

OP BUSINESS LINE: HYDROPOWER

FEDERAL HYDROPOWER STRATEGIC WORKSHOP

USACE NATIONAL COMPLIANCE PROGRAM OVERVIEW

May 14, 2008

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South Atlantic Division, Mobile District
U.S. Army Corps of Engineers



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COMPLIANCE OVERVIEW

- **Bulk Electric System Compliance Organization**

- Level 1 – Federal Energy Regulatory Commission (FERC)

- Level 2 – North American Electric Reliability Corporation (NERC)

- Level 3 – Regional Reliability Organization (RRO)

- Level 4 – Responsible Entities (user, owner, operators)

- **USACE – National Compliance Program Overview**

- ASA(CW) vs. FERC

- Corps Compliance Program Development



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BULK ELECTRIC SYSTEM COMPLIANCE OVERVIEW

(Level 1 and Level 2)

- August 8, 2005 - U.S. Energy Policy Act of 2005
 - Congress granted FERC authority to establish, approve and enforce mandatory reliability standards governing the users, owners and operators of the Bulk Power System
 - Congress granted FERC authority to approve and levy sanctions and penalties for non-compliance with approved Bulk Electric System reliability standards
- July 20, 2006 - FERC certified NERC as the self-regulatory “Electric Reliability Organization” for the United States. (develop standards, monitoring compliance and enforcing compliance)
- March 16, - 2007 - FERC Approved the first set of legally enforceable standards. These standards became effective on **June 18, 2007**.
- April 19, 2007 - FERC and NERC established eight Regional Entities or Regional Reliability Organizations to monitor and enforce compliance.



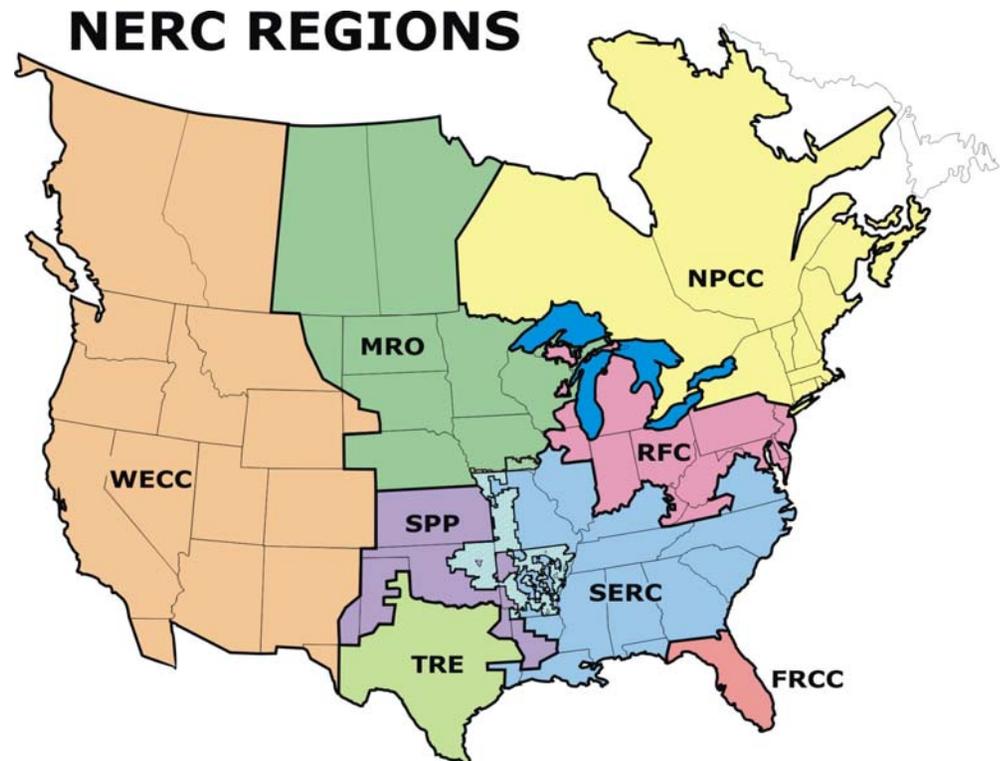
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NERC / RRO REGIONS (Level 3)

- **FRCC** – Florida Reliability Coordinating Council
- **MRO** - Midwest Reliability Organization
- **NPCC** – Northeast Power Coordinating Council
- **RFC** – Reliability *First* Corporation
- **SERC** – SERC Reliability Corporation
- **SPP** – Southwest Power Pool, Inc.
- **TRE** – Texas Regional Entity
- **WECC** – Western Electricity Coordinating Council



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RRO COMPLIANCE AUTHORITY

(Level 3)

MONITORING

- Compliance Audit
- Entity Self-Certification
- Spot Check
- Investigation
- Entity Self Reporting
- Periodic Data Submittal
- Exception Reporting
- Complaint from Neighbor

ENFORCEMENT

- Register Entities with NERC (Voluntary and Involuntarily)
- Alleges Reliability Standard Violations
- Proposes Sanctions and Penalties
- Cross-Regional Consistency
- Anonymously Communicate Lessons Learned
- Public Posting of FERC Approved Fines and Sanctions



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NERC FUNCTIONAL MODEL

(Level 4)

FUNCTION NAME

- Balancing
- Compliance Enforcement
- Distribution
- **Generator Operations**
- **Generator Ownership**
- Interchange
- Load-Serving
- Market Operations
- Operating Reliability
- Purchasing-Selling
- Reliability Assurance
- Resource Planning
- Standards Development
- **Transmission Operations**
- **Transmission Ownership**
- Transmission Planning
- Transmission Service

RESPONSIBLE ENTITY

- Balancing Authority (BA)
- Compliance Enforcement Authority (CEA)
- Distribution Provider (DP)
- **Generator Operator (GOP)**
- **Generator Owner (GO)**
- Interchange Authority (IA)
- Load-Serving Entity (LSE)
- Market Operator (Resource Integrator)
- Reliability Coordinator (RC)
- Purchasing-Selling Entity (PSE)
- Reliability Assurer (RA)
- Resource Planner (RP)
- Standards Developer (SD)
- **Transmission Operator (TOP)**
- **Transmission Owner (TO)**
- Transmission Planner (TP)
- Transmission Service Provider (TSP)



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USACE COMPLIANCE PROGRAM OVERVIEW

ASA(CW) vs. FERC

- March 2007 - USACE Districts with hydropower were involuntarily registered by their respective RRO as Generator Owner and Operator and Transmission Owner.
- May 11, 2007 - ASA (CW) sent letter to FERC explaining USACE position on compliance.
 - Corps is NOT a user, owner, operator of the Bulk Power System
 - Corps is NOT subject to fines and penalties because the Energy Policy Act of 2005 does NOT include an explicit waiver of sovereign immunity.
 - The Corps would voluntarily comply subject to the availability of resources
- June 19, 2007 – HQUSACE Directorate of Civil Works, Memorandum for Chief, Operations Division, Subject: Guidance on Voluntary Compliance with NERC Reliability Standards. (Echoed ASA(CW) letter to FERC)
- August 13, 2007 – FERC Response to ASA(CW) letter of 11 MAY 2008.
 - Corps must comply with applicable Reliability Standards.
 - No position taken on Corps being subject to fines and penalties



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USACE COMPLIANCE PROGRAM DEVELOPMENT

- May 23, 2007 – HQUSACE Hydropower BLM established a Corporate Reliability Compliance Product Delivery Team (CRC-PDT) to address USACE compliance.
- June 20, 2007 – USACE CRC-PDT conducted a project kickoff meeting.
- September 20, 2007 – 75% Draft submitted to CoP for Field Review.
- December 20, 2007 – 95% Draft submitted to CoP for Field Review on.
- February 1, 2008 – PDT submitted **Army Corps of Engineers Compliance Monitoring and Enforcement (ACE-CME)** program documents to HQUSACE for final field review, approval and implementation.
 - Engineering Regulation (ER-1130-2-551)
 - Engineering Pamphlet (EP-1130-2-551)
 - Draft Implementation Plan



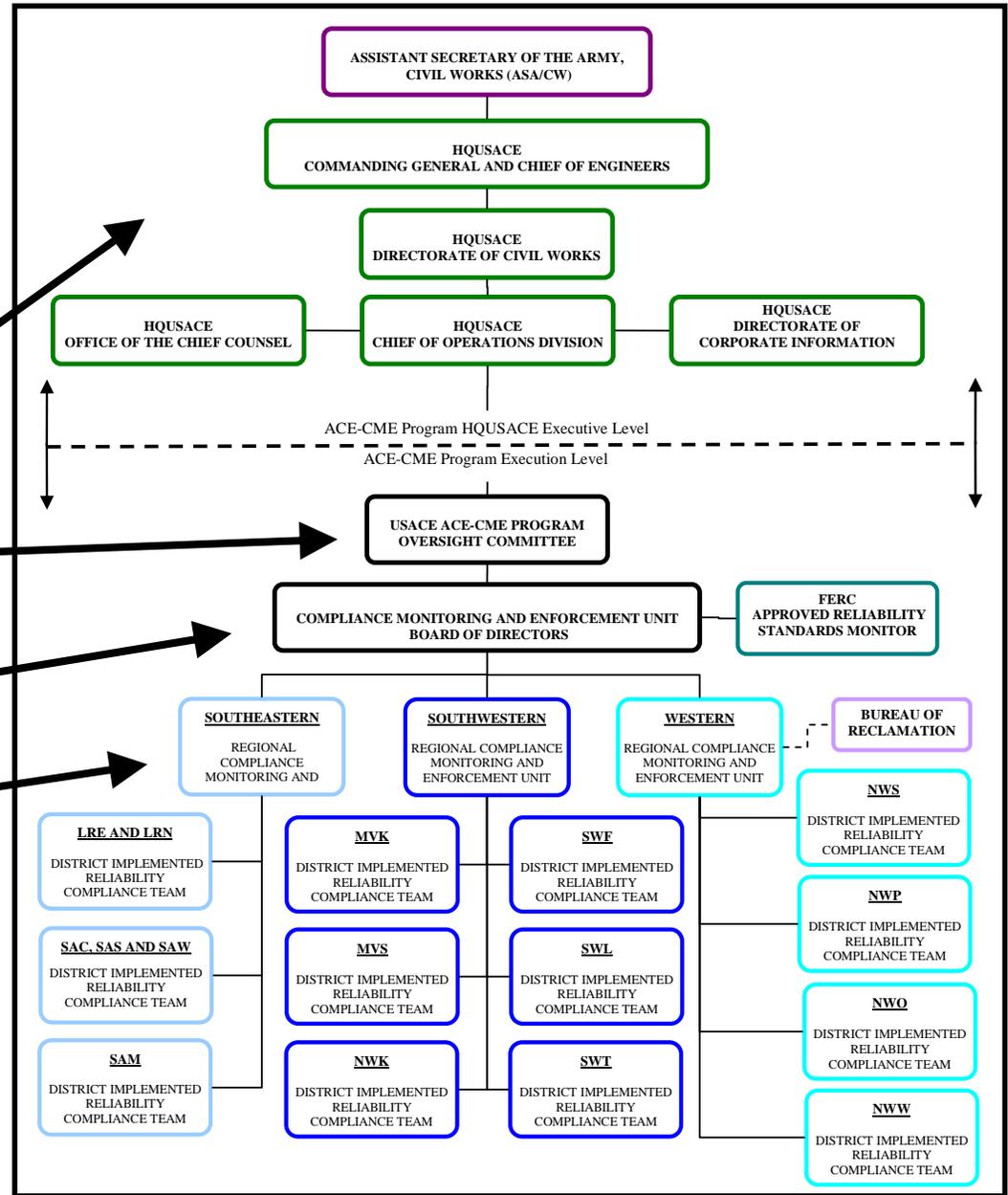
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ACE-CME PROGRAM ORGANIZATION CHART

- Level 1 – HQUSACE Executive
- Level 2 – Oversight Committee
- Level 3 – Board of Directors
- Level 4 – RCMEU
- Level 5 – DIRECT



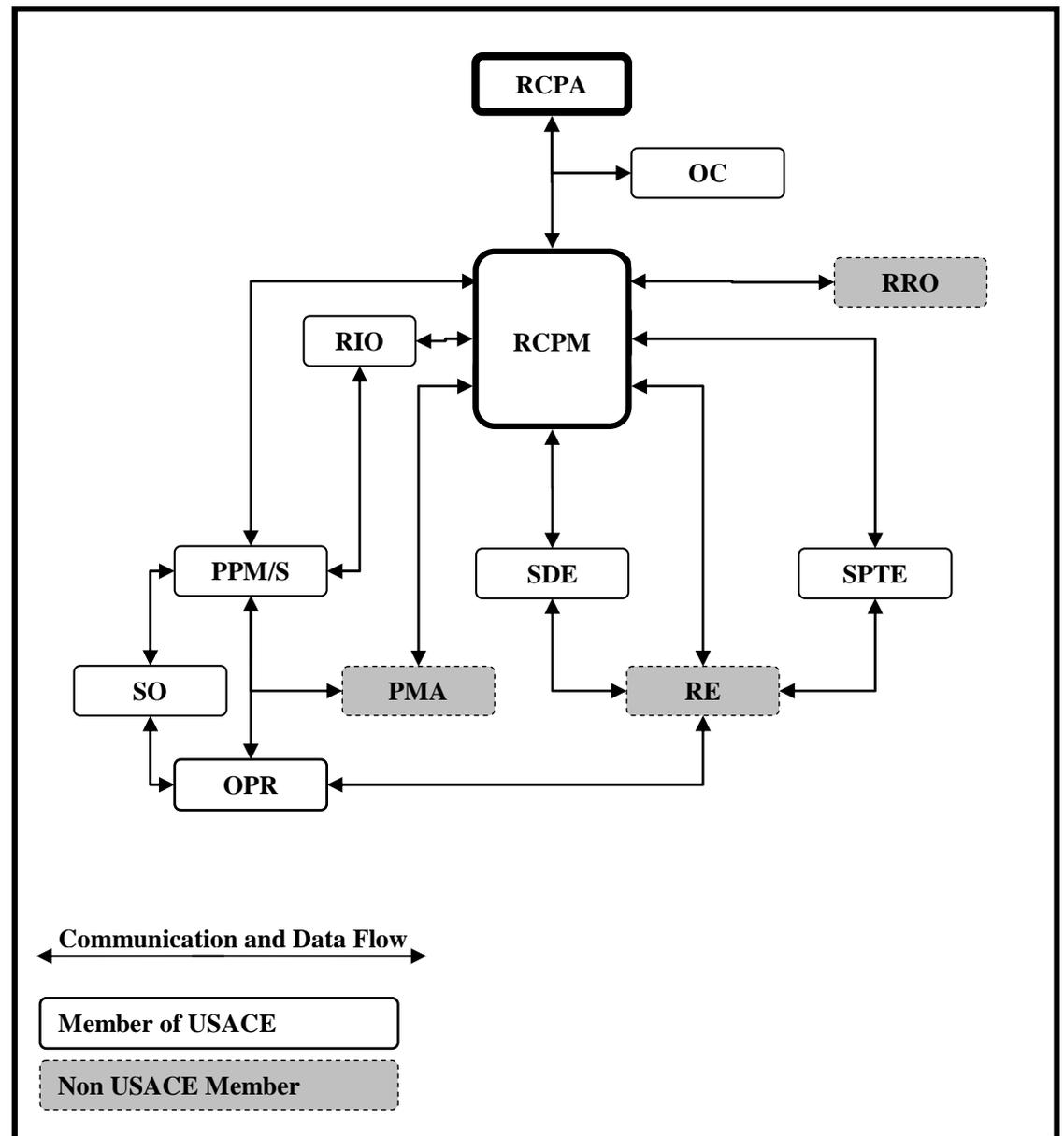
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DISTRICT IMPLEMENTED RELIABILITY COMPLIANCE TEAM (DIRECT) (Level 5)

- RCPA – Reliability Compliance Program Administrator (District Engineer)
- RCPM – Reliability Compliance Program Manager (Appointed by District Engineer)
- CRC-PDT has developed a suggested list of RCPM's



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DISTRICT IMPLEMENTED RELIABILITY COMPLIANCE TEAM (DIRECT) (Level 5)

- Authority of RCPA
 - Sign compliance program documents that require Executive Signature.
 - Appoint a Reliability Compliance Program Manager (RCPM).
 - Allocate necessary resources, to the extent resources are available, to ensure compliance.
 - Monitor activities regarding compliance issues.
 - Sign self certification letters and documents
 - Sign non-compliance mitigation plans
 - Sign delegation agreements with PMA, BA, RC, etc.



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DISTRICT IMPLEMENTED RELIABILITY COMPLIANCE TEAM (DIRECT) (Level 5)

- Authority of RCPM and DIRECT
 - Communication with RCPA, RRO, PMAs, project, RCMEU, etc.,
 - Develop mitigation plans
 - File mitigation plans with RRO
 - Report mitigation plan status to RRO and District
 - Monitor district compliance
 - Perform internal districts audits
 - Point of contact for RRO audits
 - Point of contact with other Registered Entities
 - Assist in developing district compliance policies and procedures
 - Develop delegation agreements with PMA, BA, RC, etc.



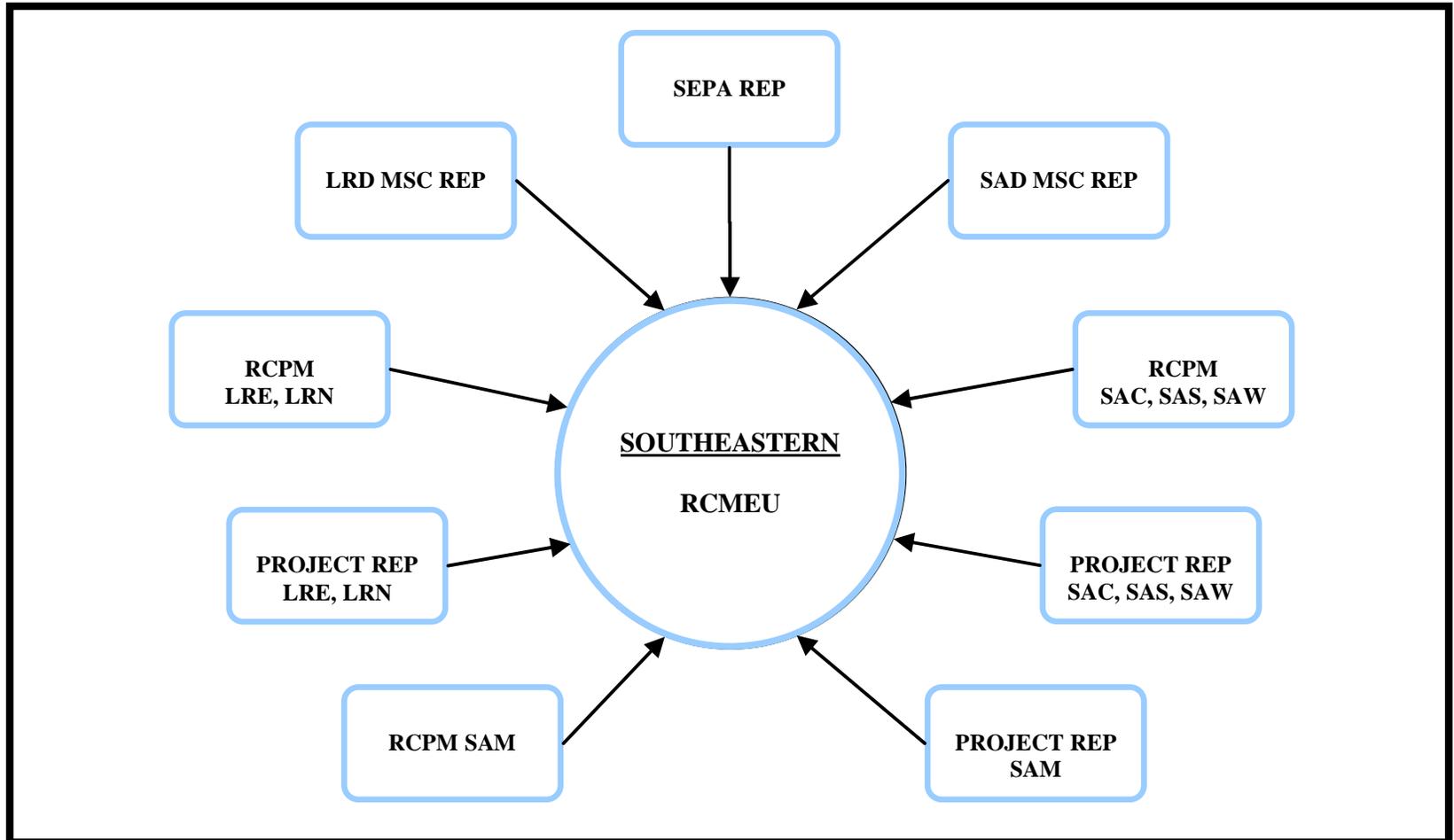
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REGIONAL COMPLIANCE MONITORING AND ENFORCEMENT UNIT

(Level 4)



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REGIONAL COMPLIANCE MONITORING AND ENFORCEMENT UNIT

(Level 4)

- Complete annual regional compliance status report
- Monitor compliance processes and procedures for consistency within the region.
- Schedule and conduct district compliance audits and compliance spot checks.
- Support the CMEU Board of Directors.
- Develop a unified regional ACE-CME plan for MSC and Districts
- Assist RCPMs and Districts in developing compliance policies and procedures
- Monitor and track percent operational and auditable compliance for region.
- Review Reliability Standards for applicability

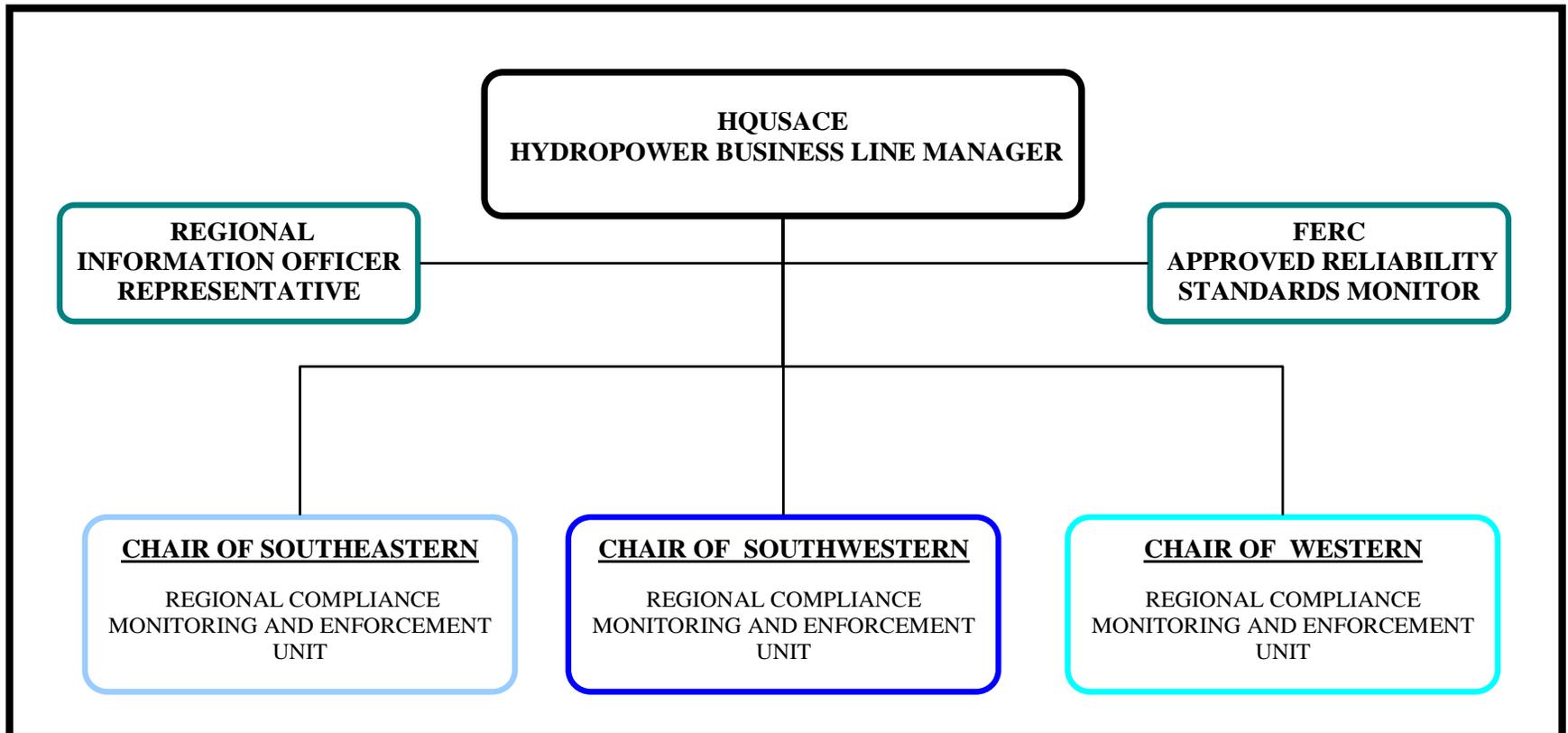


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COMPLIANCE MONITORING AND ENFORCEMENT UNIT BOARD OF DIRECTORS (Level 3)



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COMPLIANCE MONITORING AND ENFORCEMENT UNIT BOARD OF DIRECTORS (Level 3)

- Monitor compliance processes and procedures for consistency across regions
- Schedule and conduct interregional compliance audits and spot checks
- Provide support and data to ACE-CME Program Oversight Committee
- Monitor and provide internal compliance communication systems that provide updates and revisions of the applicable Reliability Standards and regulations to management and staff
- Monitor changes in the USACE business operations, policies, procedures, products, and/or services that affect compliance.
- Review annual regional compliance status reports and submit to the Compliance Oversight Committee on or before 1 DEC of each year.

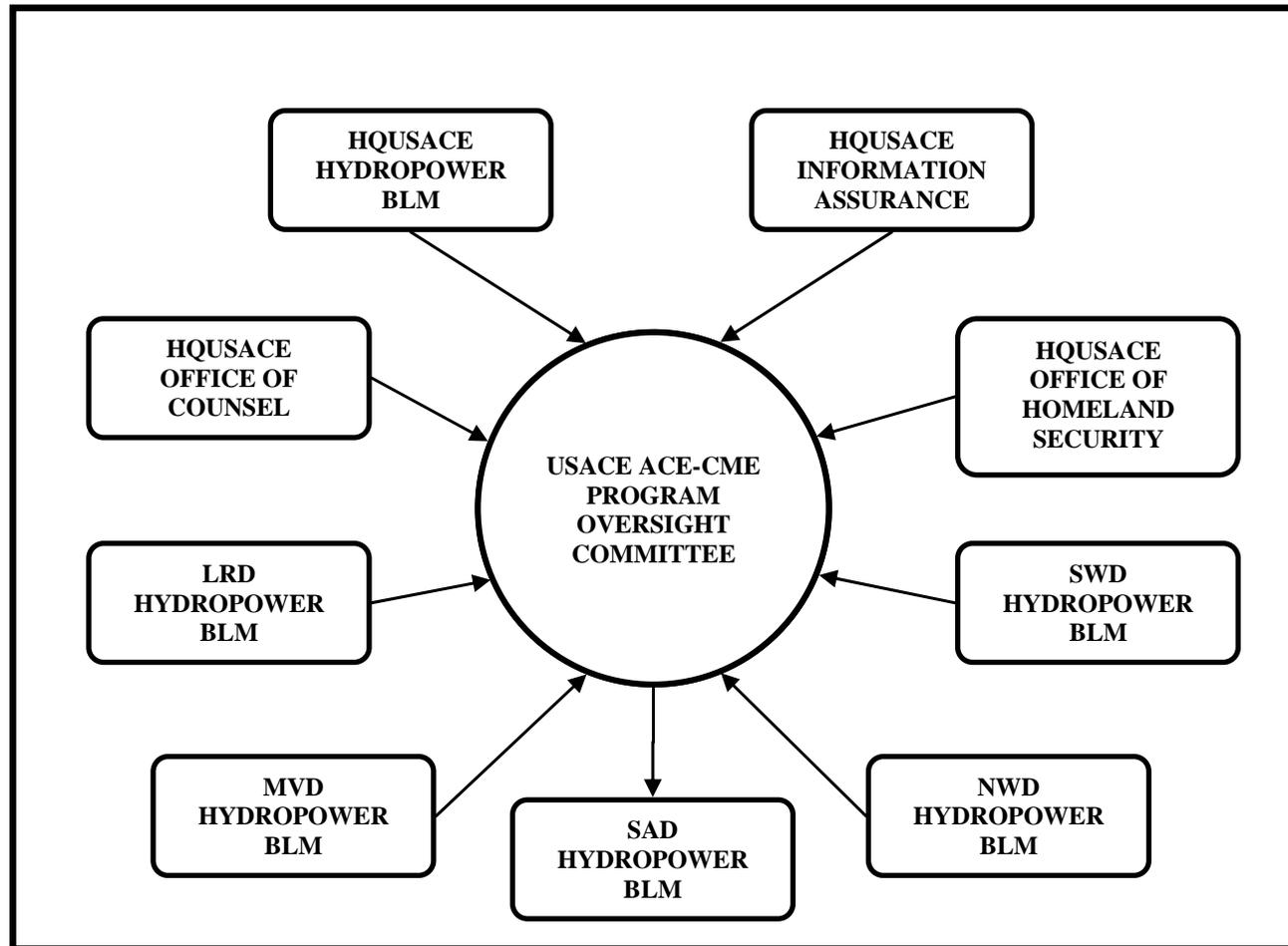


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COMPLIANCE OVERSIGHT COMMITTEE (Level 2)



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COMPLIANCE OVERSIGHT COMMITTEE

(Level 2)

- Oversee USACE corporate ACE-CME Program
- Review and recommend USACE policies and criteria for supporting compliance
- Review the methods and execution of compliance funding and budgeting
- Assist the HQUSACE in providing OMB with compliance budget information
- Review the ongoing assessment, evaluation, and overall level of USACE compliance.
- Report compliance findings and recommendations to the USACE Hydropower CoP
- Submit annual summary of compliance reports to HQUSACE Chief of Operations



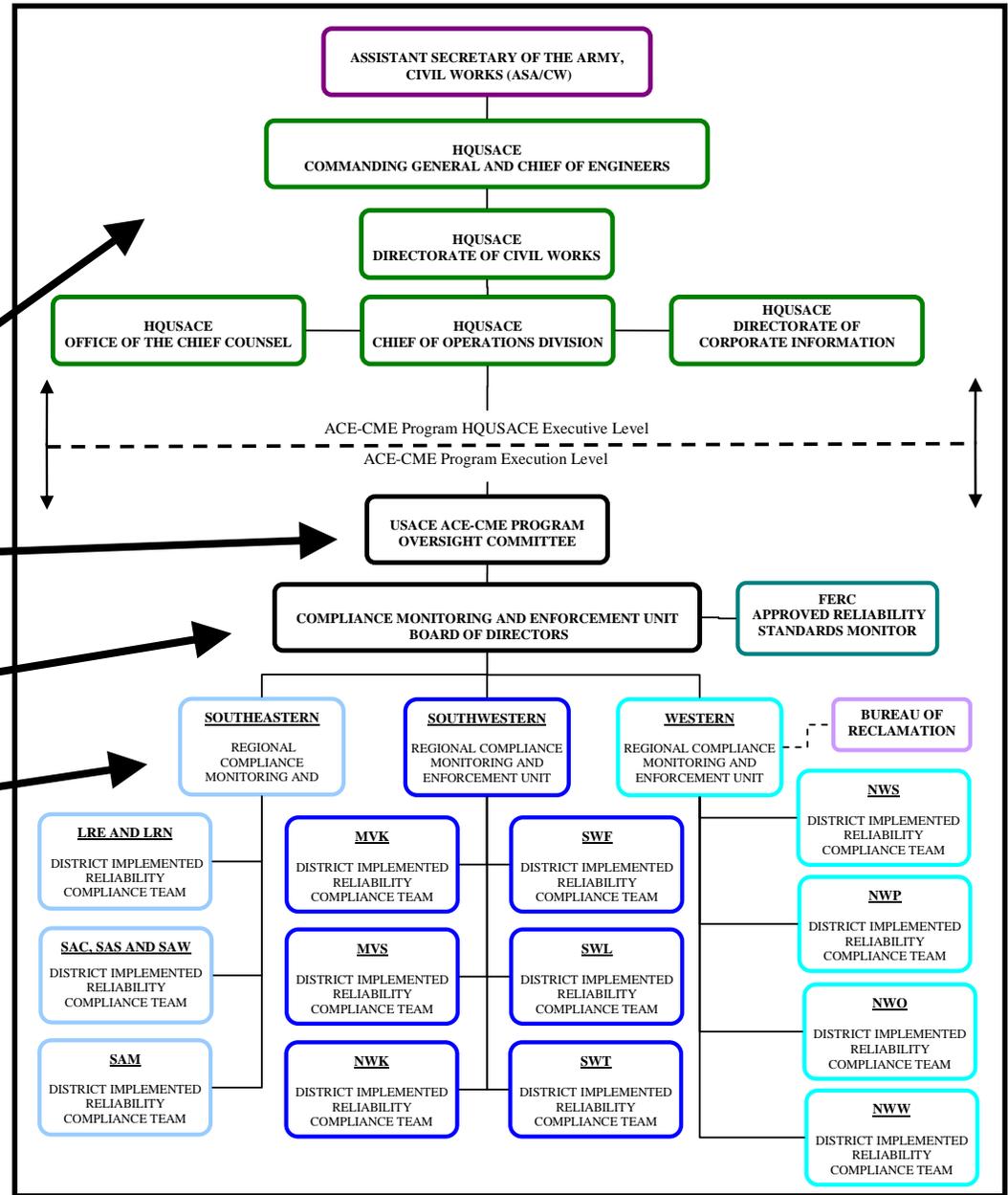
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ACE-CME PROGRAM ORGANIZATION CHART

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PRILIMINARY COMPLIANCE SURVEY RESULTS

(August 2007)

- 63% Operational Compliant with GO and GOP (MSC)
- 40% Auditable Compliant with GO and GOP (MSC)
- Estimate of 1456 Man-Hours required to perform RCPM duties. Approximately 0.7 FTE
- Budgetary Compliance Costs Estimate – Survey was too premature to develop estimate (too many unknowns).



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COMPLIANCE IMPLEMENTATION PLAN

- Phase I – Develop, Field Review and Approve Compliance Program (i.e., ACE-CME)
- Phase II – First Six Months After Approved ACE-CME Program
 - Delegation of RCPAs
 - Delegation of RCPMs
 - Standup DIRECT Team
 - Standup RCMEU
 - Standup CMEU Board of Directors
 - Standup Compliant Oversight Committee



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COMPLIANCE IMPLEMENTATION PLAN

- Phase III – First year After Approved ACE-CME Program
 - Conduct detail USACE Compliance Survey
 - Develop Draft Policies and Procedures
 - Compliance Data Storage Database (Hydropower Gateway, OMBIL, etc.)
 - Annual Compliance Reports
- Phase VI – Second Year and Beyond After Approved ACE-CME Program
 - Distribute Standards Policies and Procedures to RCMEU and DIRECT for Implementation
 - Continue developing and implementing compliance data storage database.



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USACE COMPLIANCE ISSUES

- ASA(CW) – Directed USACE not to register with respective RRO
- Develop Non-Compliance Mitigation Plans (i.e., Contract with RRO)
- Out of cycle funding of non-compliance
- Signing Confidentiality and Anti-trust Agreements with RRO
- Membership and Voting on draft Reliability Standards
- Delegations Agreements with other Registered Entities
- Online signing of compliance documentation by DE via password



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CRC-PDT POCs

**HQ – KAMAU SADIKI (202-761-4889)
HYDROPOWER BLM**

**SAM – DAVID WILLIAMS (706-643-0313)
TEAM LEADER**

- **LRN – Tennesse Henderson (615-736-5869)**
- **LRN – Larry Craig (270-343-0123)**
- **MVK – Dustin Wilson (501-767-2401)**
- **MVS – Sandra Spence (573-735-4097)**
- **NWD – Karl Bryan (503-808-3894)**
- **NWW – Robert Wall (509-527-7116)**
- **SAD – Howard Mindel (404-562-5132)**
- **SWF – Terry Bachim (817-886-1606)**
- **SWL – Mark Dixson (501-324-5711)**
- **SWT – Rod Shank (918-669-7387)**



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