SOUTH FEATHER WATER & POWER AGENCY

TO: Board of Directors

FROM: Kathy Petersen, Power Division Manager

DATE: May 19, 2008

RE: Contract for WECC/NERC Standards Gap Analysis
5/2708 Board of Directors Meeting

A new level of compliance is required of entities involved with the generation and transmission of electricity, following some of the wide-spread power outages that have happened around the country. The North American Electric Reliability Council (NERC) has been authorized by FERC to act as an enforcement agency to ensure that owners and operators of power systems comply with system reliability standards that have been developed. As an owner of generating facilities with output greater than 10 megawatts, South Feather Water and Power Agency falls under these reliability standards, although the Agency has not yet registered with NERC. Prior to registering, PG&E has recommended that we determine whether we meet all standards, which primarily involve documentation of various practices related to system reliability. A few of the titles of the standards that apply to the Agency include: Emergency Operations Planning, Documentation of Blackstart Generating Unit Test Results, Verification of Generator Gross and Net Real Power and Reactive Power Capability, Operating Personnel Training, and Generator Operations for Maintaining Voltage Schedules.

At the most recent CAPPA Power Managers' meeting, PG&E and MID recommended using the firm Rocky Mountain Power Services, Inc. (RMPSINC) to conduct a "standards gap analysis" to determine where we are missing documentation of practices or need to conduct specified testing. After seeing the complexity of some of these new standards, I believe that outside help is needed to develop the required documentation. RMPSINC provided the attached proposal for these services, with a proposed cost of $16,900. A contract for services is attached for your consideration. Once the standards gap analysis is completed and the necessary documentation is developed, South Feather will register with NERC as a generator owner/operator.

Once your questions have been answered, the recommended form of action is:

> "I move approval of, and authorize the General Manager to execute the contract with Rocky Mountain Power Services, Inc. to conduct a WECC/NERC Standards Gap Analysis for the South Feather Power Project."

ROCKY MOUNTAIN
POWER SERVICES, INC.

Ms. Kathy Petersen
South Feather Water and Power Agency
2310 Oro-Quincy Highway
Oroville, CA 95966

Subject: WECC / NERC Compliance April 28, 2008

Dear Ms. Petersen,

I would like to thank you for giving Rocky Mountain Power Services, Inc. (RMPSINC) the opportunity to provide our proposal for conducting a WECC/NERC Standards Gap Analysis for the South Feather Project.

SCOPE OF SERVICES

RMPSINC will conduct a Compliance Gap Analysis of the four hydro generating facilities to determine the current compliance level, identify deficiencies, and develop a course of action for full auditable compliance.

OVERVIEW

RMPSINC will provide the personnel to conduct the Gap Analysis utilizing a process based on DOE Best Practices and Methodology. A detailed review will be conducted to determine which Standards are applicable to your facility based on your NERC registration as a Generation Owner and Operator.

The following actions will be conducted for each category of the Standards:

- A Review of each Requirement of each Reliability Standard
  - Determine if applicable to facility
  - Identify responsible department
- Comparing South feather Project's documents, procedures, and business processes to each Requirement
  - Identify relevant documents that address the standard
    - Tariffs
    - Procedure
    - Manual
    - Operating Guide
    - Business Process
    - Other
- Confirming Compliance with each Requirement
  - Documents exist that address the Requirement
  - Procedures exist that address the Requirement
  - Business practices exist
- Recommending solutions for any identified compliance risks
  - If gaps exist, specify gap and suggest corrective action

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    - If no gaps exist, but areas for improvement are identified, specify improvements that could be made and why they should be made.
- Review assessment of each Requirement of each Standard with South Feather Project
- Identify tools or other mechanisms for ongoing monitoring of each Requirement Applicable to the South Feather Project

Monitoring and assessment of compliance with WECC and NERC standards requires a robust effort:

- Following developments at NERC, WECC, & FERC
- Communicating theses developments internally
- Reviewing and updating procedures and business practices
- Conducting necessary training
- Communicating with other impacted entities

DELIVERABLES

Upon completion of the Gap Analysis, RMPSINC will provide a detailed report containing:

- Applicable Standards to the South Feather Project
- Current state of compliance
    - Deficiencies documented
        - Assigned corrective action priority
        - Recommended corrective action
        - Estimated cost and time required for corrective action
    - Areas for improvements documented
        - Estimated cost and time required for improvement
- Recommended road map for complete compliance
- Identified safety concerns and recommended corrective actions

PRICING

WECC / NERC Standards Compliance Gap Analysis for the four hydro generating facilities:

Sixteen Thousand Nine Hundred dollars…….…….$ 16,900.00

CLARIFICATIONS

1. Work performed outside of the defined work scope of our proposal will be approved by the client and performed at RMPSINC's established rates.

2. RMPSINC will safeguard all information and documentation gathered during this process and will not disclose any information without the written permission of South Feather Project.

3. South Feather Project will provide access to personnel and facility documentation required for the Gap Analysis and procedure development.

4. The attached Time and Material pricing will be valid for additional work completed during the 2008 calendar year.

ROCKY MOUNTAIN
POWER SERVICES, INC.

RMPSINC would like to thank you for the opportunity to present this proposal. If you find our proposal acceptable, we would appreciate notification as soon as possible for the scheduling of the field engineers and test equipment. Should you have any questions regarding this proposal or require additional information please call me at (406) 863-9056.

Sincerely,

Matthew Fulk

Matthew Fulk
WECC/ NERC Model Validation Specialist

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ROCKY MOUNTAIN

POWER SERVICES, INC.

ROCKY MOUNTAIN POWER SERVICES, INC.
SCHEDULE OF CHARGES – 2008

This standard Schedule of Charges is for professional services. Unless otherwise agreed, charges for work on continuing projects will be based on the then current Schedule of Charges. A new Schedule of Charges will be issued to be effective January 1 of each new year and as necessary on an intermediate basis to accommodate new items or revised charges. Invoices will be submitted monthly and/or upon completion of the work and will be due and payable when issued. All accounts not paid within thirty (30) days after Owner's receipt of the invoice will bear a **SERVICE CHARGE OF 1.5% PER MONTH** for each month the invoice is unpaid.

PERSONNEL CLASSIFICATION

Field Service Engineer (on site) ..... $150.00/hr.

Field Service Engineer (office) ..... $135.00/hr.

Field Service Technician (on site) ..... $100.00/hr.

Staff Assistant ..... $51.00/hr.

Premium is charged for overtime work. Over Eight hours per day and Saturday, Sunday, and holidays is 1.3 times the rate for services. Personnel with specialized experience are employed by or on retainer to RMPSINC. Charges for these specialists are negotiated on an individual basis depending on the assignment.

RMPSINC OWNED TEST EQUIPMENT

PowerVu Digital Recorder	$250.00/day	$1250.00/week
Tektronics Oscilloscope	$30.00/day	$150.00/week
Digital Signal Analyzer	$100.00/day	$500.00/week
Power Monitor	$55.00/day	$250.00/week
Vehicle	$80.00/day+fuel	$400.00/week+fuel

Other expenses such as subcontractors, rental equipment, photography, travel time, transportation, rental vehicles, shipping, outside computer services, lodging, meals, other reproduction, express mail, courier/delivery service, special supplies, are charged at cost plus a carrying and handling charge of 5%.

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AGREEMENT FOR
WECC/NERC Standards Gap Analysis for the South Feather Power Project

THIS AGREEMENT is made and entered into this 27th day of May, 2008, by and between South Feather Water and Power Agency (SFWPA), and *Rocky Mountain Power Services, Inc.* herein named as (CONSULTANT).

WITNESSETH:

SFWPA desires to retain the services of CONSULTANT for *conducting a WECC/NERC Standards Gap Analysis for the four hydroelectric powerhouses of the South Feather Power Project*.

CONSULTANT desires to perform the services requested by SFWPA on the terms and conditions set forth below.

NOW, THEREFORE, the parties agree as follows.

l . Description of Work: CONSULTANT shall perform the work described in CONSULTANT's *April 28, 2008* proposal attached hereto as Exhibit "A".

This Agreement, and the work performed hereunder, shall be subject to, and in accordance with, the General Conditions attached as Exhibit "B" hereto.

CONSULTANT shall provide all labor, equipment, material, supplies, and services required or necessary to properly, competently and completely perform the work or render the services under this Agreement. CONSULTANT shall determine the method, details and means of doing the work or rendering the services.

2. Compensation: Contract price is $*16,900.00 for the WECC/NERC Standards Gap Analysis*. Additional work that may be completed at SFWPA's request will be at the rates listed on the "Schedule of Charges" on page 4 of Exhibit "A."

3. Term and Time for Completion: This Agreement shall become effective on the date first above written and will continue in effect until the services provided herein have been completed. CONSULTANT shall complete the work by December 31, 2008.

4. Payment for Services: SFWPA will make monthly progress payments, based upon work completed and invoiced by CONSULTANT. Monthly invoices will be dated and mailed on completion of work about the 30th of each month. Payments will be due net 45 days from the date of invoice.

Acceptance of SFWPA's final payment by CONSULTANT shall constitute a complete release and waiver of all claims of CONSULTANT except disputed claims identified in writing by CONSULTANT prior to final payment.

The making of progress payments by SFWPA shall not constitute acceptance or approval of any work prior to final completion and acceptance.

Each invoice shall be accompanied by proof that CONSULTANT has paid for all materials billed to SFWPA, and by CONSULTANT's certification that all labor and services related to the project, to date, have been paid.

5. Coordination; Project Meetings: It is understood and acknowledged that SFWPA's activities will continue during the project and that SFWPA will need adequate notice from CONSULTANT if it becomes necessary to take equipment off-line in connection with CONSULTANT's work. CONSULTANT and SFWPA agree to coordinate their schedules insofar as possible to minimize interference with one another. Project meetings and/or conference calls shall be held between CONSULTANT and SFWPA as needed, to discuss the status of the project and any unresolved issues. In addition, project meetings shall be held upon request of either SFWPA or CONSULTANT provided that at least 24 hours written notice is given. The costs of project coordination and project meetings are included in the contract price.

6. General Insurance: CONSULTANT shall, at its expense, maintain in effect at all times during the duration of this Agreement not less than the following coverage and limits of insurance.

a. Worker's Compensation. Should CONSULTANT utilize employees, CONSULTANT shall carry such insurance as will protect SFWPA and CONSULTANT from claims under Worker's Compensation and Employers' Liability Acts; such insurance to be maintained as to the type and amount in strict compliance with State statutes.

b. General Liability. CONSULTANT shall obtain and keep in full force and effect general liability insurance including provisions for contractual liability, personal injury, independent consultants and broad form property damage coverages. This insurance shall be on a comprehensive occurrence basis form with a standard cross-liability clause or endorsement. The limit for this insurance shall be no less than $1 million per occurrence combined single limit for bodily injury and property damage.

c. Automobile Liability. CONSULTANT shall maintain automobile liability insurance with coverage for any vehicle including those owned, leased rented or borrowed. This insurance shall have a standard cross-liability clause or endorsement. The limit amount for this insurance shall be no less than $1 million per occurrence combined single limit for bodily injury and property damage.

d. Professional Liability. CONSULTANT shall maintain professional liability insurance in the amount of $1,000.000.

e. Certificate of Insurance. Promptly upon execution of this Agreement and prior to commencement of any work, CONSULTANT shall provide SFWPA with certificates of insurance evidencing that all insurance and/or endorsements required by this Agreement have been obtained and are in full force and effect. Approval of the insurance by SFWPA shall not relieve or decrease any liability of CONSULTANT. The certificates and policies shall provide that thirty (30) days written notice of any material change, reduction in coverage or cancellation of the insurance policies will be provided to SFWPA. In addition, in the event any change is made in the insurance carrier, policies or nature of coverage required under this Agreement, CONSULTANT shall notify SFWPA prior to making such changes.

7. Indemnification and Hold Harmless. CONSULTANT shall protect, indemnify, and hold harmless SFWPA, its Directors, officers, and employees, from any and all claims, fines, demands, costs, expenses, liability, losses, penalties, causes of action, awards, suits, or judgments for damages of any nature whatsoever (hereinafter collectively referred to as "Claims") arising out of in whole or in part by the negligent acts, errors, or omissions of CONSULTANT, its employees, agents or consultants, or the agent, employee, or consultant of any one of them in the performance of their duties or in their operations under this Agreement, but not including the sole or active negligence or the willful misconduct of SFWPA, or of any third party.

Neither termination of the Agreement nor completion of the acts to be performed under this Agreement shall release CONSULTANT from its obligations to indemnify as to any Claims so long as the event upon which such Claim is predicated shall have occurred prior to the effective date of any such termination or completion and arose out of or was in any way connected with performance or operations under this Agreement by CONSULTANT, its employees, agents or consultants, or the employee, agent or consultant of any one of them.

Submission of insurance certificates or other proof of compliance with the insurance requirements in the Agreement does not relieve CONSULTANT from liability under this indemnification and hold harmless clause. The obligation of this indemnity clause shall apply whether or not such insurance policies shall have been determined to be applicable to any of such damages or claims for damages.

8. Warranties: CONSULTANT warrants all services performed under this Agreement to be performed with the degree of skill and care that is required by current, good and sound professional procedures and practices, and in conformance with generally accepted professional standards prevailing at the time the Services are performed so as to ensure that the Services performed are correct and appropriate for the purposes contemplated in this Agreement.

9. Exhibits Incorporated. Exhibits "A" and "B" attached to this Agreement are incorporated by reference as though fully set forth herein.

10. Miscellaneous: This Agreement constitutes the entire agreement of the parties hereto and shall be binding on their successors and assigns. However, CONSULTANT will not assign this Agreement without the written consent of SFWPA. No modification of this Agreement shall be binding unless in writing signed by both parties. A waiver of any term, or any breach, of this Agreement shall not be deemed a waiver of any other term or breach. If any provision of this Agreement is held to be unenforceable, the remainder shall be severable and not affected thereby.

Time is of the essence of this Agreement.

11. Notices: Insofar as this Agreement requires or contemplates the giving of notices, such notices shall be deemed given when personally delivered in writing or facsimile transmission, or deposited in the United States mail, postage prepaid, as follows:

To SFWPA:

Michael C. Glaze, General Manager
South Feather Water and Power Agency
2310 Oro-Quincy Highway
Oroville, CA 95966

FAX: 916-533-9700

To CONSULTANT:

Matthew Fulk, WECC/NERC Model Validation Specialist
Rocky Mountain Power Services, Inc.
6477 US Hwy 93 S., Ste 143
Whitefish, MT 59937

IN WITNESS WHEREOF, the parties have executed this Agreement on the date first above written.

Attest:

Secretary, Board of Directors

South Feather Water and Power Agency

By _____
President, Board of Directors

Rocky Mountain Power Services, Inc.

By _____

EXHIBIT “B”

GENERAL CONDITIONS

1. Independent CONSULTANT: CONSULTANT's relationship to SFWPA is that of an independent CONSULTANT. All persons hired by CONSULTANT and performing the work shall be CONSULTANT's employees or agents. SFWPA shall not be obligated in any way to pay any wages or other claims by any such employees or agents or any other person by reason of this Agreement. CONSULTANT shall be solely liable for losses, costs, damage or injuries by said employees or agents during the course of the work. CONSULTANT shall not delegate any of the work to sub-consultants without advance written approval of SFWPA.

2. Labor; Wages; Safety:

   a. All work shall be performed by skilled trade persons qualified to perform the required work in a manner comparable with the currently accepted standard-of-care practice.

   b. The CONSULTANT shall be subject to all applicable provisions of the Labor Code, including, but not limited to, Section 1775 (forfeitures for failure to pay prevailing wages), Section 1776 (payroll records), Section 1777.5 (apprentices), and Sections 1810-1815 (working hours).

   c. In accordance with generally accepted practices and in accordance with California State Safety Orders, the CONSULTANT will be solely and completely responsible for conditions of the job site, including safety of all persons and property during performance of the work. This requirement will apply continuously and not be limited to normal working hours.

3. Drug-Free Workplace: CONSULTANT shall ensure that its employees on the work, and the employees of its sub-consultants, if any, conform to SFWPA's policies regarding a drug-free workplace and comply with all state and federal laws and regulations governing maintenance of a drug-free workplace.

4. Laws and Regulations; Permits:

   a. CONSULTANT shall ensure compliance with all applicable federal and state laws, federal and state safety orders, local ordinances, and the rules and regulations of all authorities having jurisdiction over construction of the project, and they will be deemed to be included in the contract the same as though herein written out in full.

   b. Any and all permits from local government entities shall be the responsibility of the CONSULTANT.

5. Extra Work:

   a. Although the work is intended to be a turn-key project, SFWPA reserves the right at any time during the course of the contract to order the CONSULTANT to perform extra work, furnish extra material or equipment, or to make changes altering, adding to, or deducting

from the work, without invalidating the contract or bonds. Changes shall not be binding upon either SFWPA or the CONSULTANT unless made in writing in accordance with this section.

b. Changes shall originate with SFWPA who will transmit to the CONSULTANT a written request for a proposal covering the requested change, setting forth the work in detail. Upon receipt of such request, the CONSULTANT shall promptly submit in writing to SFWPA a proposal offering to perform such change, a request for any required extension of time caused by such change, and an itemized statement of the cost or credit for the proposed change. Failure of the CONSULTANT to include a request for extension of time in the proposal shall constitute conclusive evidence that such extra work or revisions will entail no delay and that no extension of time will be required.

c. If the CONSULTANT's proposal is accepted and authorized by SFWPA, a written Change Order will be issued by SFWPA stating that the extra work or change authorized, and granting any required adjustments of contract price and of time of completion.

d. SFWPA may order the CONSULTANT, by a written Change Order, to perform extra work or to make changes on a cost-plus basis. Such Change Order shall specify the estimated amount of the payment to be made and the time extension to be allowed for such work or changes. The CONSULTANT shall perform such work and shall furnish the District with itemized bills only for the actual cost of labor, materials, equipment use, transportation, tools, necessary incidentals, and insurance, plus a charge not exceeding 15 percent (15%) of the actual cost of the foregoing items to cover all other expenses and profit of the CONSULTANT and sub-consultants for such work or changes.

e. The performance of extra work or changes pursuant to Change Order shall be in accordance with this Agreement (and any bonds). No extra work shall be performed and no change shall be made unless pursuant to such written Change Order, and no claim for an addition to the contract price shall be valid unless so ordered.

f. If CONSULTANT has any claims for extra work, delays, disruption or damages against SFWPA, such claims shall be made in writing, with supporting data, to SFWPA within ten (10) days of the first occurrence or condition giving rise to the claim. Such claims shall be processed by SFWPA as requests for change orders under this General Condition 8. Failure of CONSULTANT to give written notice as provided in this paragraph shall be deemed a waiver of such claim.

6. Dispute Resolution; Venue: To the extent that they are applicable, the provisions of Public Contract Code Section 20104-20104.6 shall govern the resolution of claims under this Agreement. Said provisions, which call for written claims, responses, negotiations, mediation and arbitration, are incorporated by reference as though fully set forth herein. Venue for any arbitration or action to enforce this Agreement shall be in the County of Butte, State of California.

7. Termination: SFWPA may terminate this Agreement at any time and for any reason upon fourteen (14) days advance written notice. In the event of such termination, CONSULTANT is to be compensated for all work performed to the date of termination based upon Article 4 of

this Agreement, including non-cancelable purchases of materials and equipment, provided that such compensation shall not exceed the contract price set forth in Article 2 hereof. Compensation under this paragraph shall not include costs related to lost profit associated with the expected completion of the work or other such payments relating to the benefit of the bargain.

8. Noncollusion Affidavit: In accordance with Section 7106 of the California Public Contract Code, the bidder declares under penalty of perjury that the bid is not made in the interest of, or on behalf of, any undisclosed person, partnership, company, association, organization, or corporation; that the bid is genuine and not collusive or sham; that the bidder has not directly or indirectly induced or solicited any other bidder to put in a false or sham bid, and has not directly or indirectly colluded, conspired, connived, or agreed with any bidder or anyone else to put in a sham bid, or that anyone shall refrain from bidding; that the bidder has not in any matter, directly or indirectly, sought by agreement, communication or conference with anyone to fix the bid price of the bidder or any other bidder, or to fix any overhead, profit, or cost element of the bid price, or of that of any other bidder, or to secure any advantage against the public body awarding the contract of anyone interested in the proposed contract; that all statements contained in the bid are true; and, further, that the bidder has not, directly or indirectly, submitted his or her bid price or any breakdown thereof, or of the contents thereof, or divulged information or data relative thereto, or paid, and will not pay, any fee to any corporation, partnership, company association, organization, bid depository, or to any member or agent thereof to effectuate a collusive or sham bid.

9. Workers' Compensation Certificate: By signing this Agreement, CONSULTANT certifies as follows:

   "I am aware of the provisions of Section 3700 of the Labor Code which require every employer to be insured against liability for workers' compensation or to undertake self-insurance in accordance with the provisions of that code, and I will comply with such provisions before commencing the performance of the work of this contract."