by the Commission.
- 8.2 In addition to the payments set forth in Sections 8.1 and 8.3, each EIM Participant shall pay its share of the BANC EIM Implementation costs for its EIM Implementation phase described in this Section 8.2. These costs shall be allocated to EIM Participants based on the applicable EIM Participation Percentages set forth in Table 2 of Exhibit A to this Agreement, as that Exhibit A may be amended from time-to-time, and include the costs incurred by BANC in its performance under the EIM Implementation Agreement, including implementation costs for the new EIM Participant.
- 8.3 In addition to the payments set forth in Sections 8.1 and 8.2, each EIM Participant shall pay its share of costs related to the ongoing operations of BANC as the EIM Entity described in this Section 8.3. These costs shall be allocated to EIM Participants based on the applicable EIM Participation Percentages set forth in Table 2 of Exhibit A to this Agreement, as that Exhibit A may be amended from time-to-time, and include the following components:
- 8.3.1 Costs reasonably incurred by BANC in fulfilling its obligations as an EIM Entity, including, but not limited to:
- 8.3.1.1 costs associated with BANC's obligations under its EIM Entity Agreement; and
 - 8.3.1.2 costs associated with BANC's obligations under the EIM Services Agreement;
 - 8.3.1.3 ongoing costs, including administrative, legal and regulatory, as reviewed by the EIM Committee and approved by the Commission; and
 - 8.3.1.4 ongoing funding of the EIM Participant Reserve Account as reviewed by the EIM Committee and approved by the Commission in accordance with 8.3.1.4.1:

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8.3.1.4.1 such funding obligations and timelines of the EIM Participant Reserve Account, as approved by the Commission, shall be conducted in accordance with Exhibit D to this Agreement.

8.4 Any EIM Participant may request and agree to additional services to be provided by the EIM Entity, including but not limited to, technical assistance, analysis, software acquisition, and energy and/or capacity-related products. Any additional costs incurred by an EIM Participant in accordance with this Section 8.4 shall be approved by the Commission and shall be recovered solely from the EIM Participant(s) which have made such a request or requests and set forth in Exhibit E to this Agreement, each separate product and service set forth with its own title and in a separate numbered attachment to Exhibit E (e.g., Exhibit E, Service Schedule E-1 (Title of Product/Service)).

All costs to be recovered by the EIM Entity from an EIM Participant under this Section 8.4 shall be invoiced and charged in accordance with Section 8.5 and the relevant attachment to Exhibit E.

8.5 Unless specified in the individual Exhibit E Service Schedule, BANC shall calculate the EIM Participant Costs and invoice each EIM Participant to the addresses set forth in Appendix 1 (Notices) to this Agreement. Except as provided in Section 8.3.1.4, above, the EIM Participant shall pay this invoice within thirty (30) calendar days of receipt of the invoice. Payments shall be sent by each EIM Participant to the following address:

Balancing Authority of Northern California
6001 S Street
M.S. D-109
Sacramento, CA 95852-1830

8.6 EIM Participant Costs will be determined through the EIM Committee process unless otherwise agreed, in writing, between the Parties. Any costs allocated by BANC to EIM Participants must be placed in the budget and reviewed and concurred with by the EIM Committee prior to submittal to the Commission for final approval. In addition, BANC will obtain written concurrence by WAPA for their share of EIM Participant costs in advance of seeking final approval from the Commission. In the case that WAPA does not provide its concurrence, the General Manager shall work with EIM Participants to reach consensus. Failure to reach a consensus may require Commission action, including but not limited to reallocation to non-WAPA EIM Participants or referral to the Dispute Resolution provisions provided in Section 14 (Dispute Resolution) of this Agreement.

In the event BANC anticipates its costs may exceed the approved budget, BANC shall submit such costs to the EIM Committee and WAPA for review and concurrence prior to submitting a revised budget request to the Commission for approval. Failure of

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approval by WAPA shall be addressed in a similar manner to that in the preceding paragraph of this Section 8.6.

- 8.7 EIM Participants shall be responsible for their costs incurred in becoming an EIM Participating Resource under the terms of the CAISO tariff.

9 NEW EIM PARTICIPANTS

- 9.1 Any entity inside of the EIM Entity BAA footprint may become an EIM Participant by executing an EIM Participation Agreement with BANC, paying BANC a one-time EIM assessment, as determined in accordance with Section 8.1 of this Agreement, and entering into any other arrangements required by the CAISO Tariff and the Commission. BANC and the existing EIM Participants will work cooperatively with the proposed new EIM Participant to minimize the impact on the proposed new EIM Participant, other BANC members, and existing EIM Participants.
- 9.2 Upon the execution of an EIM Participation Agreement with BANC, the new EIM Participant shall be allowed to participate on the EIM Committee in accordance with Section 10 (EIM Committee) of this Agreement.

10 EIM COMMITTEE

10.1 Establishment of EIM Committee

On or after the Effective Date of this Agreement, the General Manager shall establish the EIM Committee by appointing EIM Committee members as set forth in Section 10.4 (EIM Committee Representation and Alternates).

10.2 General Responsibilities of EIM Committee

The EIM Committee is an advisory body to the General Manager and responsible for providing advice and counsel for matters related to the operation of EIM within the BANC EIM Entity footprint. Specifically, the EIM Committee may be called upon by the General Manager for advice on the following matters:

- 10.2.1 Establishing roles and responsibilities among BANC, the EIM Participant(s) and the EIM Operator;
- 10.2.2 Reviewing of budgets and costs incurred by BANC, for both EIM implementation and EIM operations and providing concurrence with respect to those costs prior to the submission to the Commission for approval in accordance with Section 8.6;
- 10.2.3 Developing and updating (as necessary), a scope for EIM Project Work according to Section 11 (EIM Project Work) of this Agreement.

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- 10.2.4 Developing metrics to track and categorize EIM costs for purposes of budgeting and determining the one-time assessment applied to any new EIM Participant(s), as set forth in Section 8.1 of this Agreement;
- 10.2.5 Developing metrics to measure EIM costs, gross benefits and net benefits from actual EIM operations;
- 10.2.6 Providing data and information, as reasonably requested, to BANC members and/or WAPA for the purpose of assessing their potential participation in the EIM;
- 10.2.7 Developing comments and positions for stakeholder processes that concern or relate to the EIM;
- 10.2.8 Coordinating relevant data and information as needed for any compliance-related inquiry or investigation, or in the furtherance of any assessment in conjunction with Section 12 (BANC Violations of Reliability Standards Arising from EIM Participation) in this Agreement;
- 10.2.9 Ensuring that required documentation and data transfers among the EIM Participant(s) the EIM Entity and the EIM Operator are occurring and assisting in the development of processes and procedures to aid in such transfers, as needed;
- 10.2.10 Providing regular reports and updates to the General Manager on EIM-related activities and operations, as requested;
- 10.2.11 Providing reports, data, and other information as necessary to the CAISO;
- 10.2.12 Assisting in the development of procedures and processes to improve the accuracy and efficiency of data transfers from the EIM Participant(s) to EIM Entity;
- 10.2.13 Recommendations to the General Manager with respect to BANC EIM Business Practices or amendments thereto for consideration by the Commission;
- 10.2.14 General oversight of any request for proposals (RFP) or request for offer of services (RFO) by the Parties; and
- 10.2.15 Oversight of the EIM Project Manager(s), system integrator(s) or other consultants.

10.3 EIM Committee Meetings

The EIM Committee may be convened on an “as needed” basis by the General Manager or the EIM Participant(s).

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10.4 EIM Committee Representation and Alternates

Each EIM Participant shall select a primary voting representative and at least one alternate to the EIM Committee and provide those names to the General Manager. The General Manager will also participate on the EIM Committee. The EIM Services Provider shall also have a representative present at EIM Committee meetings, unless agreed to otherwise between the General Manager and the EIM Services Provider. Under the direction of the General Manager, the EIM Committee may form subgroups or delegate tasks to subject matter experts as it deems appropriate; provided, however, that any tasks delegated must be overseen and/or approved by the EIM Committee.

10.5 EIM Committee Chair

The EIM Committee may appoint a chair to conduct meetings. In the absence of an appointed chair, the General Manager will serve in that role.

10.6 EIM Committee Actions or Decisions

The EIM Committee will seek consensus on any actions or decisions in the furtherance of its responsibilities set forth in this Section. If an action or decision requires voting, each EIM Committee representative shall have one vote. In the event of a tie, an executive from BANC and the EIM Participant(s) shall attempt to reach consensus. If consensus cannot be reached, the General Manager shall serve as the tie breaker vote.

10.6.1 Conflicts Between the EIM Committee and the General Manager. If the EIM Committee and the General Manager have a dispute related to an action or proposal of either the EIM Committee or the General Manager, the EIM Committee or a subgroup shall meet with the General Manager and attempt to reach resolution. Should the Parties fail to resolve the conflict, the General Manager shall make the final decision; however, the General Manager shall inform the Commission of the dispute. The EIM Committee Chair, if that person is not the General Manager, or anyone delegated by the EIM Committee, may prepare a memorandum framing the disputed issue, and provide that memorandum to the General Manager for his or her consideration, and the General Manager shall provide a copy of the memorandum to the Commission for their information and any other action they may decide.

10.7 EIM Committee Charter and Procedures

In consultation with the General Manager, the EIM Committee may adopt a charter and/or procedures in furtherance of its internal administration. Furthermore, the EIM Committee may form working groups or subcommittees for the performance of specific tasks requiring subject matter expertise. Such working groups or subcommittees will report to the EIM Committee or the General Manager, as directed by the General Manager.

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11 EIM PROJECT WORK

It is expected that there will be multiple phases of EIM Project Work to be conducted by the Parties, including, but not limited to, the scoping and contracting aspects of the project, the RFP/RFO processes and implementation and testing of EIM systems, up to and until parallel testing with the CAISO. The Scope of EIM Project Work shall be developed by the EIM Committee under the direction of the General Manager, on an agreed upon schedule in coordination with the schedule developed between BANC and the CAISO contained in the BANC EIM Implementation Agreement.

12 BANC VIOLATIONS OF RELIABILITY STANDARDS ARISING FROM EIM PARTICIPATION

12.1 Violations

Any potential or actual violations of Reliability Standards applicable to the BANC Balancing Authority which are the result of a failure related to BANC, acting as the EIM Entity, or the EIM Participant's, or the EIM Participants', participation in the EIM, shall be addressed in accordance with the processes and procedures adopted in the Internal Compliance Program Charter and the BANC Member Agreement; provided, however, any Financial Penalties, as described in Section 12.2.1 of this Agreement, associated with violation(s) of Reliability Standards applicable to the BANC Balancing Authority arising directly as the result of EIM-related activities of BANC, as the EIM Entity, or the EIM Participant(s), shall be allocated, to the extent such Party or Parties are not legally proscribed from paying Financial Penalties, such costs shall be allocated to the EIM Participant(s) directly responsible for the activity or activities that gave rise to the violation(s), or, if no EIM Participant(s) are directly responsible for the activity or activities that gave rise to the violation(s), Financial Penalties shall be allocated to EIM Participants based on their EIM Participation Percentages as set forth in Table 2 of Exhibit A (Cost Allocation for Violations). Any Party which cannot legally pay such costs will remain responsible for any Compliance Costs, as described in Section 12.2.2 of this Agreement, as may be prescribed by a Compliance Enforcement Authority.

12.2 Payment of Final Costs

12.2.1 Financial Penalties. Final costs associated with this Section 12 shall be paid by the EIM Participant(s) within thirty (30) days of a written request by BANC. Such request shall be in accordance with Section 24 (Notices) of this Agreement. Final costs are those monies which are required to be paid by BANC to NERC based upon a confirmed and final penalty amount in accordance with the NERC Rules of Procedure.

12.2.2 Compliance Costs. A mitigation plan or any regulatory directive(s) issued by a Compliance Enforcement Authority associated with this Section 12 shall be followed by the Parties in accordance with that plan or directive; however, the

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Compliance Costs incurred by the Parties based upon the mitigation plan or directive shall be the sole responsibility of the EIM Participant(s). BANC shall provide the EIM Participant(s) with an itemization of costs under this Section 12.2.2 as part of BANC's written request to the EIM Participant(s) for payment. Such request shall be in accordance with Section 24 (Notices) of this Agreement.

13 CONFLICT BETWEEN EIM PARTICIPATION AGREEMENT AND OTHER BANC AGREEMENTS

Nothing in this Agreement is intended to alter or amend other BANC agreements or program documents, including, but not limited to, the Joint Exercise of Powers Agreement, the Balancing Authority Operation Services Agreement, the Member Agreement, the NWPP Reserve Sharing Group Agreement, the Internal Compliance Program Charter, the Member Compliance Review Committee Charter, the Planning Coordinator Services Agreement, or the Planning Coordinator Participation Agreement (BANC Agreement(s)). To the extent a conflict arises between a BANC Agreement and this Agreement, the BANC Agreement(s) shall prevail; however, reasonable efforts should be made to reconcile the matter among EIM Participant(s) and BANC. Notwithstanding the foregoing, penalties allocated to BANC due to BANC violations of Reliability Standards arising from EIM Participation will be addressed in accordance with this Agreement and not the Member Agreement.

14 DISPUTE RESOLUTION

Except as provided in Section 10.6 (EIM Committee Actions or Decisions), any dispute arising between the Parties regarding performance of their obligations under this Agreement shall be resolved according to the following procedures:

14.1 Informal Settlement

The Parties shall attempt in good faith to resolve any dispute arising out of or relating to this Agreement promptly by negotiations between BANC and an executive of the EIM Participant(s), or, in the event there is more than one EIM Participant, BANC and an executive of each of the EIM Participants. Any Party may give the other Party, or Parties, written notice of any dispute, and within twenty (20) calendar days after delivery of such notice, the executives shall meet at a mutually acceptable time and place and thereafter as often as they reasonably deem necessary to exchange information and to attempt to resolve the dispute. If the matter has not been resolved within sixty (60) calendar days of the first meeting, any of the Parties may initiate a mediation of the controversy in accordance with Section 14.2 (Mediation).

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14.2 Mediation

Prior to initiation of litigation, disputing Parties shall initiate a mediation of the controversy. All negotiations, settlement conferences, compromise discussions, and any mediation conducted pursuant to this clause are non-binding, confidential, and shall be treated as compromise and settlement negotiations. Included in such mediation shall be negotiations including executive level management of each of the disputing Parties.

14.3 Retained Rights Under Law and Equity

Absent resolution of any dispute through mediation, each Party retains all rights in a court of law or equity to enforce its rights under this Agreement.

14.4 Continuing Performance Obligations

While a dispute, controversy, or claim is pending, each Party will continue to perform its respective obligations under the Agreement, unless such Party is otherwise entitled to terminate the Agreement in accordance with the terms hereof.

15 AMENDMENT

Except as specified in Appendix 1 and Exhibits A through F, which shall be amended in accordance with the terms set forth therein, this Agreement may only be amended or otherwise modified with the written agreement of the Parties.

16 ASSIGNMENT

This Agreement may be assigned by a Party only with the written consent of the other Parties, which consent shall not be unreasonably withheld.

17 CONFIDENTIALITY

17.1 Treatment of Confidential Information

The Parties recognize and agree that for the purposes of their respective roles in the EIM, complying with the Reliability Standards, and responding to any report or notice of potential violation, the Parties may receive information from each other that has been marked as Confidential Information. Except as set forth herein, the Parties agree to keep in confidence and not to copy, disclose, or distribute any Confidential Information or any part thereof, without the prior written permission of the Party that produced the information.

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17.2 Required Disclosure of Confidential Information

As provided in the CMEP, or as required by subpoena, request under the California Public Records Act (PRA), the Freedom of Information Act (FOIA), or other legal or regulatory processes, the Parties may be required to disclose Confidential Information so designated by another Party. Compliance with that subpoena, request under the PRA, FOIA, or other legal or regulatory process shall not constitute a breach of this Agreement. If any Party is required to disclose any Confidential Information so designated by any other Party, the disclosing Party shall notify the other Party in writing as promptly as feasible so that the other Party may, if it so chooses and at its own expense, challenge the disclosure or seek a protective order. The disclosing Party shall reasonably cooperate in resolving the dispute.

17.3 Third Parties

Except as set forth herein, each Party shall keep Confidential Information in confidence and shall not disclose such information or otherwise make it available, in any form or manner, to any other person or entity other than its employees, consultants, sub-contractors, sub-contractors' employees, attorneys, and agents without the prior written consent of the Party that produced the information. Each Party will cause each of its employees, contractors, sub-contractors, sub-contractors' employees, attorneys, and agents who will have access to Confidential Information, if any, to acknowledge that they have read this Agreement and agree to abide by all of its terms regarding use and disclosure of Confidential Information. For purposes of this Agreement, Confidential Information may also be shared with the EIM Operator in accordance with the terms of the agreements between each of the Parties and the EIM Operator.

17.4 FERC Jurisdiction

Nothing in this Agreement shall be meant to imply or cede jurisdiction to FERC, NERC, and other regulatory or Compliance Enforcement Authority entities having no or limited jurisdiction over the Parties. FERC, NERC, and other regulatory or Compliance Enforcement Authority entities have limited jurisdiction over the Parties and, by executing this Agreement, no Party is waiving or conceding any defenses it has to assert jurisdictional defenses, including, but not limited to, sovereign immunity, intergovernmental immunities, or lack of subject matter jurisdiction.

18 INDEMNIFICATION

Notwithstanding anything herein to the contrary, BANC shall indemnify, defend, and hold EIM Participants (including their governing bodies, officers, employees, assigns, and agents) harmless from and against any and all claims, demands, liabilities imposed for injury (as defined by Government Code Section 810.8), losses, costs, expenses, penalties, suits, judgments, or damages, arising in whole or in part, directly or indirectly, from performance or non-performance of EIM Participant Obligations set forth in Section 7 (EIM Participant Obligations) of this Agreement.

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19 GOVERNING LAW

19.1 Non-Federal EIM Participants

The rights and obligations of the non-federal EIM Participants and the interpretation and performance of this Agreement shall be governed by the laws of the State of California.

19.2 Federal EIM Participants

Interpretation of this Agreement, and performance and enforcement thereof with regard to federal EIM Participants, shall be determined in accordance with Federal law, as if performed wholly within the State of California.

20 HEADINGS

The descriptive headings of the various Articles and Sections of this Agreement have been inserted for convenience of reference only and are of no significance in the interpretation or construction of this Agreement.

21 SEVERABILITY

If any term, covenant, or condition of this Agreement, or the application or effect of any such term, covenant, or condition is held invalid as to any person, entity, or circumstance, or is determined to be unjust, unreasonable, unlawful, imprudent, or otherwise not in the public interest, by any court or government agency of competent jurisdiction, then such term, covenant, or condition shall remain in force and effect to the maximum extent permitted by law, and all other terms, covenants, and conditions of this Agreement and their application shall not be affected thereby but shall remain in full force and effect, and the Parties shall be relieved of their obligations only to the extent necessary to eliminate such determination unless a court or governmental agency of competent jurisdiction holds that such provision is not separable from all other provisions of this Agreement.

22 LIMITATION ON LIABILITY

Except for costs for violation(s) of Reliability Standards incurred pursuant to Section 12 (BANC Violations of Reliability Standards Arising from EIM Participation) of this Agreement, or EIM Participant Costs in accordance with Section 8 (EIM Participant and New EIM Participant Costs) of this Agreement, no Party to this Agreement shall be liable to any other Party for any direct, indirect, special, incidental, exemplary, or consequential damages, claims, liabilities, costs or expenses (including attorneys fees and court costs) arising from tort or the performance or non-performance of its obligations under this Agreement regardless of the cause, including

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intentional action, willful action, gross or ordinary negligence, or an Uncontrollable Force (as defined in Section 25 of this Agreement).

23 NO THIRD PARTY BENEFICIARIES

This Agreement 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 other than the Parties, and the obligations herein assumed are solely for the use and benefit of the Parties, their successors in interest and, where permitted, their assigns.

24 NOTICES

Any notice, demand, or request in accordance with this Agreement shall be in writing and shall be deemed properly served, given, or made if delivered in person or sent by first class United States mail, postage prepaid, by electronic facsimile confirmed by the recipient, electronic mail confirmed by the recipient, or by prepaid commercial courier service to a Party via its representative or alternate representative at the address set forth in Appendix 1, unless otherwise provided in this Agreement. Any Party may at any time change the designation or address of a person specified in Appendix 1 upon written notice to the other Parties. Such a change to Appendix 1 shall not constitute an amendment to this Agreement.

25 UNCONTROLLABLE FORCE

No Party shall be considered to be in default in respect to any obligation hereunder if prevented from fulfilling such obligation by reason of an Uncontrollable Force. The term "Uncontrollable Force" for the purpose of this Agreement shall mean any cause beyond the control of the Party affected, including but not limited to flood, earthquake, storm, lightning, fire, epidemic, war, riot, civil disturbance, labor disturbance, sabotage, and restraint by court or public authority, which Uncontrollable Force by exercise of due diligence and foresight, such Party could not reasonably have been expected to avoid. Any Party rendered unable to fulfill any obligation by reason of Uncontrollable Force shall exercise commercially reasonable efforts to remove such inability with all reasonable dispatch.

26 WAIVER

The failure of a Party to this Agreement to insist, on any occasion, upon strict performance of any provision of this Agreement will not be considered a waiver of any obligation, right, or duty of, or imposed upon, such Party. Any waiver at any time by a Party of its rights with respect to this Agreement shall not be deemed a continuing waiver or a waiver with respect to any other failure to comply with any other obligation, right, or duty of this Agreement. Any waivers at any time by any Party of its rights with respect to any default under this Agreement, or with respect to any other matter arising in connection with this Agreement, shall not constitute or be deemed

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a waiver with respect to any subsequent default or other matter arising in connection with this Agreement.

27 NO DEDICATION OF FACILITIES

Any undertaking by a Party under any provision of this Agreement is rendered strictly as an accommodation and shall not constitute the dedication of its Electric System or any portion thereof by the undertaking Party to the public, to any other Party, or to any third party, and any such undertaking by a Party shall cease upon the termination of such Party's obligations under this Agreement. The Electric System of a Party shall at all times be, and remain, in the exclusive ownership, possession, and control of that Party, and nothing in this Agreement shall be construed to give any other Party any right of ownership, possession, or control of such Electric System.

28 MULTIPLE COUNTERPARTS

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

29 FEDERAL CONTRACT PROVISIONS

29.1 Covenant Against Contingency Fees

The Parties warrant that no person or selling agency has been employed or retained to solicit or secure this Agreement upon an agreement or understanding for a commission, percentage, brokerage, or contingent fee, excepting bona fide employees or bona fide established commercial or selling agencies maintained by the Parties for the purpose of securing business. For breach or violation of this warranty, WAPA shall have the right to annul this Agreement without liability or in its discretion to deduct from the price or consideration the full amount of such commission, percentage, brokerage, or contingent fee.

29.2 Contingent Upon Appropriations

Where activities provided for in this Agreement extend beyond the current fiscal year, continued expenditures by WAPA are contingent upon Congress making the necessary appropriations required for the continued performance of WAPA's obligations under this Agreement. In case such appropriation is not made, Parties hereby release WAPA from its obligations and from all liability due to the failure of Congress to make such appropriation.

29.3 Contract Work Hours and Safety Standards

This Agreement, to the extent that it is of a character specified in Section 103 of the Contract Work Hours and Safety Standards Act, 40 U.S.C.A. § 3701, is subject to the

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provisions of the Act, 40 U.S.C.A. §§ 3701-3708, and to regulations promulgated by the Secretary of Labor pursuant to the Act.

29.4 Equal Opportunity Employment Practices

Section 202 of Executive Order No. 11246, 30 Fed. Reg. 12319 (1965), as amended by Executive Order No. 12086, 43 Fed. Reg. 46501 (1978), as amended or supplemented, which provides, among other things, that Parties will not discriminate against any employee or applicant for employment because of race, color, religion, sex, or national origin, is incorporated herein by reference the same as if the specific language had been written into this Agreement, except that Indian Tribes and tribal organizations may apply Indian preference to the extent permitted by Federal Law.

29.5 Use of Convict Labor

Parties agrees not to employ any person undergoing sentence of imprisonment in the performance of this Agreement, except as provided by 18 U.S.C. § 3622 (c) (2) and Executive Order 11755, December 29, 1973.

30 SIGNATURE CLAUSE

The signatories to this Agreement represent that they have been appropriately authorized to enter into this Agreement on behalf of the Party for whom they sign.

Approval Draft

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IN WITNESS THEREOF, the Parties have executed this Agreement and it is effective as of the Effective Date set forth in Section 4.1.

Balancing Authority of Northern California

By: _____
Name: _____
Title: _____
Date: _____

Sacramento Municipal Utility District

By: _____
Name: _____
Title: _____
Date: _____

Modesto Irrigation District

By: _____
Name: _____
Title: _____
Date: _____

City of Redding

By: _____
Name: _____
Title: _____
Date: _____

City of Roseville

By: _____
Name: _____
Title: _____
Date: _____

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**United States of America
Department of Energy
Western Area Power Administration
Central Valley Project, California**

By:	
Name:	
Title:	
Date:	

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Appendix 1 – Notices

Balancing Authority of Northern California

Name of Primary Representative:	James R. Shetler
Title:	General Manager
Company:	Balancing Authority of Northern California
Address:	P.O. Box 15830, MS D109
City/State/Zip Code:	Sacramento, CA 95852-1830
Email Address:	jimshetler@thebanc.org
Phone:	(916) 870-3774
Fax:	

Name of Alternative Representative:	Charles A. Braun
Title:	General Counsel
Company:	Braun Blaising Smith Wynne, P.C.
Address:	555 Capitol Mall, Suite 570
City/State/Zip Code:	Sacramento, CA 95814
Email Address:	braun@braunlegal.com
Phone:	916-326-5812
Fax:	916-330-4337

Sacramento Municipal Utility District

Name of Primary Representative:	
Title:	
Company:	
Address:	
City/State/Zip Code:	
Email Address:	
Phone:	
Fax:	

Name of Alternative Representative:	
Title:	
Company:	
Address:	
City/State/Zip Code:	
Email Address:	
Phone:	
Fax:	

Modesto Irrigation District

Name of Primary Representative:	
Title:	
Company:	
Address:	
City/State/Zip Code:	
Email Address:	
Phone:	
Fax:	

Name of Alternative Representative:	
Title:	
Company:	
Address:	
City/State/Zip Code:	
Email Address:	
Phone:	
Fax:	

City of Redding

Name of Primary Representative:	
Title:	
Company:	
Address:	
City/State/Zip Code:	
Email Address:	
Phone:	
Fax:	

Name of Alternative Representative:	
Title:	
Company:	
Address:	
City/State/Zip Code:	
Email Address:	
Phone:	
Fax:	

City of Roseville

Name of Primary Representative:	
Title:	
Company:	
Address:	
City/State/Zip Code:	
Email Address:	
Phone:	
Fax:	
Name of Alternative Representative:	
Title:	
Company:	
Address:	
City/State/Zip Code:	
Email Address:	
Phone:	
Fax:	

**United States Department of Energy
Western Area Power Administration
Central Valley Project, California**

Name of Primary Representative:	
Title:	
Company:	
Address:	
City/State/Zip Code:	
Email Address:	
Phone:	
Fax:	
Name of Alternative Representative:	
Title:	
Company:	
Address:	
City/State/Zip Code:	
Email Address:	
Phone:	
Fax:	

Appendix 2 –Revision History

Amendments

This Agreement may only be amended with written consent of all Parties and approval of the Commission. Any amendment to this Agreement shall be in writing and transmitted to all Parties to this Agreement within seven (7) business days of the version change contained in the document Version History.

Any changes will be reflected through a change in the Version History. Minor, non-substantive changes will be reflected in 1/10th increments to the Version History (e.g., 1.1, 1.2, etc.).

Version History

<u>VERSION</u>	<u>CHANGE</u>	<u>BY</u>	<u>DATE</u>
<u>1.0</u>	<u>Initial Version</u>	<u>Commission</u>	<u>02/22/2017</u>
<u>2.0</u>	<u>1st Amended</u>	<u>Commission</u>	<u>08/21/2019</u>
<u>3.0</u>	<u>2nd Amended</u>	<u>Commission</u>	<u>01/27/2021</u>
<u>3.1</u>	<u>Section 8.5 & TOC update to accommodate addition of Exhibit E Service Schedule E-2; Addition of Appendix 2</u>	<u>Commission; re-execution by signatories not needed</u>	<u>03/23/2022</u>

Commented [KK2]: The Appendices already had Revision History sections, but the Agreement itself did not. Given that the agreement has gone through multiple approved iterations, having this section allows us to better track changes.

EXHIBIT A : New EIM Participant Costs and EIM Participant Allocations

Purpose

This Exhibit A sets forth the Commission-approved cost allocation percentages for costs associated with Section 8.1 (New EIM Participant Costs), Section 8.2 (Tier 2 Costs) and Section 8.3 (Tier 1 Costs).

Table 1: New EIM Participant Costs (Section 8.1)¹

EIM Participant	2017 NEL	EIM Participant Responsibility
SMUD	11,598,647	63.5%
MID	2,623,552	14.4%
WAPA-SNR ²	1,987,830	10.9%
Roseville	1,249,280	6.8%
Redding	798,841	4.4%
TOTAL	18,258,150	100.0%

Table 2: EIM Participant Allocation Percentages based on 3-Year Average NEL

EIM Participant	Section 8.3/ Tier 1 Costs	Section 8.2/ Tier 2 Costs	Section 12.1/ Cost Allocation for Violations	Commission Approved Adjusted Allocations
SMUD	64.5%	0	70.1%	X.X%
MID	14.9%	42.1%	16.3%	X.X%
WAPA-SNR	8.1%	22.8%	0.0%	X.X%
Roseville	6.9%	19.4%	7.5%	X.X%
Redding	5.6%	15.7%	6.1%	X.X%
TOTAL	100.0%	100.0%	100.0%	XXX.X%

¹ The 2017 NEL was agreed upon as the basis for New EIM Participant Costs. Based on further BANC discussions, all other costs, unless specified otherwise, will be based on the Commission-approved 3-year rolling average percentages, which are set forth in Table 2, as that table may be updated and amended from time-to-time.

² Western Area Power Administration – Sierra Nevada Region.

The various allocation tiers are defined as follows:

- **Tier 1:** All five (5) EIM Participants will be paying the costs (e.g. – ongoing EIM costs post-Phase 2 go-live)
- **Tier 2:** The four (4) Phase 2 EIM Participants will be paying the costs (e.g. – EIM Phase 2 implementation costs)

Amendments

This Exhibit A may be amended as determined by the Commission; however, allocation adjustments to WAPA-SNR shall require its written consent. Should WAPA-SNR disagree to the change its allocation, the remaining Parties to this Agreement may make adjustments to the non-WAPA-SNR allocations, subject to Commission approval consistent with Section 8.6 of this Agreement. Any amendment to this Exhibit A shall be reflected through a change in the Version History. Minor, non-substantive changes will be reflected in 1/10th increments to the Version History (e.g., 1.1, 1.2, etc.).

Version History

VERSION	CHANGE	BY	DATE
1.0	Initial Version	Commission	02/22/2017
2.0	Phase 2 Version	Commission	8/21/2019
3.0	Amended Phase 2 Version	Commission	01/27/2021
4.0	2022 3-Year Average NEL Update	Commission	01/26/2022

EXHIBIT B: BANC EIM Phase 2 Approach

Purpose

This Exhibit B provides a description of the planned functional approach for implementing the Balancing Authority of Northern California (BANC) Energy Imbalance Market (EIM) Phase 2 and the relative roles and responsibilities of the California Independent System Operator (CAISO), BANC, its EIM participating members and the Western Area Power Administration – Sierra Nevada Region (WAPA-SNR).³ It is recognized that there may be some modifications to this approach based upon the gap analyses performed on behalf of the EIM participating members and WAPA-SNR and on issues identified during Phase 2 implementation that are mutually agreed upon by BANC and the EIM Phase 2 parties.

Functional Approach

The functional approach for handling BANC EIM Phase 2 participation will rely on leveraging the existing BANC EIM Entity/Sacramento Municipal Utility District (SMUD) EIM Services Provider arrangement that was developed for BANC EIM Phase 1. The intent is to have BANC/SMUD be the primary interface between the EIM Market Operator (CAISO) and BANC for EIM Entity functions. Each of the BANC EIM Participants, including WAPA-SNR/USBR, will have a direct contractual relationship with the CAISO/EIM Market Operator as EIM Participating Resources. Market dispatch signals through the CAISO's Automated Dispatch System (ADS) will flow from the CAISO to the respective entity's real-time operation's systems via the SMUD/BANC Energy Management System (EMS)⁴. In addition, BANC/SMUD will provide necessary EIM data/information required to ensure sub-BAA operations to WAPA-SNR.

Figure 1, below, provides a schematic flow for the EIM Phase 2 approach.

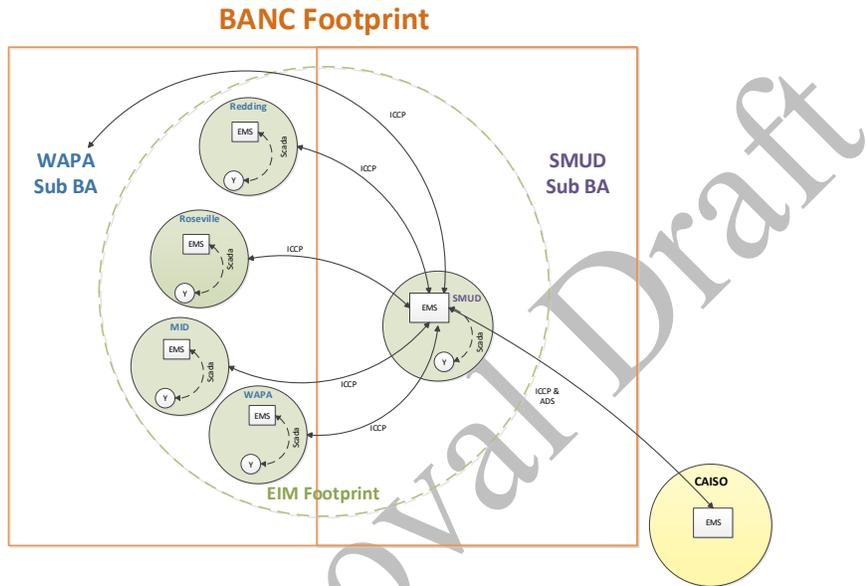
³ WAPA-SNR is not a formal BANC member but participates in most BANC activities. Further discussions regarding a more formalized role for WAPA-SNR are intended as issues are addressed through BANC EIM Phase 2 implementation process.

BANC and WAPA-SNR will also coordinate closely with the United States Bureau of Reclamation (USBR) due to the integrated nature of USBR generation within the WAPA-SNR footprint and within the BANC Balancing Authority Area (BAA).

⁴ Phase 2 EIM Participants have the option of obtaining dispatch DOTs directly from the CAISO ADS system via a self-created/self-supported interface application.

B-1

Figure 1 -- Option 2: EIM Phase 2 Functionality with WAPA-SNR in EIM5



The goal is to preserve the existing BAA and sub-BAA relationships between BANC and SMUD and BANC and WAPA-SNR and to preserve the existing contractual arrangements.⁶ Because EIM is a market function, there are no changes to the existing reliability compliance responsibilities of the EIM Participants.

Roles and Responsibilities

The following outlines the roles and responsibilities for participation in BANC EIM Phase 2:

EIM Operator – CAISO

- Load forecast for each EIM BAA
 - Individual load forecasts and settlement points (ELAP) for each entity (SMUD, Modesto, Redding, Roseville, WAPA-SNR)
 - Non-conforming loads (i.e. – irrigation pumping loads) will require input from USBR and other EIM Participants as appropriate

⁵ The communication from SMUD EMS to the BANC EIM Participants may be through either ICCP or DNP3 to the generation plant RTU.

⁶ It has been recognized that some contractual changes may be required to BANC member contracts with WAPA-SNR to enable EIM participation. These changes are anticipated to be minor and are not expected to disrupt the benefits of the existing contractual relationships.

- Resource plan feasibility
 - Includes evaluating resource sufficiency (RS) tests (balancing, bid capacity, flex ramp, and transmission feasibility)
- Run the EIM
- Settling EIM charges through the particular Scheduling Coordinator (SC) (i.e., EIM Entity SC and EIM Participating Resource SC)

EIM Entity – BANC BAA (Supported by BANC EIM Services Provider [SMUD] and EIM Entity SC [SMUD])

- Manage/Update/Submit BANC EIM Participant PRSC Base Schedules between T-55 and T-40 minutes
- Manage/Submit Day Ahead EIM Resource Plan interchange schedules for the BANC BA.
- Manage/Submit EIM interchange Base Schedules for the BANC BA
- Current operating characteristics (Note: The vast majority of this data will be obtained by the BANC EIM Entity through EIM Participant data submittals to the CAISO)
 - Outages (Both planned and unplanned)
 - Meter/telemetry
 - Transmission capacity available for EIM transfers – i.e., Energy Transfer System Resources, or “ETSRs”
- Market resource sufficiency tests performed at the BAA level
 - Balancing, flex ramp, and bid range capacity
 - An allocation methodology among the BANC EIM Participating Resources has been developed
- Settlements – through EIM Entity SC
 - All BANC EIM Participant load imbalance
 - BANC EIM Participant non-EIM Participating Resources imbalance
 - Interchange Schedule Imbalance
 - Other BANC EIM Entity fee, offset, and uplift charges
 - An allocation methodology has been developed

EIM Participating Resources (Supported by EIM Participating Resource SC)

- Phase 2 EIM Participating Resources
 - SMUD
 - Modesto Irrigation District (MID)
 - City of Redding (Redding)
 - City of Roseville (Roseville)
 - WAPA-SNR/USBR Central Valley Project (CVP)
- Manage/Submit Day Ahead EIM Generator Resource Plans for the EIM Participant-area
- Manage/Submit EIM Bids for the EIM Participant’s Participating Resources
- Manage/Submit EIM Participating Resource Generator Base Schedules at T-75 and T-55 minutes for EIM Participant’s generators
 - Assure EIM Participant-area Base Schedules and Bids pass EIM Sufficiency Tests at T-75 and T-55 minutes
- Settlement of EIM Participant’s Participating Resource SC EIM Resources

B-3

Other Issues Addressed During Implementation

As part of the Phase 2 implementation, the following additional issues were addressed and resolved by the EIM Participants:

1. Deviation Band (Contract arrangement between WAPA-SNR and MID/Redding/Roseville).
 - a. BANC EIM Participants want to preserve this real-time balancing capability.
 - b. BANC EIM Participants will continue to require real-time AGC balancing and the associated Regulation Up/Down reserves in an EIM paradigm.
 - c. The Deviation MW calculation will be analyzed to determine if a change is required to account for EIM redispatch of EIM Participants' generators.⁷
2. EIM hourly Sufficiency Test
 - a. Defined and executed by CAISO at the BANC BA level.
 - b. EIM Participants will each be required to provide EIM capacity so that BANC collectively passes the EIM Sufficiency Tests.
 - c. EIM Participants with no generation on-line may need to make an arrangement with other BANC members that have generation on-line to meet their portion of the total BANC EIM Sufficiency capacity MW requirements.
3. BANC EIM Entity Settlement Charge allocations; allocation invoicing to EIM Participants; and EIM Participant payment schedule for allocations.
4. Treatment of EIM dynamic transfers between sub-BAs within BANC, and between LSE's within the WAPA Sub-BA
5. Ensuring all appropriate technical and operational information and data will be provided to WAPA-SNR that will allow it to operate its sub-BA.

⁷ I.e., Due to CAISO EIM timelines, CAISO EIM dispatches would have already occurred prior to WAPA-SNR dispatches under the Deviation Band, which should result in less regulation and imbalance energy required from WAPA-SNR/USBR resources.

Amendments

This Exhibit B may only be amended with written consent of all Parties and approval of the Commission. Any amendment to this Exhibit B shall be in writing and transmitted to all Parties to this Agreement within seven (7) business days of the version change contained in the document Version History.

Any changes will be reflected through a change in the Version History. Minor, non-substantive changes will be reflected in 1/10th increments to the Version History (e.g., 1.1, 1.2, etc.).

Version History

VERSION	CHANGE	BY	DATE
1.0	Initial Version	Commission	08/21/2019
2.0	Amended	Commission	01/27/2021

Approval Draft

EXHIBIT C: BANC Phase 2 EIM Implementation Agreement

Approval Draft

C-1

Second_Amended_and_Restated_BANC_EIM_Participation_Agreement_Exhibit_C_01_27_21

EXHIBIT D: EIM Participant Reserve Account

Purpose and Scope

The EIM Participant Reserve Account is hereby established to provide ongoing operating capital to the EIM Entity to meet its EIM obligations in accordance with the CAISO/Market Operator Tariff. The gross amount of capital held in the EIM Participant Reserve Account shall be calculated by the BANC Finance Group and the General Manager, in consultation with the EIM Committee and approved by the Commission. Contributions to the EIM Participant Reserve Account by each EIM Participant are to be in accordance with the cost allocation percentages set forth in Tier 1 of Exhibit A – Table 2 to this Agreement, unless adjusted by mutual consent of the EIM Participants and approved by the BANC Commission (Adjusted Contributions), in which case such Adjusted Contributions shall be adopted by a Resolution of the Commission and subsequently memorialized in a revision to Exhibit A – Table 2 (Commission Approved Adjusted Allocation), and a change in the Version History of this Exhibit D.

Review for potential adjustments to the EIM Participant Reserve Account shall be made by BANC at least annually and “true ups” may be required on an “as needed” basis in accordance with any cash obligations imposed on the EIM Entity by the Market Operator. Such “true ups” shall be the responsibility of the EIM Participants in proportion to their allocation responsibilities set forth in Tier 1 of Exhibit A – Table 2 of this Agreement, except in the case of Commission approval of Adjusted Contributions, in which such allocations shall be in accordance with such Adjusted Contributions also set forth in Exhibit A – Table 2.

The EIM Committee may advise the General Manager with the ongoing monitoring of the EIM Participant Reserve Account and may be called upon for the review of proposed true ups and/or credits. At least annually, the EIM Committee and General Manager shall review the EIM Participant Reserve Account and make a recommendation to the Commission for the next fiscal year.

The EIM Committee may be consulted on the development of more detailed protocols or guidelines for administration of the EIM Participant Reserve Account. Such a protocol or guideline is merely administrative and does not require Commission approval.

Monies deposited in the EIM Participant Reserve Account shall be used solely for purposes of EIM administration in accordance with cost obligations imposed on the EIM Entity by the CAISO/Market Operator Tariff.

D-1

Amendments

This Exhibit D may only be amended with written consent of all EIM Participants and approval of the Commission. Any amendment to this Exhibit D shall be reflected through a change in the Version History. Minor, non-substantive changes will be reflected in 1/10th increments to the Version History (e.g., 1.1, 1.2, etc.).

Version History

VERSION	CHANGE	BY	DATE
1.0	Initial Version (New Exhibit to Second Amended and Restated Agreement)	Commission	01/27/2021

Approval Draft

EXHIBIT E: EIM Entity Supplemental Services

Purpose

This Exhibit E provides for additional services to be provided through BANC to EIM Participants in accordance with Section 8.4. These can be provided by BANC to a single EIM Participant or to multiple EIM Participants. The service shall be set forth in a separate Service Schedule to this Exhibit, the first additional service performed by BANC being referred to as Service Schedule E-1 and so forth (i.e., the second service would be Service Schedule E-2, etc.).

Service Identification in Exhibit E

Each additional service requested by an EIM Participant or EIM Participants shall be reflected by numerals attached to the Exhibit "E" identification, such as service 1, being reflected as "E-1" (thus, Attachment E-1, Table E-1 and Appendix E-1) and future service 2 being reflected by "E-2," (thus, Attachment E-2, Table E-2 and Appendix E-2, etc.).

Commented [KK3]: These sections were moved because they were mistakenly located in Service Schedule E-1 instead of in Exhibit E itself, which was incorrect.

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Amendments

Amendments to Exhibit E require the written consent of all of the Responsible EIM Participants and approval of the Commission. Any amendment to this Exhibit E shall be reflected through a change in the Version History (e.g., 1.0, 2.0, etc.). Minor, non-substantive changes will be reflected in 1/10th increments to the Version History (e.g., 1.1, E-1.2, etc.). Individual Version Histories shall be provided for each specific service to Responsible EIM Participants.

Version History

<u>VERSION</u>	<u>CHANGE</u>	<u>BY</u>	<u>DATE</u>
<u>1.0</u>	<u>Initial Version (New Exhibit to Second Amended and Restated Agreement): Service Schedule E-1 Added</u>	<u>Commission</u>	<u>01/27/2021</u>
<u>2.0</u>	<u>Service Schedule E-2 Added</u>	<u>Commission</u>	<u>Flex Ramp Product & Approach approved 02/23/2022; Schedule added 03/22/2022</u>

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E-1

Second Amended and Restated BANC EIM Participation Agreement Exhibit E_03_23_22

EXHIBIT E

Service Schedule E-1

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Additional Power Settlements Software Functionality

Description:

The EIM Participants listed in Table E-1 (Responsible EIM Participants), below, have requested and agreed to pay for additional software functionality from Power Settlements, inclusive of the “CAISO Shadow Settlements Module” and the “CAISO Allocations Module,” (Additional Modules), both of which constitute sub-modules to the primary “CAISO SettleCore Software,” licensed to SMUD and BANC. The Additional Modules, for which there are additional costs, are being provided solely to the two Responsible EIM Participants (Sub-Licensees) listed below, and all costs associated with these Additional Modules shall be their sole responsibility, all in accordance with the “Optional Extended Sublicense to the License and Software Services Agreement,” (Sublicense Agreement) effective September 1, 2020, attached as Appendix E-1 to this Agreement. Such costs and payments shall be in accordance with the cost and allocation schedule listed in Table 1 and Section 8.4 of this Agreement.

Table E-1

Responsible EIM Participant	Description	Cost	Payment Cycle
Modesto Irrigation District City of Redding	Additional Modules, as set forth in the Description, above.	Year 1: \$50,000.00 Year 2 and subsequent Years, in accordance with Section 2a of the Sublicense Agreement (Appendix E-1).	Year 1: Within 30 Days of Execution of this Agreement. Year 2 and subsequent years, within 30 days of an invoice from BANC in accordance with Section 8.5 of this Agreement.

Moved up [1]: Service Identification in Exhibit E
 Each additional service requested by an EIM Participant or EIM Participants shall be reflected by numerals attached to the Exhibit “E” identification, such as service 1, being reflected as “E-1” (thus, Attachment E-1, Table E-1 and Appendix E-1) and future service 2 being reflected by “E-2,” (thus, Attachment E-2, Table E-2 and Appendix E-2, etc.).
Amendments
 Amendments to Exhibit E require the written consent of all of the Responsible EIM Participants and approval of the Commission. Any amendment to this Exhibit E shall be reflected through a change in the Version History (e.g., 1.0, 2.0, etc.). Minor, non-substantive changes will be reflected in 1/10th increments to the Version History (e.g., 1.1, E-1.2, etc.). Individual Version Histories shall be provided for each specific service to Responsible EIM Participants.
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Appendix E-1

Optional Extended Sublicense to the License and Software Services Agreement

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E-3

Second Amended and Restated BANC EIM Participation Agreement Exhibit E ~~03 23 22~~

EXHIBIT E

Service Schedule E-2

BANC Flex Ramp Approach and Product

BANC Flex Ramp Sub BA Approach:

Under the alternative approach, BANC will determine Flex Ramp requirement and Flex Ramp capacity at the Sub-Balancing Authority (SBA) level, i.e., with the Sacramento Municipal Utility District (SMUD) as one SBA and Western Area Power Administration – Sierra Nevada Region (WAPA-SNR or WASN) as the other SBA. In this case, WASN SBA's Flex Ramp requirement and Flex Ramp capacity will be determined from its Constituent BANC EIM Participants' (City of Redding, City of Roseville, Modesto Irrigation District or MID, and WAPA-SNR, or collectively WASN Constituent BEPs) loads taken in aggregate and EIM resources ramp capacities taken in aggregate. Individually, each EIM Participant will make all reasonable efforts to supply adequate Flex Ramp capacity in every EIM market hour.

An SBA with a Flex Ramp requirement greater than its Flex Ramp capacity will be deemed to have purchased the shortfall capacity from the other SBA if the latter has excess Flex Ramp capacity. If each SBA has a Flex Ramp requirement greater than its Flex Ramp capacity, then both SBAs will be deemed to have failed the BANC Flex Ramp Test. If each SBA has a Flex Ramp requirement lesser than its Flex Ramp capacity, then both SBAs will be deemed to have passed the BANC Flex Ramp Test. In cases where both SBAs are deemed to have failed the BANC Flex Ramp Test and where both SBAs are deemed to have passed the BANC Flex Ramp Test then there shall be no assessment of a purchase and sale of Flex Ramp capacity between the SBAs nor between or among WASN Constituent BEPs. An SBA that is deemed to have purchased shortfall capacity from the other SBA can only be assessed a purchase of Flex Ramp capacity equivalent to the lower of the SBA's shortfall capacity MW and the other SBA's excess capacity MW.

EIM Participant (or BEP) Flex Ramp Capacity

BANC will take advantage of an CAISO CMRI System report to determine each EIM Participant's Flex Up/Down capacity MWs in each hour. The after the fact report presents each EIM Generator's Upward and Downward capacity for each 15-min interval of a given hour. The report can be found on the following path (CMRI System access required):

- CAISO Market Portal >> CMRI >> Real-Time [Tab] >> Resource Ramp Capacity [Report]

For each hour, each SBA's Flex Up/Down capacity will be determined from this report.

- The report presents Up and Down ramp capacities separately. BANC will calculate each EIM Participant's Flex Up and Down capacities separately – using the separately reported up/down ramp capacity values.
- BANC will use the T-40 (binding) report output for each hour.

Commented [KK4]: This entire Service Schedule is new, but only recent revisions show as redlines.

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- BANC will use the 4th 15-min interval’s values. The report presents values for each 15-min interval of the target hour. The BANC RS Work Group agreed that the 4th interval would be an appropriate proxy for the hourly ramp capacity since it would be the capacity provided over the greatest period of time for the hour.
- BANC will sum the 4th interval ramp capacities across each of the EIM Participant’s generators to determine each EIM Participant’s Flex Up/Down capacity for the hour.

Therefore, the BANC EIM Flex Up/Down capacity calculations are:

$$BEP_FLX_UP_CAP_{HOUR, BEP} = \sum_{BEP's\ Gens} RAMP\ UP\ CAPACITY_{Interval\ 4}$$

$$BEP_FLX_DOWN_CAP_{HOUR, BEP} = \sum_{BEP's\ Gens} RAMP\ DOWN\ CAPACITY_{Interval\ 4}$$

Where:

$RAMP_UP_CAPACITY_{Interval\ 4}$ = An EIM PR Generator’s Ramp Up Capacity from the ISO CMRI “Resource Ramp Capacity” Report.

$RAMP_DOWN_CAPACITY_{Interval\ 4}$ = An EIM PR Generator’s Ramp DOWN Capacity from the ISO CMRI “Resource Ramp Capacity” Report.

NOTE: “BEP” = BANC EIM Participant; and “HOUR” is the target hour; “Interval 4” refers to the 4th 15-min interval.

And the SBA EIM Flex Up/Down capacity calculations are:

$$SBA_FLX_UP_CAP_{HOUR, SBA} = \sum_{SBA's\ BEPs} BEP_FLX_UP_CAP_{HOUR, BEP}$$

$$SBA_FLX_DOWN_CAP_{HOUR, SBA} = \sum_{SBA's\ BEPs} BEP_FLX_DOWN_CAP_{HOUR, BEP}$$

Where:

$BEP_FLX_UP_CAP_{HOUR, BEP}$ = The calculated Flex Ramp Up Capacity for the BEP for the hour.

$BEP_FLX_DOWN_CAP_{HOUR, BEP}$ = The calculated Flex Ramp Down Capacity for the BEP for the hour.

NOTE: “SBA” = either SMUD or WASN. SMUD’s BEP is itself; and WASN’s BEPs are City of Redding, City of Roseville, MID, and WAPA.

SBA Flex Ramp Requirement

After the CAISO’s T-40 minutes RS Flex Ramp Up/Down Test is executed, the CAISO publishes the binding BANC Flex Up/Down Requirement MWs in the CMRI Report: Flexible Ramp Requirements Inputs. The BANC seeks to use those BANC Flex Ramp Up/Down

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E-5

Requirement values as inputs for determining each EIM Participant's Flex Ramp Up/Down Requirement MWs in a look-back report process.

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In an after the fact calculation, BANC will create a ratio for each EIM Participant of its EIM Load Forecast over the sum of all EIM Participant's Load Forecasts. Thus, each EIM Participant will have a ratio which can be applied to the CAISO's Flex Ramp Up/Down Requirement for the BANC/EIM Entity BAA to determine each EIM Participant's Requirement.

To calculate each SBA's Flex Up/Down Requirement MW:

1. Calculate each EIM Participant's Hourly EIM Flex Ramp requirement load forecast ratio as:

$$\frac{BEP_FLX_REQ_RATIO_{HOUR, BEP}}{BANC_LOAD_FORECAST_{HOUR}} = \frac{BEP_LOAD_FORECAST_{HOUR, BEP}}{BANC_LOAD_FORECAST_{HOUR}}$$

Where:

$BEP_LOAD_FORECAST_{HOUR, BEP}$ = The BEP's ISO EIM Load Forecast which is in effect at T-40.

$$BANC_LOAD_FORECAST_{HOUR} = SUM [BEP_LOAD_FORECAST_{HOUR, BEP}]$$

NOTE: "BEP" = BANC EIM PARTICIPANT; and "HOUR" is the target hour.

2. Use each EIM Participant's Hourly EIM Flex Ramp requirement load forecast ratio to allocate the CAISO's total BANC Flex Up and Flex Down Requirement MWs for each hour.

$$\frac{BEP_FLX_UP_REQ_{HOUR, BEP}}{BANC_FLX_UP_REQ_{HOUR}} = \frac{BEP_FLX_REQ_RATIO_{HOUR, BEP}}{BANC_LOAD_FORECAST_{HOUR}} *$$

$$\frac{BEP_FLX_DOWN_REQ_{HOUR, BEP}}{BANC_FLX_DOWN_REQ_{HOUR}} = \frac{BEP_FLX_REQ_RATIO_{HOUR, BEP}}{BANC_LOAD_FORECAST_{HOUR}} *$$

Where:

$BANC_FLX_UP_REQ_{HOUR}$ = The ISO's BANC EIM Flex Ramp Up Requirement for hour at T-40 test as reported in the ISO CMRI Report: Flexible Ramp Requirements Inputs.

$BANC_FLX_DOWN_REQ_{HOUR}$ = The ISO's BANC EIM Flex Ramp Down Requirement for hour at T-40 test as reported in the ISO CMRI Report: Flexible Ramp Requirements Inputs.

3. Use each EIM Participant's Flex Up and Flex Down Requirement MWs to calculate the SBA's total Flex Up and Flex Down Requirement MWs for each hour.

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$$SBA_FLX_UP_REQ_{HOUR, SBA} = \sum_{SBA's\ BEPs} BEP_FLX_UP_REQ_{HOUR, BEP}$$

$$SBA_FLX_DOWN_REQ_{HOUR, SBA} = \sum_{SBA's\ BEPs} BEP_FLX_DOWN_REQ_{HOUR, BEP}$$

Where:

BEP_FLX_UP_REQ_{HOUR, BEP} = The calculated Flex Ramp Up Requirement MW for the BEP for the hour.

BEP_FLX_DOWN_REQ_{HOUR, BEP} = The calculated Flex Ramp Down Requirement MW for the BEP for the hour.

NOTE: "SBA" = either SMUD or WASN. SMUD's BEP is itself; and WASN's BEP's are City of Redding, City of Roseville, MID, and WAPA.

After the fact SBA Flex Ramp Supplier(s)

In each hour, an SBA with excess Flex Ramp capacity will be deemed a BANC Flex Ramp "supplier" (Supplier) for the hour. After the fact, when there is an SBA shown to be deficient Flex Ramp capacity, then the SBA that is regarded as a BANC Flex Ramp supplier will be deemed to have sold a portion of their excess to the deficient SBA.

An SBA's Flex Ramp capacity excess and shortfall shall be calculated as follows:

$$SBA_FLX_UP_EXCESS_{HOUR, SBA} = \max[(SBA_FLX_UP_CAP_{HOUR, SBA} - SBA_FLX_UP_REQ_{HOUR, SBA}), 0]$$

$$SBA_FLX_UP_SHORTFALL_{HOUR, SBA} = \min[(SBA_FLX_UP_CAP_{HOUR, SBA} - SBA_FLX_UP_REQ_{HOUR, SBA}), 0]$$

$$SBA_FLX_DOWN_EXCESS_{HOUR, SBA} = \max[(SBA_FLX_DOWN_CAP_{HOUR, SBA} - SBA_FLX_DOWN_REQ_{HOUR, SBA}), 0]$$

$$SBA_FLX_DOWN_SHORTFALL_{HOUR, SBA} = \min[(SBA_FLX_DOWN_CAP_{HOUR, SBA} - SBA_FLX_DOWN_REQ_{HOUR, SBA}), 0]$$

Flex Ramp Up capacity purchase and sale MWs shall be calculated as follows:

$$SBA_FLX_UP_PURCHASE_{HOUR, SMUD} = - \min[\text{abs}(SBA_FLX_UP_SHORTFALL_{HOUR, SMUD}), SBA_FLX_UP_EXCESS_{HOUR, WASN}]$$

$$SBA_FLX_UP_SALE_{HOUR, WASN} = \min[\text{abs}(SBA_FLX_UP_SHORTFALL_{HOUR, SMUD}), SBA_FLX_UP_EXCESS_{HOUR, WASN}]$$

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$$SBA_FLX_UP_PURCHASE_{HOUR, WASN} = - \min[\text{abs}(SBA_FLX_UP_SHORTFALL_{HOUR, WASN}), SBA_FLX_UP_EXCESS_{HOUR, SMUD}]$$

$$SBA_FLX_UP_SALE_{HOUR, SMUD} = \min[\text{abs}(SBA_FLX_UP_SHORTFALL_{HOUR, WASN}), SBA_FLX_UP_EXCESS_{HOUR, SMUD}]$$

Flex Ramp Down capacity purchase and sale MWs shall be calculated as follows:

$$SBA_FLX_DOWN_PURCHASE_{HOUR, SMUD} = - \min[\text{abs}(SBA_FLX_DOWN_SHORTFALL_{HOUR, SMUD}), SBA_FLX_DOWN_EXCESS_{HOUR, WASN}]$$

$$SBA_FLX_DOWN_SALE_{HOUR, WASN} = \min[\text{abs}(SBA_FLX_DOWN_SHORTFALL_{HOUR, SMUD}), SBA_FLX_DOWN_EXCESS_{HOUR, WASN}]$$

$$SBA_FLX_DOWN_PURCHASE_{HOUR, WASN} = - \min[\text{abs}(SBA_FLX_DOWN_SHORTFALL_{HOUR, WASN}), SBA_FLX_DOWN_EXCESS_{HOUR, SMUD}]$$

$$SBA_FLX_DOWN_SALE_{HOUR, SMUD} = \min[\text{abs}(SBA_FLX_DOWN_SHORTFALL_{HOUR, WASN}), SBA_FLX_DOWN_EXCESS_{HOUR, SMUD}]$$

If both SBAs have excess Flex Ramp capacity for the hour, then there shall be no sale of Flex Ramp capacity by either SBA. If both SBAs have deficient Flex Ramp capacity for the hour, then there shall be no purchase of Flex Ramp capacity by either SBA.

BANC Flex Ramp Settlement Price

The price at which a SBA’s excess Flex Ramp capacity, as a Supplier, is deemed to be sold to the other SBA which is short will be set by the following CAISO published price indices¹:

- Flex Up Capacity Price = CAISO Day Ahead Hourly Reg Up Price for AS Region “AS_NP26_EXP” + CAISO Day Ahead Hourly Reg Up Price for AS Region “AS_CAISO_EXP”

¹ The CAISO published price indices are the Day-Ahead “AS Clearing Prices” as published on the CAISO’s public OASIS website.

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- Flex Down Capacity Price = CAISO Day Ahead Hourly Reg Down Price for AS Region “AS_NP26_EXP” + CAISO Day Ahead Hourly Reg Down Price for AS Region “AS_CAISO_EXP”

CAISO Market Portal >> OASIS >> Prices [Tab] >> Ancillary Services Prices [Submenu Item] >> AS Clearing Prices [Report]

Deleted: **Note: The CAISO published price indices are the Day-Ahead “AS Clearing Prices” are as published on the CAISO’s public OASIS website.

The EIM Participants will apply a price floor and a price ceiling to the published ISO prices in order to remove some extreme results:

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- Price Floor: The price used for BANC Flex Ramp settlement will not fall below \$1.00/MW. If the published price for a test interval is less than \$1.00/MW, EIM Participants will substitute a fixed \$1.00/MW price.
- Price Ceiling: The price used for BANC Flex Ramp settlement will not be greater than \$250.00/MW. If the published price for a test interval is greater than \$250.00/MW, EIM Participants will substitute a fixed \$250.00/MW price.

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$$FLX_UP_SETTLEMENT_PRCHOUR = \min(\max(DA_RU_PRCHOUR, PRC_FLOOR), PRC_CEILING)$$

$$FLX_DOWN_SETTLEMENT_PRCHOUR = \min(\max(DA_RD_PRCHOUR, PRC_FLOOR), PRC_CEILING)$$

Where:

$DA_RU_PRCHOUR$ = CAISO Day Ahead Hourly Reg Up Price for AS Region “AS_NP26_EXP” + CAISO Day Ahead Hourly Reg Up Price for AS Region “AS_CAISO_EXP”

$DA_RD_PRCHOUR$ = CAISO Day Ahead Hourly Reg Down Price for AS Region “AS_NP26_EXP” + CAISO Day Ahead Hourly Reg Down Price for AS Region “AS_CAISO_EXP”

PRC_FLOOR = Price Floor = \$1.00/MW

$PRC_CEILING$ = Price Ceiling = \$250.00/MW

WASN SBA Sub-Allocation

When WASN sells Flex Ramp capacity, the revenue for the sale shall be allocated to WASN Constituent BEPs that have Flex Ramp capacity excess, i.e., the BEP’s resources total ramp capacity is greater than the BEP’s Flex Ramp requirement. When WASN purchases Flex Ramp capacity, the charge for the purchase shall be allocated to WASN Constituent BEPs that have Flex Ramp capacity shortfall, i.e., the BEP’s resources total ramp capacity is less than the BEP’s Flex Ramp requirement.

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The SBA's Flex Ramp capacity sale MW is allocated pro-rata based on the BEP's Flex Ramp capacity excess. The SBA's Flex Ramp capacity purchase MW is allocated pro-rata based on the BEP's Flex Ramp capacity shortfall.

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1. The Flex Ramp capacity excess and shortfall of each BANC Participant under either SBA shall be calculated as follows:

$$BEP_FLX_UP_EXCESS_{HOUR, BEP} = \max[(BEP_FLX_UP_CAP_{HOUR, BEP} - BEP_FLX_UP_REQ_{HOUR, BEP}), 0]$$

$$BEP_FLX_UP_SHORTFALL_{HOUR, BEP} = \min[(BEP_FLX_UP_CAP_{HOUR, BEP} - BEP_FLX_UP_REQ_{HOUR, BEP}), 0]$$

$$BEP_FLX_DOWN_EXCESS_{HOUR, BEP} = \max[(BEP_FLX_DOWN_CAP_{HOUR, BEP} - BEP_FLX_DOWN_REQ_{HOUR, BEP}), 0]$$

$$BEP_FLX_DOWN_SHORTFALL_{HOUR, BEP} = \min[(BEP_FLX_DOWN_CAP_{HOUR, BEP} - BEP_FLX_DOWN_REQ_{HOUR, BEP}), 0]$$

2. The total gross SBA Flex Ramp capacity excess and total gross SBA Flex Ramp capacity shortfall are needed for the calculation of ratio shares for each **WASN Constituent BEP** for their share of the sale or purchase of Flex Ramp capacity.

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$$SBA_FLX_UP_EXCESS_GROSS_TOTAL_{HOUR, SBA} = \sum_{SBA's BEP's} BEP_FLX_UP_EXCESS_{HOUR, BEP}$$

$$SBA_FLX_DOWN_EXCESS_GROSS_TOTAL_{HOUR, SBA} = \sum_{SBA's BEP's} BEP_FLX_DOWN_EXCESS_{HOUR, BEP}$$

$$SBA_FLX_UP_SHORTFALL_GROSS_TOTAL_{HOUR, SBA} = \sum_{SBA's BEP's} BEP_FLX_UP_SHORTFALL_{HOUR, BEP}$$

$$SBA_FLX_DOWN_SHORTFALL_GROSS_TOTAL_{HOUR, SBA} = \sum_{SBA's BEP's} BEP_FLX_DOWN_SHORTFALL_{HOUR, BEP}$$

3. Each EIM Participant's ratio share of the SBA's total gross Flex Ramp capacity excess and total gross Flex Ramp capacity shortfall are calculated as follows:

$$BEP_FLX_UP_EXCESS_RATIO_{HOUR, BEP} = BEP_FLX_UP_EXCESS_{HOUR, BEP} / SBA_FLX_UP_EXCESS_GROSS_TOTAL_{HOUR, SBA}$$

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$$BEP_FLX_DOWN_EXCESS_RATIO_{HOUR, BEP} = \frac{BEP_FLX_DOWN_EXCESS_{HOUR, BEP}}{SBA_FLX_DOWN_EXCESS_GROSS_TOTAL_{HOUR, SBA}}$$

$$BEP_FLX_UP_SHORTFALL_RATIO_{HOUR, BEP} = \frac{BEP_FLX_UP_SHORTFALL_{HOUR, BEP}}{SBA_FLX_UP_SHORTFALL_GROSS_TOTAL_{HOUR, SBA}}$$

$$BEP_FLX_DOWN_SHORTFALL_RATIO_{HOUR, BEP} = \frac{BEP_FLX_DOWN_SHORTFALL_{HOUR, BEP}}{SBA_FLX_DOWN_SHORTFALL_GROSS_TOTAL_{HOUR, SBA}}$$

Note: The ratios are zero if the total gross SBA Flex Ramp capacity excess is equal to zero or if the total gross SBA Flex Ramp capacity shortfall is equal to zero.

4. Each EIM Participant's share of the SBA's sale of Flex Ramp capacity and the SBA's purchase of Flex Ramp capacity are calculated as follows:

$$BEP_FLX_UP_SALE_{HOUR, BEP} = BEP_FLX_UP_EXCESS_RATIO_{HOUR, BEP} * SBA_FLX_UP_SALE_{HOUR, SBA}$$

$$BEP_FLX_DOWN_SALE_{HOUR, BEP} = BEP_FLX_DOWN_EXCESS_RATIO_{HOUR, BEP} * SBA_FLX_DOWN_SALE_{HOUR, SBA}$$

$$BEP_FLX_UP_PURCHASE_{HOUR, BEP} = BEP_FLX_UP_SHORTFALL_RATIO_{HOUR, BEP} * SBA_FLX_UP_PURCHASE_{HOUR, SBA}$$

$$BEP_FLX_DOWN_PURCHASE_{HOUR, BEP} = BEP_FLX_DOWN_SHORTFALL_RATIO_{HOUR, BEP} * SBA_FLX_DOWN_PURCHASE_{HOUR, SBA}$$

NOTE: "SBA" = either SMUD or WASN. SMUD's BEP is itself; and WASN's BEP's are City of Redding, City of Roseville, MID, and WAPA

The settlement price of the BEP's share of the SBA's sale or purchase of Flex Ramp capacity is the same as the price at which Flex Ramp capacity is sold between the SBAs. This price is determined as described in "BANC Flex Ramp Settlement Price."

The foregoing is consistent with WAPA's Rate Schedule CV-SSP2 (SCHEDULE OF RATE FOR SALE OF SURPLUS PRODUCTS) Component 3, which will be applicable for the allocation of charges or credits that is assessed to the WASN SBA under this BANC Flex

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Ramp settlement. The allocation process is consistent with Component 3 (language below) requirement to pass charges or credits through directly to the relevant customers in the same manner WAPA-SN is charged or credited to the extent possible.

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Component 3: Any charges or credits from the Host Balancing Authority (HBA) applied to WAPA-SN for providing this service will be passed through directly to the relevant customer in the same manner WAPA-SN is charged or credited to the extent possible. If the HBA's costs or credits cannot be passed through to the relevant customer in the same manner WAPA-SN is charged or credited, the charges or credits will be passed through using Component 1 of the formula rate.²

BANC Flex Ramp Test – Exceptional Circumstances:

Several specific circumstance may arise in the CAISO's Flex Ramp data or market execution which require special treatment by the BANC EIM Entity when calculating each EIM Participant's Flex Ramp results:

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- EIM Market Failure or other CAISO driven data issues: In rare instances, the EIM Market may fail to find a feasible solution, or other CAISO data issues may result in the CAISO's Flex Ramp capacity or Load Forecast data to be unavailable or unrepresentative of the interval's actual results. In these cases, BANC EIM Entity will deem all EIM Participants or SBAs to have 'passed' the BANC Flex Ramp Test; and all EIM Participants or SBAs will have zero MW excess Flex Ramp capacity.
- EIM Participant or SBA excess Flex Ramp capacity is less than shortfall Flex Ramp capacity: In rare cases, the total excess Flex Ramp capacity MWs held by Suppliers may be less than the total shortfall Flex Ramp capacity MWs. In these cases, the deemed sale of excess capacity will be capped at the total excess Flex Ramp capacity. No EIM Participant or SBA "Supplier" will be deemed to have supplied more Flex Ramp capacity than the excess they have for that interval.

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BANC Will Not Support Settlement of Pre-Purchase of BANC Flex Ramp Capacity

BANC has decided it will not formally support the Settlement of pre-purchased Flex Ramp capacity. This does not preclude the EIM Participants from developing a bilaterally settled BANC Flex Ramp capacity product. BANC recognizes that the complexity and cost of tracking and settling pre-purchased BANC Flex Ramp capacity will be greater than the benefit of providing this service.

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Invoice Process

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The Invoice Process is fully described in Section 2.3 (Invoice Process) of the BANC EIM Settlement Allocations Manual (Attachment A to the BANC EIM Business Practices). The following steps apply to only to settlement of this product.

² NOTE: For purposes of the BANC Flex Ramp Product, charges or credits to the relevant EIM participating WAPA customer will be invoiced by BANC Settlements as noted in the "Invoicing Process" section of this document.

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1. BANC Settlements will calculate BANC Flex Ramp settlement for the previous month based on data from the Monthly Flex Ramp report published to the Accellion site.
2. BANC Settlements will post the monthly calculation spreadsheet to the Accellion site when completed.
3. The BANC Flex Ramp Product monthly settlement will be added as a line item to each EIM Participant Monthly Invoice Summary.
4. Participants will be able to download the monthly calculation spreadsheet (Excel file) from the Accellion site as back up for the BANC Flex Ramp charge/credit.

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Second Amended and Restated BANC EIM Participation Agreement Exhibit E ~~03 23 22~~

EXHIBIT F: BANC Phase 2 EIM Entity Agreement

Approval Draft

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**Balancing Authority of Northern California
Resolution 22-03-03**

**APPROVAL OF SECOND AMENDED AND RESTATED EIM PARTICIPATION AGREEMENT:
ADDITION OF FLEX RAMP APPROACH AND PRODUCT**

WHEREAS, the Balancing Authority of Northern California (“BANC”) was created by a Joint Powers Agreement to, among other things, acquire, construct, maintain, operate, and finance Projects; and

WHEREAS, BANC serves as the Energy Imbalance Market (“EIM”) Entity for the BANC EIM footprint; and

WHEREAS, BANC EIM Phase 1 successfully commenced operating in April of 2019 with the Sacramento Municipal Utility District (“SMUD”) as the initial EIM Participant within the BANC Balancing Authority Area; and

WHEREAS, the Modesto Irrigation District, the City of Redding, the City of Roseville, and the Western Area Power Administration – Sierra Nevada Region (“WAPA”) began participating in EIM, referred to as “BANC EIM Phase 2”, on March 25, 2021; and

WHEREAS, the Commission, through Resolution 22-02-02 approved the BANC EIM Flex Ramp Approach and Product and directed BANC Counsel to incorporate the proposal into the appropriate BANC EIM documents; and

WHEREAS, BANC Counsel undertook a review of BANC EIM documents, including the BANC EIM Business Practices and its Attachment A: BANC EIM Settlement Allocations Manual as well as the Second Amended and Restated EIM Participation Agreement (Agreement); and

WHEREAS, Section 8.4 of the Agreement specifically provides for the addition of EIM Entity products and services, as requested by EIM Participants, which are directed to be included as separate service schedules in Exhibit E: EIM Entity Supplemental Services; and

WHEREAS, the BANC Flex Ramp Approach and Product is an additional service; and

WHEREAS, BANC Counsel determined that the most appropriate location for this information was the addition of Service Schedule E-2: BANC Flex Ramp Approach and Product; and

WHEREAS, revisions to the Agreement have been reviewed and accepted by the EIM Committee and Legal Committee.

NOW, THEREFORE, BE IT RESOLVED that the Commissioners of the Balancing Authority of Northern California hereby approve these revisions to the Second Amended and Restated EIM PA and direct the General Counsel to distribute these revisions to signatories according to the information provided in Appendix 1 – Notices.

**Balancing Authority of Northern California
Resolution 22-03-03**

PASSED AND ADOPTED by the Commissioners of the Balancing Authority of Northern California this 23rd day of March 2022, by the following vote:

		Aye	No	Abstain	Absent
Modesto ID	Martin Caballero				
City of Redding	Nick Zettel				
City of Roseville	Dan Beans				
City of Shasta Lake	James Takahara				
SMUD	Paul Lau				
TPUD	Paul Hauser				

Acting Chair

Attest by: C. Anthony Braun
Secretary

**SECOND AMENDED AND RESTATED
ENERGY IMBALANCE MARKET PARTICIPATION AGREEMENT
BETWEEN THE
BALANCING AUTHORITY OF NORTHERN CALIFORNIA
AND THE
MODESTO IRRIGATION DISTRICT,
CITY OF REDDING,
CITY OF ROSEVILLE,
SACRAMENTO MUNICIPAL UTILITY DISTRICT
AND THE
UNITED STATES
DEPARTMENT OF ENERGY
WESTERN AREA POWER ADMINISTRATION
CENTRAL VALLEY PROJECT, CALIFORNIA**

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1 PREAMBLE

This Second Amended and Restated Energy Imbalance Market (EIM) Participation Agreement (Agreement) is entered into between the BALANCING AUTHORITY OF NORTHERN CALIFORNIA, a joint exercise of powers agency organized under Section 6500 *et seq.*, of the California Government Code, hereinafter called “BANC,” its successors and assigns; and the MODESTO IRRIGATION DISTRICT (MID), the CITY OF REDDING, CA (Redding), the CITY OF ROSEVILLE, CA (Roseville), and the SACRAMENTO MUNICIPAL UTILITY DISTRICT (SMUD), each created and existing under the laws of the State of California, and the UNITED STATES OF AMERICA, acting by and through the Administrator, WESTERN AREA POWER ADMINISTRATION, DEPARTMENT OF ENERGY (WAPA), all operating Electric Systems within the BANC Balancing Authority Area. BANC or EIM Participant may be referred to herein individually as the “EIM Participant” or “Party” or collectively as the “EIM Participants” or the “Parties.”

2 EXPLANATORY RECITALS

- 2.1** WHEREAS, BANC was created by a Joint Powers Agreement to, among other things, acquire, construct, maintain, operate, and finance projects;
- 2.2** WHEREAS, BANC had evaluated various market options including the Energy Imbalance Market operated by the California Independent System Operator Corporation (CAISO);
- 2.3** WHEREAS, BANC engaged certain consultants for the purposes of providing initial analytical studies to assess both the cost and the benefits of individual BANC member and WAPA participation in the CAISO EIM through the BANC Balancing Authority;
- 2.4** WHEREAS the initial studies produced on behalf of BANC did show net benefits to some BANC members, while also highlighting for some BANC members and WAPA that some of the technical and operational hurdles might take additional time to address;
- 2.5** WHEREAS, based upon these studies and further discussions among BANC members, WAPA and the CAISO, it was also determined that SMUD was in the best position to join the EIM initially and that subsequent phases of EIM implementation would continue to be investigated in order to allow other BANC members and WAPA to join if they determined it was in each of their respective interests to do so upon further study;
- 2.6** WHEREAS, the Commission therefore directed BANC staff to pursue the CAISO EIM under a phased approach, including that BANC become an EIM Entity and execute all applicable agreements with the CAISO and among BANC and EIM Participants, as approved by the Commission, and that SMUD, pursuant to approval by

its governing board, might also become the first EIM Participating Resource in the BANC EIM footprint;

- 2.7** WHEREAS, it was contemplated that in the future, additional BANC members and/or WAPA may desire to become Parties to this Agreement, at which time BANC and SMUD would use reasonable efforts to accommodate new EIM Participants, including the adoption of any amendments to this Agreement deemed necessary to enable such participation;
- 2.8** WHEREAS, it was decided by certain non-participating BANC members and WAPA, to conduct further studies to determine what gaps need to be addressed in their systems and processes to participate in the CAISO EIM through BANC;
- 2.9** WHEREAS, on April 26, 2017, by Resolution 17-04-06, the Commission authorized the General Manager to enter into contracts with consultants to perform Phase 2 studies to further determine what might be required for certain BANC members and WAPA to participate in EIM;
- 2.10** WHEREAS, on April 3, 2019, BANC began participating in the CAISO EIM as an EIM Entity and SMUD as the first EIM Participating Resources within the BANC EIM Entity footprint;
- 2.11** WHEREAS, based upon extensive discussions among BANC staff, BANC members and WAPA, and the individual EIM Phase 2 assessments and approval processes conducted by certain BANC members and WAPA, decisions were reached to participate in BANC EIM Phase 2 and to execute the First Amended and Restated Energy Imbalance Market Participation Agreement (First Amended Agreement), being approved by the Commission on August 21, 2019, by Resolution 19-08-13, and made effective on September, 17, 2019;
- 2.12** WHEREAS, based on the decision to proceed with EIM implementation for the specified BANC members and WAPA, the original EIM Participation Agreement was amended and restated by the First Amended Agreement to reflect the expanded participation within the BANC EIM Entity footprint;
- 2.13** WHEREAS, certain issues have arisen during the course of Phase 2 implementation that have prompted the need for additional changes to the First Amended Agreement; and
- 2.14** WHEREAS, this Second Amended and Restated Energy Imbalance Market Participation Agreement (Agreement) is intended to address such revisions as deemed necessary and appropriate by the Parties hereto.

NOW THEREFORE, in view of the understandings set forth in the recitals above, which the Parties acknowledge and agree are accurate representations of the facts, the Parties agree to the terms of this Agreement that set forth the roles, obligations, and responsibilities of each Party to one another.

3 DEFINITIONS

Unless otherwise defined herein, capitalized terms when used with initial capitalization, whether singular or plural, shall have the meaning set forth in the FERC-approved Glossary of Terms used in NERC Reliability Standards, the NERC Functional Model, the CAISO Tariff, as defined, the BANC EIM Business Practices, the SMUD Open Access Transmission Tariff (OATT), the Interconnected Operating Agreements, and the WAPA OATT.

- 3.1 **Balancing Authority** shall mean the responsible entity that integrates resource plans ahead of time, matches generation and load, maintains interchange with other Balancing Authority Areas, and maintains frequency in real time of the electric power systems.
- 3.2 **Balancing Authority Area** shall mean the collection of generation, transmission, and loads within the metered electrical boundaries of the Balancing Authority.
- 3.3 **BANC EIM Business Practices or BPs** shall mean the business practices established by BANC to govern participation in EIM as these BANC EIM Business Practices may be adopted or amended from time-to-time in accordance with this Agreement.
- 3.4 **CAISO** shall mean the “California Independent System Operator Corporation,” or its successor. The CAISO serves as the EIM Market Operator and may be referred to as the “Market Operator” from time-to-time.
- 3.5 **CAISO Tariff** shall mean the CAISO’s open access transmission tariff filed with, and approved by, FERC, as that tariff may be amended from time-to-time.
- 3.6 **Commission** shall mean the “BANC Commission,” as established in the BANC Joint Powers Agreement, as that agreement may be amended from time-to-time.
- 3.7 **Compliance Costs** shall mean those costs described in Section 12.2.2 of this Agreement.
- 3.8 **Compliance Enforcement Authority** shall mean FERC, NERC, WECC, and any other agency, court, organization, or other entity or person duly authorized pursuant to law or regulation to: (a) audit or determine compliance with applicable Reliability Standards; or (b) impose, enforce, excuse, or rescind penalties or otherwise take action binding on one or more Parties with respect to a finding of failure to comply with a Reliability Standard.
- 3.9 **Confidential Information** shall mean : (a) all written materials marked “Confidential,” “Proprietary,” or with words of similar import provided to a Party by another Party; and (b) all observations of equipment (including computer screens) and oral disclosures related to a Party's systems, operations, or activities that are indicated as such at the time of observation or disclosure (or are identified as "confidential" or "proprietary" in a letter sent to another Party no later than five (5) calendar days after the disclosure), respectively. Confidential Information includes portions of

documents, records, and other material forms or representations that any Party may create, including but not limited to, handwritten notes or summaries that contain or are derived from such Confidential Information.

- 3.10 *Energy Imbalance Market or EIM*** shall have the meaning set forth in the CAISO Tariff, as that tariff shall be amended from time-to-time.
- 3.11 *EIM Committee*** shall mean the administrative committee established in Section 10 of this Agreement.
- 3.12 *EIM Entity*** shall have the meaning set forth in the CAISO Tariff, as that tariff shall be amended from time-to-time. BANC is the EIM Entity under this Agreement.
- 3.13 *EIM Entity Agreement*** shall have the meaning set forth in the CAISO Tariff, as that tariff shall be amended from time-to-time. The EIM Entity Agreement is between BANC and the CAISO.
- 3.14 *EIM Entity Supplemental Services*** shall mean any additional services and/or products provided by the EIM Entity to an EIM Participant or to EIM Participants as described in Section 8.4 of this Agreement.
- 3.15 *EIM Implementation Agreement*** shall have the meaning set forth in the CAISO Tariff, as that tariff shall be amended from time-to-time. The EIM Implementation Agreement for this participation is between BANC and the CAISO.
- 3.16 *EIM Operator*** shall have the meaning set forth in the CAISO Tariff, as that tariff shall be amended from time-to-time. The CAISO is the EIM Operator.
- 3.17 *EIM Participant*** shall mean a signatory to this Agreement.
- 3.18 *EIM Participant Cost(s)*** shall mean the cost responsibility of each EIM Participant to BANC as described in Section 8 (EIM Participant and New EIM Participant Costs) of this Agreement.
- 3.19 *EIM Participant Reserve Account*** shall mean that account established in Section 8.3 of this Agreement and into which each EIM Participant shall contribute for purposes of ensuring sufficient funding for EIM Entity participation in accordance with the CAISO Tariff.
- 3.20 *EIM Participating Resource*** shall have the meaning set forth in the CAISO Tariff, as that tariff may be amended from time to time.
- 3.21 *EIM Participation Agreement*** shall mean this Agreement, as amended from time-to-time.
- 3.22 *EIM Participation Percentage*** shall mean the percentage allocation attributable to each EIM Participant for purposes of EIM Participant Costs in Section 8 (EIM Participant and New EIM Participant Costs) and Exhibit A (New EIM Participant

Costs and EIM Participant Allocations) and liability for NERC Penalties as set forth in Section 12 (BANC Violations of Reliability Standards Arising from EIM Participation) of this Agreement.

- 3.23 *EIM Project Manager*** shall mean the individual(s) selected by the Parties to oversee and manage BANC EIM implementation activities.
- 3.24 *EIM Project Work*** shall mean the multi-phased work plan to implement and operate in the EIM as developed and overseen by the EIM Committee.
- 3.25 *EIM Services*** shall mean the services provided by the EIM Services Provider to BANC, as set forth in the EIM Services Agreement.
- 3.26 *EIM Services Agreement*** shall mean the agreement between BANC, as the EIM Entity, and the EIM Services Provider.
- 3.27 *EIM Services Provider*** shall mean the entity providing EIM Services to BANC. SMUD, or its successor, shall be the EIM Services Provider.
- 3.28 *Electric System*** shall mean all properties and assets that are owned or operated by a Party, including any interests in joint powers agency facilities, that are used for or pertain to the generation, transmission, transformation, or distribution of electric power, including all additions, replacements, extensions, expansions, improvements, and betterments thereto, and equipment associated therewith. Communication systems and equipment associated with operation of the Electric System shall be included as part of a Party's Electric System. To the extent a Party is not the sole owner of an asset or property, only that entity's ownership portion or entitlement in such property shall be considered as a part of its Electric System.
- 3.29 *FERC*** shall mean the "Federal Energy Regulatory Commission," or its successor.
- 3.30 *Financial Penalties*** shall mean those costs described in Section 12.2.1 of this Agreement.
- 3.31 *Interconnected Operating Agreements*** shall mean agreements between WAPA and individual BANC members which define the roles and responsibilities of the interconnected parties.
- 3.32 *Internal Compliance Program*** shall mean the BANC Internal Compliance Program, approved by the Commission, as that program may be amended from time-to-time.
- 3.33 *Internal Compliance Program Charter*** shall mean the policy-level document outlining the Internal Compliance Program, which has been adopted by the Commission, as that program may be amended from time-to-time.
- 3.34 *NERC*** shall mean the "North American Electric Reliability Corporation," or its successor.

3.35 *NWPP* shall mean the “Northwest Power Pool.”

3.36 *Phase 1 EIM Participant* shall mean SMUD.

3.37 *Phase 2 EIM Participants* shall mean MID, Redding, Roseville and WAPA for Phase 2 implementation and these entities plus SMUD for ongoing EIM operations.

3.38 *Reliability Standards* shall mean those NERC Reliability Standards and WECC Regional Reliability Standards that have been approved by FERC under Section 215 of the Federal Power Act and WECC applicable Regional Criteria referenced in FERC-approved Reliability Standards.

3.39 *Reserve Sharing Group* shall mean the group operated by the NWPP to comply with Reliability Standard BAL-002-WECC-2a, or its successor standard. BANC is a member of the NWPP and a participant in the NWPP Reserve Sharing Group.

3.40 *SMUD OATT* shall mean the “Open Access Transmission Tariff” posted on the SMUD Open Access Same-Time Information System website.

3.41 *WAPA OATT* shall mean the “Open Access Transmission Tariff” posted on the WAPA Open Access Same-Time Information System website.

3.42 *WECC* shall mean the “Western Electricity Coordinating Council,” or its successor.

4 TERM AND TERMINATION

4.1 Effective Date

This Agreement shall be effective upon the date of execution by the Parties (Effective Date).

4.2 Term

This Agreement shall remain in effect from the Effective Date until terminated pursuant to Section 4.3 (Termination by EIM Participants), 4.4 (Termination of this Agreement), or 4.5 (Surviving Obligations) of this Agreement.

4.3 Termination by EIM Participants

Subject to Section 4.5 (Surviving Obligations), any EIM Participant may terminate its participation in this Agreement by providing a notice of termination not less than one (1) year in advance of the date of intended termination.

4.4 Termination of this Agreement

This Agreement shall terminate if: 1) terminated by BANC, 2) if BANC ceases to be a Balancing Authority, 3) the CAISO terminates the EIM Entity Agreement between the

CAISO and BANC, 4) there are no remaining EIM Participants, or 5) upon the expiration of forty (40) years from the Effective Date. BANC shall provide EIM Participants no less than sixty (60) calendar days written notice prior to seeking a termination decision by the Commission. In the event of a decision by the Commission to terminate this Agreement and there is a successor entity assuming the role of EIM Entity on behalf of the EIM Participant(s), BANC agrees to work with the successor EIM Entity and EIM Participant(s) to coordinate transfer of the EIM Entity responsibilities to a successor EIM Entity. BANC shall also conform its termination with the EIM Participant(s) timelines and procedures required for termination as an EIM Entity as set forth in its EIM Entity Agreement with the CAISO.

4.5 Surviving Obligations

Termination of this Agreement or a Party's participation herein shall not extinguish the obligation of any Party to complete in-progress compliance investigations, implement any resulting corrective mitigating actions and otherwise complete any active compliance process as well as satisfy all other obligations, including any financial responsibilities. In addition, any outstanding financial right or obligation, and any provision of this Agreement necessary to give effect to such right or obligation, shall survive until satisfied, and all limitations of liability provided in this Agreement will survive until all statutes of limitation related to claims that could be made in connection with this Agreement have run.

5 SCOPE OF AGREEMENT

This Agreement, including its Exhibit A (EIM Participation Percentages), Exhibit B (BANC EIM Phase 2 Model), Exhibit C (BANC Phase 2 EIM Implementation Agreement), Exhibit D (EIM Participant Reserve Account), Exhibit E (EIM Entity Supplemental Services), and Exhibit F (BANC Phase 2 EIM Entity Agreement), which are incorporated herein by reference, is for the purpose of establishing BANC as the EIM Entity in support of the EIM Participant(s) and is the sole expression of the Parties. Exhibits may be subject to future revision in accordance with the individual terms contained in that Exhibit and such changes do not constitute an amendment hereto.

6 BANC (EIM ENTITY) OBLIGATIONS

BANC shall be responsible for the following:

- 6.1** Negotiating a new or amended EIM Implementation Agreement and a new or amended EIM Entity Agreement with the CAISO which reflects the directive of the Commission;
- 6.2** Participating, through the General Manager, on the EIM Committee as set forth in Section 10 (EIM Committee) of this Agreement and providing support to Committee activities, as needed;

- 6.3** Managing the EIM Services Agreement between BANC and SMUD, which contains the agreed upon terms and conditions respecting the EIM Services to be provided by SMUD to BANC;
- 6.4** Cooperating with the EIM Participant(s) in the exchange of data and information necessary to support EIM activities;
- 6.5** Providing support and information needed to facilitate EIM examination and/or participation by any proposed new EIM Participant;
- 6.6** Providing regular updates to the Commission, as needed;
- 6.7** Participating, as the EIM Entity, in any relevant stakeholder activities related to EIM;
- 6.8** To the extent reasonably practicable, taking any position on regulatory actions to ensure that the interest of BANC, as an EIM Entity, and those of the EIM Participant(s), are reasonably maintained, as deemed necessary by the Commission, or by the General Manager, to the extent consistent with authority delegated by the Commission for participation in those fora;
- 6.9** Serving as the EIM Entity on behalf of the EIM Participant(s) in accordance with this Agreement, including its Exhibits, as they may be amended from time-to-time;
- 6.10** Ensuring its role as EIM Entity does not adversely affect its compliance with NERC Reliability Standards;
- 6.11** Complying with CAISO Tariff provisions applicable to an EIM Entity; and
- 6.12** Management and oversight of the EIM Participant Reserve Account as set forth in Section 8 (EIM Participant and New EIM Participant Costs) of this Agreement; and
- 6.13** Coordinating with the CAISO on EIM activities related to the operation and implementation of EIM.

7 EIM PARTICIPANT OBLIGATIONS

The EIM Participant shall be responsible for the following, “EIM Participant Obligations,” as set forth herein:

- 7.1** Negotiating necessary agreements for its EIM participation;
- 7.2** Working collaboratively with BANC in the most transparent means practicable;
- 7.3** Along with BANC, using reasonable efforts to control costs associated with EIM implementation with respect to costs re-assignable to new the EIM Participant(s) under the terms of this Agreement;

- 7.4 Comply with CAISO Tariff provisions applicable to EIM Participating Resources or EIM non-Participating Resources;
- 7.5 Using reasonable efforts to comply and/or abide by any directives of the EIM Entity, consistent with BANC EIM Business Practices, the CAISO Tariff and procedures, policies or timelines adopted by the EIM Committee;
- 7.6 Participating on the EIM Committee, as set forth in Section 10 (EIM Committee) of this Agreement;
- 7.7 Paying in a timely manner any cost assessed to the EIM Participant, including but not limited to EIM Participant Costs as set forth in Section 8 and any final costs associated with EIM-related violation(s) of Reliability Standards applicable to the Balancing Authority, as set forth in Section 12 (BANC Violations of Reliability Standards Arising from EIM Participation) of this Agreement; and
- 7.8 To the extent reasonably practicable, taking any positions on regulatory actions deemed needed to ensure that the interest of BANC, as the EIM Entity, and those of the EIM Participant(s), are reasonably maintained; however, nothing herein requires EIM Participant to take a position that it reasonably believes is contrary to its own interests.

8 EIM PARTICIPANT AND NEW EIM PARTICIPANT COSTS

Each EIM Participant shall be responsible to pay its share of costs associated with its participation in EIM within the BANC EIM Entity footprint. First, all EIM Participants shall pay a one-time assessment associated with becoming a new EIM Participant as described below in Section 8.1. Second, each EIM Participant shall pay its share of the BANC EIM implementation costs associated with its phase of EIM implementation, as described in Section 8.2. Third, each EIM Participant shall pay its share of the ongoing costs incurred by BANC as the EIM Entity, as described in Section 8.3, including the “as needed” funding of the EIM Participant Reserve Account. Collectively, these costs set forth in Sections 8.1, 8.2, and 8.3 herein are referred to as EIM Participant Costs and are described as follows:

- 8.1 Phase 1 and Phase 2 EIM Participants shall be required to pay a one-time EIM assessment to BANC based on BANC’s implementation costs multiplied by the allocation percentage contained in Table 1 of Exhibit A. This one-time EIM assessment is intended to cover the new EIM Participant’s share of the costs incurred by the BANC in order to facilitate it becoming an EIM Entity and EIM participation by entities within the BANC footprint. These costs should be allocated to Phase 1 and Phase 2 EIM Participants based on their respective load ratio percentage of overall BANC member load.
 - 8.1.1 For Phase 2 EIM Participants, the costs collected by BANC shall be allocated back to the Phase 1 EIM Participant, consistent with those accounting and tracking metrics developed and adopted by the EIM Committee and approved

by the Commission. BANC and the Phase 2 EIM Participants may agree on the method of payment of the EIM assessment, which may be paid in installments in any manner agreed upon by the Parties

8.1.2 For any future EIM Participant(s) (Future EIM Participant) which join subsequent to Phase 2, the Future EIM Participant(s) shall work with BANC and the EIM Committee to determine either a pro rata share, or some other reasonable share, of the costs paid by Phase 1 and Phase 2 EIM Participants under this section, and the Future EIM Participant(s) shall pay BANC this amount in a manner and timeline determined by the Commission. Existing EIM Participants shall be reimbursed this full amount by BANC in accordance with the percentages set forth in Table 1 of Exhibit A, or by another manner so approved by the Commission.

8.2 In addition to the payments set forth in Sections 8.1 and 8.3, each EIM Participant shall pay its share of the BANC EIM Implementation costs for its EIM Implementation phase described in this Section 8.2. These costs shall be allocated to EIM Participants based on the applicable EIM Participation Percentages set forth in Table 2 of Exhibit A to this Agreement, as that Exhibit A may be amended from time-to-time, and include the costs incurred by BANC in its performance under the EIM Implementation Agreement, including implementation costs for the new EIM Participant.

8.3 In addition to the payments set forth in Sections 8.1 and 8.2, each EIM Participant shall pay its share of costs related to the ongoing operations of BANC as the EIM Entity described in this Section 8.3. These costs shall be allocated to EIM Participants based on the applicable EIM Participation Percentages set forth in Table 2 of Exhibit A to this Agreement, as that Exhibit A may be amended from time-to-time, and include the following components:

8.3.1 Costs reasonably incurred by BANC in fulfilling its obligations as an EIM Entity, including, but not limited to:

8.3.1.1 costs associated with BANC's obligations under its EIM Entity Agreement; and

8.3.1.2 costs associated with BANC's obligations under the EIM Services Agreement;

8.3.1.3 ongoing costs, including administrative, legal and regulatory, as reviewed by the EIM Committee and approved by the Commission; and

8.3.1.4 ongoing funding of the EIM Participant Reserve Account as reviewed by the EIM Committee and approved by the Commission in accordance with 8.3.1.4.1:

8.3.1.4.1 such funding obligations and timelines of the EIM Participant Reserve Account, as approved by the Commission, shall be conducted in accordance with Exhibit D to this Agreement.

8.4 Any EIM Participant may request and agree to additional services to be provided by the EIM Entity, including but not limited to, technical assistance, analysis, software acquisition, and energy and/or capacity-related products. Any additional costs incurred by an EIM Participant in accordance with this Section 8.4 shall be approved by the Commission and shall be recovered solely from the EIM Participant(s) which have made such a request or requests and set forth in Exhibit E to this Agreement, each separate product and service set forth with its own title and in a separate numbered attachment to Exhibit E (e.g., Exhibit E, Service Schedule E-1 (Title of Product/Service)).

All costs to be recovered by the EIM Entity from an EIM Participant under this Section 8.4 shall be invoiced and charged in accordance with Section 8.5 and the relevant attachment to Exhibit E.

8.5 Unless specified in the individual Exhibit E Service Schedule, BANC shall calculate the EIM Participant Costs and invoice each EIM Participant to the addresses set forth in Appendix 1 (Notices) to this Agreement. Except as provided in Section 8.3.1.4, above, the EIM Participant shall pay this invoice within thirty (30) calendar days of receipt of the invoice. Payments shall be sent by each EIM Participant to the following address:

Balancing Authority of Northern California
6001 S Street
M.S. D-109
Sacramento, CA 95852-1830

8.6 EIM Participant Costs will be determined through the EIM Committee process unless otherwise agreed, in writing, between the Parties. Any costs allocated by BANC to EIM Participants must be placed in the budget and reviewed and concurred with by the EIM Committee prior to submittal to the Commission for final approval. In addition, BANC will obtain written concurrence by WAPA for their share of EIM Participant costs in advance of seeking final approval from the Commission. In the case that WAPA does not provide its concurrence, the General Manager shall work with EIM Participants to reach consensus. Failure to reach a consensus may require Commission action, including but not limited to reallocation to non-WAPA EIM Participants or referral to the Dispute Resolution provisions provided in Section 14 (Dispute Resolution) of this Agreement.

In the event BANC anticipates its costs may exceed the approved budget, BANC shall submit such costs to the EIM Committee and WAPA for review and concurrence prior to submitting a revised budget request to the Commission for approval. Failure of

approval by WAPA shall be addressed in a similar manner to that in the preceding paragraph of this Section 8.6.

- 8.7** EIM Participants shall be responsible for their costs incurred in becoming an EIM Participating Resource under the terms of the CAISO tariff.

9 NEW EIM PARTICIPANTS

- 9.1** Any entity inside of the EIM Entity BAA footprint may become an EIM Participant by executing an EIM Participation Agreement with BANC, paying BANC a one-time EIM assessment, as determined in accordance with Section 8.1 of this Agreement, and entering into any other arrangements required by the CAISO Tariff and the Commission. BANC and the existing EIM Participants will work cooperatively with the proposed new EIM Participant to minimize the impact on the proposed new EIM Participant, other BANC members, and existing EIM Participants.
- 9.2** Upon the execution of an EIM Participation Agreement with BANC, the new EIM Participant shall be allowed to participate on the EIM Committee in accordance with Section 10 (EIM Committee) of this Agreement.

10 EIM COMMITTEE

10.1 Establishment of EIM Committee

On or after the Effective Date of this Agreement, the General Manager shall establish the EIM Committee by appointing EIM Committee members as set forth in Section 10.4 (EIM Committee Representation and Alternates).

10.2 General Responsibilities of EIM Committee

The EIM Committee is an advisory body to the General Manager and responsible for providing advice and counsel for matters related to the operation of EIM within the BANC EIM Entity footprint. Specifically, the EIM Committee may be called upon by the General Manager for advice on the following matters:

- 10.2.1 Establishing roles and responsibilities among BANC, the EIM Participant(s) and the EIM Operator;
- 10.2.2 Reviewing of budgets and costs incurred by BANC, for both EIM implementation and EIM operations and providing concurrence with respect to those costs prior to the submission to the Commission for approval in accordance with Section 8.6;
- 10.2.3 Developing and updating (as necessary), a scope for EIM Project Work according to Section 11 (EIM Project Work) of this Agreement.

- 10.2.4 Developing metrics to track and categorize EIM costs for purposes of budgeting and determining the one-time assessment applied to any new EIM Participant(s), as set forth in Section 8.1 of this Agreement;
- 10.2.5 Developing metrics to measure EIM costs, gross benefits and net benefits from actual EIM operations;
- 10.2.6 Providing data and information, as reasonably requested, to BANC members and/or WAPA for the purpose of assessing their potential participation in the EIM;
- 10.2.7 Developing comments and positions for stakeholder processes that concern or relate to the EIM;
- 10.2.8 Coordinating relevant data and information as needed for any compliance-related inquiry or investigation, or in the furtherance of any assessment in conjunction with Section 12 (BANC Violations of Reliability Standards Arising from EIM Participation) in this Agreement;
- 10.2.9 Ensuring that required documentation and data transfers among the EIM Participant(s) the EIM Entity and the EIM Operator are occurring and assisting in the development of processes and procedures to aid in such transfers, as needed;
- 10.2.10 Providing regular reports and updates to the General Manager on EIM-related activities and operations, as requested;
- 10.2.11 Providing reports, data, and other information as necessary to the CAISO;
- 10.2.12 Assisting in the development of procedures and processes to improve the accuracy and efficiency of data transfers from the EIM Participant(s) to EIM Entity;
- 10.2.13 Recommendations to the General Manager with respect to BANC EIM Business Practices or amendments thereto for consideration by the Commission;
- 10.2.14 General oversight of any request for proposals (RFP) or request for offer of services (RFO) by the Parties; and
- 10.2.15 Oversight of the EIM Project Manager(s), system integrator(s) or other consultants.

10.3 EIM Committee Meetings

The EIM Committee may be convened on an “as needed” basis by the General Manager or the EIM Participant(s).

10.4 EIM Committee Representation and Alternates

Each EIM Participant shall select a primary voting representative and at least one alternate to the EIM Committee and provide those names to the General Manager. The General Manager will also participate on the EIM Committee. The EIM Services Provider shall also have a representative present at EIM Committee meetings, unless agreed to otherwise between the General Manager and the EIM Services Provider. Under the direction of the General Manager, the EIM Committee may form subgroups or delegate tasks to subject matter experts as it deems appropriate; provided, however, that any tasks delegated must be overseen and/or approved by the EIM Committee.

10.5 EIM Committee Chair

The EIM Committee may appoint a chair to conduct meetings. In the absence of an appointed chair, the General Manager will serve in that role.

10.6 EIM Committee Actions or Decisions

The EIM Committee will seek consensus on any actions or decisions in the furtherance of its responsibilities set forth in this Section. If an action or decision requires voting, each EIM Committee representative shall have one vote. In the event of a tie, an executive from BANC and the EIM Participant(s) shall attempt to reach consensus. If consensus cannot be reached, the General Manager shall serve as the tie breaker vote.

- 10.6.1 **Conflicts Between the EIM Committee and the General Manager.** If the EIM Committee and the General Manager have a dispute related to an action or proposal of either the EIM Committee or the General Manager, the EIM Committee or a subgroup shall meet with the General Manager and attempt to reach resolution. Should the Parties fail to resolve the conflict, the General Manager shall make the final decision; however, the General Manager shall inform the Commission of the dispute. The EIM Committee Chair, if that person is not the General Manager, or anyone delegated by the EIM Committee, may prepare a memorandum framing the disputed issue, and provide that memorandum to the General Manager for his or her consideration, and the General Manager shall provide a copy of the memorandum to the Commission for their information and any other action they may decide.

10.7 EIM Committee Charter and Procedures

In consultation with the General Manager, the EIM Committee may adopt a charter and/or procedures in furtherance of its internal administration. Furthermore, the EIM Committee may form working groups or subcommittees for the performance of specific tasks requiring subject matter expertise. Such working groups or subcommittees will report to the EIM Committee or the General Manager, as directed by the General Manager.

11 EIM PROJECT WORK

It is expected that there will be multiple phases of EIM Project Work to be conducted by the Parties, including, but not limited to, the scoping and contracting aspects of the project, the RFP/RFO processes and implementation and testing of EIM systems, up to and until parallel testing with the CAISO. The Scope of EIM Project Work shall be developed by the EIM Committee under the direction of the General Manager, on an agreed upon schedule in coordination with the schedule developed between BANC and the CAISO contained in the BANC EIM Implementation Agreement.

12 BANC VIOLATIONS OF RELIABILITY STANDARDS ARISING FROM EIM PARTICIPATION

12.1 Violations

Any potential or actual violations of Reliability Standards applicable to the BANC Balancing Authority which are the result of a failure related to BANC, acting as the EIM Entity, or the EIM Participant's, or the EIM Participants', participation in the EIM, shall be addressed in accordance with the processes and procedures adopted in the Internal Compliance Program Charter and the BANC Member Agreement; provided, however, any Financial Penalties, as described in Section 12.2.1 of this Agreement, associated with violation(s) of Reliability Standards applicable to the BANC Balancing Authority arising directly as the result of EIM-related activities of BANC, as the EIM Entity, or the EIM Participant(s), shall be allocated, to the extent such Party or Parties are not legally proscribed from paying Financial Penalties, such costs shall be allocated to the EIM Participant(s) directly responsible for the activity or activities that gave rise to the violation(s), or, if no EIM Participant(s) are directly responsible for the activity or activities that gave rise to the violation(s), Financial Penalties shall be allocated to EIM Participants based on their EIM Participation Percentages as set forth in Table 2 of Exhibit A (Cost Allocation for Violations). Any Party which cannot legally pay such costs will remain responsible for any Compliance Costs, as described in Section 12.2.2 of this Agreement, as may be prescribed by a Compliance Enforcement Authority.

12.2 Payment of Final Costs

12.2.1 Financial Penalties. Final costs associated with this Section 12 shall be paid by the EIM Participant(s) within thirty (30) days of a written request by BANC. Such request shall be in accordance with Section 24 (Notices) of this Agreement. Final costs are those monies which are required to be paid by BANC to NERC based upon a confirmed and final penalty amount in accordance with the NERC Rules of Procedure.

12.2.2 Compliance Costs. A mitigation plan or any regulatory directive(s) issued by a Compliance Enforcement Authority associated with this Section 12 shall be followed by the Parties in accordance with that plan or directive; however, the

Compliance Costs incurred by the Parties based upon the mitigation plan or directive shall be the sole responsibility of the EIM Participant(s). BANC shall provide the EIM Participant(s) with an itemization of costs under this Section 12.2.2 as part of BANC's written request to the EIM Participant(s) for payment. Such request shall be in accordance with Section 24 (Notices) of this Agreement.

13 CONFLICT BETWEEN EIM PARTICIPATION AGREEMENT AND OTHER BANC AGREEMENTS

Nothing in this Agreement is intended to alter or amend other BANC agreements or program documents, including, but not limited to, the Joint Exercise of Powers Agreement, the Balancing Authority Operation Services Agreement, the Member Agreement, the NWPP Reserve Sharing Group Agreement, the Internal Compliance Program Charter, the Member Compliance Review Committee Charter, the Planning Coordinator Services Agreement, or the Planning Coordinator Participation Agreement (BANC Agreement(s)). To the extent a conflict arises between a BANC Agreement and this Agreement, the BANC Agreement(s) shall prevail; however, reasonable efforts should be made to reconcile the matter among EIM Participant(s) and BANC. Notwithstanding the foregoing, penalties allocated to BANC due to BANC violations of Reliability Standards arising from EIM Participation will be addressed in accordance with this Agreement and not the Member Agreement.

14 DISPUTE RESOLUTION

Except as provided in Section 10.6 (EIM Committee Actions or Decisions), any dispute arising between the Parties regarding performance of their obligations under this Agreement shall be resolved according to the following procedures:

14.1 Informal Settlement

The Parties shall attempt in good faith to resolve any dispute arising out of or relating to this Agreement promptly by negotiations between BANC and an executive of the EIM Participant(s), or, in the event there is more than one EIM Participant, BANC and an executive of each of the EIM Participants. Any Party may give the other Party, or Parties, written notice of any dispute, and within twenty (20) calendar days after delivery of such notice, the executives shall meet at a mutually acceptable time and place and thereafter as often as they reasonably deem necessary to exchange information and to attempt to resolve the dispute. If the matter has not been resolved within sixty (60) calendar days of the first meeting, any of the Parties may initiate a mediation of the controversy in accordance with Section 14.2 (Mediation).

14.2 Mediation

Prior to initiation of litigation, disputing Parties shall initiate a mediation of the controversy. All negotiations, settlement conferences, compromise discussions, and any mediation conducted pursuant to this clause are non-binding, confidential, and shall be treated as compromise and settlement negotiations. Included in such mediation shall be negotiations including executive level management of each of the disputing Parties.

14.3 Retained Rights Under Law and Equity

Absent resolution of any dispute through mediation, each Party retains all rights in a court of law or equity to enforce its rights under this Agreement.

14.4 Continuing Performance Obligations

While a dispute, controversy, or claim is pending, each Party will continue to perform its respective obligations under the Agreement, unless such Party is otherwise entitled to terminate the Agreement in accordance with the terms hereof.

15 AMENDMENT

Except as specified in Appendix 1 and Exhibits A through F, which shall be amended in accordance with the terms set forth therein, this Agreement may only be amended or otherwise modified with the written agreement of the Parties.

16 ASSIGNMENT

This Agreement may be assigned by a Party only with the written consent of the other Parties, which consent shall not be unreasonably withheld.

17 CONFIDENTIALITY

17.1 Treatment of Confidential Information

The Parties recognize and agree that for the purposes of their respective roles in the EIM, complying with the Reliability Standards, and responding to any report or notice of potential violation, the Parties may receive information from each other that has been marked as Confidential Information. Except as set forth herein, the Parties agree to keep in confidence and not to copy, disclose, or distribute any Confidential Information or any part thereof, without the prior written permission of the Party that produced the information.

17.2 Required Disclosure of Confidential Information

As provided in the CMEP, or as required by subpoena, request under the California Public Records Act (PRA), the Freedom of Information Act (FOIA), or other legal or regulatory processes, the Parties may be required to disclose Confidential Information so designated by another Party. Compliance with that subpoena, request under the PRA, FOIA, or other legal or regulatory process shall not constitute a breach of this Agreement. If any Party is required to disclose any Confidential Information so designated by any other Party, the disclosing Party shall notify the other Party in writing as promptly as feasible so that the other Party may, if it so chooses and at its own expense, challenge the disclosure or seek a protective order. The disclosing Party shall reasonably cooperate in resolving the dispute.

17.3 Third Parties

Except as set forth herein, each Party shall keep Confidential Information in confidence and shall not disclose such information or otherwise make it available, in any form or manner, to any other person or entity other than its employees, consultants, sub-contractors, sub-contractors' employees, attorneys, and agents without the prior written consent of the Party that produced the information. Each Party will cause each of its employees, contractors, sub-contractors, sub-contractors' employees, attorneys, and agents who will have access to Confidential Information, if any, to acknowledge that they have read this Agreement and agree to abide by all of its terms regarding use and disclosure of Confidential Information. For purposes of this Agreement, Confidential Information may also be shared with the EIM Operator in accordance with the terms of the agreements between each of the Parties and the EIM Operator.

17.4 FERC Jurisdiction

Nothing in this Agreement shall be meant to imply or cede jurisdiction to FERC, NERC, and other regulatory or Compliance Enforcement Authority entities having no or limited jurisdiction over the Parties. FERC, NERC, and other regulatory or Compliance Enforcement Authority entities have limited jurisdiction over the Parties and, by executing this Agreement, no Party is waiving or conceding any defenses it has to assert jurisdictional defenses, including, but not limited to, sovereign immunity, intergovernmental immunities, or lack of subject matter jurisdiction.

18 INDEMNIFICATION

Notwithstanding anything herein to the contrary, BANC shall indemnify, defend, and hold EIM Participants (including their governing bodies, officers, employees, assigns, and agents) harmless from and against any and all claims, demands, liabilities imposed for injury (as defined by Government Code Section 810.8), losses, costs, expenses, penalties, suits, judgments, or damages, arising in whole or in part, directly or indirectly, from performance or non-performance of EIM Participant Obligations set forth in Section 7 (EIM Participant Obligations) of this Agreement.

19 GOVERNING LAW

19.1 Non-Federal EIM Participants

The rights and obligations of the non-federal EIM Participants and the interpretation and performance of this Agreement shall be governed by the laws of the State of California.

19.2 Federal EIM Participants

Interpretation of this Agreement, and performance and enforcement thereof with regard to federal EIM Participants, shall be determined in accordance with Federal law, as if performed wholly within the State of California.

20 HEADINGS

The descriptive headings of the various Articles and Sections of this Agreement have been inserted for convenience of reference only and are of no significance in the interpretation or construction of this Agreement.

21 SEVERABILITY

If any term, covenant, or condition of this Agreement, or the application or effect of any such term, covenant, or condition is held invalid as to any person, entity, or circumstance, or is determined to be unjust, unreasonable, unlawful, imprudent, or otherwise not in the public interest, by any court or government agency of competent jurisdiction, then such term, covenant, or condition shall remain in force and effect to the maximum extent permitted by law, and all other terms, covenants, and conditions of this Agreement and their application shall not be affected thereby but shall remain in full force and effect, and the Parties shall be relieved of their obligations only to the extent necessary to eliminate such determination unless a court or governmental agency of competent jurisdiction holds that such provision is not separable from all other provisions of this Agreement.

22 LIMITATION ON LIABILITY

Except for costs for violation(s) of Reliability Standards incurred pursuant to Section 12 (BANC Violations of Reliability Standards Arising from EIM Participation) of this Agreement, or EIM Participant Costs in accordance with Section 8 (EIM Participant and New EIM Participant Costs) of this Agreement, no Party to this Agreement shall be liable to any other Party for any direct, indirect, special, incidental, exemplary, or consequential damages, claims, liabilities, costs or expenses (including attorneys fees and court costs) arising from tort or the performance or non-performance of its obligations under this Agreement regardless of the cause, including

intentional action, willful action, gross or ordinary negligence, or an Uncontrollable Force (as defined in Section 25 of this Agreement).

23 NO THIRD PARTY BENEFICIARIES

This Agreement 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 other than the Parties, and the obligations herein assumed are solely for the use and benefit of the Parties, their successors in interest and, where permitted, their assigns.

24 NOTICES

Any notice, demand, or request in accordance with this Agreement shall be in writing and shall be deemed properly served, given, or made if delivered in person or sent by first class United States mail, postage prepaid, by electronic facsimile confirmed by the recipient, electronic mail confirmed by the recipient, or by prepaid commercial courier service to a Party via its representative or alternate representative at the address set forth in Appendix 1, unless otherwise provided in this Agreement. Any Party may at any time change the designation or address of a person specified in Appendix 1 upon written notice to the other Parties. Such a change to Appendix 1 shall not constitute an amendment to this Agreement.

25 UNCONTROLLABLE FORCE

No Party shall be considered to be in default in respect to any obligation hereunder if prevented from fulfilling such obligation by reason of an Uncontrollable Force. The term "Uncontrollable Force" for the purpose of this Agreement shall mean any cause beyond the control of the Party affected, including but not limited to flood, earthquake, storm, lightning, fire, epidemic, war, riot, civil disturbance, labor disturbance, sabotage, and restraint by court or public authority, which Uncontrollable Force by exercise of due diligence and foresight, such Party could not reasonably have been expected to avoid. Any Party rendered unable to fulfill any obligation by reason of Uncontrollable Force shall exercise commercially reasonable efforts to remove such inability with all reasonable dispatch.

26 WAIVER

The failure of a Party to this Agreement to insist, on any occasion, upon strict performance of any provision of this Agreement will not be considered a waiver of any obligation, right, or duty of, or imposed upon, such Party. Any waiver at any time by a Party of its rights with respect to this Agreement shall not be deemed a continuing waiver or a waiver with respect to any other failure to comply with any other obligation, right, or duty of this Agreement. Any waivers at any time by any Party of its rights with respect to any default under this Agreement, or with respect to any other matter arising in connection with this Agreement, shall not constitute or be deemed

a waiver with respect to any subsequent default or other matter arising in connection with this Agreement.

27 NO DEDICATION OF FACILITIES

Any undertaking by a Party under any provision of this Agreement is rendered strictly as an accommodation and shall not constitute the dedication of its Electric System or any portion thereof by the undertaking Party to the public, to any other Party, or to any third party, and any such undertaking by a Party shall cease upon the termination of such Party's obligations under this Agreement. The Electric System of a Party shall at all times be, and remain, in the exclusive ownership, possession, and control of that Party, and nothing in this Agreement shall be construed to give any other Party any right of ownership, possession, or control of such Electric System.

28 MULTIPLE COUNTERPARTS

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

29 FEDERAL CONTRACT PROVISIONS

29.1 Covenant Against Contingency Fees

The Parties warrant that no person or selling agency has been employed or retained to solicit or secure this Agreement upon an agreement or understanding for a commission, percentage, brokerage, or contingent fee, excepting bona fide employees or bona fide established commercial or selling agencies maintained by the Parties for the purpose of securing business. For breach or violation of this warranty, WAPA shall have the right to annul this Agreement without liability or in its discretion to deduct from the price or consideration the full amount of such commission, percentage, brokerage, or contingent fee.

29.2 Contingent Upon Appropriations

Where activities provided for in this Agreement extend beyond the current fiscal year, continued expenditures by WAPA are contingent upon Congress making the necessary appropriations required for the continued performance of WAPA's obligations under this Agreement. In case such appropriation is not made, Parties hereby release WAPA from its obligations and from all liability due to the failure of Congress to make such appropriation.

29.3 Contract Work Hours and Safety Standards

This Agreement, to the extent that it is of a character specified in Section 103 of the Contract Work Hours and Safety Standards Act, 40 U.S.C.A. § 3701, is subject to the

provisions of the Act, 40 U.S.C.A. §§ 3701-3708, and to regulations promulgated by the Secretary of Labor pursuant to the Act.

29.4 Equal Opportunity Employment Practices

Section 202 of Executive Order No. 11246, 30 Fed. Reg. 12319 (1965), as amended by Executive Order No. 12086, 43 Fed. Reg. 46501 (1978), as amended or supplemented, which provides, among other things, that Parties will not discriminate against any employee or applicant for employment because of race, color, religion, sex, or national origin, is incorporated herein by reference the same as if the specific language had been written into this Agreement, except that Indian Tribes and tribal organizations may apply Indian preference to the extent permitted by Federal Law.

29.5 Use of Convict Labor

Parties agrees not to employ any person undergoing sentence of imprisonment in the performance of this Agreement, except as provided by 18 U.S.C. § 3622 (c) (2) and Executive Order 11755, December 29, 1973.

30 SIGNATURE CLAUSE

The signatories to this Agreement represent that they have been appropriately authorized to enter into this Agreement on behalf of the Party for whom they sign.

IN WITNESS THEREOF, the Parties have executed this Agreement and it is effective as of the Effective Date set forth in Section 4.1.

Balancing Authority of Northern California

By:	
Name:	
Title:	
Date:	

Sacramento Municipal Utility District

By:	
Name:	
Title:	
Date:	

Modesto Irrigation District

By:	
Name:	
Title:	
Date:	

City of Redding

By:	
Name:	
Title:	
Date:	

City of Roseville

By:	
Name:	
Title:	
Date:	

**United States of America
Department of Energy
Western Area Power Administration
Central Valley Project, California**

By:	
Name:	
Title:	
Date:	

Approval Draft

Appendix 1 – Notices

Balancing Authority of Northern California

Name of Primary Representative:	James R. Shetler
Title:	General Manager
Company:	Balancing Authority of Northern California
Address:	P.O. Box 15830, MS D109
City/State/Zip Code:	Sacramento, CA 95852-1830
Email Address:	jimshetler@thebanc.org
Phone:	(916) 870-3774
Fax:	

Name of Alternative Representative:	Charles A. Braun
Title:	General Counsel
Company:	Braun Blaising Smith Wynne, P.C.
Address:	555 Capitol Mall, Suite 570
City/State/Zip Code:	Sacramento, CA 95814
Email Address:	braun@braunlegal.com
Phone:	916-326-5812
Fax:	916-330-4337

Sacramento Municipal Utility District

Name of Primary Representative:	
Title:	
Company:	
Address:	
City/State/Zip Code:	
Email Address:	
Phone:	
Fax:	

Name of Alternative Representative:	
Title:	
Company:	
Address:	
City/State/Zip Code:	
Email Address:	
Phone:	
Fax:	

Modesto Irrigation District

Name of Primary Representative:	
Title:	
Company:	
Address:	
City/State/Zip Code:	
Email Address:	
Phone:	
Fax:	

Name of Alternative Representative:	
Title:	
Company:	
Address:	
City/State/Zip Code:	
Email Address:	
Phone:	
Fax:	

City of Redding

Name of Primary Representative:	
Title:	
Company:	
Address:	
City/State/Zip Code:	
Email Address:	
Phone:	
Fax:	

Name of Alternative Representative:	
Title:	
Company:	
Address:	
City/State/Zip Code:	
Email Address:	
Phone:	
Fax:	

City of Roseville

Name of Primary Representative:	
Title:	
Company:	
Address:	
City/State/Zip Code:	
Email Address:	
Phone:	
Fax:	

Name of Alternative Representative:	
Title:	
Company:	
Address:	
City/State/Zip Code:	
Email Address:	
Phone:	
Fax:	

**United States Department of Energy
Western Area Power Administration
Central Valley Project, California**

Name of Primary Representative:	
Title:	
Company:	
Address:	
City/State/Zip Code:	
Email Address:	
Phone:	
Fax:	

Name of Alternative Representative:	
Title:	
Company:	
Address:	
City/State/Zip Code:	
Email Address:	
Phone:	
Fax:	

Appendix 2 –Revision History

Amendments

This Agreement may only be amended with written consent of all Parties and approval of the Commission. Any amendment to this Agreement shall be in writing and transmitted to all Parties to this Agreement within seven (7) business days of the version change contained in the document Version History.

Any changes will be reflected through a change in the Version History. Minor, non-substantive changes will be reflected in 1/10th increments to the Version History (e.g., 1.1, 1.2, etc.).

Version History

VERSION	CHANGE	BY	DATE
1.0	Initial Version	Commission	02/22/2017
2.0	1 st Amended	Commission	08/21/2019
3.0	2 nd Amended	Commission	01/27/2021
3.1	Section 8.5 & TOC update to accommodate addition of Exhibit E Service Schedule E-2; Addition of Appendix 2	Commission; re-execution by signatories not needed	03/23/2022

EXHIBIT A : New EIM Participant Costs and EIM Participant Allocations

Purpose

This Exhibit A sets forth the Commission-approved cost allocation percentages for costs associated with Section 8.1 (New EIM Participant Costs), Section 8.2 (Tier 2 Costs) and Section 8.3 (Tier 1 Costs).

Table 1: New EIM Participant Costs (Section 8.1)¹

EIM Participant	2017 NEL	EIM Participant Responsibility
SMUD	11,598,647	63.5%
MID	2,623,552	14.4%
WAPA-SNR ²	1,987,830	10.9%
Roseville	1,249,280	6.8%
Redding	798,841	4.4%
TOTAL	18,258,150	100.0%

Table 2: EIM Participant Allocation Percentages based on 3-Year Average NEL

EIM Participant	Section 8.3/ Tier 1 Costs	Section 8.2/ Tier 2 Costs	Section 12.1/ Cost Allocation for Violations	Commission Approved Adjusted Allocations
SMUD	64.5%	0	70.1%	X.X%
MID	14.9%	42.1%	16.3%	X.X%
WAPA-SNR	8.1%	22.8%	0.0%	X.X%
Roseville	6.9%	19.4%	7.5%	X.X%
Redding	5.6%	15.7%	6.1%	X.X%
TOTAL	100.0%	100.0%	100.0%	XXX.X%

¹ The 2017 NEL was agreed upon as the basis for New EIM Participant Costs. Based on further BANC discussions, all other costs, unless specified otherwise, will be based on the Commission-approved 3-year rolling average percentages, which are set forth in Table 2, as that table may be updated and amended from time-to-time.

² Western Area Power Administration – Sierra Nevada Region.

The various allocation tiers are defined as follows:

- **Tier 1:** All five (5) EIM Participants will be paying the costs (e.g. – ongoing EIM costs post-Phase 2 go-live)
- **Tier 2:** The four (4) Phase 2 EIM Participants will be paying the costs (e.g. – EIM Phase 2 implementation costs)

Amendments

This Exhibit A may be amended as determined by the Commission; however, allocation adjustments to WAPA-SNR shall require its written consent. Should WAPA-SNR disagree to the change its allocation, the remaining Parties to this Agreement may make adjustments to the non-WAPA-SNR allocations, subject to Commission approval consistent with Section 8.6 of this Agreement. Any amendment to this Exhibit A shall be reflected through a change in the Version History. Minor, non-substantive changes will be reflected in 1/10th increments to the Version History (e.g., 1.1, 1.2, etc.).

Version History

VERSION	CHANGE	BY	DATE
1.0	Initial Version	Commission	02/22/2017
2.0	Phase 2 Version	Commission	8/21/2019
3.0	Amended Phase 2 Version	Commission	01/27/2021
4.0	2022 3-Year Average NEL Update	Commission	01/26/2022

EXHIBIT B: BANC EIM Phase 2 Approach

Purpose

This Exhibit B provides a description of the planned functional approach for implementing the Balancing Authority of Northern California (BANC) Energy Imbalance Market (EIM) Phase 2 and the relative roles and responsibilities of the California Independent System Operator (CAISO), BANC, its EIM participating members and the Western Area Power Administration – Sierra Nevada Region (WAPA-SNR).³ It is recognized that there may be some modifications to this approach based upon the gap analyses performed on behalf of the EIM participating members and WAPA-SNR and on issues identified during Phase 2 implementation that are mutually agreed upon by BANC and the EIM Phase 2 parties.

Functional Approach

The functional approach for handling BANC EIM Phase 2 participation will rely on leveraging the existing BANC EIM Entity/Sacramento Municipal Utility District (SMUD) EIM Services Provider arrangement that was developed for BANC EIM Phase 1. The intent is to have BANC/SMUD be the primary interface between the EIM Market Operator (CAISO) and BANC for EIM Entity functions. Each of the BANC EIM Participants, including WAPA-SNR/USBR, will have a direct contractual relationship with the CAISO/EIM Market Operator as EIM Participating Resources. Market dispatch signals through the CAISO's Automated Dispatch System (ADS) will flow from the CAISO to the respective entity's real-time operation's systems via the SMUD/BANC Energy Management System (EMS)⁴. In addition, BANC/SMUD will provide necessary EIM data/information required to ensure sub-BAA operations to WAPA-SNR.

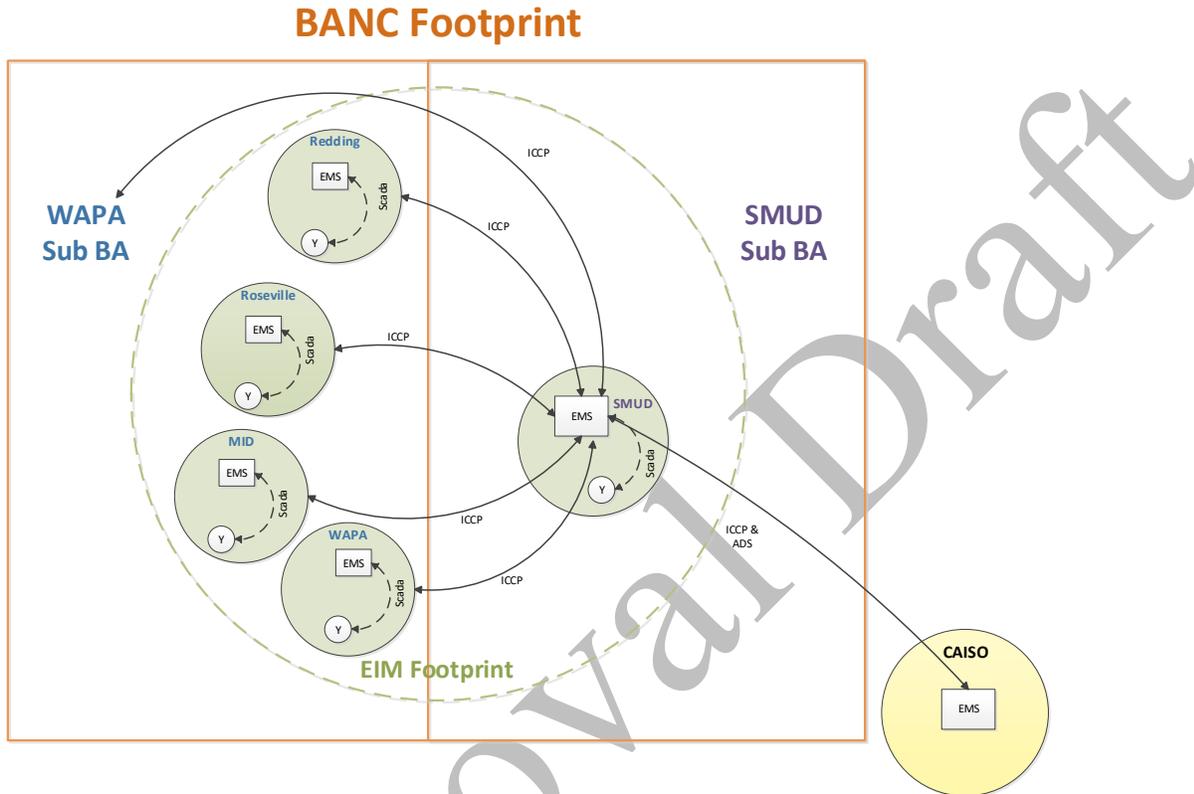
Figure 1, below, provides a schematic flow for the EIM Phase 2 approach.

³ WAPA-SNR is not a formal BANC member but participates in most BANC activities. Further discussions regarding a more formalized role for WAPA-SNR are intended as issues are addressed through BANC EIM Phase 2 implementation process.

BANC and WAPA-SNR will also coordinate closely with the United States Bureau of Reclamation (USBR) due to the integrated nature of USBR generation within the WAPA-SNR footprint and within the BANC Balancing Authority Area (BAA).

⁴ Phase 2 EIM Participants have the option of obtaining dispatch DOTs directly from the CAISO ADS system via a self-created/self-supported interface application.

Figure 1 -- Option 2: EIM Phase 2 Functionality with WAPA-SNR in EIM5



The goal is to preserve the existing BAA and sub-BAA relationships between BANC and SMUD and BANC and WAPA-SNR and to preserve the existing contractual arrangements.⁶ Because EIM is a market function, there are no changes to the existing reliability compliance responsibilities of the EIM Participants.

Roles and Responsibilities

The following outlines the roles and responsibilities for participation in BANC EIM Phase 2:

EIM Operator – CAISO

- Load forecast for each EIM BAA
 - Individual load forecasts and settlement points (ELAP) for each entity (SMUD, Modesto, Redding, Roseville, WAPA-SNR)
 - Non-conforming loads (i.e. – irrigation pumping loads) will require input from USBR and other EIM Participants as appropriate

⁵ The communication from SMUD EMS to the BANC EIM Participants may be through either ICCP or DNP3 to the generation plant RTU.

⁶ It has been recognized that some contractual changes may be required to BANC member contracts with WAPA-SNR to enable EIM participation. These changes are anticipated to be minor and are not expected to disrupt the benefits of the existing contractual relationships.

- Resource plan feasibility
 - Includes evaluating resource sufficiency (RS) tests (balancing, bid capacity, flex ramp, and transmission feasibility)
- Run the EIM
- Settling EIM charges through the particular Scheduling Coordinator (SC) (i.e., EIM Entity SC and EIM Participating Resource SC)

EIM Entity – BANC BAA (Supported by BANC EIM Services Provider [SMUD] and EIM Entity SC [SMUD])

- Manage/Update/Submit BANC EIM Participant PRSC Base Schedules between T-55 and T-40 minutes
- Manage/Submit Day Ahead EIM Resource Plan interchange schedules for the BANC BA.
- Manage/Submit EIM interchange Base Schedules for the BANC BA
- Current operating characteristics (Note: The vast majority of this data will be obtained by the BANC EIM Entity through EIM Participant data submittals to the CAISO)
 - Outages (Both planned and unplanned)
 - Meter/telemetry
 - Transmission capacity available for EIM transfers – i.e., Energy Transfer System Resources, or “ETSRs”
- Market resource sufficiency tests performed at the BAA level
 - Balancing, flex ramp, and bid range capacity
 - An allocation methodology among the BANC EIM Participating Resources has been developed
- Settlements – through EIM Entity SC
 - All BANC EIM Participant load imbalance
 - BANC EIM Participant non-EIM Participating Resources imbalance
 - Interchange Schedule Imbalance
 - Other BANC EIM Entity fee, offset, and uplift charges
 - An allocation methodology has been developed

EIM Participating Resources (Supported by EIM Participating Resource SC)

- Phase 2 EIM Participating Resources
 - SMUD
 - Modesto Irrigation District (MID)
 - City of Redding (Redding)
 - City of Roseville (Roseville)
 - WAPA-SNR/USBR Central Valley Project (CVP)
- Manage/Submit Day Ahead EIM Generator Resource Plans for the EIM Participant-area
- Manage/Submit EIM Bids for the EIM Participant’s Participating Resources
- Manage/Submit EIM Participating Resource Generator Base Schedules at T-75 and T-55 minutes for EIM Participant’s generators
 - Assure EIM Participant-area Base Schedules and Bids pass EIM Sufficiency Tests at T-75 and T-55 minutes
- Settlement of EIM Participant’s Participating Resource SC EIM Resources

Other Issues Addressed During Implementation

As part of the Phase 2 implementation, the following additional issues were addressed and resolved by the EIM Participants:

1. Deviation Band (Contract arrangement between WAPA-SNR and MID/Redding/Roseville).
 - a. BANC EIM Participants want to preserve this real-time balancing capability.
 - b. BANC EIM Participants will continue to require real-time AGC balancing and the associated Regulation Up/Down reserves in an EIM paradigm.
 - c. The Deviation MW calculation will be analyzed to determine if a change is required to account for EIM redispatch of EIM Participants' generators.⁷
2. EIM hourly Sufficiency Test
 - a. Defined and executed by CAISO at the BANC BA level.
 - b. EIM Participants will each be required to provide EIM capacity so that BANC collectively passes the EIM Sufficiency Tests.
 - c. EIM Participants with no generation on-line may need to make an arrangement with other BANC members that have generation on-line to meet their portion of the total BANC EIM Sufficiency capacity MW requirements.
3. BANC EIM Entity Settlement Charge allocations; allocation invoicing to EIM Participants; and EIM Participant payment schedule for allocations.
4. Treatment of EIM dynamic transfers between sub-BAs within BANC, and between LSE's within the WAPA Sub-BA
5. Ensuring all appropriate technical and operational information and data will be provided to WAPA-SNR that will allow it to operate its sub-BA.

⁷ I.e., Due to CAISO EIM timelines, CAISO EIM dispatches would have already occurred prior to WAPA-SNR dispatches under the Deviation Band, which should result in less regulation and imbalance energy required from WAPA-SNR/USBR resources.

Amendments

This Exhibit B may only be amended with written consent of all Parties and approval of the Commission. Any amendment to this Exhibit B shall be in writing and transmitted to all Parties to this Agreement within seven (7) business days of the version change contained in the document Version History.

Any changes will be reflected through a change in the Version History. Minor, non-substantive changes will be reflected in 1/10th increments to the Version History (e.g., 1.1, 1.2, etc.).

Version History

VERSION	CHANGE	BY	DATE
1.0	Initial Version	Commission	08/21/2019
2.0	Amended	Commission	01/27/2021

Approval Draft

EXHIBIT C: BANC Phase 2 EIM Implementation Agreement

Approval Draft

EXHIBIT D: EIM Participant Reserve Account

Purpose and Scope

The EIM Participant Reserve Account is hereby established to provide ongoing operating capital to the EIM Entity to meet its EIM obligations in accordance with the CAISO/Market Operator Tariff. The gross amount of capital held in the EIM Participant Reserve Account shall be calculated by the BANC Finance Group and the General Manager, in consultation with the EIM Committee and approved by the Commission. Contributions to the EIM Participant Reserve Account by each EIM Participant are to be in accordance with the cost allocation percentages set forth in Tier 1 of Exhibit A – Table 2 to this Agreement, unless adjusted by mutual consent of the EIM Participants and approved by the BANC Commission (Adjusted Contributions), in which case such Adjusted Contributions shall be adopted by a Resolution of the Commission and subsequently memorialized in a revision to Exhibit A – Table 2 (Commission Approved Adjusted Allocation), and a change in the Version History of this Exhibit D.

Review for potential adjustments to the EIM Participant Reserve Account shall be made by BANC at least annually and “true ups” may be required on an “as needed” basis in accordance with any cash obligations imposed on the EIM Entity by the Market Operator. Such “true ups” shall be the responsibility of the EIM Participants in proportion to their allocation responsibilities set forth in Tier 1 of Exhibit A – Table 2 of this Agreement, except in the case of Commission approval of Adjusted Contributions, in which such allocations shall be in accordance with such Adjusted Contributions also set forth in Exhibit A – Table 2.

The EIM Committee may advise the General Manager with the ongoing monitoring of the EIM Participant Reserve Account and may be called upon for the review of proposed true ups and/or credits. At least annually, the EIM Committee and General Manager shall review the EIM Participant Reserve Account and make a recommendation to the Commission for the next fiscal year.

The EIM Committee may be consulted on the development of more detailed protocols or guidelines for administration of the EIM Participant Reserve Account. Such a protocol or guideline is merely administrative and does not require Commission approval.

Monies deposited in the EIM Participant Reserve Account shall be used solely for purposes of EIM administration in accordance with cost obligations imposed on the EIM Entity by the CAISO/Market Operator Tariff.

Amendments

This Exhibit D may only be amended with written consent of all EIM Participants and approval of the Commission. Any amendment to this Exhibit D shall be reflected through a change in the Version History. Minor, non-substantive changes will be reflected in 1/10th increments to the Version History (e.g., 1.1, 1.2, etc.).

Version History

VERSION	CHANGE	BY	DATE
1.0	Initial Version (New Exhibit to Second Amended and Restated Agreement)	Commission	01/27/2021

Approval Draft

EXHIBIT E: EIM Entity Supplemental Services

Purpose

This Exhibit E provides for additional services to be provided through BANC to EIM Participants in accordance with Section 8.4. These can be provided by BANC to a single EIM Participant or to multiple EIM Participants. The service shall be set forth in a separate Service Schedule to this Exhibit, the first additional service performed by BANC being referred to as Service Schedule E-1 and so forth (i.e., the second service would be Service Schedule E-2, etc.).

Service Identification in Exhibit E

Each additional service requested by an EIM Participant or EIM Participants shall be reflected by numerals attached to the Exhibit “E” identification, such as service 1, being reflected as “E-1” (thus, Attachment E-1, Table E-1 and Appendix E-1) and future service 2 being reflected by “E-2,” (thus, Attachment E-2, Table E-2 and Appendix E-2, etc.).

Amendments

Amendments to Exhibit E require the written consent of all of the Responsible EIM Participants and approval of the Commission. Any amendment to this Exhibit E shall be reflected through a change in the Version History (e.g., 1.0, 2.0, etc.). Minor, non-substantive changes will be reflected in 1/10th increments to the Version History (e.g., 1.1, E-1.2, etc.). Individual Version Histories shall be provided for each specific service to Responsible EIM Participants.

Version History

VERSION	CHANGE	BY	DATE
1.0	Initial Version (New Exhibit to Second Amended and Restated Agreement); Service Schedule E-1 Added	Commission	01/27/2021
2.0	Service Schedule E-2 Added	Commission	Flex Ramp Product & Approach approved 02/23/2022; Schedule added 03/22/2022

EXHIBIT E

Service Schedule E-1

Additional Power Settlements Software Functionality

Description:

The EIM Participants listed in Table E-1 (Responsible EIM Participants), below, have requested and agreed to pay for additional software functionality from Power Settlements, inclusive of the “CAISO Shadow Settlements Module” and the “CAISO Allocations Module,” (Additional Modules), both of which constitute sub-modules to the primary “CAISO SettleCore Software,” licensed to SMUD and BANC. The Additional Modules, for which there are additional costs, are being provided solely to the two Responsible EIM Participants (Sub-Licensees) listed below, and all costs associated with these Additional Modules shall be their sole responsibility, all in accordance with the “Optional Extended Sublicense to the License and Software Services Agreement,” (Sublicense Agreement) effective September 1, 2020, attached as Appendix E-1 to this Agreement. Such costs and payments shall be in accordance with the cost and allocation schedule listed in Table 1 and Section 8.4 of this Agreement.

Table E-1

Responsible EIM Participant	Description	Cost	Payment Cycle
Modesto Irrigation District	Additional Modules, as set forth in the Description, above.	Year 1: \$50,000.00	Year 1: Within 30 Days of Execution of this Agreement.
City of Redding		Year 2 and subsequent Years, in accordance with Section 2a of the Sublicense Agreement (Appendix E-1).	Year 2 and subsequent years, within 30 days of an invoice from BANC in accordance with Section 8.5 of this Agreement.

Appendix E-1

Optional Extended Sublicense to the License and Software Services Agreement

Approval Draft

EXHIBIT E

Service Schedule E-2

BANC Flex Ramp Approach and Product

BANC Flex Ramp Sub BA Approach:

Under the alternative approach, BANC will determine Flex Ramp requirement and Flex Ramp capacity at the Sub-Balancing Authority (SBA) level, i.e., with the Sacramento Municipal Utility District (SMUD) as one SBA and Western Area Power Administration – Sierra Nevada Region (WAPA-SNR or WASN) as the other SBA. In this case, WASN SBA's Flex Ramp requirement and Flex Ramp capacity will be determined from its Constituent BANC EIM Participants' (City of Redding, City of Roseville, Modesto Irrigation District or MID, and WAPA-SNR, or collectively WASN Constituent BEPs) loads taken in aggregate and EIM resources ramp capacities taken in aggregate. Individually, each EIM Participant will make all reasonable efforts to supply adequate Flex Ramp capacity in every EIM market hour.

An SBA with a Flex Ramp requirement greater than its Flex Ramp capacity will be deemed to have purchased the shortfall capacity from the other SBA if the latter has excess Flex Ramp capacity. If each SBA has a Flex Ramp requirement greater than its Flex Ramp capacity, then both SBAs will be deemed to have failed the BANC Flex Ramp Test. If each SBA has a Flex Ramp requirement lesser than its Flex Ramp capacity, then both SBAs will be deemed to have passed the BANC Flex Ramp Test. In cases where both SBAs are deemed to have failed the BANC Flex Ramp Test and where both SBAs are deemed to have passed the BANC Flex Ramp Test then there shall be no assessment of a purchase and sale of Flex Ramp capacity between the SBAs nor between or among WASN Constituent BEPs. An SBA that is deemed to have purchased shortfall capacity from the other SBA can only be assessed a purchase of Flex Ramp capacity equivalent to the lower of the SBA's shortfall capacity MW and the other SBA's excess capacity MW.

EIM Participant (or BEP) Flex Ramp Capacity

BANC will take advantage of an CAISO CMRI System report to determine each EIM Participant's Flex Up/Down capacity MWs in each hour. The after the fact report presents each EIM Generator's Upward and Downward capacity for each 15-min interval of a given hour. The report can be found on the following path (CMRI System access required):

- CAISO Market Portal >> CMRI >> Real-Time [Tab] >> Resource Ramp Capacity [Report]

For each hour, each SBA's Flex Up/Down capacity will be determined from this report.

- The report presents Up and Down ramp capacities separately. BANC will calculate each EIM Participant's Flex Up and Down capacities separately – using the separately reported up/down ramp capacity values.
- BANC will use the T-40 (binding) report output for each hour.

- BANC will use the 4th 15-min interval's values. The report presents values for each 15-min interval of the target hour. The BANC RS Work Group agreed that the 4th interval would be an appropriate proxy for the hourly ramp capacity since it would be the capacity provided over the greatest period of time for the hour.
- BANC will sum the 4th interval ramp capacities across each of the EIM Participant's generators to determine each EIM Participant's Flex Up/Down capacity for the hour.

Therefore, the BANC EIM Flex Up/Down capacity calculations are:

$$BEP_FLX_UP_CAP_{HOURL, BEP} = \sum_{BEP's\ Gens} RAMP\ UP\ CAPACITY_{Interval\ 4}$$

$$BEP_FLX_DOWN_CAP_{HOURL, BEP} = \sum_{BEP's\ Gens} RAMP\ DOWN\ CAPACITY_{Interval\ 4}$$

Where:

$RAMP_UP_CAPACITY_{Interval\ 4}$ = An EIM PR Generator's Ramp Up Capacity from the ISO CMRI "Resource Ramp Capacity" Report.

$RAMP_DOWN_CAPACITY_{Interval\ 4}$ = An EIM PR Generator's Ramp DOWN Capacity from the ISO CMRI "Resource Ramp Capacity" Report.

NOTE: "BEP" = BANC EIM Participant; and "HOURL" is the target hour; "Interval 4" refers to the 4th 15-min interval.

And the SBA EIM Flex Up/Down capacity calculations are:

$$SBA_FLX_UP_CAP_{HOURL, SBA} = \sum_{SBA's\ BEPs} BEP_FLX_UP_CAP_{HOURL, BEP}$$

$$SBA_FLX_DOWN_CAP_{HOURL, SBA} = \sum_{SBA's\ BEPs} BEP_FLX_DOWN_CAP_{HOURL, BEP}$$

Where:

$BEP_FLX_UP_CAP_{HOURL, BEP}$ = The calculated Flex Ramp Up Capacity for the BEP for the hour.

$BEP_FLX_DOWN_CAP_{HOURL, BEP}$ = The calculated Flex Ramp Down Capacity for the BEP for the hour.

NOTE: "SBA" = either SMUD or WASN. SMUD's BEP is itself; and WASN's BEPs are City of Redding, City of Roseville, MID, and WAPA.

SBA Flex Ramp Requirement

After the CAISO's T-40 minutes RS Flex Ramp Up/Down Test is executed, the CAISO publishes the binding BANC Flex Up/Down Requirement MWs in the CMRI Report: Flexible Ramp Requirements Inputs. The BANC seeks to use those BANC Flex Ramp Up/Down

Requirement values as inputs for determining each EIM Participant’s Flex Ramp Up/Down Requirement MWs in a look-back report process.

In an after the fact calculation, BANC will create a ratio for each EIM Participant of its EIM Load Forecast over the sum of all EIM Participant’s Load Forecasts. Thus, each EIM Participant will have a ratio which can be applied to the CAISO’s Flex Ramp Up/Down Requirement for the BANC/EIM Entity BAA to determine each EIM Participant’s Requirement.

To calculate each SBA’s Flex Up/Down Requirement MW:

1. Calculate each EIM Participant’s Hourly EIM Flex Ramp requirement load forecast ratio as:

$$\frac{BEP_FLX_REQ_RATIO_{HOUR, BEP}}{BANC_LOAD_FORECAST_{HOUR}} = \frac{BEP_LOAD_FORECAST_{HOUR, BEP}}{BANC_LOAD_FORECAST_{HOUR}}$$

Where:

BEP_LOAD_FORECAST_{HOUR, BEP} = The BEP’s ISO EIM Load Forecast which is in effect at T-40.

$$BANC_LOAD_FORECAST_{HOUR} = \text{SUM} [BEP_LOAD_FORECAST_{HOUR, BEP}]$$

NOTE: “BEP” = BANC EIM PARTICIPANT; and “HOUR” is the target hour.

2. Use each EIM Participant’s Hourly EIM Flex Ramp requirement load forecast ratio to allocate the CAISO’s total BANC Flex Up and Flex Down Requirement MWs for each hour.

$$\frac{BEP_FLX_UP_REQ_{HOUR, BEP}}{BANC_FLX_UP_REQ_{HOUR}} = \frac{BEP_FLX_REQ_RATIO_{HOUR, BEP}}{BANC_LOAD_FORECAST_{HOUR}} * BANC_FLX_UP_REQ_{HOUR}$$

$$\frac{BEP_FLX_DOWN_REQ_{HOUR, BEP}}{BANC_FLX_DOWN_REQ_{HOUR}} = \frac{BEP_FLX_REQ_RATIO_{HOUR, BEP}}{BANC_LOAD_FORECAST_{HOUR}} * BANC_FLX_DOWN_REQ_{HOUR}$$

Where:

BANC_FLX_UP_REQ_{HOUR} = The ISO’s BANC EIM Flex Ramp Up Requirement for hour at T-40 test as reported in the ISO CMRI Report: Flexible Ramp Requirements Inputs.

BANC_FLX_DOWN_REQ_{HOUR} = The ISO’s BANC EIM Flex Ramp Down Requirement for hour at T-40 test as reported in the ISO CMRI Report: Flexible Ramp Requirements Inputs.

3. Use each EIM Participant’s Flex Up and Flex Down Requirement MWs to calculate the SBA’s total Flex Up and Flex Down Requirement MWs for each hour.

$$SBA_FLX_UP_REQ_{HOUR, SBA} = \sum_{SBA's\ BEPs} BEP_FLX_UP_REQ_{HOUR, BEP}$$

$$SBA_FLX_DOWN_REQ_{HOUR, SBA} = \sum_{SBA's\ BEPs} BEP_FLX_DOWN_REQ_{HOUR, BEP}$$

Where:

$BEP_FLX_UP_REQ_{HOUR, BEP}$ = The calculated Flex Ramp Up Requirement MW for the BEP for the hour.

$BEP_FLX_DOWN_REQ_{HOUR, BEP}$ = The calculated Flex Ramp Down Requirement MW for the BEP for the hour.

NOTE: "SBA" = either SMUD or WASN. SMUD's BEP is itself; and WASN's BEP's are City of Redding, City of Roseville, MID, and WAPA.

After the fact SBA Flex Ramp Supplier(s)

In each hour, an SBA with excess Flex Ramp capacity will be deemed a BANC Flex Ramp "supplier" (Supplier) for the hour. After the fact, when there is an SBA shown to be deficient Flex Ramp capacity, then the SBA that is regarded as a BANC Flex Ramp supplier will be deemed to have sold a portion of their excess to the deficient SBA.

An SBA's Flex Ramp capacity excess and shortfall shall be calculated as follows:

$$SBA_FLX_UP_EXCESS_{HOUR, SBA} = \max[(SBA_FLX_UP_CAP_{HOUR, SBA} - SBA_FLX_UP_REQ_{HOUR, SBA}), 0]$$

$$SBA_FLX_UP_SHORTFALL_{HOUR, SBA} = \min[(SBA_FLX_UP_CAP_{HOUR, SBA} - SBA_FLX_UP_REQ_{HOUR, SBA}), 0]$$

$$SBA_FLX_DOWN_EXCESS_{HOUR, SBA} = \max[(SBA_FLX_DOWN_CAP_{HOUR, SBA} - SBA_FLX_DOWN_REQ_{HOUR, SBA}), 0]$$

$$SBA_FLX_DOWN_SHORTFALL_{HOUR, SBA} = \min[(SBA_FLX_DOWN_CAP_{HOUR, SBA} - SBA_FLX_DOWN_REQ_{HOUR, SBA}), 0]$$

Flex Ramp Up capacity purchase and sale MWs shall be calculated as follows:

$$SBA_FLX_UP_PURCHASE_{HOUR, SMUD} = - \min[\text{abs}(SBA_FLX_UP_SHORTFALL_{HOUR, SMUD}), SBA_FLX_UP_EXCESS_{HOUR, WASN}]$$

$$SBA_FLX_UP_SALE_{HOUR, WASN} = \min[\text{abs}(SBA_FLX_UP_SHORTFALL_{HOUR, SMUD}), SBA_FLX_UP_EXCESS_{HOUR, WASN}]$$

$$SBA_FLX_UP_PURCHASE_{HOUR, WASN} = - \min[\text{abs}(SBA_FLX_UP_SHORTFALL_{HOUR, WASN}), SBA_FLX_UP_EXCESS_{HOUR, SMUD}]$$

$$SBA_FLX_UP_SALE_{HOUR, SMUD} = \min[\text{abs}(SBA_FLX_UP_SHORTFALL_{HOUR, WASN}), SBA_FLX_UP_EXCESS_{HOUR, SMUD}]$$

Flex Ramp Down capacity purchase and sale MWs shall be calculated as follows:

$$SBA_FLX_DOWN_PURCHASE_{HOUR, SMUD} = - \min[\text{abs}(SBA_FLX_DOWN_SHORTFALL_{HOUR, SMUD}), SBA_FLX_DOWN_EXCESS_{HOUR, WASN}]$$

$$SBA_FLX_DOWN_SALE_{HOUR, WASN} = \min[\text{abs}(SBA_FLX_DOWN_SHORTFALL_{HOUR, SMUD}), SBA_FLX_DOWN_EXCESS_{HOUR, WASN}]$$

$$SBA_FLX_DOWN_PURCHASE_{HOUR, WASN} = - \min[\text{abs}(SBA_FLX_DOWN_SHORTFALL_{HOUR, WASN}), SBA_FLX_DOWN_EXCESS_{HOUR, SMUD}]$$

$$SBA_FLX_DOWN_SALE_{HOUR, SMUD} = \min[\text{abs}(SBA_FLX_DOWN_SHORTFALL_{HOUR, WASN}), SBA_FLX_DOWN_EXCESS_{HOUR, SMUD}]$$

If both SBAs have excess Flex Ramp capacity for the hour, then there shall be no sale of Flex Ramp capacity by either SBA. If both SBAs have deficient Flex Ramp capacity for the hour, then there shall be no purchase of Flex Ramp capacity by either SBA.

BANC Flex Ramp Settlement Price

The price at which a SBA's excess Flex Ramp capacity, as a Supplier, is deemed to be sold to the other SBA which is short will be set by the following CAISO published price indices¹:

- Flex Up Capacity Price = CAISO Day Ahead Hourly Reg Up Price for AS Region
"AS_NP26_EXP" + CAISO Day Ahead Hourly Reg Up Price for AS Region
"AS_CAISO_EXP"

¹ The CAISO published price indices are the Day-Ahead "AS Clearing Prices" as published on the CAISO's public OASIS website.

- Flex Down Capacity Price = CAISO Day Ahead Hourly Reg Down Price for AS Region “AS_NP26_EXP” + CAISO Day Ahead Hourly Reg Down Price for AS Region “AS_CAISO_EXP”

CAISO Market Portal >> OASIS >> Prices [Tab] >> Ancillary Services Prices [Submenu Item] >> AS Clearing Prices [Report]

The EIM Participants will apply a price floor and a price ceiling to the published ISO prices in order to remove some extreme results:

- Price Floor: The price used for BANC Flex Ramp settlement will not fall below \$1.00/MW. If the published price for a test interval is less than \$1.00/MW, EIM Participants will substitute a fixed \$1.00/MW price.
- Price Ceiling: The price used for BANC Flex Ramp settlement will not be greater than \$250.00/MW. If the published price for a test interval is greater than \$250.00/MW, EIM Participants will substitute a fixed \$250.00/MW price.

$$FLX_UP_SETTLEMENT_PRC_{HOUR} = \min(\max(DA_RU_PRC_{HOUR}, PRC_FLOOR), PRC_CEILING)$$

$$FLX_DOWN_SETTLEMENT_PRC_{HOUR} = \min(\max(DA_RD_PRC_{HOUR}, PRC_FLOOR), PRC_CEILING)$$

Where:

$DA_RU_PRC_{HOUR}$ = CAISO Day Ahead Hourly Reg Up Price for AS Region “AS_NP26_EXP” + CAISO Day Ahead Hourly Reg Up Price for AS Region “AS_CAISO_EXP”

$DA_RD_PRC_{HOUR}$ = CAISO Day Ahead Hourly Reg Down Price for AS Region “AS_NP26_EXP” + CAISO Day Ahead Hourly Reg Down Price for AS Region “AS_CAISO_EXP”

PRC_FLOOR = Price Floor = \$1.00/MW

$PRC_CEILING$ = Price Ceiling = \$250.00/MW

WASN SBA Sub-Allocation

When WASN sells Flex Ramp capacity, the revenue for the sale shall be allocated to WASN Constituent BEPs that have Flex Ramp capacity excess, i.e., the BEP’s resources total ramp capacity is greater than the BEP’s Flex Ramp requirement. When WASN purchases Flex Ramp capacity, the charge for the purchase shall be allocated to WASN Constituent BEPs that have Flex Ramp capacity shortfall, i.e., the BEP’s resources total ramp capacity is less than the BEP’s Flex Ramp requirement.

The SBA's Flex Ramp capacity sale MW is allocated pro-rata based on the BEP's Flex Ramp capacity excess. The SBA's Flex Ramp capacity purchase MW is allocated pro-rata based on the BEP's Flex Ramp capacity shortfall.

1. The Flex Ramp capacity excess and shortfall of each BANC Participant under either SBA shall be calculated as follows:

$$BEP_FLX_UP_EXCESS_{HOUR, BEP} = \max[(BEP_FLX_UP_CAP_{HOUR, BEP} - BEP_FLX_UP_REQ_{HOUR, BEP}), 0]$$

$$BEP_FLX_UP_SHORTFALL_{HOUR, BEP} = \min[(BEP_FLX_UP_CAP_{HOUR, BEP} - BEP_FLX_UP_REQ_{HOUR, BEP}), 0]$$

$$BEP_FLX_DOWN_EXCESS_{HOUR, BEP} = \max[(BEP_FLX_DOWN_CAP_{HOUR, BEP} - BEP_FLX_DOWN_REQ_{HOUR, BEP}), 0]$$

$$BEP_FLX_DOWN_SHORTFALL_{HOUR, BEP} = \min[(BEP_FLX_DOWN_CAP_{HOUR, BEP} - BEP_FLX_DOWN_REQ_{HOUR, BEP}), 0]$$

2. The total gross SBA Flex Ramp capacity excess and total gross SBA Flex Ramp capacity shortfall are needed for the calculation of ratio shares for each WASN Constituent BEP for their share of the sale or purchase of Flex Ramp capacity.

$$SBA_FLX_UP_EXCESS_GROSS_TOTAL_{HOUR, SBA} = \sum_{SBA's\ BEP's} BEP_FLX_UP_EXCESS_{HOUR, BEP}$$

$$SBA_FLX_DOWN_EXCESS_GROSS_TOTAL_{HOUR, SBA} = \sum_{SBA's\ BEP's} BEP_FLX_DOWN_EXCESS_{HOUR, BEP}$$

$$SBA_FLX_UP_SHORTFALL_GROSS_TOTAL_{HOUR, SBA} = \sum_{SBA's\ BEP's} BEP_FLX_UP_SHORTFALL_{HOUR, BEP}$$

$$SBA_FLX_DOWN_SHORTFALL_GROSS_TOTAL_{HOUR, SBA} = \sum_{SBA's\ BEP's} BEP_FLX_DOWN_SHORTFALL_{HOUR, BEP}$$

3. Each EIM Participant's ratio share of the SBA's total gross Flex Ramp capacity excess and total gross Flex Ramp capacity shortfall are calculated as follows:

$$BEP_FLX_UP_EXCESS_RATIO_{HOUR, BEP} = BEP_FLX_UP_EXCESS_{HOUR, BEP} / SBA_FLX_UP_EXCESS_GROSS_TOTAL_{HOUR, SBA}$$

$$BEP_FLX_DOWN_EXCESS_RATIO_{HOUR, BEP} = \frac{BEP_FLX_DOWN_EXCESS_{HOUR, BEP}}{SBA_FLX_DOWN_EXCESS_GROSS_TOTAL_{HOUR, SBA}}$$

$$BEP_FLX_UP_SHORTFALL_RATIO_{HOUR, BEP} = \frac{BEP_FLX_UP_SHORTFALL_{HOUR, BEP}}{SBA_FLX_UP_SHORTFALL_GROSS_TOTAL_{HOUR, SBA}}$$

$$BEP_FLX_DOWN_SHORTFALL_RATIO_{HOUR, BEP} = \frac{BEP_FLX_DOWN_SHORTFALL_{HOUR, BEP}}{SBA_FLX_DOWN_SHORTFALL_GROSS_TOTAL_{HOUR, SBA}}$$

Note: The ratios are zero if the total gross SBA Flex Ramp capacity excess is equal to zero or if the total gross SBA Flex Ramp capacity shortfall is equal to zero.

4. Each EIM Participant's share of the SBA's sale of Flex Ramp capacity and the SBA's purchase of Flex Ramp capacity are calculated as follows:

$$BEP_FLX_UP_SALE_{HOUR, BEP} = BEP_FLX_UP_EXCESS_RATIO_{HOUR, BEP} * SBA_FLX_UP_SALE_{HOUR, SBA}$$

$$BEP_FLX_DOWN_SALE_{HOUR, BEP} = BEP_FLX_DOWN_EXCESS_RATIO_{HOUR, BEP} * SBA_FLX_DOWN_SALE_{HOUR, SBA}$$

$$BEP_FLX_UP_PURCHASE_{HOUR, BEP} = BEP_FLX_UP_SHORTFALL_RATIO_{HOUR, BEP} * SBA_FLX_UP_PURCHASE_{HOUR, SBA}$$

$$BEP_FLX_DOWN_PURCHASE_{HOUR, BEP} = BEP_FLX_DOWN_SHORTFALL_RATIO_{HOUR, BEP} * SBA_FLX_DOWN_PURCHASE_{HOUR, SBA}$$

NOTE: "SBA" = either SMUD or WASN. SMUD's BEP is itself; and WASN's BEP's are City of Redding, City of Roseville, MID, and WAPA

The settlement price of the BEP's share of the SBA's sale or purchase of Flex Ramp capacity is the same as the price at which Flex Ramp capacity is sold between the SBAs. This price is determined as described in "BANC Flex Ramp Settlement Price."

The foregoing is consistent with WAPA's Rate Schedule CV-SSP2 (SCHEDULE OF RATE FOR SALE OF SURPLUS PRODUCTS) Component 3, which will be applicable for the allocation of charges or credits that is assessed to the WASN SBA under this BANC Flex

Ramp settlement. The allocation process is consistent with Component 3 (language below) requirement to pass charges or credits through directly to the relevant customers in the same manner WAPA-SN is charged or credited to the extent possible.

Component 3: Any charges or credits from the Host Balancing Authority (HBA) applied to WAPA-SN for providing this service will be passed through directly to the relevant customer in the same manner WAPA-SN is charged or credited to the extent possible. If the HBA's costs or credits cannot be passed through to the relevant customer in the same manner WAPA-SN is charged or credited, the charges or credits will be passed through using Component 1 of the formula rate.²

BANC Flex Ramp Test – Exceptional Circumstances:

Several specific circumstance may arise in the CAISO's Flex Ramp data or market execution which require special treatment by the BANC EIM Entity when calculating each EIM Participant's Flex Ramp results:

- EIM Market Failure or other CAISO driven data issues: In rare instances, the EIM Market may fail to find a feasible solution, or other CAISO data issues may result in the CAISO's Flex Ramp capacity or Load Forecast data to be unavailable or unrepresentative of the interval's actual results. In these cases, BANC EIM Entity will deem all EIM Participants or SBAs to have 'passed' the BANC Flex Ramp Test; and all EIM Participants or SBAs will have zero MW excess Flex Ramp capacity.
- EIM Participant or SBA excess Flex Ramp capacity is less than shortfall Flex Ramp capacity: In rare cases, the total excess Flex Ramp capacity MWs held by Suppliers may be less than the total shortfall Flex Ramp capacity MWs. In these cases, the deemed sale of excess capacity will be capped at the total excess Flex Ramp capacity. No EIM Participant or SBA "Supplier" will be deemed to have supplied more Flex Ramp capacity than the excess they have for that interval.

BANC Will Not Support Settlement of Pre-Purchase of BANC Flex Ramp Capacity

BANC has decided it will not formally support the Settlement of pre-purchased Flex Ramp capacity. This does not preclude the EIM Participants from developing a bilaterally settled BANC Flex Ramp capacity product. BANC recognizes that the complexity and cost of tracking and settling pre-purchased BANC Flex Ramp capacity will be greater than the benefit of providing this service.

Invoice Process

The Invoice Process is fully described in Section 2.3 (Invoice Process) of the BANC EIM Settlement Allocations Manual (Attachment A to the BANC EIM Business Practices). The following steps apply to only to settlement of this product.

² NOTE: For purposes of the BANC Flex Ramp Product, charges or credits to the relevant EIM participating WAPA customer will be invoiced by BANC Settlements as noted in the "Invoicing Process" section of this document.

1. BANC Settlements will calculate BANC Flex Ramp settlement for the previous month based on data from the Monthly Flex Ramp report published to the Accellion site.
2. BANC Settlements will post the monthly calculation spreadsheet to the Accellion site when completed.
3. The BANC Flex Ramp Product monthly settlement will be added as a line item to each EIM Participant Monthly Invoice Summary.
4. Participants will be able to download the monthly calculation spreadsheet (Excel file) from the Accellion site as back up for the BANC Flex Ramp charge/credit.

Approval Draft

EXHIBIT F: BANC Phase 2 EIM Entity Agreement

Approval Draft