



# **Compliance Audit Report Public Version**

**South Eastern Electric Generating  
Company  
NCR01314  
September 15-16, 2008**

**Confidential Information (including  
Privileged and Critical Energy Infrastructure  
Information) – Has Been Removed**

**November 13, 2008**

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## EXECUTIVE SUMMARY

This final compliance audit report is the public version. Confidential information (including privileged and critical energy infrastructure information) has been redacted from this report. The full final compliance audit report was submitted to the audited entity and NERC.

South Eastern Electric Generating Company (SEGCO) was audited on September 15-16, 2008 for compliance with the requirements contained in the currently mandatory and enforceable Reliability Standards in the 2008 NERC Compliance Monitoring and Enforcement Program (CMEP) that are applicable to SEGCO's registered functions. SEGCO is registered with SERC Reliability Corporation (SERC) as a Generator Operator (GOP) and Generator Owner (GO). Seventeen standards were selected and identified to SEGCO as subject to review during this audit. The audit focused on documents and other evidence provided to SERC by the staff of SEGCO, and did not include any evidence obtained through system observation or inspection. The findings of the audit are based on the state of compliance and current mitigation activity at the time of the audit, and do not reflect past compliance activities or activities that will be completed in the future. SEGCO staff was requested to provide an informational presentation on their progress with implementation of Cyber Security Standards CIP-002-1 through CIP-009-1.

SEGCO staff was requested to provide valid evidence of meeting each and every applicable requirement and sub-requirement contained in each standard that had been previously identified by SERC Compliance staff to SEGCO as subject to this audit. SEGCO staff responded by providing evidence in the form of reports, procedures, studies and other documents. SEGCO staff then cited specific portions of the evidence that demonstrated compliance. This evidence and the citations were documented and evaluated by the audit team to assess the level of compliance. If all of the requirements and sub-requirements of an audited standard were met, then SEGCO was judged to be compliant. Likewise, if any of the requirements or sub-requirements were not fully met, then SEGCO was judged to have a possible violation of the standard. A score of 100% is required for compliance.

The audit team determined that SEGCO does not own or operate Under Voltage Load Shedding or Special Protection Systems and therefore, 3 of the 17 standards applicable to SEGCO were not applicable. These standards are EOP-009, PRC-016 and PRC -017.

SEGCO recently closed a mitigation plan regarding NERC Reliability Standard PRC-005-1, Requirement 1. The audit team reviewed the mitigation plan completion documentation to ensure compliance.

SEGCO was found to be in compliance with all but two of the standards that were audited. The audit team identified a possible violation of FAC-008-1 Facility Ratings Methodology, Requirement 1 and PRC-005-1 Transmission and Generation Protection System Maintenance and Testing, Requirements 1 and 2. The audit team determined SEGCO to be in possible violation of PRC-005-1, Requirement 1 in specific areas not related to their previous self-report of possible violation or their completed mitigation plan for said self-report.

This audit report includes information about how far SEGCO missed the requirements for the possible compliance violations. This information will be used to help determine the severity level of sanctions and penalties. The possible compliance violations will be processed through the SERC CMEP. Any further actions related to possible compliance violations will be through that process.

## AUDIT PROCESS

The compliance audit process steps are detailed in the NERC CMEP. The NERC CMEP generally conforms to the United States Government Accountability Office Government Auditing Standards and other generally accepted audit practices.

### **Objectives**

All registered entities are subject to audit for compliance with all reliability standards applicable to the functions for which the registered entity is registered.<sup>1</sup> The audit objectives are:

- Independently review SEGCO compliance with the requirements of the Reliability Standards that are applicable to SEGCO based on the SEGCO registered functions.
- Validate compliance with applicable Reliability Standards from the NERC 2008 Implementation Plan list of actively monitored standards.
- Validate evidence of self-reported violations and previous self-certifications, confirm compliance with other requirements of the Reliability Standard and review the status of associated mitigation plans.
- Document the SEGCO compliance culture.

### **Scope**

The scope of the audit of SEGCO included all monitored standards that are in the NERC 2008 CMEP. Based on the confirmed registration of SEGCO, the 17 reliability standards previously indentified were the focus of the compliance audit. Of these 17 standards, 3 standards; EOP-009-0, PRC-016-0 and PRC-017-0 were not applicable. This is detailed in the Audit Results section.

Note: For the 2008 compliance program, the monitoring period for the compliance audit will generally be the past 12 months or periods specified in individual reliability standards. The monitoring period is not limited to the time period for which penalties and sanctions are assessed.

### **Confidentiality and Conflict of Interest**

Code of conduct documentation for the regional entity staff was provided to SEGCO in advance of the audit. Work history and conflict of interest forms submitted by each audit team member were provided to SEGCO upon request. SERC has confirmed that confidentiality agreements have been executed by, and are on file for SERC Industry Volunteers. SEGCO was given an opportunity to object to an audit team member on the basis of a possible conflict of interest or the existence of other circumstances that could interfere with the audit team member's impartial performance of duties. SEGCO accepted the audit team member participants with no objections.

### **On-site Audit**

SEGCO was contacted by letter on April 4, 2008 by SERC staff. The letter provided SEGCO with their initial notification of their upcoming audit in 2008, and the desire to schedule audit dates that would be acceptable to both parties. SERC staff then provided formal acknowledgement of the scheduled audit dates and requested that SEGCO both verify their

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<sup>1</sup> North American Electric Reliability Corporation CMEP, paragraph 3.1, Compliance Audits

currently registered functions and complete and return an attached Pre-Audit Survey within 30 days.

On June 25, 2008, SERC staff forwarded an Audit Detail Letter to SEGCO, again confirming the scheduled audit dates and confirming SEGCO's registered functions within SERC. The Audit Detail Letter also provided SEGCO with notice of the Standards in Audit Scope, Proposed Audit Schedule, Audit Team Roster (with industry affiliations) and requested that SEGCO Subject Matter Experts (SMEs) responsible for and knowledgeable of compliance submittals be available for interview during the audit. In addition to the Audit Detail Letter, SEGCO was provided with a Non-Disclosure Agreement Signature Verification for audit team members, a Pre-Audit Questionnaire, a list of Documents to be Provided or Have Available and Reliability Standard Auditor Worksheets (RSAWs) for each standard to be audited.

Interviews with SMEs were requested, in conjunction with documented evidence, to provide the audit team with additional information or clarification as a basis for professional judgment when validating compliance with Reliability Standards.

### ***Methodology***

A team of auditors and SMEs were identified and conducted the audit of SEGCO. The standards were grouped and scheduled for review to make the most efficient use of SEGCO staff's time. The audit team moderator (ATL or designee) initiated dialogue on each standard requirement and requested compliance evidence. This evidence and SEGCO's staff response were documented. SEGCO staff was requested to show valid evidence of meeting each applicable requirement and sub-requirement contained in the 17 standards that had been previously identified by SERC to SEGCO as subject to this audit. SEGCO staff responded by providing evidence in the form of reports, procedures, studies and other documents. SEGCO staff would then cite specific portions of the evidence that demonstrated compliance.

This evidence and the citations were documented by the scribe on the RSAWs and evaluated by the audit team for the level of compliance and agreement with the requirement. Discrepancies between the requirement and the evidence provided were the subject of dialogue among the team members and SEGCO staff members until it was determined that each requirement was met by the cited evidence or other evidence offered.

Once all the evidence was presented and discussed, if SEGCO did not provide sufficient evidence to support a finding of compliance, then a possible violation was identified by the team and SEGCO staff was informed.

### ***Audit Overview***

The audit team arrived at the SEGCO facility at 2:40 p.m., September 15, 2008. At 3:00 p.m., September 15, 2008 the Audit Team Lead (ATL) began the session with an opening presentation. He reviewed the NERC compliance plan for 2008 in general, and how it applied to SEGCO specifically. The ATL introduced and reviewed the standards to be covered in the audit, and addressed both the expectations of SEGCO staff and the quality of evidence to be presented. The ATL also covered the basic procedure for the audit, and the bounding rules of conduct. SEGCO staff made a brief presentation describing SEGCO's corporate structure, compliance program and an informational overview of progress made toward implementation of the Cyber Security Standard requirements of CIP-002-1 through CIP-009-1.

### ***Audit***

The audit team initially reviewed the registration status of SEGCO with entity staff to verify applicability of each standard. Each standard's audit began with a recitation of each requirement. SEGCO staff then presented evidence supporting requirement compliance, or cited evidence previously provided to the audit team. At that point, the evidence was reviewed and discussed until the team reached agreement on the evidence. By audit team consensus a determination of compliance was reached for each of the requirements, and communicated to SEGCO staff before proceeding to the next requirement. At that point the team scribe would record the evidence presented to satisfy the requirement and the team's recommendation on that requirement using the RSAW.

The review of all applicable standards was completed at 3:20 p.m., September 16, 2008 and the audit team met to review and discuss the findings. Following these discussions, the scribe collected all notes and evidence as needed and began to finalize the RSAWs.

### ***Exit Briefing***

The ATL presented an exit briefing to the assembled audit team and entity staff at 4:00 p.m., September 16, 2008. This was followed by an informal response and questions from the SEGCO staff. The exit briefing summarized the team's preliminary conclusions, including the items of potential noncompliance or possible violation with supporting information, areas of concern, any added information required and the expected timeline for review and issuance of the audit report.

The ATL solicited both informal comments from SEGCO staff, along with requesting that they fill out formal feedback forms for submission to NERC and SERC.

The audit team left the SEGCO meeting room at 4:30 p.m., September 16, 2008.

### ***Company Profile***

The SEGCO Bainbridge Plant is a 70 MW, (nameplate capacity) oil-fired, combined cycle generating facility located in Bainbridge, GA, and supplies purchased power into the Georgia Transmission Corporation's transmission system.

All equity interests in the SEGCO facility are owned by Morgan Stanley Capital Group Inc. (MSCG). MSCG is a wholly owned subsidiary of Morgan Stanley. Morgan Stanley is a global financial services firm that, through its subsidiaries and affiliates, provides its products and services to a large and diversified group of clients and customers, including corporations, governments, financial institutions and individuals. Morgan Stanley was originally incorporated under the laws of the State of Delaware in 1981, and its predecessor companies date back to 1924. Morgan Stanley conducts its business from its headquarters in and around New York City, its regional offices and branches throughout the U.S. and its principal offices in London, Tokyo, Hong Kong and other world financial centers.

### ***Audit Specifics***

The compliance audit was conducted on September 15-16, 2008 at the SEGCO facility in Bainbridge, GA.

## Audit Team

Audit Team Role	Title	Company
Lead	Senior Compliance Auditor	SERC Reliability Corporation
Member	Compliance and Reliability Specialist	SERC Reliability Corporation
Member	Facility Manager	West Georgia Generating Company

## SEGCO Audit Participants Title and Organization

Title	SEGCO Organization
Executive Director	Morgan Stanley
Executive Director	Morgan Stanley
Plant Superintendent	Energy Services, Inc.
Analyst	Morgan Stanley Capital Group Inc.

## AUDIT RESULTS

The audit team found SEGCO to be in compliance with all of the NERC Reliability Standards in the audit scope, with the exception of possible violations of FAC-008-1, Requirement 1; PRC-005-1, Requirement 1 and PRC-005-1, Requirement 2. Please see Findings Table below. The audit team determined SEGCO to be in possible violation of PRC-005-1, Requirement 1 in specific areas not related to their previous self-report of possible violation or their completed mitigation plan for said self-report.

### Findings

Reliability Standard	Requirement	Finding
BAL-001-0	R1.	N/A
BAL-001-0	R2.	N/A
BAL-001-0	R3.	N/A
BAL-001-0	R4.	N/A
BAL-002-0	R1.	N/A
BAL-002-0	R2.	N/A
BAL-002-0	R3.	N/A
BAL-002-0	R4.	N/A
BAL-002-0	R5.	N/A
BAL-002-0	R6.	N/A
BAL-003-0	R1.	N/A
BAL-003-0	R2.	N/A
BAL-003-0	R3.	N/A
BAL-003-0	R4.	N/A
BAL-003-0	R5.	N/A
BAL-003-0	R6.	N/A
BAL-004-0	R1.	N/A
BAL-004-0	R2.	N/A

Confidential Information (including Privileged and  
Critical Energy Infrastructure Information) – Has Been Removed

<b>Reliability Standard</b>	<b>Requirement</b>	<b>Finding</b>
BAL-004-0	R3.	N/A
BAL-004-0	R4.	N/A
BAL-005-0	R1.	Compliant
BAL-005-0	R2.	N/A
BAL-005-0	R3.	N/A
BAL-005-0	R4.	N/A
BAL-005-0	R5.	N/A
BAL-005-0	R6.	N/A
BAL-005-0	R7.	N/A
BAL-005-0	R8.	N/A
BAL-005-0	R9.	N/A
BAL-005-0	R10.	N/A
BAL-005-0	R11.	N/A
BAL-005-0	R12.	N/A
BAL-005-0	R13.	N/A
BAL-005-0	R14.	N/A
BAL-005-0	R15.	N/A
BAL-005-0	R16.	N/A
BAL-005-0	R17.	N/A
BAL-006-1	R1.	N/A
BAL-006-1	R2.	N/A
BAL-006-1	R3.	N/A
BAL-006-1	R4.	N/A
BAL-006-1	R5.	N/A
CIP-001-1	R1.	Compliant
CIP-001-1	R2.	Compliant
CIP-001-1	R3.	Compliant
CIP-001-1	R4.	Compliant
CIP-002-1 through CIP-009-1		N/A
COM-001-1	R1.	N/A
COM-001-1	R2.	N/A
COM-001-1	R3.	N/A
COM-001-1	R4.	N/A
COM-001-1	R5.	N/A
COM-001-1	R6.	N/A
COM-002-2	R1.	Compliant
COM-002-2	R2.	N/A
EOP-001-0	R1.	N/A
EOP-001-0	R2.	N/A
EOP-001-0	R3.	N/A
EOP-001-0	R4.	N/A
EOP-001-0	R5.	N/A

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<b>Reliability Standard</b>	<b>Requirement</b>	<b>Finding</b>
EOP-001-0	R6.	N/A
EOP-001-0	R7.	N/A
EOP-002-2	R1.	N/A
EOP-002-2	R2.	N/A
EOP-002-2	R3.	N/A
EOP-002-2	R4.	N/A
EOP-002-2	R5.	N/A
EOP-002-2	R6.	N/A
EOP-002-2	R7.	N/A
EOP-002-2	R8.	N/A
EOP-002-2	R9.	N/A
EOP-003-1	R1.	N/A
EOP-003-1	R2.	N/A
EOP-003-1	R3.	N/A
EOP-003-1	R4.	N/A
EOP-003-1	R5.	N/A
EOP-003-1	R6.	N/A
EOP-003-1	R7.	N/A
EOP-003-1	R8.	N/A
EOP-004-1	R1.	N/A
EOP-004-1	R2.	Compliant
EOP-004-1	R3.	Compliant
EOP-004-1	R4.	N/A
EOP-004-1	R5.	N/A
EOP-005-1	R1.	N/A
EOP-005-1	R2.	N/A
EOP-005-1	R3.	N/A
EOP-005-1	R4.	N/A
EOP-005-1	R5.	N/A
EOP-005-1	R6.	N/A
EOP-005-1	R7.	N/A
EOP-005-1	R8.	N/A
EOP-005-1	R9.	N/A
EOP-005-1	R10.	N/A
EOP-005-1	R11.	N/A
EOP-006-1	R1.	N/A
EOP-006-1	R2.	N/A
EOP-006-1	R3.	N/A
EOP-006-1	R4.	N/A
EOP-006-1	R5.	N/A
EOP-006-1	R6.	N/A
EOP-008-0	R1.	N/A

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<b>Reliability Standard</b>	<b>Requirement</b>	<b>Finding</b>
EOP-009-0	R1.	N/A
EOP-009-0	R2.	N/A
FAC-003-1	R1.	N/A
FAC-003-1	R2.	N/A
FAC-003-1	R3.	N/A
FAC-003-1	R4.	N/A
FAC-008-1	R1.	Possible Violation
FAC-008-1	R2.	Compliant
FAC-008-1	R3.	Compliant
FAC-009-1	R1.	Compliant
FAC-009-1	R2.	Compliant
FAC-013-1	R1.	N/A
FAC-013-1	R2.	N/A
INT-001-2	R1.	N/A
INT-001-2	R2.	N/A
INT-003-2	R1.	N/A
INT-004-1	R1.	N/A
INT-004-1	R2.	N/A
IRO-001-1	R1.	N/A
IRO-001-1	R2.	N/A
IRO-001-1	R3.	N/A
IRO-001-1	R4.	N/A
IRO-001-1	R5.	N/A
IRO-001-1	R6.	N/A
IRO-001-1	R7.	N/A
IRO-001-1	R8.	Compliant
IRO-001-1	R9.	N/A
IRO-003-2	R1.	N/A
IRO-003-2	R2.	N/A
IRO-004-1	R1.	N/A
IRO-004-1	R2.	N/A
IRO-004-1	R3.	N/A
IRO-004-1	R4.	Compliant
IRO-004-1	R5.	N/A
IRO-004-1	R6.	N/A
IRO-004-1	R7.	N/A
IRO-005-1	R1.	N/A
IRO-005-1	R2.	N/A
IRO-005-1	R3.	N/A
IRO-005-1	R4.	N/A
IRO-005-1	R5.	N/A
IRO-005-1	R6.	N/A

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<b>Reliability Standard</b>	<b>Requirement</b>	<b>Finding</b>
IRO-005-1	R7.	N/A
IRO-005-1	R8.	N/A
IRO-005-1	R9.	N/A
IRO-005-1	R10.	N/A
IRO-005-1	R11.	N/A
IRO-005-1	R12.	N/A
IRO-005-1	R13.	Compliant
IRO-005-1	R14.	N/A
IRO-005-1	R15.	N/A
IRO-005-1	R16.	N/A
IRO-005-1	R17.	N/A
IRO-006-3	R1.	N/A
IRO-006-3	R2.	N/A
IRO-006-3	R3.	N/A
IRO-006-3	R4.	N/A
IRO-006-3	R5.	N/A
IRO-006-3	R6.	N/A
IRO-014-1	R1.	N/A
IRO-014-1	R2.	N/A
IRO-014-1	R3.	N/A
IRO-014-1	R4.	N/A
IRO-015-1	R1.	N/A
IRO-015-1	R2.	N/A
IRO-015-1	R3.	N/A
IRO-016-1	R1.	N/A
IRO-016-1	R2.	N/A
PER-002-0	R1.	N/A
PER-002-0	R2.	N/A
PER-002-0	R3.	N/A
PER-002-0	R4.	N/A
PER-003-0	R1.	N/A
PER-004-1	R1.	N/A
PER-004-1	R2.	N/A
PER-004-1	R3.	N/A
PER-004-1	R4.	N/A
PER-004-1	R5.	N/A
PRC-004-1	R1.	N/A
PRC-004-1	R2.	Compliant
PRC-004-1	R3.	Compliant
PRC-005-1	R1.	Possible Violation
PRC-005-1	R2.	Possible Violation
PRC-008-0	R1.	N/A

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<b>Reliability Standard</b>	<b>Requirement</b>	<b>Finding</b>
PRC-008-0	R2.	N/A
PRC-010-0	R1.	N/A
PRC-010-0	R2.	N/A
PRC-011-0	R1.	N/A
PRC-011-0	R2.	N/A
PRC-016-0	R1.	N/A
PRC-016-0	R2.	N/A
PRC-016-0	R3.	N/A
PRC-017-0	R1.	N/A
PRC-017-0	R2.	N/A
PRC-021-1	R1.	N/A
PRC-021-1	R2.	N/A
TOP-002-2	R1.	N/A
TOP-002-2	R2.	N/A
TOP-002-2	R3.	Compliant
TOP-002-2	R4.	N/A
TOP-002-2	R5.	N/A
TOP-002-2	R6.	N/A
TOP-002-2	R7.	N/A
TOP-002-2	R8.	N/A
TOP-002-2	R9.	N/A
TOP-002-2	R10.	N/A
TOP-002-2	R11.	N/A
TOP-002-2	R12.	N/A
TOP-002-2	R13.	Compliant
TOP-002-2	R14.	Compliant
TOP-002-2	R15.	Compliant
TOP-002-2	R16.	N/A
TOP-002-2	R17.	N/A
TOP-002-2	R18.	Compliant
TOP-002-2	R19.	N/A
TOP-003-0	R1.	Compliant
TOP-003-0	R2.	Compliant
TOP-003-0	R3.	Compliant
TOP-003-0	R4.	N/A
TOP-004-1	R1.	N/A
TOP-004-1	R2.	N/A
TOP-004-1	R3.	N/A
TOP-004-1	R4.	N/A
TOP-004-1	R5.	N/A
TOP-004-1	R6.	N/A
TOP-005-1	R1.	N/A
TOP-005-1	R2.	N/A

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<b>Reliability Standard</b>	<b>Requirement</b>	<b>Finding</b>
TOP-005-1	R3.	N/A
TOP-005-1	R4.	N/A
TOP-007-0	R1.	N/A
TOP-007-0	R2.	N/A
TOP-007-0	R3.	N/A
TOP-007-0	R4.	N/A
TPL-001-0	R1.	N/A
TPL-001-0	R2.	N/A
TPL-001-0	R3.	N/A
TPL-002-0	R1.	N/A
TPL-002-0	R2.	N/A
TPL-002-0	R3.	N/A
TPL-003-0	R1.	N/A
TPL-003-0	R2.	N/A
TPL-003-0	R3.	N/A
TPL-004-0	R1.	N/A
TPL-004-0	R2.	N/A
VAR-001-1	R1.	N/A
VAR-001-1	R2.	N/A
VAR-001-1	R3.	N/A
VAR-001-1	R4.	N/A
VAR-001-1	R5.	N/A
VAR-001-1	R6.	N/A
VAR-001-1	R7.	N/A
VAR-001-1	R8.	N/A
VAR-001-1	R9.	N/A
VAR-001-1	R10.	N/A
VAR-001-1	R11.	N/A
VAR-001-1	R12.	N/A
VAR-002-1	R1.	Compliant
VAR-002-1	R2.	Compliant
VAR-002-1	R3.	Compliant
VAR-002-1	R4.	Compliant
VAR-002-1	R5.	Compliant

**Compliance Culture**

Information regarding the compliance culture of SEGCO was obtained from the Pre-Audit Compliance Survey, Compliance Program Survey and Pre-Audit Questionnaires that were completed by SEGCO prior to the audit.

## *Determination Summary for Possible Violations Identified in an Audit*

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**Regional Tracking Number**      08-110  
**Entity**                              South Eastern Generating Corporation  
**Audit Date**                        8/16/2008  
**Standard**                          PRC-005-1  
**Requirement**                      1

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**Sufficient Basis for Violation**     

**Factual Basis**                      Entity's Transmission and Generation Protection Maintenance and Testing Program does not identify intervals, bases for intervals or provide a summary of maintenance and testing procedures for associated communications equipment, current and voltage sensing devices or DC control circuitry.

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**Conclusion Violation Summary**      Entity is in violation of PRC-005-1, R1 for failing to provide maintenance and testing intervals and summary procedures for associated communication equipment, current and voltage sensing devices, and DC control circuitry as required. Actual maintenance is being performed although documentation is lacking. Moderate VSL determined consistent with December 19, 2008 VSL matrix filed with Commission based on missing between 25% and 50% of the required components.

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**NERC BOTCC Determination**      Taking into consideration the Commission's direction in Order No. 693, the NERC Sanction Guidelines and the Commission's July 3, 2008 Guidance Order, the NERC BOTCC reviewed the Settlement Agreement and supporting documentation on August 3, 2009. The NERC BOTCC approved the Settlement Agreement, including SERC's imposition of a financial penalty of eleven thousand dollars (\$11,000) against SEGCO, based upon SERC's findings and determinations, the NERC BOTCC's review of the applicable requirements of the Commission approved Reliability Standards and the underlying facts and circumstances of the alleged violations at issue. In reaching this determination, the NERC BOTCC considered the following factors:  
(1) SEGCO self-reported a possible violation after receiving notification of an upcoming audit and additional possible violations were discovered by SERC during the audit;  
(2) The alleged violations were a result of SEGCO's failure to document as required by the referenced standards;  
(3) There was no serious or substantial risk to the bulk power system for the reasons discussed above;  
(4) The referenced alleged violations are the first violations for SEGCO of NERC Reliability Standards;  
(5) SEGCO was cooperative throughout the entire violation investigation; and  
(6) SEGCO remedied the alleged violations in a timely manner.

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**NERC Violation Number**                      SERC200800194

**NOC Number**                        NOC-90

**NOP Number**                        NOC-90

***Determination Summary for Possible  
Violations Identified in an Audit***

***FERC Docket  
Number***

NP10-31-000

# ***Determination Summary for Possible Violations Identified in an Audit***

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***Regional Tracking Number***      08-111  
***Entity***                              South Eastern Generating Corporation  
***Audit Date***                        9/16/2008  
***Standard***                          PRC-005-1  
***Requirement***                    2

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***Sufficient Basis for Violation***     

***Factual Basis***                      SERC issued to Entity on June 25, 2008 an Audit Detail Letter providing due notice to Entity of the requirement to produce evidence of compliance with Reliability Standard PRC-005 at the compliance audit scheduled for September 15-18, 2008. At the conclusion of the compliance audit, Entity had not provided evidence sufficient for the audit team to verify that maintenance and testing activities were being performed on its generation Protection Systems for the period from June 18, 2007 through the date of the audit.

Documentation of Protection System maintenance, performed and supplied by an outside contractor, did not identify any maintenance or testing routines that indicate maintenance is being performed on these devices.

On November 5, 2008, Entity provided evidence in the form of electronic copies of all vendor testing documents and evidence, obtained from the vendor on October 29, 2008. The evidence provided on November 5, 2008 showed that testing procedures and documentation was inclusive of all the Protection System devices that should be maintained and/or tested under requirement PRC-005-1.

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***Conclusion Violation Summary***                      At the conclusion of the duly-scheduled compliance audit on September 18, 2008, after prior notice from SERC of the requirement to produce evidence of compliance issued on June 25, 2008, Entity failed to provide evidence that Protection System maintenance was being performed as required by PRC-005-1, R2. Entity subsequently provided, on November 5, 2008, evidence sufficient to support its compliance with PRC-005-1, R2. If Entity had provided the same evidence on September 18, 2008 as was provided on November 5, 2008, Entity would likely have been found in compliance with PRC-005-1, R2. The duration of the violation is 48 days extending from the final day of the audit, September 18, 2008, through November 5, 2008, when the evidence was provided to SERC Staff. A "Lower" VRF, as assigned to Requirement 2 at the requirement level, is applied to this violation, consistent with the VRF Matrix approved by the Commission. This violation is considered to be a documentation-only violation inasmuch as Entity ultimately provided evidence that the required actions were being performed as required by the standard. In accordance with the December 19, 2008, VSL matrix, the VSL is "Moderate" because "[t]he responsible entity provided documentation of its Protection System maintenance and testing program for more than 40 but less than or equal to 50 days following request from its Regional Reliability Organization..."

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***NERC BOTCC Determination***                      Taking into consideration the Commission's direction in Order No. 693, the NERC Sanction Guidelines and the Commission's July 3, 2008 Guidance Order, the NERC BOTCC reviewed the Settlement Agreement and supporting documentation on August 3, 2009. The NERC BOTCC approved the Settlement Agreement, including SERC's imposition of a financial penalty of eleven thousand dollars (\$11,000) against SEGCO, based upon SERC's findings and determinations, the NERC BOTCC's review of the applicable requirements of the Commission approved Reliability Standards and the underlying facts and circumstances of the alleged violations at issue.

## ***Determination Summary for Possible Violations Identified in an Audit***

In reaching this determination, the NERC BOTCC considered the following factors:

- (1) SEGCO self-reported a possible violation after receiving notification of an upcoming audit and additional possible violations were discovered by SERC during the audit;
- (2) The alleged violations were a result of SEGCO's failure to document as required by the referenced standards;
- (3) There was no serious or substantial risk to the bulk power system for the reasons discussed above;
- (4) The referenced alleged violations are the first violations for SEGCO of NERC Reliability Standards;
- (5) SEGCO was cooperative throughout the entire violation investigation; and
- (6) SEGCO remedied the alleged violations in a timely manner.

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<b><i>NERC Violation Number</i></b>	<u>SERC200800195</u>
<b><i>NOC Number</i></b>	<u>NOC-90</u>
<b><i>NOP Number</i></b>	<u>NOC-90</u>
<b><i>FERC Docket Number</i></b>	<u>NP10-31-000</u>

## ***Determination Summary for Possible Violations Identified in an Audit***

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***Regional Tracking Number***      08-112  
***Entity***                              South Eastern Generating Corporation  
***Audit Date***                        9/16/2008  
***Standard***                            FAC-008-1  
***Requirement***                        1

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***Sufficient Basis for Violation***     

***Factual Basis***                        Entity had an undated and unsigned facilities rating methodology that was developed in June 2008 that generally covers the requirement with the exception of R1.1 since there is no explicit statement that the rating is developed by discerning the most limiting element as required. The turbine itself is listed as the most limiting element, and the ratings of the turbines and generators are addressed in the Plant Operations Manual Section 1 & 2 of Volume 1.

Entity did not have a documented Facility Rating Methodology prior to June 2008. Prior to this time, they relied on manufacturer's ratings for the "packaged" facility. The facility was originally erected in Oregon, consequently sold and moved to its present location in 1999. At the time of relocation auxiliary equipment was updated, making the "packaged" rating obsolete. (There were no upgrades made to electrical equipment between the generator and GSU).

The current FRM meets a minimum expectation, based on ratings established by equipment manufacturers and included in their Plant Operating Manual, but does not include the "most limiting equipment" statement required in R1.1.

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***Conclusion Violation Summary***                        Entity was in violation of FAC-008-1 R1 for the period from June 18, 2007 through June 2008 because it did not have a valid Facility Ratings Methodology. Additionally, Entity is in violation of FAC-008-1 R1 because its current Ratings Methodology documentation does not include the "most limiting equipment" statement required in R1.1.

A Lower VSL determined consistent with December 19, 2008 VSL matrix filed with Commission based on entity respecting most limiting factor, but lacking the statement.

[Determination text revised on 3/16/09, superseding previous Determination dated 2/6/09]

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***NERC BOTCC Determination***                        Taking into consideration the Commission's direction in Order No. 693, the NERC Sanction Guidelines and the Commission's July 3, 2008 Guidance Order, the NERC BOTCC reviewed the Settlement Agreement and supporting documentation on August 3, 2009. The NERC BOTCC approved the Settlement Agreement, including SERC's imposition of a financial penalty of eleven thousand dollars (\$11,000) against SEGCO, based upon SERC's findings and determinations, the NERC BOTCC's review of the applicable requirements of the Commission approved Reliability Standards and the underlying facts and circumstances of the alleged violations at issue. In reaching this determination, the NERC BOTCC considered the following factors:

- (1) SEGCO self-reported a possible violation after receiving notification of an upcoming audit and additional possible violations were discovered by SERC during the audit;
- (2) The alleged violations were a result of SEGCO's failure to document as required by the referenced standards;
- (3) There was no serious or substantial risk to the bulk power system for the reasons discussed above;
- (4) The referenced alleged violations are the first violations for SEGCO of NERC Reliability

## ***Determination Summary for Possible Violations Identified in an Audit***

Standards;

(5) SEGCO was cooperative throughout the entire violation investigation; and

(6) SEGCO remedied the alleged violations in a timely manner.

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<b><i>NERC Violation Number</i></b>	<u>SERC200800196</u>
<b><i>NOC Number</i></b>	<u>NOC-90</u>
<b><i>NOP Number</i></b>	<u>NOC-90</u>
<b><i>FERC Docket Number</i></b>	<u>NP10-31-000</u>