



NORTH AMERICAN ELECTRIC
RELIABILITY CORPORATION

July 30, 2010

Ms. Kimberly Bose
Secretary
Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, DC 20426

**Re: Abbreviated Notice of Penalty
City of Vineland New Jersey, FERC Docket No. NP10-__-000**

Dear Ms. Bose:

The North American Electric Reliability Corporation (NERC) hereby provides this Abbreviated Notice of Penalty (NOP) regarding City of Vineland, New Jersey (Vineland Municipal Electric Utility) (VMEU), with information and details regarding the nature and resolution of the violation¹ discussed in detail in the Settlement Agreement (Attachment b) and the Disposition Document (Attachment c), in accordance with the Federal Energy Regulatory Commission's (Commission or FERC) rules, regulations and orders, as well as NERC Rules of Procedure including Appendix 4C (NERC Compliance Monitoring and Enforcement Program (CMEP)).²

During an off-site Compliance Audit conducted from September 2, 2008 through September 12, 2008 (Audit), ReliabilityFirst Corporation (ReliabilityFirst) identified (1) a violation of Reliability Standard FAC-008-1 Requirement (R) 1 because VMEU did not have a formal Facility Ratings Methodology; and (2) a violation of Reliability Standard FAC-009-1 R1 because VMEU's existing Facility Ratings did not include all of the elements associated with its generator. This Notice of Penalty is being filed with the Commission because ReliabilityFirst and VMEU have entered into a Settlement Agreement to resolve all outstanding issues arising from a preliminary and non-public assessment resulting in ReliabilityFirst's determination and findings of the enforceable violations of FAC-008-1 R1 and FAC-009-1 R1. According to the Settlement Agreement, VMEU neither admits nor denies the violations, but has agreed to the proposed penalty of two thousand dollars (\$2,000) to be assessed to VMEU, in addition to other

¹ For purposes of this document, each violation at issue is described as a "violation," regardless of its procedural posture and whether it was a possible, alleged, or confirmed violation.

² *Rules Concerning Certification of the Electric Reliability Organization; and Procedures for the Establishment, Approval, and Enforcement of Electric Reliability Standards* (Order No. 672), III FERC Stats. & Regs. ¶ 31,204 (2006); *Notice of New Docket Prefix "NP" for Notices of Penalty Filed by the North American Electric Reliability Corporation*, Docket No. RM05-30-000 (February 7, 2008). See also 18 C.F.R. Part 39 (2010). *Mandatory Reliability Standards for the Bulk-Power System*, FERC Stats. & Regs. ¶ 31,242 (2007) (Order No. 693), *reh'g denied*, 120 FERC ¶ 61,053 (2007) (Order No. 693-A). See 18 C.F.R. § 39.7(c)(2).

remedies and actions to mitigate the instant violations and facilitate future compliance under the terms and conditions of the Settlement Agreement. Accordingly, the violations identified as NERC Violation Tracking Identification Number RFC200800099 and RFC200800101 are being filed in accordance with the NERC Rules of Procedure and the CMEP.

Statement of Findings Underlying the Violations

This Notice of Penalty incorporates the findings and justifications set forth in the Settlement Agreement executed on March 18, 2010, by and between ReliabilityFirst and VMEU, which is included as Attachment b. The details of the findings and the basis for the penalty are set forth in the Disposition Document included as Attachment e. This Notice of Penalty filing contains the basis for approval of the Settlement Agreement by the NERC Board of Trustees Compliance Committee (NERC BOTCC). In accordance with Section 39.7 of the Commission's regulations, 18 C.F.R. § 39.7, NERC provides the following summary table identifying each violation of a Reliability Standard resolved by the Settlement Agreement, as discussed in greater detail below.

Region	Registered Entity	NOC ID	NERC Violation ID	Reliability Std.	Req. (R)	VRF	Total Penalty (\$)
ReliabilityFirst	City of Vineland New Jersey	NOC-523	RFC200800099	FAC-008-1	1	Lower ³	2,000
			RFC200800101	FAC-009-1	1	Medium	

The text of the Reliability Standards at issue is set forth in the Disposition Document.

FAC-008-1 R1 and FAC-009-1 R1 - OVERVIEW⁴

ReliabilityFirst determined that VMEU, as a Generator Owner, did not have a documented Facility Ratings Methodology in accordance with NERC Reliability Standard FAC-008-1 R1. Additionally, VMEU did not establish and communicate Facility Ratings for all of the elements associated with its generator paths that were consistent with its Facility Ratings Methodology in accordance with NERC Reliability Standard FAC-009-1 R1. Specifically, VMEU did not have ratings for the relay protective devices and the series and shunt compensation devices associated with its generator.

The duration of the FAC-008-1 R1 violation was from June 18, 2007, when the Standard became mandatory and enforceable, through December 21, 2009,⁵ the date VMEU issued its Facility Ratings Methodology, as required by the Reliability Standard.

³ When NERC filed VRFs for FAC-008-1, NERC originally assigned a "Lower" VRF to FAC-008-1 R1.1. The Commission approved the VRF but directed modifications. On December 19, 2007, NERC filed the modified "Medium" VRF for FAC-008-1 R1.1 for approval. On February 6, 2008, the Commission issued an Order approving the modified VRF. Therefore, the "Lower" VRF was in effect from June 18, 2007 until February 6, 2008 and the "Medium" VRF has been in effect since February 6, 2008.

⁴ Further information on this violation is contained in the Disposition Document included as Attachment c.

⁵ The Settlement Agreement incorrectly states the end date of the instant violation as September 9, 2008 which is the date of VMEU's initial Facility Ratings Methodology titled *Facility Ratings Methodology for Vineland Municipal Electric Utility Related to NERC Standard FAC-008-1*. ReliabilityFirst determined upon review of the evidence of completion that VMEU's Facility Ratings Methodology dated September 9, 2008 was incomplete because VMEU's methodology failed to provide that its Facility Rating was equal to the most limiting component of VMEU's system.

The duration of the FAC-009-1 R1 violation was from June 18, 2007, when the Standard became mandatory and enforceable, through December 21, 2009, the date VMEU identified Facility Ratings consistent with its Facility Ratings Methodology.

ReliabilityFirst concluded that this violation did not pose a serious or substantial risk to the reliability of the bulk power system (BPS) because VMEU's single generator unit is listed as a third-level backup blackstart unit with VMEU's Transmission Operator and is not connected to the BPS. If the blackstart unit failed to start, VMEU's Transmission Operator has alternative plans for restoration. VMEU is registered as a Generator Owner because of the unit's blackstart capabilities.

Statement Describing the Proposed Penalty, Sanction or Enforcement Action Imposed⁶

Basis for Determination

Taking into consideration the Commission's direction in Order No. 693, the NERC Sanction Guidelines, the Commission's July 3, 2008 and October 26, 2009 Guidance Orders,⁷ the NERC BOTCC reviewed the Settlement Agreement and supporting documentation on June 10, 2010. The NERC BOTCC approved the Settlement Agreement, including ReliabilityFirst's imposition of a financial penalty, assessing a penalty of two thousand dollars (\$2,000)⁸ against VMEU and other actions to facilitate future compliance required under the terms and conditions of the Settlement Agreement. In approving the Settlement Agreement, the NERC BOTCC reviewed the applicable requirements of the Commission-approved Reliability Standards and the underlying facts and circumstances of the violations at issue.

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

1. the violations constituted VMEU's first occurrence of violation of the subject NERC Reliability Standards;
2. ReliabilityFirst reported that VMEU was cooperative throughout the compliance enforcement process;
3. there was no evidence of any attempt to conceal a violation nor evidence of intent to do so;
4. ReliabilityFirst determined that the violations did not pose a serious or substantial risk to the reliability of the BPS, as discussed above and in the Disposition Document; and

⁶ See 18 C.F.R. § 39.7(d)(4).

⁷ *North American Electric Reliability Corporation*, "Guidance Order on Reliability Notices of Penalty," 124 FERC ¶ 61,015 (2008); *North American Electric Reliability Corporation*, "Further Guidance Order on Reliability Notices of Penalty," 129 FERC ¶ 61,069 (2009).

⁸ According to the Settlement Agreement, ReliabilityFirst states that it has the right to apply these penalties on a daily basis for the duration of the violation; however, due to the circumstances surrounding the violations, ReliabilityFirst determined that a \$2,000 penalty was appropriate.

5. ReliabilityFirst reported that there were no other mitigating or aggravating factors or extenuating circumstances that would affect the assessed penalty.

For the foregoing reasons, the NERC BOTCC approves the Settlement Agreement and believes that the assessed penalty of two thousand dollars (\$2,000) is appropriate for the violations and circumstances at issue, and is consistent with NERC's goal to promote and ensure reliability of the BPS.

Pursuant to Order No. 693, the penalty will be effective upon expiration of the 30 day period following the filing of this Notice of Penalty with FERC, or, if FERC decides to review the penalty, upon final determination by FERC.

Attachments to be included as Part of this Notice of Penalty

The attachments to be included as part of this Notice of Penalty are the following documents and material:

- a) ReliabilityFirst's Public Compliance Audit Report for VMEU dated February 23, 2009 and revised March 31, 2009, included as Attachment a;⁹
- b) Settlement Agreement by and between ReliabilityFirst and VMEU executed March 18, 2010, included as Attachment b;
 - i. VMEU's Mitigation Plan MIT-07-1403¹⁰ for FAC-008-1 R1 and FAC-009-1 R1 and Certification of Completion therein submitted January 2, 2009, included as Attachment a to the Settlement Agreement;
 - ii. ReliabilityFirst's Verification of Completion of the Mitigation Plan for FAC-008-1 R1 and FAC-009-1 R1 dated January 4, 2010,¹¹ included as Attachment b to the Settlement Agreement; and
- c) Disposition Document, included as Attachment c.

A Form of Notice Suitable for Publication¹²

A copy of a notice suitable for publication is included in Attachment d.

⁹ ReliabilityFirst audited VMEU for three Regional Standards and concluded that VMEU had a violation of EOP-007-RFC-01 R4. This Regional Standard is not enforceable and was not considered in the penalty determination.

¹⁰ This Mitigation Plan includes NERC Violation Tracking Identification Number RFC200800100 that was subsequently dismissed by ReliabilityFirst on February 20, 2009 because there was no request as required by the Standard.

¹¹ The Settlement Agreement incorrectly states that ReliabilityFirst verified that VMEU completed the Mitigation Plan in its entirety on January 3, 2010.

¹² See 18 C.F.R § 39.7(d)(6).

Notices and Communications

Notices and communications with respect to this filing may be addressed to the following:

<p>Gerald W. Cauley* President and Chief Executive Officer David N. Cook* Vice President and General Counsel North American Electric Reliability Corporation 116-390 Village Boulevard Princeton, New Jersey 08540-5721 (609)452-8060 (609) 452-9550 – facsimile gerry.cauley@nerc.net david.cook@nerc.net</p> <p>Michael D. Austin* Compliance Enforcement Specialist ReliabilityFirst Corporation 320 Springside Drive, Suite 300 Akron, Ohio 44333 (330) 456-2488 (330) 456-5408 – facsimile mike.austin@rfirst.org</p> <p>Robert A. Napier* Assistant Superintendent Distribution Division Vineland Municipal Electric Utility 415 N. West Avenue Vineland, New Jersey (856)794-4000 ext. 4304 rnapier@vinelandcity.org</p> <p>Harry A. Maloney, III, P.E.* Assistant General Manager Chief Engineer Vineland Municipal Electric Utility 415 N. West Avenue Vineland, New Jersey 08360 (856)794-4000 ext. 4399 hmaloney@vinelandcity.org</p> <p>*Persons to be included on the Commission's service list are indicated with an asterisk. NERC requests waiver of the Commission's rules and regulations to permit the inclusion of more than two people on the service list.</p>	<p>Rebecca J. Michael* Assistant General Counsel V. Davis Smith* Attorney (admitted in Indiana, application pending in New Jersey; not admitted in Washington DC) North American Electric Reliability Corporation 1120 G Street, N.W. Suite 990 Washington, D.C. 20005-3801 (202) 393-3998 (202) 393-3955 – facsimile rebecca.michael@nerc.net davis.smith@nerc.net</p> <p>Timothy R. Gallagher* President and Chief Executive Officer ReliabilityFirst Corporation 320 Springside Drive Akron, Ohio 44333 (330) 456-2488 (330) 456-5390 – facsimile tim.gallagher@rfirst.org</p> <p>Raymond J. Palmieri* Vice President and Director of Compliance ReliabilityFirst Corporation 320 Springside Drive, Suite 300 Akron, Ohio 44333 (330) 456-2488 (330) 456-5408 – facsimile ray.palmieri@rfirst.org</p> <p>Robert K. Wargo* Manager of Compliance Enforcement ReliabilityFirst Corporation 320 Springside Drive, Suite 300 Akron, Ohio 44333 (330) 456-2488 (330) 456-5408 – facsimile bob.wargo@rfirst.org</p>
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Conclusion

Accordingly, NERC respectfully requests that the Commission accept this Abbreviated NOP as compliant with its rules, regulations and orders.

Respectfully submitted,

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cc: City of Vineland New Jersey
ReliabilityFirst Corporation

Attachments

Attachment a

**ReliabilityFirst's Public Compliance Audit Report
for VMEU dated February 23, 2009 and revised
March 31, 2009**



Compliance Audit Report (Public Version)

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

**City of Vineland, NJ.
NERC ID#
NCR00722**

Date of Audit - September 2-12, 2008

**Date of Report - February 23, 2009
Revision 1, March 31, 2009.**

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Executive Summary

This compliance audit report is the public version. Confidential information (including privileged and critical energy infrastructure information) has been redacted from this report. This compliance audit report will be submitted to NERC.

An off-site compliance audit of the City of Vineland, New Jersey, NERC ID # NCR 00722, (Hereafter referred to in this report as the City of Vineland or Vineland Municipal Electric Utility, VMEU), was conducted from September 2-12, 2008 to monitor compliance to the NERC and the ReliabilityFirst Reliability Standards that apply to the City of Vineland for the functions that it performs within the ReliabilityFirst area as part of the NERC Compliance Monitoring and Enforcement Program (CMEP). At the time of the audit, the City of Vineland was registered for the Generation Owner, (GO), Distribution Provider, (DP), Load Serving Entity, (LSE), and Purchasing-Selling Entity, (PSE), functions.

The audit team evaluated the City of Vineland for compliance with forty eight (48) requirements in twenty seven (27) NERC Reliability Standards for the period of June 18, 2007 to September 2, 2008. The audit team reviewed and evaluated all information provided by the City of Vineland to assess compliance with standards applicable to the GO, DP LSE, and PSE functions.

Based on the information and documentation provided by the City of Vineland, the audit team made the following determinations: Eighteen (18) requirements in ten (10) NERC Reliability Standards were determined to be not applicable to the City of Vineland. The City of Vineland was found to be compliant with twenty eight (28) applicable requirements in Twenty (20) applicable NERC Reliability Standards. The audit team identified two (2) Possible Alleged Violations associated with two (2) NERC Reliability Standards. Possible Alleged Violations were identified for FAC-008-1, R1, (Facility Ratings Methodology), and FAC-009-1, R1, (Establish and Communicate Facility Ratings). The City of Vineland was found to be compliant with two (2) requirements in one of the Regional Reliability Standards. The audit team identified one (1) Possible Alleged Violation in one (1) requirement in one (1) ReliabilityFirst Regional Reliability Standard. A Possible Alleged Violation was identified for EOP-007-RFC-01, R4, (System Restoration Plans).

These results and the basis for the possible violation are further explained in the Audit Results Findings section of this report which includes detailed information of the audit team's determination of applicability and compliance for the Reliability Standards within the scope of the compliance audit. This information may be used to help determine the severity level of possible sanctions and penalties. The possible compliance violations will be processed through the ReliabilityFirst Compliance Monitoring and Enforcement Program (CMEP). Any further actions related to possible compliance violations will be through the CMEP process.

There were no ongoing mitigation plans and therefore none were reviewed by the audit team.

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. The audit objectives are:

- Review the City of Vineland's compliance with the requirements of the reliability standards that are applicable to City of Vineland based on the City of Vineland's 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 City of Vineland's compliance culture.
- Validate compliance with other NERC standards outside the 2008 implementation plan as selected by ReliabilityFirst.
- Validate compliance with applicable ReliabilityFirst reliability standards that apply to City of Vineland.

Scope

The City of Vineland is subject to auditing by ReliabilityFirst on a six year basis. This audit was conducted on those standards which were provided by NERC for monitoring in the 2008 CMEP Implementation Plan. ReliabilityFirst monitors all applicable ReliabilityFirst standards, self-certifications, and mitigation plans as appropriate. This audit of the City of Vineland included two regional standards.

Confidentiality and Conflict of Interest

Confidentiality and Conflict of Interest of the audit team are governed under the ReliabilityFirst Delegation Agreement with NERC and the NERC Rules and Procedures Section 1500. The audited entity has been informed of the ReliabilityFirst obligations and responsibilities under the agreement and procedures. The work history for each audit team member was provided to the audited entity. The audited entity 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. The audited entity has not submitted any objections by the stated fifteen day objection due date and by this action has

accepted the audit team member participants without objections. ReliabilityFirst found no conflict of interest for any of the audit team members.

Off-site Audit

The City of Vineland is subject to an audit once every six years at a minimum as provided by the NERC Rules and Procedures. The City of Vineland has been provided 60 day notification of this scheduled audit and at that time all necessary documents required by the NERC and ReliabilityFirst audit process were provided. The following documents were provided as part of the notification:

- 60 day Notification letter which contained request for evidence , information, and date submittals
- Audit Survey
- Internal Compliance Survey
- Audit Agenda as applicable
- Audit Team Work History with discussion of objection process
- General Instructions of Data or Information Submittals
- Reliability Standard Auditor Worksheets (RSAWs)
- Reliability Standard Questionnaires

Documents were provided to the City of Vineland in both electronic and hardcopy format.

ReliabilityFirst has discussed with the City of Vineland the usage of technical experts and welcomes the usage of technical experts by the City of Vineland as it deems necessary to explain their compliance to the standards. The City of Vineland had been notified to provide any technical experts or personnel it deems necessary to provide an understanding of the evidence provided to meet compliance.

An audit agenda and/or schedule were provided to the City of Vineland in advance to allow the necessary time to prepare for the audit. The City of Vineland's cooperation and flexibility with the agenda were appreciated by the audit team.

This audit was conducted in the ReliabilityFirst offices using material provided by the City of Vineland. The audit team made additional calls to request additional information or to clarify information previously supplied to the team. The audit team leader requested telephone interviews with the City of Vineland employees representing subject matter expertise regarding all registered functions of the City of Vineland. These interviews, in conjunction with evidence, provide the audit team with a basis for professional judgment when validating compliance with reliability standards.

Methodology

The audit team reviewed the evidence provided by the City of Vineland for each requirement of all NERC and Reliability *First* Standards that apply to the function performed by the company to determine if the company complied with that requirement. The team reviewed each requirement, discussed the levels of compliance and addressed each team member's notes from the audit to determine the findings for each requirement.

Audit Overview

An Opening Briefing was conducted as a conference call/WebEx to discuss the following:

- Introduction of audit team
- Audit Objective and Scope
- Team Audit Expectations
- Discussion on Clarification Calls
- Audit Process
- Exit Briefing and schedule

Audit

The audit team worked as a group and reviewed each applicable requirement to determine if the City of Vineland met the requirement. The audit followed the agenda closely. The audit team requested additional information if it could not determine compliance or if clarification of the existing information was needed. The City of Vineland provided additional information or clarified existing information with review of its subject matter experts as needed.

Exit Briefing

The audit team used a web based exit presentation and teleconference to present the findings to the City of Vineland staff. The City of Vineland's senior management attended the exit briefing presentation. The team lead explained the findings from the audit. The presentation was attended by the following the City of Vineland staff:

Title	Organization
Chief Engineer	City of Vineland
Assistant Superintendent Distribution	City of Vineland

The presentation was open for comments and discussion about the findings. The exit presentation also covered any possible violations and mitigation requirements, the reporting process going forward, and audit feed back

Company Profile

The City of Vineland performs the following NERC function in the ReliabilityFirst region and is registered with NERC and ReliabilityFirst for the following functions:

- Generation Owner (GO)
- Distribution Provider (DP)
- Load Serving Entity (LSE)
- Purchasing-Selling Entity (PSE)

The City of Vineland owns and operates one coal-fired fossil generator, and three oil-fired generators, including one black start unit, in New Jersey. The City of Vineland's Generation has a total net capacity of 77 MW. This plant is within the PJM Balancing Authority. PJM is the Reliability Coordinator (RC) and Transmission Operator (TOP). Atlantic City Electric Company is the Transmission Owner (TO) and Generator Operator (GOP).

Audit Specifics

The compliance audit was conducted on September 2-12, 2008 at the ReliabilityFirst office in Akron, OH.

Lead	Senior Engineer	ReliabilityFirst
Member	Senior Engineer	ReliabilityFirst

City of Vineland Audit Participants

Title	Organization
Chief Engineer	City of Vineland
Assistant Superintendent Distribution	City of Vineland

Audit Results

The audit team evaluated the City of Vineland for compliance with forty eight (48) requirements in twenty seven (27) NERC Reliability Standards for the period of June 18, 2007 to September 2, 2008. The audit team reviewed and evaluated all information provided by the City of Vineland to assess compliance with standards applicable to the GO, DP LSE, and PSE functions.

Based on the information and documentation provided by the City of Vineland, the audit team made the following determinations: Eighteen (18) requirements in ten (10) NERC Reliability Standards were determined to be not applicable to the City of Vineland. The City of Vineland

was found to be compliant with twenty eight (28) applicable requirements in Twenty (20) applicable NERC Reliability Standards. The audit team identified two (2) Possible Alleged Violations associated with two (2) NERC Reliability Standards. Possible Alleged Violations were identified for FAC-008-1, R1, (Facility Ratings Methodology), and FAC-009-1, R1, (Establish and Communicate Facility Ratings). The City of Vineland was found to be compliant with two (2) requirements in one of the Regional Reliability Standards. The audit team identified one (1) Possible Alleged Violation in one (1) requirement in one (1) Reliability First Regional Reliability Standard. A Possible Alleged Violation was identified for EOP-007-RFC-01, R4, (System Restoration Plans).

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Findings

The following table details the summarized auditor notes relating to evidence reviewed for compliance with the reliability standards listed in the NERC 2008 Implementation Plan. The table includes details summarizing auditor notes relating to evidence reviewed for reliability standard requirements.

The City of Vineland Off-site Audit Findings Table

Standard	Requirement	Finding
BAL-005-0	R 1	Compliant
CIP-001-1	R 1	Compliant
CIP-001-1	R 2	Compliant
CIP-001-1	R 3	Compliant
CIP-001-1	R 4	Compliant
EOP-004-1	R 2	N/A
EOP-004-1	R 3	N/A
EOP-009-0	R 2	Compliant
FAC-008-1	R 1	PAV
FAC-008-1	R 2	Compliant
FAC-008-1	R 3	Compliant
FAC-009-1	R 1	PAV
FAC-009-1	R 2	Compliant
INT-001-2	R 1	Compliant
INT-004-1	R 1	N/A
INT-004-1	R 2	N/A
IRO-001-1	R 8	Compliant
IRO-004-1	R 4	Compliant
IRO-005-1	R 13	N/A
MOD-010-0	R 1	Compliant
MOD-010-0	R 2	Compliant
MOD-012-0	R 1	Compliant
MOD-012-0	R 2	Compliant

MOD-017-0	R 1	Compliant
MOD-019-0	R 1	Compliant
PRC-004-1	R 1	Compliant
PRC-004-1	R 2	N/A
PRC-004-1	R 3	Compliant
PRC-005-1	R 1	N/A
PRC-005-1	R 2	N/A
PRC-008-0	R 1	Compliant
PRC-008-0	R 2	Compliant
PRC-010-0	R 1	N/A
PRC-010-0	R 2	N/A
PRC-011-0	R 1	N/A
PRC-011-0	R 2	N/A
PRC-016-0	R 1	N/A
PRC-016-0	R 2	N/A
PRC-016-0	R 3	N/A
PRC-017-0	R 1	N/A
PRC-017-0	R 2	N/A
PRC-021-1	R 1	N/A
TOP-002-2	R 3	Compliant
TOP-002-2	R 18	Compliant
TOP-005-1	R 4	Compliant
VAR-001-1	R 5	Compliant
VAR-002-1	R 4	Compliant
VAR-002-1	R 5	Compliant
BAL-502-RFC-1	R1	Compliant
BAL-502-RFC-1	R2	Compliant
EOP-007-RFC-01	R 4	PAV

Compliance Culture

The City of Vineland provided documentation to demonstrate its compliance to the requirements of the applicable Standards. The City of Vineland provided additional evidence and clarifications in a timely manner when requested by the audit team. The City of Vineland completed the Compliance Audit Questionnaire, and individual Pre-Audit Questionnaires for each applicable standard, and the documentation section of the NERC Reliability Standard Audit Worksheets. The City of Vineland is in the process of establishing an internal compliance team, with the responsibility of establishing and maintaining full compliance with all NERC and Regional Reliability Compliance Standards.

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

Revision	Date	Reason
1	3/31/09.	EOP-009-0, R1 removed. (GOP function only).

Attachment b

**Settlement Agreement by and between
ReliabilityFirst and VMEU executed March 18,
2010**



IN RE THE CITY OF VINELAND, NEW)	DOCKET NUMBERS
JERSEY)	RFC200800099
NERC Registry ID# NCR00722)	RFC200800101

**SETTLEMENT AGREEMENT
OF
RELIABILITYFIRST CORPORATION
AND
THE CITY OF VINELAND, NEW JERSEY**

I. INTRODUCTION

1. ReliabilityFirst Corporation (“ReliabilityFirst”) and The City of Vineland, New Jersey (Vineland Municipal Electric Utility)(“VMEU”) enter into this Settlement Agreement (“Agreement”) to resolve all outstanding issues arising from a preliminary and non-public assessment resulting in ReliabilityFirst’s determination and findings, pursuant to the North American Electric Reliability Corporation (“NERC”) Rules of Procedure, of alleged violations by VMEU of the NERC Reliability Standards FAC-008-1, Requirement 1 and FAC-009-1, Requirement 1.

II. STIPULATION OF FACTS - VMEU AND RELIABILITYFIRST

2. VMEU and ReliabilityFirst agree and stipulate to Sections I, II, IV, and V of this Agreement in their entirety, and affirm the accuracy of their respective representations contained within Section III of this Agreement. The facts stipulated herein are stipulated solely for the purpose of resolving between VMEU and ReliabilityFirst the subject matter of this Agreement and do not constitute admissions or stipulations for any other purpose.

A. Background.

3. VMEU is a municipal utility that owns and operates one coal-fired fossil generator and three oil-fired generators, including one black-start unit. VMEU has a total net capacity of 77 MW and is within the PJM Balancing Authority. VMEU ties to Atlantic City Electric (“ACE”) at four 69kV interconnection points

and it owns and operates two 138kV distribution transformers connected to ACE substations. VMEU serves 21,541 residential customers and 3,263 commercial customers. In 2007, VMEU's peak demand was 164 MW.

4. VMEU registered on the NERC Compliance Registry for four separate functions on May 30, 2007. On June 18, 2007, the start date of the alleged violations, VMEU was registered on the NERC Compliance Registry as a Generator Owner ("GO"),¹ Distribution Provider ("DP"), Load Serving Entity ("LSE"), and a Purchasing/Selling Entity ("PSE") with the NERC Registry Identification Number of NCR00722. Consequently, VMEU is required to comply with FAC-008-1, R1, and FAC-009-1, R1.

B. Alleged Violation of FAC-008-1, Requirement 1 - RFC200800099.

5. In pertinent part, NERC Reliability Standard FAC-008-1, "*Facility Ratings Methodology*," Requirement 1 states:

The Transmission Owner and Generator Owner shall each document its current methodology used for developing Facility Ratings (Facility Ratings Methodology) of its solely and jointly owned Facilities. The methodology shall include...[a] statement that a Facility Rating shall equal the most limiting applicable Equipment Ratings of the individual equipment that comprises that Facility.[and] the method by which the Rating of major BES equipment that comprises a Facility is determined.

R1.2.1. The scope of equipment addressed shall include, but not be limited to, generators, transmission conductors, transformers, relay protective devices, terminal equipment, and series and shunt compensation devices.

6. From September 2, 2008 until September 12, 2008, ReliabilityFirst conducted an off-site Compliance Audit of VMEU for, among other things, all NERC Reliability Standards applicable to GO's, DP's, LSE's, and PSE's. During this Compliance Audit, the ReliabilityFirst Compliance Staff detected a possible violation of FAC-008-1, R1, regarding documentation and methodology for developing ratings for VMEU's generating facility. First, VMEU failed to document its Facility Ratings Methodology for the audited time period of June 18, 2007 through September 2, 2008. Second, VMEU's subsequently documented Facility Ratings Methodology, which was dated September 9, 2008 and entitled "Facility Ratings Methodology for Vineland Municipal Electric Utility Related to

¹ For purposes of NERC Registration, VMEU's black-start unit is the only generating unit that qualifies for registration as a GO.

NERC Standard FAC-008-1,”² was incomplete because VMEU’s methodology failed to provide that its Facility Rating was equal to the most limiting component of VMEU’s system.

7. ReliabilityFirst alleges that VMEU failed to develop a Facility Ratings Methodology in accordance with NERC Reliability Standard FAC-008-1, R1.

C. Alleged Violation of FAC-009-1, Requirement 1 - RFC200800101.

8. NERC Reliability Standard FAC-009-1, “*Establish and Communicate Facility Ratings*,” Requirement 1, states: “The Transmission Owner and Generator Owner shall each establish Facility Ratings for its solely and jointly owned Facilities that are consistent with the associated Facility Ratings Methodology.”
9. From September 2, 2008 until September 12, 2008, ReliabilityFirst conducted an off-site Compliance Audit of VMEU for, among other things, all NERC Reliability Standards applicable to GO’s, DP’s, LSE’s, and PSE’s. During this Compliance Audit, the ReliabilityFirst Compliance Staff detected a possible violation of FAC-009-1, R1, because VMEU’s Facility Ratings Methodology did not include all elements associated with its generator.
10. Although VMEU was obtaining facility ratings for its generator that were consistent with PJM’s Blackstart Unit Capacity Testing methodology, which utilizes capacity tests to determine Blackstart Unit capability, these ratings were incomplete. VMEU did not include all elements associated with its generator in its testing methodology for the audited time period of June 18, 2007 through September 2, 2008. For example, VMEU failed to obtain ratings for, *inter alia*, the relay protective devices and the series and shunt compensation devices associated with its generator.
11. ReliabilityFirst alleges that VMEU failed to establish and communicate facility ratings for all elements associated with its generator paths that were consistent with its Facility Ratings Methodology in accordance with NERC Reliability Standard FAC-009-1, R1.

² VMEU submitted its documented “Facility Ratings Methodology” to ReliabilityFirst on September 12, 2008.

III. RELIABILITYFIRST AND VMEU'S SEPARATE REPRESENTATIONS

A. Statement of ReliabilityFirst and Summary of Findings as to VMEU.

12. ReliabilityFirst considers this Agreement as the resolution of all issues concerning the above captioned docket numbers and to bind VMEU in the commitment to perform actions hereinafter enumerated and listed as conditions for this Agreement.
13. The alleged violation of FAC-008-1, R1 has a Violation Risk Factor ("VRF") of "Lower," consistent with the Violation Risk Factor Matrix from the NERC December 17, 2007 Compliance Filing. The duration of this alleged violation, for purposes of penalty determination, is from June 18, 2007, the date the NERC Reliability Standards became enforceable, through September 9, 2008, the date VMEU issued its compliant Facility Ratings Methodology. Pursuant to Section 316A(b) of the Federal Power Act (16 U.S.C. § 825o-1),³ it is appropriate to apply this penalty on a daily basis for the duration of the violation.
14. The alleged violation of FAC-009-1, R1 has a VRF of "Medium," consistent with the Violation Risk Factor Matrix from the NERC December 17, 2007 Compliance Filing. The duration of this alleged violation, for purposes of penalty determination, is from June 18, 2007, the date the NERC Reliability Standards became enforceable, to December 21, 2009, the date VMEU identified ratings in accordance with its methodology. Pursuant to Section 316A(b) of the Federal Power Act (16 U.S.C. § 825o-1),⁴ it is appropriate to apply this penalty on a daily basis for the duration of the violation.
15. VMEU's Mitigation Plan (defined below) stated that when ReliabilityFirst requested documents for the Compliance Audit on July 1, 2008, VMEU did not have a documented Facility Ratings Methodology to maintain facility ratings. Although VMEU developed and provided its Facility Ratings Methodology to ReliabilityFirst on September 9, 2008, its Facility Ratings Methodology was incomplete because VMEU did not maintain ratings for its entire facility. On December 21, 2009, ReliabilityFirst staff confirmed that VMEU had ratings for the entire facility.
16. ReliabilityFirst agrees that this Agreement is in the best interest of the parties and in the best interest of Bulk Electric System reliability.

³ See, also, NERC Sanction Guidelines, at § 3.20 (attached as Appendix 4(B) to the NERC Rules of Procedure).

⁴ *Id.*

B. Statement of VMEU.

17. VMEU neither admits nor denies that the facts set forth and agreed to by the parties for purposes of this Agreement constitute violations of FAC-008-1, R1 and FAC-009-1, R1.
18. VMEU avers that the alleged violations were inadvertent resulting from its misunderstanding of the regulatory requirements.
19. Although VMEU does not admit to, nor does it deny, the alleged violations, VMEU has agreed to enter into this Agreement with *ReliabilityFirst* to avoid extended litigation with respect to the matters described or referred to herein, to avoid uncertainty, and to effectuate a complete and final resolution of the issues set forth herein. VMEU agrees that this Agreement is in the best interest of the parties and in the best interest of maintaining a reliable electric infrastructure.

IV. MITIGATING ACTIONS, REMEDIES AND SANCTIONS FOR VMEU

20. On January 2, 2009, VMEU submitted to *ReliabilityFirst* a Mitigation Plan to address the alleged violations set forth in the Compliance Audit Report. VMEU's Mitigation Plan covered FAC-008-1, R1 and FAC-009-1, R1. *See*, NERC Mitigation Plan ID# MIT-07-1403, City of Vineland Mitigation Plan (attached as **Attachment a**). *ReliabilityFirst* accepted this Mitigation Plan, on January 30, 2009, and on this same date, *ReliabilityFirst* submitted the Mitigation Plan to NERC for approval. On February 27, 2009, NERC approved the Mitigation Plan and, on March 9, 2009, NERC submitted the Mitigation Plan to the Commission as confidential, non-public information. On January 2, 2009, VMEU certified completion of the Mitigation Plan as of September 12, 2008, the date it provided its compliant Facility Ratings Methodology to *ReliabilityFirst*.
21. In the Mitigation Plan, VMEU outlined the actions taken to mitigate the alleged violations. VMEU stated that although it did not maintain a Facility Ratings Methodology during the Compliance Audit, it subsequently developed a documented and compliant Facility Ratings Methodology, which was approved by VMEU management, and forwarded to *ReliabilityFirst* on September 12, 2008.
22. *ReliabilityFirst* analyzed the evidence VMEU submitted in support of its certification of completion of the Mitigation Plan and, on January 3, 2010, *ReliabilityFirst* verified that VMEU completed the Mitigation Plan in its entirety. *See*, "Summary and Review of Evidence of Mitigation Plan Completion" (attached as **Attachment b**).

23. Based upon the foregoing, VMEU shall pay a monetary penalty of \$2,000 to ReliabilityFirst.
24. ReliabilityFirst shall present a \$2,000 invoice to VMEU within 20 days after the Agreement is either approved by the Commission or operation of law. VMEU shall have 30 days to remit payment. ReliabilityFirst will notify NERC if it does not timely receive the payment from VMEU.
25. If VMEU fails to timely remit the \$2,000 monetary penalty payment to ReliabilityFirst, interest will commence to accrue on the outstanding balance, pursuant to 18 C.F.R. § 35.19(a)(2)(iii), on the earlier of (a) the 31st day after the date on the invoice issued by ReliabilityFirst to VMEU for the \$2,000 monetary penalty payment or (b) the 51st day after the Agreement is approved by the Commission or operation of law.
26. ReliabilityFirst may deem VMEU's failure to timely remit the \$2,000 penalty payment as either the same alleged violations identified in this Agreement or additional violation(s) or both, and, if so deemed, VMEU will be subject to new or additional enforcement, penalty, or sanction actions in accordance with the NERC Rules of Procedure. VMEU shall retain all rights to defend against such additional actions in accordance with the NERC Rules of Procedure.

V. ADDITIONAL TERMS

27. The terms and conditions of the Agreement are consistent with the regulations and orders of the Commission and the NERC Rules of Procedure.
28. ReliabilityFirst shall report the terms of all settlements of compliance matters to NERC. Accordingly, NERC will review the Agreement for the purpose of evaluating its consistency with other settlements entered into for similar alleged violations or under similar circumstances. Based on this review, NERC will either approve or reject this Agreement. If NERC rejects the Agreement, NERC will provide specific written reasons for such rejection and ReliabilityFirst will attempt to negotiate with VMEU a revised settlement agreement that addresses NERC's concerns. If a settlement cannot be reached, the enforcement process shall continue to conclusion. If NERC approves the Agreement, NERC will (a) report the approved settlement to the Commission for review and approval by order or operation of law, and (b) publicly post the alleged violations and the terms provided for in this settlement.
29. This Agreement shall become effective upon the Commission's approval of this Agreement by order or operation of law as submitted to it or as modified in a manner acceptable to the parties.

30. VMEU agrees that this Agreement, when approved by NERC and the Commission, shall represent a final settlement of all matters set forth herein and VMEU waives its right to further hearings and appeal, unless and only to the extent that VMEU contends that any NERC or Commission action constitutes a material modification to this Agreement.
31. ReliabilityFirst reserves all rights to initiate enforcement, penalty, or sanction actions against VMEU in accordance with the NERC Rules of Procedure in the event that VMEU fails to comply with any of the stipulations, remedies, sanctions, or other terms of this Agreement. In the event VMEU fails to comply with the stipulations, remedies, sanctions, or other terms of this Agreement, ReliabilityFirst may initiate enforcement, penalty, or sanction actions against VMEU to the maximum extent allowed by the NERC Rules of Procedure, up to and including the maximum statutorily allowed penalty. VMEU shall retain all rights to defend against such enforcement actions in accordance with the NERC Rules of Procedure.
32. VMEU consents to ReliabilityFirst's future use of the conclusions, determinations, and findings set forth in this Agreement for the purpose of assessing the factors within the NERC Sanction Guidelines and applicable Commission orders and policy statements, including, but not limited to, the factor evaluating VMEU's history of violations. Such use may be in any enforcement action or compliance proceeding undertaken by NERC or any Regional Entity or both, provided however that VMEU does not consent to the use of the conclusions, determinations, and findings set forth in this Agreement as the sole basis for any other action or proceeding brought by NERC or any Regional Entity or both, nor does VMEU consent to the use of this Agreement by any other party in any other action or proceeding.
33. VMEU affirms that all of the matters set forth in this Agreement are true and correct to the best of its knowledge, information, and belief, and that it understands that this Agreement is entered into by ReliabilityFirst in express reliance on the representations contained herein, as well as any other representations or information provided by VMEU to ReliabilityFirst during any VMEU interaction with ReliabilityFirst relating to the subject matter of this Agreement.
34. Each of the undersigned warrants that he or she is an authorized representative of the entity designated below, is authorized to bind such entity, and accepts this Agreement on the entity's behalf.
35. The signatories to this Agreement agree that they enter into this Agreement voluntarily and that, other than the recitations set forth herein, no tender, offer, or promise of any kind by any member, employee, officer, director, agent, or

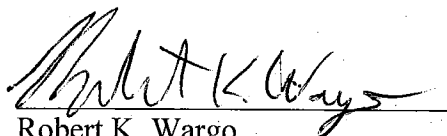
representative of Reliability*First* or VMEU has been made to induce the signatories or any other party to enter into this Agreement.

36. This Agreement may be signed in counterparts.
37. This Agreement is executed in duplicate, both of which so executed shall be deemed to be an original.

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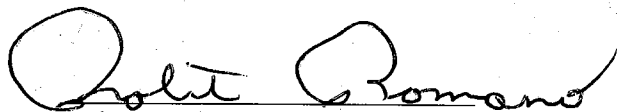
[SIGNATURE PAGE TO FOLLOW]

Agreed to and accepted:



Robert K. Wargo
Manager of Enforcement
ReliabilityFirst Corporation

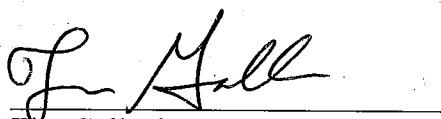
3/18/2010
Date



Robert Romano
Mayor
The City of Vineland, New Jersey

3/11/10
Date

Approved:



Tim Gallagher
President and Chief Executive Officer
ReliabilityFirst Corporation

3/18/10
Date



Mitigation Plan Submittal Form

Date this Mitigation Plan is being submitted: 01/02/2009

Section A: Compliance Notices & Mitigation Plan Requirements

- A.1 Notices and requirements applicable to Mitigation Plans and this Submittal Form are set forth in "Attachment A - Compliance Notices & Mitigation Plan Requirements."
- A.2 This form must be used to submit required Mitigation Plans for review and acceptance by ReliabilityFirst and approval by NERC.
- A.3 ☒ I have reviewed Attachment A and understand that this Mitigation Plan Submittal Form will not be accepted unless this box is checked.

Section B: Registered Entity Information

- B.1 Identify your organization.

Company Name: City of Vineland New Jersey
Company Address: 640 E. Wood Street Vineland, NJ
NERC Compliance Registry ID: NCR00722

- B.2 Identify the individual in your organization who will be the Entity Contact regarding this Mitigation Plan.

Name: Robert A. Napier
Title: Assistant Superintendent Distribution
Email: rnapier@vinelandcity.org
Phone: 856-794-4000 Ext. 4304

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Section C: Identification of Alleged or Confirmed Violation(s) Associated with this Mitigation Plan

C.1 This Mitigation Plan is associated with the following Alleged or Confirmed violation(s) of the reliability standard listed below.

NERC Violation ID #	Reliability Standard	Requirement Number	Violation Risk Factor	Alleged or Confirmed Violation Date ^(*)	Method of Detection (e.g., Audit, Self-report, Investigation)
RFC200800099	FAC-008-1	1		June 18, 2007	Compliance Audit
RFC200800100	FAC-008-1	2		June 18, 2007	Compliance Audit
RFC200800101	FAC-009-1	1		June 18, 2007	Compliance Audit

(*) Note: The Alleged or Confirmed Violation Date shall be expressly specified by the Registered Entity, and subject to modification by ReliabilityFirst, as: (i) the date the Alleged or Confirmed violation occurred; (ii) the date that the Alleged or Confirmed violation was self-reported; or (iii) the date that the Alleged or Confirmed violation has been deemed to have occurred on by ReliabilityFirst. Questions regarding the date to use should be directed to the ReliabilityFirst contact identified in Section G of this form.

C.2 Identify the cause of the Alleged or Confirmed violation(s) identified above. Additional detailed information may be provided as an attachment.

The City of Vineland participated in a Reliability First Off-site compliance audit with official notice dated July 1, 2008 and a scheduled audit date of September 2, 2008. As part of the audit process we were advised that our black start CT is considered a BES facility. We had not previously believed that any of our facilities qualified under the BES definitions thus no formal facilities rating methodology had been adopted. Our engineering practice had always been to rate our facilities at the rating of the lowest rated equipment in a facility. Our facility ratings are developed with and approved by our regional RC and TO.

Note: If a formal root cause analysis evaluation was performed, submit a copy of the summary report.

RELIABILITY FIRST

- C.3 Provide any additional relevant information regarding the Alleged or Confirmed violations associated with this Mitigation Plan. Additional detailed information may be provided as an attachment.

The City of Vineland is small utility (164 MW Peak), also known as the Vineland Municipal Electric Utility (VMEU), located in southern New Jersey who owns generation and provides distribution within the municipal boundaries. Vineland has two generator sites all smaller than 75 MVA that connect to our 69kv transmission system. Our only 138kv systems consist of high side radial facilities connected to two Atlantic Electric (our regional TO) 138 kV substations which connect VMEU owned step down distribution transformers with VMEU 13kv distribution substations. Based on published definitions we did not believe we owned BES facilities. We did believe we owned one breaker failure protection system that trips Atlantic Electric BES facilities at one of our stations. This equipment is BES but the BES facilities are owned by Atlantic Electric.

As we read standards, the definitions of BES as approved by Reliability First on May 9, 2007 and other documents we did not consider us to have BES facilities. The NERC Statement of Compliance Registry Criteria (Rev. 4.0) is the only document which mentions black start and that is in section III that discusses exclusions to the GO registry requirement. With black start generation qualifying as BES facilities, we would request the BES definitions include a line stating such.

Section D: Details of Proposed Mitigation Plan

Mitigation Plan Contents

- D.1 Identify and describe the action plan, including specific tasks and actions that your organization is proposing to undertake, or which it undertook if this Mitigation Plan has been completed, to correct the Alleged or Confirmed violations identified above in Part C.1 of this form. Additional detailed information may be provided as an attachment.

As part of the City of Vineland Audit process when documents were requested they were forwarded to Reliability First. Vineland did not have a Facility Rating Methodology document but one was developed, approved and forwarded to Reliability First on September 12, 2008.

RELIABILITY FIRST

Mitigation Plan Timeline and Milestones

- D.2 Provide the date by which full implementation of the Mitigation Plan will be, or has been, completed with respect to the Alleged or Confirmed violations identified above. State whether the Mitigation Plan has been fully implemented, and/or whether the actions necessary to assure the entity has returned to full compliance have been completed.

September 12, 2008, The Mitigation Plan has been fully implemented and all actions necessary to bring the City of Vineland into compliance has been completed.

- D.3 Enter Key Milestone Activities (with due dates) that can be used to track and indicate progress towards timely and successful completion of this Mitigation Plan.

Key Milestone Activity	Proposed/Actual Completion Date* (shall not be more than 3 months apart)

(*) Note: Additional violations could be determined for not completing work associated with accepted milestones.

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Section E: Interim and Future Reliability Risk

Abatement of Interim BPS Reliability Risk

- E.1 While your organization is implementing this Mitigation Plan the reliability of the Bulk Power System (BPS) may remain at higher risk or be otherwise negatively impacted until the plan is successfully completed. To the extent they are, or may be, known or anticipated: (i) identify any such risks or impacts; and (ii) discuss any actions that your organization is planning to take to mitigate this increased risk to the reliability of the BPS. Additional detailed information may be provided as an attachment.

No risks or impact to the BPS mitigation completed.

Prevention of Future BPS Reliability Risk

- E.2 Describe how successful completion of this Mitigation Plan by your organization will prevent or minimize the probability that the reliability of the BPS incurs further risk of similar violations in the future. Additional detailed information may be provided as an attachment.

The plan has been completed and since there was no risk or impact to the BPS no future risks are anticipated.

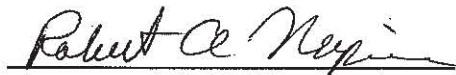
RELIABILITY FIRST

Section F: Authorization

An authorized individual must sign and date this Mitigation Plan Submittal Form. By doing so, this individual, on behalf of your organization:

- a) Submits this Mitigation Plan for acceptance by ReliabilityFirst and approval by NERC, and
- b) If applicable, certifies that this Mitigation Plan was completed on or before the date provided as the 'Date of Completion of the Mitigation Plan' on this form, and
- c) Acknowledges:
 1. I am Assistant Superintendent, Distribution of the City of Vineland, New Jersey.
 2. I am qualified to sign this Mitigation Plan on behalf of the City of Vineland, New Jersey.
 3. I have read and am familiar with the contents of this Mitigation Plan.
 4. The City of Vineland, agrees to comply with, this Mitigation Plan, including the timetable completion date, as accepted by ReliabilityFirst and approved by NERC.

Authorized Individual Signature



Name (Print): Robert A. Napier

Title: Assistant Superintendent, Distribution

Date: 1/02/2009

Section G: Regional Entity Contact

Please direct completed forms or any questions regarding completion of this form to the ReliabilityFirst Compliance e-mail address mitigationplan@rfirst.org.

Please indicate the company name and reference the NERC Violation ID # (if known) in the subject line of the e-mail. Additionally, any ReliabilityFirst Compliance Staff member is available for questions regarding the use of this form. Please see the contact list posted on the ReliabilityFirst Compliance web page.

RELIABILITY FIRST

Attachment A – Compliance Notices & Mitigation Plan Requirements

- I. Section 6.2 of the CMEP¹ sets forth the information that must be included in a Mitigation Plan. The Mitigation Plan must include:
 - (1) The Registered Entity's point of contact for the Mitigation Plan, who shall be a person (i) responsible for filing the Mitigation Plan, (ii) technically knowledgeable regarding the Mitigation Plan, and (iii) authorized and competent to respond to questions regarding the status of the Mitigation Plan.
 - (2) The Alleged or Confirmed Violation(s) of Reliability Standard(s) the Mitigation Plan will correct.
 - (3) The cause of the Alleged or Confirmed Violation(s).
 - (4) The Registered Entity's action plan to correct the Alleged or Confirmed Violation(s).
 - (5) The Registered Entity's action plan to prevent recurrence of the Alleged or Confirmed violation(s).
 - (6) The anticipated impact of the Mitigation Plan on the bulk power system reliability and an action plan to mitigate any increased risk to the reliability of the bulk power-system while the Mitigation Plan is being implemented.
 - (7) A timetable for completion of the Mitigation Plan including the completion date by which the Mitigation Plan will be fully implemented and the Alleged or Confirmed Violation(s) corrected.
 - (8) Key implementation milestones no more than three (3) months apart for Mitigation Plans with expected completion dates more than three (3) months from the date of submission. Additional violations could be determined for not completing work associated with accepted milestones.
 - (9) Any other information deemed necessary or appropriate.
 - (10) The Mitigation Plan shall be signed by an officer, employee, attorney or other authorized representative of the Registered Entity, which if applicable, shall be the person that signed the Self-Certification or Self Reporting submittals.
- II. This submittal form must be used to provide a required Mitigation Plan for review and acceptance by ReliabilityFirst and approval by NERC.
- III. This Mitigation Plan is submitted to ReliabilityFirst and NERC as confidential information in accordance with Section 1500 of the NERC Rules of Procedure.

¹ "Compliance Monitoring and Enforcement Program" of the ReliabilityFirst Corporation;" a copy of the current version approved by the Federal Energy Regulatory Commission is posted on the ReliabilityFirst website.

RELIABILITY *FIRST*

- IV. This Mitigation Plan Submittal Form may be used to address one or more related Alleged or Confirmed violations of one Reliability Standard. A separate mitigation plan is required to address Alleged or Confirmed violations with respect to each additional Reliability Standard, as applicable.
- V. If the Mitigation Plan is accepted by Reliability*First* and approved by NERC, a copy of this Mitigation Plan will be provided to the Federal Energy Regulatory Commission in accordance with applicable Commission rules, regulations and orders.
- VI. Reliability*First* or NERC may reject Mitigation Plans that they determine to be incomplete or inadequate.
- VII. Remedial action directives also may be issued as necessary to ensure reliability of the BPS.

RELIABILITY FIRST

DOCUMENT CONTROL

Title: Mitigation Plan Submittal Form
Issue: Version 2.0
Date: 11 July 2008
Distribution: Public
Filename: ReliabilityFirst Mitigation Plan Submittal Form - Ver 2.DOC
Control: Reissue as complete document only

DOCUMENT APPROVAL

Prepared By	Approved By	Approval Signature	Date
Robert K. Wargo Senior Consultant Compliance	Raymond J. Palmieri Vice President and Director Compliance	<i>Raymond J. Palmieri</i>	1/2/08

DOCUMENT CHANGE/REVISION HISTORY

Version	Prepared By	Summary of Changes	Date
1.0	Robert K. Wargo	Original Issue – Replaces “Proposed Mitigation Plan” Form	1/2/08
2.0	Tony Purgar	Revised email address from compliance@rfirst.org to mitigationplan@rfirst.org	7/11/08

January 4, 2010

Summary and Review of Evidence of Mitigation Plan Completion

NERC Violation ID #:	RFC200800099
	RFC200800101
NERC Plan ID:	MIT-07-1403
Registered Entity;	City of Vineland
NERC Registry ID:	NCR00722
Standard:	FAC-008-1, R1
	FAC-009-1, R1
Status:	Compliant

The City of Vineland (“Vineland”) was audited by ReliabilityFirst Compliance Staff on September 2-12, 2008. The Audit Team reported a Possible Violation of NERC Reliability Standards FAC-008-1, Requirement 1, and FAC-009-1, Requirement 1. Vineland submitted a Proposed Mitigation Plan to ReliabilityFirst on January 2, 2009, whereby stating Vineland completed all mitigating actions on or about September 12, 2008. This Mitigation Plan, designated MIT-07-1403, was accepted by ReliabilityFirst on January 30, 2009 and approved by NERC on February 27, 2009.

Review Process:

On January 2, 2009, Vineland certified that the Mitigation Plan for FAC-008-1, Requirement 1, and FAC-009-1, Requirement 1, was completed as of September 12, 2008. ReliabilityFirst requested and received evidence of completion for actions taken by Vineland as specified in the Mitigation Plan. ReliabilityFirst performed an in depth review of the information provided to verify that all actions specified in the Mitigation Plan were successfully completed. On November 1, 2009, ReliabilityFirst determined that the evidence submitted was insufficient and requested additional documentation. Vineland submitted the additional requested documentation on December 30, 2009. ReliabilityFirst again performed an in depth review of the information provided to verify that all actions specified in the Mitigation Plan were successfully completed.

FAC-008-1, Requirement 1 states: “The Transmission Owner and Generator Owner shall each document its current methodology used for developing Facility Ratings (Facility Ratings Methodology) of its solely and jointly owned Facilities. The methodology shall include all of the following:”

R1.1. A statement that a Facility Rating shall equal the most limiting applicable Equipment Rating of the individual equipment that comprises that Facility.

R1.2. The method by which the Rating (of major BES equipment that comprises a Facility) is determined.

R1.2.1. The scope of equipment addressed shall include, but not be limited to, generators, transmission conductors, transformers, relay protective devices, terminal equipment, and series and shunt compensation devices.

R1.2.2. The scope of Ratings addressed shall include, as a minimum, both Normal and Emergency Ratings.

R1.3. Consideration of the following:

R1.3.1. Ratings provided by equipment manufacturers.

R1.3.2. Design criteria (e.g., including applicable references to industry Rating practices such as manufacturer's warranty, IEEE, ANSI or other standards).

R1.3.3. Ambient conditions.

R1.3.4. Operating limitations.

R1.3.5. Other assumptions.

Evidence Submitted:

Requirement 1: Vineland Municipal Electric Utility Facility Rating Methodology, December 21, 2009

The Methodology states that the facility rating does not exceed the rating of the individual equipment with the most limiting applicable equipment rating.

Equipment ratings, including the generator, are based on manufacturers' nameplate ratings; the conductor ratings are based on the applicable IEEE standards.

Facility Rating Methodology submitted by Vineland Municipal Electric Utility addresses generators, transmission conductors, busses, transformers, relay protective devices, terminal equipment, and series and shunt compensation devices.

The Methodology states that emergency conductor ratings shall be the same as normal operating ratings unless specifically listed along with the nominal ratings. Emergency ratings for all other equipment shall be the same as the normal operating ratings.

The Methodology considers design criteria, manufacturers' nameplate ratings, ambient conditions, operating limitations and any other assumptions that may limit equipment and facility ratings.

Status: Compliant

FAC-009-1, Requirement 1 states: "The Transmission Owner and Generator Owner shall each establish Facility Ratings for its solely and jointly owned Facilities that are consistent with the associated Facility Ratings Methodology."

Evidence Submitted:

Requirement 1: Vineland Municipal Electric Utility, NERC/RFC Standard FAC-009-1 Facility Ratings, December 21, 2009.

The facility ratings submitted by Vineland show that the ratings were developed based on the Vineland Municipal Electric Utility Facility Rating Methodology. The facility rating is based upon all associated equipment ratings and is the lowest of the lowest rated equipment as the overall facility rating.

Status: Compliant

Review Results:

ReliabilityFirst Corporation reviewed the evidence Vineland submitted in support of its Certification of Completion. On January 4, 2010, ReliabilityFirst verified that the Mitigation Plan was completed in accordance with its terms and has therefore deemed Vineland compliant to the aforementioned NERC Reliability Standards.

Respectfully Submitted,

A handwritten signature in black ink, appearing to read "Robert K. Wargo", with a stylized flourish at the end.

Robert K. Wargo
Manager of Compliance Enforcement
ReliabilityFirst Corporation

Attachment c

Disposition Document

DISPOSITION OF VIOLATION¹

NERC TRACKING NO.	REGIONAL ENTITY TRACKING NO.	NOC#
RFC200800099	RFC200800099	NOC-523
RFC200800101	RFC200800101	
REGISTERED ENTITY		NERC REGISTRY ID
City of Vineland New Jersey (VMEU)		NCR00722
REGIONAL ENTITY		
ReliabilityFirst Corporation (ReliabilityFirst)		

I. REGISTRATION INFORMATION

ENTITY IS REGISTERED FOR THE FOLLOWING FUNCTIONS:

BA	DP	GO	GOP	IA	LSE	PA	PSE	RC	RP	RSG	TO	TOP	TP	TSP
	X	X	X		X		X							
	5/30/07	5/30/07	5/11/09		5/30/07		5/30/07							

* VIOLATION APPLIES TO SHADED FUNCTIONS

DESCRIPTION OF THE REGISTERED ENTITY

VMEU is a municipal utility that owns and operates one coal-fired fossil generator and three oil-fired generators, including one black-start unit. VMEU has a total net capacity of 77 MW and is within the PJM Interconnection Balancing Authority area. VMEU ties to Atlantic City Electric (ACE) at four 69 kV interconnection points and it owns and operates two 138 kV distribution transformers connected to the ACE substations. VMEU serves 21,541 residential customers and 3,263 commercial customers. In 2007, VMEU's peak demand was 164 MW.

I. VIOLATION INFORMATION

RELIABILITY STANDARD	REQUIREMENT(S)	SUB-REQUIREMENT(S)	VRF(S)	VSL(S)
FAC-008-1	1		Lower²	Severe

¹ For purposes of this document and attachments hereto, each violation at issue is described as a "violation," regardless of its procedural posture and whether it was a possible, alleged, or confirmed violation.

² When NERC filed VRFs for FAC-008-1, NERC originally assigned a "Lower" VRF to FAC-008-1 R1.1. The Commission approved the VRF but directed modifications. On December 19, 2007, NERC filed the modified "Medium" VRF for FAC-008-1 R1.1 for approval. On February 6, 2008, the Commission issued

FAC-009-1	1		Medium	Severe
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PURPOSE OF THE RELIABILITY STANDARD AND TEXT OF RELIABILITY STANDARD AND REQUIREMENT(S)/SUB-REQUIREMENT(S)

The purpose statements of FAC-008-1 and FAC-009-1 provide: “To ensure that Facility Ratings used in the reliable planning and operation of the Bulk Electric System (BES) are determined based on an established methodology or methodologies.”

FAC-008-1 R1 provides:

The Transmission Owner and Generator Owner shall each document its current methodology used for developing Facility Ratings (Facility Ratings Methodology) of its solely and jointly owned Facilities. The methodology shall include all of the following:

R1.1. A statement that a Facility Rating shall equal the most limiting applicable Equipment Rating of the individual equipment that comprises that Facility.

R1.2. The method by which the Rating (of major BES equipment that comprises a Facility) is determined.

R1.2.1. The scope of equipment addressed shall include, but not be limited to, generators, transmission conductors, transformers, relay protective devices, terminal equipment, and series and shunt compensation devices.

R1.2.2. The scope of Ratings addressed shall include, as a minimum, both Normal and Emergency Ratings.

R1.3. Consideration of the following:

R1.3.1. Ratings provided by equipment manufacturers.

R1.3.2. Design criteria (e.g., including applicable references to industry Rating practices such as manufacturer’s warranty, IEEE, ANSI or other standards).

R1.3.3. Ambient conditions.

R1.3.4. Operating limitations.

R1.3.5. Other assumptions.

FAC-009-1 R1 provides: “The Transmission Owner and Generator Owner shall each establish Facility Ratings for its solely and jointly owned Facilities that are consistent with the associated Facility Ratings Methodology.”

an Order approving the modified VRF. Therefore, the “Lower” VRF was in effect from June 18, 2007 until February 6, 2008 and the “Medium” VRF has been in effect since February 6, 2008.

VIOLATION DESCRIPTION

During an off-site Compliance Audit conducted from September 2, 2008 through September 12, 2008, ReliabilityFirst identified (1) a violation of FAC-008-1 R1 because VMEU did not have a formal Facility Ratings Methodology; and (2) a violation of FAC-009-1 R1 because VMEU's existing Facility Ratings did not include all of the elements associated with its generator. Specifically, VMEU did not have ratings for the relay protective devices and the series and shunt compensation devices associated with its generator.³

RELIABILITY IMPACT STATEMENT- POTENTIAL AND ACTUAL

ReliabilityFirst determined that the violations did not create a serious or substantial risk to the bulk power system (BPS) because VMEU's single generator unit is listed as a third-level backup blackstart unit with VMEU's Transmission Operator and is not connected to the BPS. If the blackstart unit failed to start, VMEU's Transmission Operator has alternative plans for restoration. VMEU is registered as a Generator Owner because of the unit's blackstart capabilities.

IS THERE A SETTLEMENT AGREEMENT YES ☒ NO ☐

WITH RESPECT TO THE VIOLATION(S), REGISTERED ENTITY

NEITHER ADMITS NOR DENIES IT (SETTLEMENT ONLY) YES ☒
 ADMITS TO IT YES ☐
 DOES NOT CONTEST IT (INCLUDING WITHIN 30 DAYS) YES ☐

WITH RESPECT TO THE PROPOSED PENALTY OR SANCTION, REGISTERED ENTITY

ACCEPTS IT/ DOES NOT CONTEST IT YES ☒

III. DISCOVERY INFORMATION

METHOD OF DISCOVERY

SELF-REPORT	<input type="checkbox"/>
SELF-CERTIFICATION	<input type="checkbox"/>
COMPLIANCE AUDIT	<input checked="" type="checkbox"/>
COMPLIANCE VIOLATION INVESTIGATION	<input type="checkbox"/>
SPOT CHECK	<input type="checkbox"/>
COMPLAINT	<input type="checkbox"/>
PERIODIC DATA SUBMITTAL	<input type="checkbox"/>
EXCEPTION REPORTING	<input type="checkbox"/>

³ ReliabilityFirst audited VMEU for three Regional Standards and concluded that VMEU had a possible alleged violation of EOP-007-RFC-01 R4. This Regional Standard is not enforceable and was not considered in the penalty determination.

DURATION DATE(S)

The duration of the FAC-008-1 R1 was from 6/18/2007, the date the NERC Reliability Standards became enforceable, through 12/21/2009, the date VMEU issued its Facility Ratings Methodology, as required by the Reliability Standard;⁴ and the duration of the FAC-009-1 R1 was from 6/18/2007, the date the NERC Reliability Standards became enforceable, through 12/21/2009, the date VMEU identified ratings in accordance with its methodology.

DATE DISCOVERED BY OR REPORTED TO REGIONAL ENTITY **9/12/2008**

IS THE VIOLATION STILL OCCURRING

YES ☐ NO ☒

IF YES, EXPLAIN

REMEDIAL ACTION DIRECTIVE ISSUED	YES <input type="checkbox"/>	NO <input checked="" type="checkbox"/>
PRE TO POST JUNE 18, 2007 VIOLATION	YES <input type="checkbox"/>	NO <input checked="" type="checkbox"/>

IV. MITIGATION INFORMATION

MITIGATION PLAN NO. **MIT-07-1403**

DATE SUBMITTED TO REGIONAL ENTITY	1/2/2009
DATE ACCEPTED BY REGIONAL ENTITY	1/30/2009
DATE APPROVED BY NERC	2/27/2009
DATE PROVIDED TO FERC	3/9/2009

IDENTIFY AND EXPLAIN VERSIONS THAT WERE REJECTED, IF APPLICABLE

MITIGATION PLAN COMPLETED YES ☒ NO ☐

EXPECTED COMPLETION DATE	Submitted as complete as of 9/12/2008
EXTENSIONS GRANTED	N/A
ACTUAL COMPLETION DATE	12/21/2009⁵

⁴ The Settlement Agreement incorrectly states the end date of the instant violation as September 9, 2008 which is the date of VMEU's initial Facility Ratings Methodology titled *Facility Ratings Methodology for Vineland Municipal Electric Utility Related to NERC Standard FAC-008-1*. ReliabilityFirst determined upon review of the evidence of completion that VMEU's Facility Ratings Methodology dated September 9, 2008 was incomplete because VMEU's methodology failed to provide that its Facility Rating was equal to the most limiting component of VMEU's system.

⁵ On January 2, 2009, VMEU submitted a completed Mitigation Plan certifying that mitigation of the instant violations was complete. On November 1, 2009, ReliabilityFirst, during its review of VMEU's evidence, determined that VMEU's evidence was insufficient to verify mitigation of the instant violations,

DATE OF CERTIFICATION LETTER **1/2/2009**
CERTIFIED COMPLETE BY REGISTERED ENTITY AS OF **9/12/2008**

This certification was included within the Mitigation Plan. The evidence submitted with the certification did not support completion of the Mitigation Plan as of September 12, 2008 because VMEU's methodology failed to provide that its Facility Rating was equal to the most limiting component of VMEU's system. VMEU subsequently revised its documents on December 21, 2009 to include the missing element and submitted them as evidence, but did not submit a revised certification document.

DATE OF VERIFICATION LETTER **1/4/2010⁶**
VERIFIED COMPLETE BY REGIONAL ENTITY AS OF **12/21/2009**

ACTIONS TAKEN TO MITIGATE THE ISSUE AND PREVENT
RECURRENCE

VMEU (1) developed a formal Facility Ratings Methodology in accordance with FAC-008-1 R1; and (2) established Facility Ratings based on its documented methodology for all of the elements associated with its generator.

LIST OF EVIDENCE REVIEWED BY REGIONAL ENTITY TO EVALUATE
COMPLETION OF MITIGATION PLAN OR MILESTONES (FOR CASES IN
WHICH MITIGATION IS NOT YET COMPLETED)

For FAC-008-1 R1, VMEU submitted its Facility Ratings Methodology titled *Vineland Municipal Electric Utility Facility Rating Methodology* and dated December 21, 2009; and for FAC-009-1 R1, VMEU submitted its Facility Ratings titled *Vineland Municipal Electric Utility, NERC/RFC Standard FAC-009-1 Facility Ratings* and dated December 21, 2009.

V. PENALTY INFORMATION

TOTAL PROPOSED PENALTY OR SANCTION OF **\$2,000 FOR TWO VIOLATIONS.**

as stated in footnote 2. VMEU subsequently submitted revised versions of (1) its Facility Ratings Methodology and (2) its Facility Ratings that ReliabilityFirst, each dated December 21, 2009. On January 4, 2010, ReliabilityFirst notified VMEU that the subsequent evidence submitted was deemed sufficient to prove that the subject violations had been mitigated.

⁶ The Settlement Agreement incorrectly states that ReliabilityFirst verified that VMEU completed the Mitigation Plan in its entirety on January 3, 2010.

(1) REGISTERED ENTITY'S COMPLIANCE HISTORY

PRIOR VIOLATIONS OF ANY OF THE INSTANT RELIABILITY
STANDARD(S) OR REQUIREMENT(S) THEREUNDER

YES ☐ NO ☒

LIST ANY CONFIRMED OR SETTLED VIOLATIONS AND STATUS

ADDITIONAL COMMENTS

PRIOR VIOLATIONS OF OTHER RELIABILITY STANDARD(S) OR
REQUIREMENTS THEREUNDER

YES ☐ NO ☒

LIST ANY PRIOR CONFIRMED OR SETTLED VIOLATIONS AND
STATUS

ADDITIONAL COMMENTS

(2) THE DEGREE AND QUALITY OF COOPERATION BY THE REGISTERED
ENTITY (IF THE RESPONSE TO FULL COOPERATION IS "NO," THE
ABBREVIATED NOP FORM MAY NOT BE USED.)

FULL COOPERATION YES ☒ NO ☐
IF NO, EXPLAIN

(3) THE PRESENCE AND QUALITY OF THE REGISTERED ENTITY'S
COMPLIANCE PROGRAM

IS THERE A DOCUMENTED COMPLIANCE PROGRAM

YES ☐ NO ☒

EXPLAIN

VMEU does not have a formal compliance program. Informally, VMEU seeks to remain current on compliance issues by holding various trainings and meetings and by emailing relevant compliance-related notices to employees. In the wake of these alleged violations, VMEU began work to formalize its compliance program. To date, VMEU has allocated funds and started a third-party analysis of its compliance processes.

DOES SENIOR MANAGEMENT TAKE ACTIONS THAT SUPPORT THE COMPLIANCE PROGRAM, SUCH AS TRAINING, COMPLIANCE AS A FACTOR IN EMPLOYEE EVALUATIONS, OR OTHERWISE

YES ☐ NO ☒
EXPLAIN

See previous response.

EXPLAIN SENIOR MANAGEMENT'S ROLE AND INVOLVEMENT WITH RESPECT TO THE REGISTERED ENTITY'S COMPLIANCE PROGRAM

(4) ANY ATTEMPT BY THE REGISTERED ENTITY TO CONCEAL THE VIOLATION(S) OR INFORMATION NEEDED TO REVIEW, EVALUATE OR INVESTIGATE THE VIOLATION.

YES ☐ NO ☒
IF YES, EXPLAIN

(5) ANY EVIDENCE THE VIOLATION(S) WERE INTENTIONAL (IF THE RESPONSE IS "YES," THE ABBREVIATED NOP FORM MAY NOT BE USED.)

YES ☐ NO ☒
IF YES, EXPLAIN

(6) ANY OTHER MITIGATING FACTORS FOR CONSIDERATION

YES ☐ NO ☒
IF YES, EXPLAIN

(7) ANY OTHER AGGRAVATING FACTORS FOR CONSIDERATION (IF THE RESPONSE IS "YES," THE ABBREVIATED NOP FORM MAY NOT BE USED.)

YES ☐ NO ☒
IF YES, EXPLAIN

(8) ANY OTHER EXTENUATING CIRCUMSTANCES

YES ☐ NO ☒
IF YES, EXPLAIN

(9) ADDITIONAL SUPPORT FOR PROPOSED PENALTY OR SANCTION

EXHIBITS:

SOURCE DOCUMENT

ReliabilityFirst's Public Compliance Audit Report for VMEU dated February 23, 2009 and revised March 31, 2009

MITIGATION PLAN

VMEU's Mitigation Plan submitted January 2, 2009

CERTIFICATION BY REGISTERED ENTITY

Included within VMEU's Mitigation Plan dated January 2, 2009

OTHER RELEVANT INFORMATION:

NOTICE OF ALLEGED VIOLATION AND PROPOSED PENALTY OR
SANCTION ISSUED

DATE: OR N/A ☒

SETTLEMENT DISCUSSIONS COMMENCED

DATE: **10/23/2009** OR N/A ☐

NOTICE OF CONFIRMED VIOLATION ISSUED

DATE: OR N/A ☒

SUPPLEMENTAL RECORD INFORMATION

DATE(S) OR N/A ☐

REGISTERED ENTITY RESPONSE CONTESTED

FINDINGS ☐ PENALTY ☐ BOTH ☐ NO CONTEST ☒

HEARING REQUESTED

YES ☐ NO ☒

DATE

OUTCOME

APPEAL REQUESTED

Attachment d

Notice of Filing

UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

City of Vineland New Jersey

Docket No. NP10-____-000

NOTICE OF FILING
July 30, 2010

Take notice that on July 30, 2010, the North American Electric Reliability Corporation (NERC) filed a Notice of Penalty regarding City of Vineland New Jersey in the Reliability *First* Corporation region.

Any person desiring to intervene or to protest this filing must file in accordance with Rules 211 and 214 of the Commission's Rules of Practice and Procedure (18 CFR 385.211, 385.214). Protests will be considered by the Commission in determining the appropriate action to be taken, but will not serve to make protestants parties to the proceeding. Any person wishing to become a party must file a notice of intervention or motion to intervene, as appropriate. Such notices, motions, or protests must be filed on or before the comment date. On or before the comment date, it is not necessary to serve motions to intervene or protests on persons other than the Applicant.

The Commission encourages electronic submission of protests and interventions in lieu of paper using the "eFiling" link at <http://www.ferc.gov>. Persons unable to file electronically should submit an original and 14 copies of the protest or intervention to the Federal Energy Regulatory Commission, 888 First Street, N.E., Washington, D.C. 20426.

This filing is accessible on-line at <http://www.ferc.gov>, using the "eLibrary" link and is available for review in the Commission's Public Reference Room in Washington, D.C. There is an "eSubscription" link on the web site that enables subscribers to receive email notification when a document is added to a subscribed docket(s). For assistance with any FERC Online service, please email FERCOnlineSupport@ferc.gov, or call (866) 208-3676 (toll free). For TTY, call (202) 502-8659.

Comment Date: [BLANK]

Kimberly D. Bose,
Secretary