



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: NERC Abbreviated Notice of Penalty
PECO Energy Company, FERC Docket No. NP10-__-000**

Dear Ms. Bose:

The North American Electric Reliability Corporation (NERC) hereby provides this Abbreviated Notice of Penalty (NOP) regarding PECO Energy Company (PECO),¹ with information and details regarding the nature and resolution of the violation² discussed in detail in the Settlement Agreement (Attachment a) and the Disposition Document (Attachment d), 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)).³

¹ PECO and Commonwealth Edison Company (ComEd) are subsidiaries of Exelon Corporation. On October 1, 2009, NERC submitted a Notice of Penalty filing under Docket No. NP10-1-000 (NOC-215), which addressed a violation of FAC-003-1 R2 for ComEd. On October 23, 2009, FERC issued an order stating it would not engage in further review of the violation addressed in the October 1, 2009 Notice of Penalty. On October 14, 2009, NERC submitted an Omnibus filing under FERC Docket Number NP10-2-000 which addressed violations for certain registered entities including one (1) violation of PRC-005-1 R2.1 (NOC-073) for ComEd. On November 13, 2009, FERC issued an order stating it would not engage in further review of the violations addressed in the Omnibus Notice of Penalty. A violation of PRC-005-1 R2.1 (NOC-537) for ComEd is being filed concurrently with the instant violation. On June 4, 2008, NERC submitted a Notice of Penalty filing under Docket No. NP08-5-000 (NOC-003), which addressed a PRC-005-1 R2 violation for Exelon Generation Company, LLC. On July 3, 2008, FERC issued an order stating it would not engage in further review of the violation addressed in the June 4, 2008 Notice of Penalty. On June 2, 2010, NERC submitted a Notice of Penalty filing under Docket No. NP10-114-000 (NOC-440), which addressed a violation of VAR-002-1 R1. On July 2, 2010, FERC issued an order stating it would not engage in further review of the violation addressed in the June 2, 2010 Notice of Penalty.

² 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.

³ *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).

On March 20, 2009, PECO self-reported to ReliabilityFirst Corporation (ReliabilityFirst) non-compliance with PRC-005-1, R2.1, because PECO identified a number of protection system substation battery inspection and maintenance tasks that PECO completed outside the designated time interval set by the PECO Preventive and Predictive Maintenance Program (Program). This NOP is being filed with the Commission because ReliabilityFirst and PECO have entered into a Settlement Agreement to resolve all outstanding issues resulting in ReliabilityFirst's determination and findings of the enforceable violation of PRC-005-1 Requirement (R) 2.1. According to the Settlement Agreement, PECO neither admits nor denies the violation, but has agreed to the assessed penalty of fifteen thousand dollars (\$15,000) in addition to other remedies and actions to mitigate the instant violation and facilitate future compliance under the terms and conditions of the Settlement Agreement. Accordingly, the violation identified as NERC Violation Tracking Identification Number RFC200900127 is being filed in accordance with the NERC Rules of Procedure and the CMEP.

Statement of Findings Underlying the Violation

This NOP incorporates the findings and justifications set forth in the Settlement Agreement executed on April 16, 2010, by and between ReliabilityFirst and PECO. The details of the findings and the basis for the penalty are set forth in the Disposition Document dated May 16, 2010. This NOP 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 Corporation	PECO Energy Company	NOC-536	RFC200900127	PRC-005-1	2.1	High ⁴	15,000

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

PRC-005-1 - OVERVIEW⁵

ReliabilityFirst determined that PECO, as a Distribution Provider and Transmission Owner, identified a number of protection system substation battery inspection and maintenance tasks that PECO completed, but not within the designated time interval set by the Program.

The duration of the PRC-005-1 R2.1 violation was from June 27, 2007, when PECO was included on the NERC Compliance Registry, through March 18, 2009, the date PECO completed

⁴ PRC-005-1 R2 has a "Lower" VRF and PRC-005-1 R2.1 and R2.2 each have a "High" VRF. During a final review of the standards subsequent to the March 23, 2007 filing of the Version 1 VRFs, NERC identified that some standards requirements were missing VRFs; one of these include PRC-005-1 R2.1. On May 4, 2007, NERC assigned PRC-005 R2.1 a "High" VRF. In the Commission's June 26, 2007 Order on Violation Risk Factors, the Commission approved the PRC-005-1 R2.1 "High" VRF as filed. Therefore, the "High" VRF was in effect from June 26, 2007.

⁵ Further information on this violation is contained in the Disposition Document included as Attachment b.

all outstanding maintenance tasks identified in its Mitigation Plan. The Mitigation Plan was completed on April 13, 2010.

ReliabilityFirst determined that PECO's violation of PRC-005-1, R2.1, did not pose a serious or substantial risk because the Program includes a series of four battery inspection, maintenance and testing periods: five-week (monthly), quarterly, annual, and five-year; and there is an overlap redundancy in the associated tasks. Specifically, all five week (monthly) activities were completed within their defined intervals and therefore all batteries received some form of regular maintenance.

Statement Describing the Assessed 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 assessment of a fifteen thousand dollars (\$15,000) financial penalty against PECO 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 violation at issue.

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

1. the violation constituted PECO's first occurrence of violations of NERC Reliability Standards;
2. PECO self-reported the violation;
3. ReliabilityFirst reported that PECO was cooperative throughout the compliance enforcement process;
4. PECO has a compliance program, as discussed in the Disposition Document;
5. ReliabilityFirst reported there was no evidence of any attempt to conceal a violation nor evidence of intent to do so;
6. the violation did not pose a serious or substantial risk to the BPS, as discussed above and in the Disposition Document;
7. the number of tasks missed were less than 10% and PECO initiated a Root Cause Investigation, as discussed in the Disposition Document; and
8. ReliabilityFirst reported that there were no aggravating factors or extenuating circumstances that would affect the assessed penalty.

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).

For the foregoing reasons, the NERC BOTCC approves the Settlement Agreement and believes that the assessed penalty of fifteen thousand dollars (\$15,000) is appropriate for the violation and circumstances at issue, and is consistent with NERC's goal to promote and ensure reliability of the BPS.

Pursuant to 18 C.F.R. § 39.7(e), 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 is the following documents:

- a) Settlement Agreement between ReliabilityFirst and PECO, executed April 16, 2010, included as Attachment a;
 - i. PECO's Mitigation Plan dated December 18, 2009 included as Attachment a to the Settlement Agreement;
 - ii. PECO's Self-Report dated March 20, 2009, included as Attachment b to the Settlement Agreement;
- b) Certification of Mitigation Plan Completion submitted April 30, 2010, included as Attachment b;
- c) ReliabilityFirst's Verification of Mitigation Plan Completion dated June 29, 2010 included as Attachment c; and
- d) Disposition Document dated June 10, 2010, included as Attachment d.

A Form of Notice Suitable for Publication⁸

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

⁸ 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, NJ 08540-5721 (609)452-8060 (609) 452-9550 – facsimile gerry.cauley@nerc.net david.cook@nerc.net</p> <p>William Sullivan* Director Transmission & Substations PECO Energy Company 1040 W. Swedesford Road Berwyn, PA 19312 (610) 648-7901 (610) 725-7103 – facsimile bill.sullivan@exeloncorp.com</p> <p>Vincent Catania* Compliance Coordinator PECO Energy Company 1040 W. Swedesford Rd. Berwyn, PA 19312 (610) 648-7855 (610) 725-7103 – facsimile vincent.catania@exeloncorp.com</p> <p>Shari C. Gribbin* Assistant General Counsel & Manager, FERC Compliance Exelon BSC Legal 2301 Market Street, Ste 2300 Philadelphia, PA 19103 (215) 841-3606 (215) 568-3389 – facsimile shari.gribbin@exeloncorp.com</p>	<p>Rebecca J. Michael* Assistant General Counsel Holly A. Hawkins* Attorney North American Electric Reliability Corporation 1120 G Street, N.W. Suite 990 Washington, DC 20005-3801 (202) 393-3998 (202) 393-3955 – facsimile rebecca.michael@nerc.net holly.hawkins@nerc.net</p> <p>Timothy R. Gallagher* President & CEO ReliabilityFirst Corporation 320 Springside Drive, Suite 300 Akron, OH 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, OH 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, OH 44333 (330) 456-2488 (330) 456-5408 – facsimile bob.wargo@rfirst.org</p>
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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.	Megan E. Gambrel Compliance Enforcement Specialist ReliabilityFirst Corporation 320 Springside Drive, Suite 300 Akron, OH 44333 (330) 456-2488 (330) 456-5408 – facsimile megan.gambrel@rfirst.org
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Conclusion

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

Respectfully submitted,

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, NJ 08540-5721
(609) 452-8060
(609) 452-9550 – facsimile
gerry.cauley@nerc.net
david.cook@nerc.net

/s/ Rebecca J. Michael
Rebecca J. Michael
Assistant General Counsel
Holly A. Hawkins
Attorney
North American Electric Reliability
Corporation
1120 G Street, N.W.
Suite 990
Washington, DC 20005-3801
(202) 393-3998
(202) 393-3955 – facsimile
rebecca.michael@nerc.net
holly.hawkins@nerc.net

cc: PECO Energy Company
ReliabilityFirst Corporation

Attachments

Attachment a

Settlement Agreement between Reliability*First* and PECO, executed April 16, 2010



In re)	
)	
PECO ENERGY COMPANY)	
)	
)	
)	DOCKET NUMBER
)	
)	RFC200900127
NERC Registry ID # NCR08026)	
)	

**SETTLEMENT AGREEMENT
OF
RELIABILITYFIRST CORPORATION
AND
PECO ENERGY COMPANY**

I. INTRODUCTION

1. ReliabilityFirst Corporation (“ReliabilityFirst”) and PECO Energy Company (“PECO”) enter into this Settlement Agreement ("Agreement") to resolve all outstanding issues arising from a preliminary and non-public investigation resulting in ReliabilityFirst’s determination and findings, pursuant to the North American Electric Reliability Corporation (“NERC”) Rules of Procedure, of an alleged violation by PECO of the NERC Reliability Standard PRC-005-1, Requirement (R) 2.1.

II. STIPULATION OF FACTS

2. The facts stipulated herein are stipulated solely for the purpose of resolving between PECO and ReliabilityFirst the matters discussed herein and do not constitute stipulations or admissions for any other purpose, including in any administrative proceedings. PECO and ReliabilityFirst hereby stipulate and agree to the following:

A. BACKGROUND

3. Based in Philadelphia, PECO is an electric and natural gas utility subsidiary of Exelon Corporation. PECO serves 1.6 million electric and 491,000 natural gas customers in southeastern Pennsylvania and has about 2,500 employees. Founded in 1881, PECO is the state's largest utility, operating and maintaining a network with 550 electric substations, 21,000 miles of distribution and transmission lines, 27 natural gas gate stations and 6,600 miles of underground gas mains.
4. ReliabilityFirst staff confirmed that PECO is registered on the NERC Compliance Registry as a Distribution Provider ("DP") in the ReliabilityFirst region with the NERC Registry Identification Number of NCR08026 and is therefore subject to compliance with PRC-005-1, R2.1.

B. ALLEGED VIOLATION OF PRC-005-1, R2.1 – RFC200900127

5. Requirement 2.1 of PRC-005-1 states,

"Each Transmission Owner and any Distribution Provider that owns a transmission Protection System and each Generator Owner that owns a generation Protection System shall provide documentation of its Protection System maintenance and testing program and the implementation of that program to its Regional Reliability Organization on request (within 30 calendar days). The documentation of the program implementation shall include:

R2.1. Evidence Protection System devices were maintained and tested within the defined intervals."

6. On March 20, 2009, PECO self-reported potential noncompliance with Requirement 2.1 of Reliability Standard PRC-005-1. During an internal self-assessment of performance of inspection and maintenance tasks, PECO preliminarily identified a series of protection system substation battery inspection and maintenance tasks that were completed but not within the designated time interval set by the PECO Preventive and Predictive Maintenance Program (AM-EDP034). This Program, in conjunction with a series of templates, governs the implementation and oversight of preventive and predictive maintenance relating to all of PECO's electric transmission, substation and distribution assets.
7. PECO stated that the PECO Preventive and Predictive Maintenance Program includes a series of four battery inspection, maintenance and testing periodicities: five-week (monthly), quarterly, annual, and five-year; and there is a fair amount of overlap in the associated tasks. In all instances concerning the alleged violation of PRC-005-1, R2.1, the tasks for the first of these periodicities, the five-week (monthly testing), were completed within the defined interval and any issue of concern would have been identified by PECO at that time.

8. PECO's responses to ReliabilityFirst information requests provided additional detail regarding the batteries implicated in the Self-Report of PRC-005-1, R2.1. There are a total of 151 active batteries on the PECO system. Of these, 95 are batteries associated with the BES and Protection and Control Systems and 33 are associated with UFLS equipment¹ in distribution substations, for a total of 128 batteries. Of the 128 batteries, 113 (approximately 88%) of these batteries were in some way affected by the alleged violation. However, the total number of maintenance and testing tasks performed during the course of the alleged violation period was 3,030, while the number of maintenance and testing tasks that were not completed within the defined interval was 284, which represents approximately 9.4% of the total tasks performed.
9. PECO provided ReliabilityFirst with a chart describing the batteries implicated in the Self-Report, which is organized by substation and equipment position. PECO also provided ReliabilityFirst with a chart indicating each test interval that was missed on each affected battery, the date the missed testing was completed, and the condition of each battery prior to and after the missed test interval. None of the five-week testing intervals were missed by PECO. Out of the 238² missed quarterly test intervals (some batteries had multiple missed testing intervals), 1 battery required replacement³. Out of the 38 missed annual test intervals, 1 battery required maintenance after the missed test interval.⁴ Out of the 8 missed five-year test intervals, 1 battery required replacement⁵.

¹ ReliabilityFirst considered the fact that certain batteries were associated with UFLS equipment when determining the seriousness and scope of the PRC-005-1 violation. Because the alleged violation is the result of deficiencies in testing of Protection System devices included within the overall PECO Protection System Maintenance and Testing Program, ReliabilityFirst considered this alleged violation and the surrounding facts to be a PRC-005-1 issue. Moreover, PECO's mitigation of this alleged violation corrected testing deficiencies in all affected batteries and as such has eliminated any possible PRC-008 and PRC-017 related concerns.

² PECO submitted 239 missed intervals; however, 1 of the intervals occurred and was corrected prior to June 18, 2007. As noted in the chart, this instance identified a bad cell that was immediately replaced.

³ Through the normal maintenance program, PECO identified and replaced several cells that were in need of replacement in February 2007. In October 2007, after repeat maintenance issues associated with the battery bank, PECO decided to replace the bank as a long term solution and a work request was submitted to replace the battery bank. In October 2008 the battery was replaced with a temporary battery and in December 2008 the battery was replaced with a permanent battery. Throughout this time the battery was functional and capable of performing its intended function. This battery missed the applicable test interval by 48 days.

⁴ PECO stated that this battery may have been able to perform its intended function; however, immediate maintenance was identified and completed on the battery on April 25, 2008. This battery missed the applicable test interval by 20 days.

⁵ During the performance test completed on February 19, 2009, 1 cell went to 0 volts and was replaced immediately. This battery missed the applicable test interval by 2 days.

10. PECO indicated that there were no operating events relating to this alleged violation, and that mitigation action was taken immediately on discovery of the issue and included: (1) initial preliminary investigation of all battery maintenance tasks to confirm the reliability and safety of bulk electric system; (2) immediate completion of any identified outstanding tasks; (3) implementation of additional reporting, oversight and management controls; (4) initiation of a formal Root Cause Investigation to thoroughly identify all issues, causal factors, implement any other necessary immediate remediation, define a formal mitigation plan and assign appropriate corrective actions to assure full compliance.
11. ReliabilityFirst alleges that PECO failed to provide documentation to show that its batteries were tested within all of the defined intervals of its Protection System maintenance and testing program (PECO Preventive and Predictive Maintenance Program).
12. ReliabilityFirst and PECO have reached an appropriate settlement in which the determination of penalty took into account multiple factors, including those described below.

III. PARTIES' SEPARATE REPRESENTATIONS

A. STATEMENT OF RELIABILITYFIRST AND SUMMARY OF FINDINGS

13. ReliabilityFirst considers this Agreement as the resolution of all issues with regard to the above captioned docket number and to bind PECO in the commitment to perform actions hereafter enumerated and listed as conditions for this Agreement.
14. PRC-005-1, R2.1 has a Violation Risk Factor (VRF) of "High".
15. ReliabilityFirst, in applying the adjustment factors as specified in the NERC Sanction Guidelines concluded that mitigating factors warrant the penalty amount assessed here. These mitigating factors included: (a) the total number of tasks missed was less than 10% and all of the monthly tasks were performed timely for every battery on the system; (b) PECO's self-report of the event; (c) the fact that PECO discovered the events because of self-initiated internal assessment of compliance; (d) the degree of cooperation of PECO during the fact and circumstance review, including the initiation of an in-depth "Root Cause Investigation" and provision of a corresponding full report of all details associated with the investigation.
16. ReliabilityFirst also found noteworthy and commendable certain aspects of PECO's compliance program including that executive and senior management are key participants in the corporate level and individual business unit oversight of the program. Their involvement assures the ability to obtain additional necessary senior management involvement and provide needed resources to

accomplish tasks. Additionally, reports to the senior executives of Exelon are provided as an agenda item at each quarterly Exelon Operations Council Meeting. For the PECO Distribution Provider function, the overall responsibility for NERC Compliance resides with the Registered Officer who is the Vice President of Technical Services and a member of the Exelon NERC Steering Committee along with three other PECO management employees. At the corporate level, the NERC Chief Compliance Officer has oversight responsibilities for the Exelon Program. This Senior Officer presides over the Exelon NERC Steering Committee, which meets monthly to review and discuss all NERC related issues in detail. The Corporate program is designed to assure continuous improvement to prevent reoccurrence of any actual or potential violations. The Exelon NERC Compliance Management Team and the business unit implementation personnel accomplish this through the process of evaluating implementation efforts, reviewing and reporting on compliance status and the setting of goals around program improvements. Additionally, informal reviews are conducted any time an issue or question is raised around compliance obligations and for some of the more complex requirements. These reviews are utilized to identify any possible gaps to prevent a violation in the first instance and to inform program improvements to prevent reoccurrence of issues. PECO also employs a rigorous Corrective Action Program to investigate, track and mitigate violations, “near misses” or Other Conditions Adverse to Quality (OCAQ). Finally, the Exelon NERC Reliability Standards Compliance Program (NRSCP) requires training for all employees impacted by NERC standards.

17. ReliabilityFirst agrees that this agreement is in the best interest of the parties and in the best interest of bulk power system reliability.

B. STATEMENT OF PECO

18. PECO neither admits nor denies that the facts set forth and agreed to by the parties for purposes of this Agreement constitute violations of PRC-005-1, R2.1.
19. PECO has agreed to enter into this Settlement 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. PECO 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

A. Mitigating Actions for PRC-005-1, Requirement 2.1 – RFC200900127

20. On December 18, 2009, PECO submitted to ReliabilityFirst a Mitigation Plan to address the Alleged Violation set forth in this Agreement. On January 8, 2010, ReliabilityFirst accepted the Mitigation Plan (Mitigation Plan Tracking # MIT-

09-2252, *see* Attachment a), and submitted the accepted Mitigation Plan to NERC. NERC approved the Mitigation Plan on January 12, 2010 and submitted the Mitigation Plan to FERC as confidential, non-public information on January 12, 2010.

21. In the Mitigation Plan, PECO outlines actions identified to be taken in order to mitigate the violation, as well as the dates by which the actions were to be taken:
- a. Preliminary investigation of all battery maintenance tasks (complete and outstanding) due between the dates of June 18, 2007 and March 16, 2009 was performed to identify any instances where tasks were not completed within the defined intervals. (Completed on February 25, 2009)
 - b. Immediate completion of all identified outstanding maintenance tasks. (Completed on March 18, 2009)
 - c. Immediate implementation of additional reporting and management oversight controls. (Completed on March 15, 2009)
 - d. Immediate communications issued to the T & S Maintenance Team conveying the importance of completing battery maintenance and testing tasks in accordance with all four of the defined intervals. (Completed on March 15, 2009)
 - e. Initiation of a formal Root Cause Investigation to thoroughly identify all issues, causal factors, implement any other necessary immediate remediation, define a formal mitigation plan and assign appropriate corrective actions to assure full compliance. (Completed June 8, 2009)
 - f. A-1:⁶ Perform an in depth analysis of applicable PRC standards against all PECO PM program templates. (Completed July 31, 2009)
 - g. A-2: Complete Management Model updates reflecting revisions to templates and procedures. (Completed October 22, 2009)
 - h. A-3: Verify that the NERC coded tasks identified in Corrective Action A-1 can be completed in a timely fashion without

⁶ The Mitigation Plan designations A-1 through C-4 refer to Corrective Action Items identified by PECO as a result of the Root Cause Investigation completed on June 8, 2009. PECO included these Corrective Action Items as a part of its Mitigation Plan.

compromising other regulatory and operational obligations.
(Complete by April 30, 2010)

- i. B-1: Develop and implement improved tracking, reporting and measurement controls for each compliance task identified in Corrective Action A-1. (Completed August 31, 2009)
 - j. B-2: Develop checklist defining the Corrective Action B-1. (Completed September 30, 2009)
 - k. B-3: Identify and train all personnel responsible for implementation of any Corrective Action B-1 controls. (Completed October 31, 2009)
 - l. B-4: Add Corrective Action B-1 tracking, monitoring, reporting and measurement controls information and the B-3 Checklist to applicable business unit level procedure. (Completed December 15, 2009)
 - m. C-1: Review corporate level program roles and responsibilities and develop/revise procedures as necessary. (Completed December 15, 2009)
 - n. C-2: Conduct any necessary training on revised procedures as part of C-1 corrective action. (Completed December 14, 2009)
 - o. C-3: Review and update PECO business unit level processes, develop/revise procedures to assure clarity of PECO NERC compliance structure and PECO roles and responsibilities. (Completed December 15, 2009)
 - p. C-4: Conduct any necessary training for Compliance Contracts and Subject Matter Experts on revised procedures. (Completed by February 28, 2010)
 - q. Train additional individuals on the development of the relevant Cascade reports and use of the InfoMaker application. (Completed June 26, 2009)
22. When completed, this Mitigation Plan will have brought PECO into full compliance with PRC-005-1. ReliabilityFirst will verify as such when appropriate.
23. PECO shall pay a monetary penalty of \$15,000 to ReliabilityFirst. ReliabilityFirst shall present an invoice to PECO within twenty days after the Agreement is approved (as submitted or as modified in a manner acceptable to

the parties) either by the Federal Energy Regulatory Commission or by operation of law, and ReliabilityFirst shall notify the North American Electric Reliability Corporation if the payment is not received.

24. In order to facilitate ReliabilityFirst's need to communicate the status and provide accountability to the ERO (NERC), if requested by ReliabilityFirst, PECO will provide status updates at a minimum quarterly or more frequently. PECO will submit such status updates to ReliabilityFirst in accordance with the confidentiality provisions of Section 1500 of the NERC Rules of Procedure.
25. It is understood that ReliabilityFirst staff may audit the progress of mitigation plans and any other remedies of this Agreement, including, but not limited to site inspection, interviews, and request other documentation to validate progress and/or completion of the mitigation plans and any other remedies of this Settlement Agreement. ReliabilityFirst shall reasonably coordinate audits and information requests with PECO related to this Settlement Agreement.
26. PECO shall pay \$15,000 to ReliabilityFirst as stated in this Settlement Agreement. However, if PECO fails to complete the actions described above, ReliabilityFirst reserves the right to assess and collect a monetary penalty, to impose a sanction or otherwise to impose enforcement actions. PECO shall retain all rights to defend against such additional enforcement actions in accordance with NERC Rules of Procedure.
27. Failure to make a timely penalty payment or to comply with any of the terms and conditions agreed to herein, or any other conditions of this Settlement Agreement, shall be deemed to be either the same alleged violations that initiated this Settlement and/or additional violation(s) and may subject PECO to new or additional enforcement, penalty or sanction actions in accordance with the NERC Rules of Procedure.
28. If PECO does not make the monetary penalty payment above at the times agreed by the parties, interest payable to ReliabilityFirst will begin to accrue pursuant to the Commission's regulations at 18 C.F.R. § 35.19a(a)(2)(iii) from the date that payment is due, in addition to the penalty specified above.

V. ADDITIONAL TERMS

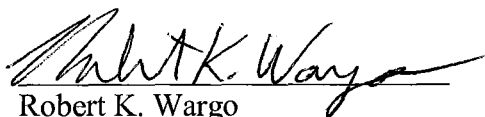
29. The signatories to the Agreement agree that they enter into the Agreement voluntarily and that, other than the recitations set forth herein, no tender, offer or promise of any kind by any member, employee, officer, director, agent or representative of ReliabilityFirst or PECO has been made to induce the signatories or any other party to enter into the Agreement.
30. ReliabilityFirst shall report the terms of all settlements of compliance matters to NERC. NERC will review the settlement for the purpose of evaluating its

consistency with other settlements entered into for similar violations or under other, similar circumstances. Based on this review, NERC will either approve the settlement or reject the settlement and notify ReliabilityFirst and PECO of changes to the settlement that would result in approval. If NERC rejects the settlement, NERC will provide specific written reasons for such rejection and ReliabilityFirst will attempt to negotiate a revised settlement agreement with PECO including any changes to the settlement specified by NERC. If a settlement cannot be reached, the enforcement process shall continue to conclusion. If NERC approves the settlement, NERC will (i) report the approved settlement to the Commission for the Commission's review and approval by order or operation of law and (ii) publicly post the alleged violation and the terms provided for in the settlement.

31. This Agreement shall become effective upon the Commission's approval of the Agreement by order or operation of law as submitted to it or as modified in a manner acceptable to the parties.
32. PECO agrees that this Agreement, when approved by NERC and the Commission, shall represent a final settlement of all matters set forth herein and PECO waives its right to further hearings and appeal, unless and only to the extent that PECO contends that any NERC or Commission action on the Agreement contains one or more material modifications to the Agreement.
33. ReliabilityFirst reserves all rights to initiate enforcement, penalty or sanction actions against PECO in accordance with the NERC Rules of Procedure in the event that PECO fails to comply with any of the stipulations, remedies, sanctions, or additional terms, as set forth in this Agreement. In the event that PECO fails to comply with any of the stipulations, remedies, sanctions or additional terms, as set forth in this Agreement, ReliabilityFirst will initiate enforcement, penalty, or sanction actions against PECO as allowed by the NERC Rules of Procedure, up to the maximum statutorily allowed penalty. PECO shall retain all rights to defend against such enforcement actions, also according to the NERC Rules of Procedure.
34. PECO consents to the use of ReliabilityFirst's determinations, findings, and conclusions set forth in this Agreement for the purpose of assessing the factors, including the factor of determining the company's history of violations, in accordance with the NERC Sanction Guidelines and applicable Commission orders and policy statements. Such use may be solely in any enforcement action or compliance proceeding undertaken by NERC and/or any Regional Entity; provided, however that PECO does not consent to the use of the specific acts set forth in this Agreement as the sole basis for any other action or proceeding brought by NERC and/or Regional Entity, nor does PECO consent to the use of this Agreement by any other party in any other action or proceeding.

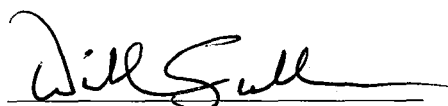
35. Each of the undersigned warrants that he or she is an authorized representative of the entity designated, is authorized to bind such entity and accepts the Agreement on the entity's behalf.
36. The undersigned representative of each party affirms that he or she has read the Agreement, that all of the matters set forth in the Agreement are true and correct to the best of his or her knowledge, information and belief, and that he or she understands that the Agreement is entered into by such party in express reliance on those representations, provided, however, that such affirmation by each party's representative shall not apply to the other party's statements of position set forth in Section III of this Agreement.
37. The Agreement may be signed in counterparts.
38. This Agreement is executed in duplicate, each of which so executed shall be deemed to be an original.

Agreed to and accepted:



Robert K. Wargo
Manager of Compliance Enforcement
ReliabilityFirst Corporation

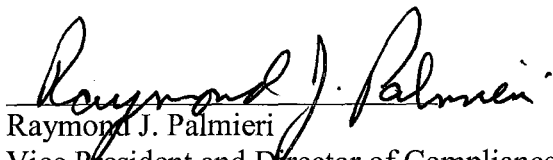
4/08/2010
Date



William Sullivan
Director, Transmission & Substations
PECO Energy Company

4/14/2010
Date

Approved by:



Raymond J. Palmieri
Vice President and Director of Compliance
ReliabilityFirst Corporation

4/16/10
Date

Attachment a

Mitigation Plan (MIT-09-2252)

Submitted December 18, 2009

MIT-09-2252

RFC200900127

Mitigation Plan Submittal Form

Date this Mitigation Plan is being submitted: December 18, 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: PECO Energy Company ("PECO")

Company Address: 2301 Market Street
Philadelphia, PA 19101

NERC Compliance Registry ID: NCR0826

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

Name: Vince Catania

Title: Primary Compliance Contact

Email: vincent.catania@exeloncorp.com

Phone: 610-648-7855



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)
RFC200900127	PRC-005-1	2.1	High	3/30/2009 (date of self report)	Self-report

(*) 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.

During an internal self-assessment of performance of inspection and maintenance tasks, the team reviewing these items preliminarily identified a series of protection system substation battery inspection and maintenance tasks that were completed but not within the designated time interval set by PECO Preventive and Predictive Maintenance Program AM-ED-P034. This Program in conjunction with a series of templates governs the implementation and oversight of preventive and predictive maintenance relating to electric transmission, substation and distribution assets.

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

A copy of the formal internal investigation report was filed with RFC, pursuant to RFC's data request, on June 10, 2009.

- 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.

There were no operating events relating to this issue. All of the identified outstanding maintenance tasks were completed by March 18, 2009.

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.

This issue was discovered in the course of an internal self-assessment being performed to confirm compliance to NERC Standards and identify potential improvements to the program. On completion of the Root Cause Investigation, the team ultimately determined that the decision to generically apply the PECO Preventive and Predictive maintenance program at the time of initial implementation of the Protection System Standards was the primary root cause of the failures identified here. While the program includes all elements necessary to meet NERC requirements, it is much broader and includes a significant number of tasks not associated with NERC compliance. The application of this much broader program without a thorough review of all elements, how the program is implemented and the addition of indicators to the specific documented elements supporting NERC compliance resulted in an inadequate line of site to these particular components. This created gaps when general program tracking and reporting controls were implemented, when work processes were amended or tasks were reprioritized and when NERC compliance responsibilities were transitioned. The following mitigation actions were taken or are proposed to resolve the problem and eliminate any potential risk of failure going forward:

Immediate Mitigation Actions:

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Mitigation action was taken immediately on discovery of the issue and included: (1) initial preliminary investigation of all battery maintenance tasks to confirm reliability and safety of bulk electric system; (2) immediate completion of any identified outstanding tasks; (3) implementation of additional reporting, oversight and management controls; (4) initiation of a formal Root Cause Investigation to thoroughly identify all issues, causal factors, implement any other necessary immediate remediation, define a formal mitigation plan and assign appropriate corrective actions to assure full compliance.

All of the immediate mitigation action tasks have been completed. The completion of mitigation actions 1 and 2 listed above brought us to full compliance.

Additional Mitigation Action Completed or In Progress:

The following mitigation actions were identified as a result of the thorough Root Cause Investigation and have either been completed or are in progress with the last scheduled completion date being February 28, 2010. These actions are also detailed in the formal investigation report that was provided to RFC on June 10, 2009 and is also detailed in the Milestone Activity table included with this form.

- A.** Corrective actions associated with the generic application of the PECO Transmission, Substation and Distribution Preventive and Predictive maintenance program at the time of initial implementation by PECO of NERC's Protection System Standards.

A-1: Perform an in depth analysis of applicable PRC standards against all PECO PM program templates to specifically identify protection system tasks supporting compliance with NERC PRC Standards to assure the NERC elements can be easily identified. Program updates should be documented to provide program guidance until processed as formal management model update. Template revisions must include the addition of NERC Codes to all tasks supporting compliance to NERC Standards.

A-2: Complete Management Model¹ updates reflecting revisions to templates and any associated maintenance procedures per the determinations resulting from Corrective Action A-1.

¹ The Exelon Management Model is a set of written guidelines to enable us to consistently achieve excellence in all key dimensions of our business. These guidelines document proven ways of achieving excellence, and define how we execute, how we manage performance and how we assess results. The models tie our vision, beliefs, and strategy to our policies, programs, processes, and procedures.

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- B.** Corrective actions associated with tracking, monitoring, reporting and measurement control gaps for PECO PM program elements supporting component specific compliance to the NERC Protection System Standards.

B-1: Develop and implement improved tracking, monitoring, reporting and measurement controls for each of the NERC compliance tasks identified as part of Corrective Action A-1. Reporting controls should include clear process that considers operational distinctions in the development of status updates. Consideration should be given to the possible inclusion of reporting and measurement in one or all of the following: monthly MRM's, KPI's, Daily Status Reports, PECO T&S PM Program Status Report.

B-2: Develop checklist defining the Corrective Action B-1 tracking, monitoring, reporting and measurement controls and include requirement for periodic review by Compliance Contact to assure changes to controls do not adversely impact timely completion of tasks.

B-3: Identify and train all personnel responsible for implementation of any of the Corrective Action B-1 controls.

B-4: Add Corrective Action B-1 tracking, monitoring, reporting and measurement controls information and the B-3 Checklist to EED NERC Reliability Standard Compliance Program – Transmission and Distribution (EX-ED-P048) or other applicable business unit level procedure (refer to C-3 below).

- C.** Corrective actions associated with rigor in implementation processes defining compliance contact responsibilities and accountability for identified NERC compliance program improvements at the business unit/department level.

C-1: Review corporate level program roles and responsibilities and develop/revise procedures as necessary to assure clarity of roles and responsibilities and adequate level of accountability. Review should consider revisions to Compliance Contact and SME roles based on current program expectations as well as the inclusion of formal process for designation and transition of roles.

C-2: Conduct any necessary training on revised procedures.

C-3: Review and update to PECO business unit level processes. Develop/revise procedures as necessary to assure clarity of PECO NERC compliance structure, PECO roles and responsibilities, and inclusion of Compliance Contact implementation processes (refer to B-4). Review should consider Compliance

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Contact obligations and expectations for SMEs based on current program status as well as the inclusion of a formal process for designation and transition of roles. The procedure should also include a requirement for periodic reviews by the Compliance Contact of all PECO T&S NERC program elements implementing the compliance requirements and a requirement to coordinate with other internal relevant Compliance Contacts, SMEs and the Exelon NERC Compliance Management team on any updates to these items.

C-4: Conduct any necessary training for Compliance Contacts and SME's on revised procedures.

D. Additional actions designed to improve overall awareness, understanding and compliance with the Protection System Standards.

D-1 Train additional individuals on the development of the relevant Cascade reports and use of the InfoMaker application to establish and share new controls and reports with work teams to ensure tasks are prioritized accordingly to maintain compliance.

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.

The immediate mitigation actions, specifically actions 1 and 2 listed in D.1, brought us to full compliance. PECO will complete all corrective actions as identified above by April 30, 2010.

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)
------------------------	---

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Corrective Action	Proposed	Completed
Preliminary investigation of all battery maintenance tasks (complete and outstanding) due between the dates of 6/18/2007 and 3/16/2009 was formed to identify any instances where tasks were not completed within the defined intervals.	February 28, 2009	February 25, 2009
Immediate completion of all identified outstanding maintenance tasks	March 31, 2009	March 18, 2009
Implementation of additional reporting and management oversight controls	March 31, 2009	March 15, 2009
Communication to the T&S Maintenance team of the importance of completing battery maintenance and testing tasks in accordance with intervals.	March 31, 2009	March, 15, 2009
Initiation of a formal Root Cause Investigation to thoroughly identify all issues, causal factors, implement any other necessary immediate remediation, define a formal mitigation plan and assign appropriate corrective actions to assure full compliance.	June 30, 2009	June 8, 2009 (RCI Completion)
A-1 Perform an in depth analysis of applicable PRC standards against all PECO PM program templates	July 31, 2009	July 31, 2009
A-2 Complete Management Model ¹ updates reflecting revisions to templates and procedures	October 31, 2009	October 22, 2009
A-3 Verify the NERC coded tasks identified in Corrective Action A-1 can be completed timely without compromising other regulatory and operational obligations.	April 30, 2010	In progress
B-1 Develop and implement improved tracking, reporting and measurement controls for each compliance tasks identified in Corrective Action A-1.	August 31, 2009	August 31, 2009
B-2 Develop checklist defining the Corrective Action B-1	September 30, 2009	September 30, 2009
B-3 Identify and train all personnel responsible for implementation of any Corrective Action B-1 controls.	October 31, 2009	October 31, 2009
B-4 Add Corrective Action B-1 tracking, monitoring, reporting and measurement controls information and the B-3 Checklist to applicable business unit level procedure (refer to C-3 below).	December 15, 2009	December 15, 2009
C-1 Review corporate level program roles and responsibilities and develop/revise procedures as necessary.	December 18, 2009	December 15, 2009
C-2 Conduct any necessary training on revised procedures as part of C-1 corrective action	December 15, 2009	December 14, 2009

¹ The Exelon Management Model is a set of written guidelines to enable us to consistently achieve excellence in all key dimensions of our business. These guidelines document proven ways of achieving excellence, and define how we execute, how we manage performance and how we assess results. The models tie our vision, beliefs, and strategy to our policies, programs, processes, and procedures.

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C-3 Review and update PECO business unit level processes Develop/revise procedures to assure clarity of PECO NERC compliance Structure and PECO roles & responsibilities	December 15, 2009	December 15, 2009
C-4 Conduct any necessary training for Compliance Contacts and SME's on revised procedures.	February 28, 2010	In progress
D-1 Train additional individuals on the development of the relevant Cascade reports and use of the InfoMaker application	June 30, 2009	June 26, 2009

(*) 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.

There was minimum risk to the bulk electric system posed by this issue. There were no operating events relating to this issue. All of the identified outstanding maintenance tasks were completed by March 18, 2009.

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 Root Cause Investigation process is designed to thoroughly evaluate all causes associated with an operational or process failure, identify solutions, assure those solutions are implemented and senior leadership is actively engaged throughout the process. In this case, because of the nature of the issue, the RCI process is designed to define how all of the mitigation actions will prevent or minimize the probability of future risks to the reliability of the BPS. The immediate mitigation actions taken and the mitigation actions derived from the Root Cause Investigation (RCI) address all identified gaps.

In addition to the benefits realized generally from the various mitigation actions, the inclusion of forward-looking controls that are being implemented will provide the transparency needed to adequately mitigate the risk of a potential violation in the future. One example of these controls is the addition of maintenance task interval risk tracking dashboards. These are placed on an internal Share Point site, easily viewed by those directly responsible for the maintenance and testing tasks and those who are ultimately responsible for administering our compliance program. The risk-tracking dashboard methodology will become the program oversight tool for all NERC Standards that have interval risk components going forward.

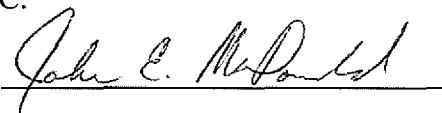
RELIABILITY FIRST

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 Vice President, Technical Services of PECO Energy Company.
 2. I am qualified to sign this Mitigation Plan on behalf of PECO Energy Company.
 3. I have read and am familiar with the contents of this Mitigation Plan.
 4. PECO Energy Company 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):

John E. McDonald

Title:

Vice President, Technical Services

Date:

December 18, 2009

Section F: 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.



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.
- 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

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*

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.

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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

Attachment b

Compliance Monitoring and Enforcement Program Violation Self- Reporting Form

Submitted March 20, 2009

COMPLIANCE MONITORING AND ENFORCEMENT PROGRAM VIOLATION SELF-REPORTING FORM

This Violation Self-Reporting Form can be used for submittals via e-mail or fax for violations of the Reliability Standards identified by a self- assessment.

1. **Reliability Standard** (XXX-###-# or XXX-###-RFC-##) PRC-005-1
2. **Violation(s):** Check the appropriate box(s) to identify violation(s) of any of the applicable requirement(s) referenced in the standard.

For violations of requirements with Levels of Non-Compliance or Violation Severity Levels (VSL) specified in the standard:

- ☒ Entity is Level 1 Non-Compliance or has Lower VSL for the following: requirement(s): R.2.1 for function(s): DP
- ☐ Entity is Level 2 Non-Compliance or has Moderate VSL for the following: requirement(s): _____ for function(s): _____
- ☐ Entity is Level 3 Non-Compliance or has High VSL for the following: requirement(s): _____ for function(s): _____
- ☐ Entity is Level 4 Non-Compliance or has Severe VSL for the following: requirement(s): _____ for function(s): _____

For violations of requirements with no Levels of Non-Compliance or Violation Severity Levels specified in the standard:

- ☐ Entity is in violation of requirement(s) not referenced in the Levels of Non-Compliance or Violation Severity Levels section of the standard:
- requirement(s): _____ for function(s): _____

3. **Description of the violation:** During an internal self-assessment of performance of inspection and maintenance tasks, the team reviewing these items preliminarily identified a series of protection system substation battery inspection and maintenance tasks that were completed but not within the designated time interval set by PECO Preventive and Predictive Maintenance Program AM-ED-P034. This Program in conjunction with a series of templates governs the implementation and oversight of preventive and predictive maintenance relating to electric transmission, substation and distribution assets. Since some of these substations may include circuits and related components supporting a UFLS program, there may be overlap with NERC Standard PRC-008 and that is being investigated as part of the Root Cause Investigation (discussed below).
4. **Additional information:** There is no risk to the bulk electric system posed by this issue. There were no operating events relating to this issue. All of the identified outstanding tasks have been completed. Immediate mitigation actions were taken that include: (1) initial preliminary investigation of all battery maintenance tasks to confirm reliability and safety of bulk electric system; (2) immediate completion of any identified outstanding tasks; (3) implementation of additional reporting, oversight and management controls; (4) initiation of a formal Root Cause Investigation to thoroughly identify all issues, causal factors, implement any other necessary immediate remediation, define a formal mitigation plan and assign appropriate corrective actions to assure full compliance.
5. **Mitigation Plan attached:** ☐ Yes ☒ No

6. **Officer Verification:** I understand that this information is being provided as required by the Reliability *First* Compliance Monitoring and Enforcement Program. Any review of this violation will require all information certified on this form be supported by appropriate documentation.

Enter NERC Registry ID# 08026

Officer's Name: John McDonald

Officer's Title: Vice President PECO Technical Services

Officer's e-mail address: John.McDonald@exeloncorp.com Phone: 215-841-4469

Registered Company Name: PECO

Primary Compliance Contact/Secondary: Vince J. Catania

Email: vincent.catania@exeloncorp.com Phone: 610-648-7855 Date: 03/20/2009

E-mail Submittals to compliance@rfirst.org Subject Line: Violation Self-Report
For any questions regarding compliance submittals, please e-mail compliance@rfirst.org.

Attachment b

Certification of Mitigation Plan Completion submitted April 30, 2010



Certification of Mitigation Plan Completion

Submittal of a Certification of Mitigation Plan Completion shall include data or information sufficient for ReliabilityFirst Corporation to verify completion of the Mitigation Plan. ReliabilityFirst Corporation may request additional data or information and conduct follow-up assessments, on-site or other Spot Checking, or Compliance Audits as it deems necessary to verify that all required actions in the Mitigation Plan have been completed and the Registered Entity is in compliance with the subject Reliability Standard. (CMEP Section 6.6)

Registered Entity Name: PECO Energy

NERC Registry ID:08026

Date of Submittal of Certification:4/30/2010

NERC Violation ID No(s):RFC200900127

Reliability Standard and the Requirement(s) of which a violation was mitigated:PRC-005-1, 2.1

Date Mitigation Plan was scheduled to be completed per accepted Mitigation Plan:4/30/2010

Date Mitigation Plan was actually completed:4/13/2010

Additional Comments (or List of Documents Attached):

I certify that the Mitigation Plan for the above named violation has been completed on the date shown above and that all submitted information is complete and correct to the best of my knowledge.

Name:Vincent J. Catania

Title:NERC Compliance Contact

Email:vincent.catania@exeloncorp.com

Phone:610-648-7855

Authorized Signature Vincent J. Catania Date 4-30-10



Please direct completed forms or any questions regarding completion of this form to the Reliability*First* 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 Reliability*First* Compliance Staff member is available for questions regarding the use of this form. Please see the contact list posted on the Reliability*First* Compliance web page.

DOCUMENT CONTROL

Title: Certification of Mitigation Plan Completion
Issue: Version 1
Date: 5 January 2008
Distribution: Public
Filename: Certification of a Completed Mitigation Plan_Ver1.doc
Control: Reissue as complete document only

DOCUMENT APPROVAL

Prepared By	Approved By	Approval Signature	Date
Robert K. Wargo Manager of Compliance Enforcement	Raymond J. Palmieri Vice President and Director Compliance	<i>Raymond J. Palmieri</i>	1/5/2009

DOCUMENT CHANGE/REVISION HISTORY

Version	Prepared By	Summary of Changes	Date
1.0	Robert K. Wargo	Original Issue	1/5/2009

Attachment c

ReliabilityFirst's Verification of Mitigation Plan Completion dated June 29, 2010

June 29, 2010

Summary and Review of Evidence of Mitigation Plan Completion

NERC Violation ID #:	RFC200900127
NERC Plan ID:	MIT-09-2252
Registered Entity;	PECO Energy Company
NERC Registry ID:	NCR08026
Standard:	PRC-005-1
Requirement:	2.1
Status:	Mitigation Plan Verified Complete

PECO Energy Company ("PECO") submitted a Self Report of noncompliance with NERC Reliability Standard PRC-005-1, Requirement 2.1, on March 20, 2009. Specifically, during an internal self-assessment of performance of inspection and maintenance tasks, the team reviewing these items preliminarily identified a series of protection system substation battery inspection and maintenance tasks that were completed but not within the designated time interval set by PECO Preventive and Predictive Maintenance Program AM-EDP034. PECO submitted a Proposed Mitigation Plan to ReliabilityFirst on December 18, 2009, whereby stating PECO would complete all mitigating actions by April 30, 2010. This Mitigation Plan, designated MIT-09-2252, was accepted by ReliabilityFirst on January 8, 2010, and approved by NERC on January 12, 2010.

Review Process:

On April 30, 2010, PECO certified that the Mitigation Plan for PRC-005-1, Requirement 2.1 was completed as of April 13, 2010. ReliabilityFirst requested and received evidence of completion for actions taken by PECO 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.

PRC-005-1, Requirement 2.1 states: "Each Transmission Owner and any Distribution Provider that owns a transmission Protection System and each Generator Owner that owns a generation Protection System shall provide documentation of its Protection System maintenance and testing program and the implementation of that program to its Regional Reliability Organization on request (within 30 calendar days). The documentation of the program implementation shall include:

R2.1. Evidence Protection System devices were maintained and tested within the defined intervals."

Evidence Submitted:

Requirement 2.1:

Exelon Energy Delivery Preventive and Predictive Maintenance Program (AM-ED-P034 Rev. 0, dated May 16, 2005)

(This was submitted July 14, 2009.)

Battery Template (AM-PE-P034-R1057 Rev. 5, dated November 13, 2006)

(This was submitted June 29, 2010.)

These provide an overview of PECO's maintenance program for the electric transmission, substation, and distribution assets and specifics regarding batteries, including maintenance and testing intervals.

To return to compliance, in Section D.1 the Mitigation Plan states:

"Mitigation action was taken immediately on discovery of the issue and included:

- (1) initial preliminary investigation of all battery maintenance tasks to confirm reliability and safety of bulk electric system;
- (2) immediate completion of any identified outstanding tasks;"

Amended RFC-1-1E chart of all batteries found in violation

(This was submitted February 19, 2010.)

This describes the batteries implicated in the Self-Report and addressed by the Mitigation Plan. It is organized by substation and equipment position and indicates each test interval that was missed on each affected battery, the date the missed testing was completed, and the condition of each battery prior to and after the missed test interval. From June 18, 2007 to present, no five-week testing intervals were missed. There were 238 missed quarterly test intervals for 107 batteries, 38 missed annual test intervals for 36 batteries and 8 missed five-year test intervals for 8 batteries. (Some batteries had multiple missed maintenance/testing intervals.) This document summarizes the results of the preliminary investigation of all battery maintenance tasks and the dates on which outstanding tasks were completed.

Screenshots of PECO's Cascade™ Maintenance Database showing Battery Inspection/Maintenance/Testing Records, dated June 21, 2007 – March 18, 2009

(These were submitted June 29, 2010.)

This database contains all the records of inspections, maintenance and testing done on all batteries. It is updated through handheld devices by field personnel to include the tasks performed and the date on which they were performed. These screenshots provide documentation that includes the dates on which the batteries were inspected/maintained/tested. A comparison of dates indicates whether the batteries were maintained and tested within the defined interval.

The combination of the above also:

- a. provides evidence that the last test dates are within the defined testing interval (R2.1.), i.e., no subsequent tests have been required,

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PECO Energy Company

June 29, 2010

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- b. provides evidence that the final outstanding maintenance tasks were completed by March 18, 2009, (proposed date was March 31, 2009),
- c. addresses the stated violation, and
- d. brings PECO Energy Company into Compliance with PRC-005-1 R2.1.

Mitigation Plan Completion

The approved Mitigation Plan included additional tasks that will protect the BES in the future by helping PECO Energy Company remain in compliance with NERC standards, including PRC-005-1. Each task was completed on or before its respective Proposed Date in the Mitigation Plan.

Unless otherwise indicated, the following evidence was received on April, 30, 2009:

The Mitigation Plan states:

(3) Implementation of additional reporting and management oversight controls;
(Verified by reviewing PECO email, dated March 9, 2009, with attached *BATTERY MAINT PM'S REFRESH 3-9-09 - new format.xls*.)

(4) Communication to the T&S Maintenance team of the importance of completing battery maintenance and testing tasks in accordance with intervals.
(Verified by reviewing list of participants of *Overview of Battery Maintenance and Testing PM Program for Compliance – 3/15/2009*.)

(5) Initiation of a formal Root Cause Investigation to thoroughly identify all issues, causal factors, implement any other necessary immediate remediation, define a formal mitigation plan and assign appropriate corrective actions to assure full compliance.
(Verified by reviewing *PECO Root Cause Investigation (RCI) Report*, dated June 8, 2009, provided June 10, 2009.)

A-1 Perform an in depth analysis of applicable PRC standards against all PECO PM program templates.

(Verified by reviewing PECO email, dated July 31, 2009, with attached, approved, completed Action Required report, dated July 31, 2009.)

A-2 Complete Management Model updates reflecting revisions to templates and procedures.

(Verified by reviewing PECO email, dated October 22, 2009, with attached, approved, completed Action Required report, dated October 21, 2009.)

A-3 Verify the NERC coded tasks identified in Corrective Action A-1 can be completed timely without compromising other regulatory and operational obligations.

(Verified by reviewing PECO email, dated April 13, 2009, with attached, approved, completed Action Required report, dated April 13, 2009.)

Summary and Review of Mitigation Plan Completion

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B-1 Develop and implement improved tracking, reporting and measurement controls for each compliance tasks identified in Corrective Action A-1.

(Verified by reviewing PECO approved, completed Action Required report, dated August 31, 2009, with attached snapshot of battery maintenance tracking tool.)

B-2 Develop checklist defining the Corrective Action B-1.

(Verified by reviewing PECO approved, completed Action Required report, dated September 29, 2009, with attached *CHECK LIST FOR NERC REPORTS & CONTROLS*.)

B-3 Identify and train all personnel responsible for implementation of any Corrective Action B-1 controls.

(Verified by reviewing PECO approved, completed Action Required report, dated October 29, 2009.)

B-4 Add Corrective Action B-1 tracking, monitoring, reporting and measurement controls information and the B-3 Checklist to applicable business unit level procedure (refer to C-3 below).

(Verified by reviewing PECO approved, completed Action Required report, dated December 15, 2009.)

C-1 Review corporate level program roles and responsibilities and develop/revise procedures as necessary.

(Verified by reviewing PECO approved, completed Action Required report, dated December 15, 2009.)

C-2 Conduct any necessary training on revised procedures as part of C-1 corrective action.

(Verified by reviewing PECO approved, completed Action Required report, dated December 15, 2009, with documentation of meetings held November 9, 10, 16 and 19, 2009.)

C-3 Review and update PECO business unit level processes Develop/revise procedures to assure clarity of PECO NERC compliance Structure and PECO roles & responsibilities.

(Verified by reviewing PECO approved, completed Action Required report, dated December 15, 2009, and PECO Procedure *Technical Services Regulatory Compliance Process* AM-PE-P135, Rev. 0, Effective August 31, 2009.)

C-4 Conduct any necessary training for Compliance Contacts and SME's on revised procedures.

(Verified by reviewing PECO approved, completed Action Required report, dated February 25, 2010, with documentation of training conducted February 16 and 23, 2010.)

D-1 Train additional individuals on the development of the relevant Cascade reports and use of the InfoMaker application

(Verified by reviewing PECO approved, completed Action Required report, dated

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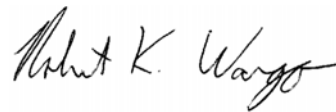
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June 26, 2009, with documentation of training conducted May 8, 2009 and June 19 and 23, 2009.)

Review Results:

Reliability*First* Corporation reviewed the evidence the PECO submitted in support of its Certification of Completion. On June 29, 2009 Reliability*First* verified that the Mitigation Plan was completed in accordance with its terms and has therefore deemed that PECO has successfully completed the Mitigation Plan associated with the alleged violation of the aforementioned NERC Reliability Standard.

Respectfully Submitted,

A handwritten signature in black ink, appearing to read "Robert K. Wargo". The signature is fluid and cursive, with the first name "Robert" and last name "Wargo" clearly distinguishable.

Robert K. Wargo
Manager of Compliance Enforcement
Reliability*First* Corporation

Attachment d

Disposition Document dated June 10, 2010

DISPOSITION OF VIOLATION¹

June 10, 2010

NERC TRACKING NO.	REGIONAL ENTITY TRACKING NO.	NOC#
RFC200900127	RFC200900127	NOC-536

REGISTERED ENTITY PECO Energy Company (PECO)	NERC REGISTRY ID NCR08026
--	-------------------------------------

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			
	6/27/07				6/27/07		6/27/07				6/27/07			

* VIOLATION APPLIES TO SHADED FUNCTIONS

DESCRIPTION OF THE REGISTERED ENTITY

Based in Philadelphia, PECO is an electric and natural gas utility subsidiary of Exelon Corporation. PECO serves 1.6 million electric and 491,000 natural gas customers in southeastern Pennsylvania and has about 2,500 employees. Founded in 1881, PECO is the state's largest utility, operating and maintaining a network with 550 electric substations, 21,000 miles of distribution and transmission lines, 27 natural gas gate stations and 6,600 miles of underground gas mains.

II. VIOLATION INFORMATION

RELIABILITY STANDARD	REQUIREMENT(S)	SUB-REQUIREMENT(S)	VRF(S)	VSL(S)
PRC-005-1	2	2.1	High²	Lower

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 PRC-005-1 R2 has a "Lower" VRF and PRC-005-1 R2.1 and R2.2 each have a "High" VRF. During a final review of the standards subsequent to the March 23, 2007 filing of the Version 1 VRFs, NERC identified that some standards requirements were missing VRFs; one of these include PRC-005-1 R2.1. On May 4, 2007, NERC assigned PRC-005 R2.1 a "High" VRF. In the Commission's June 26, 2007 Order on

PURPOSE OF THE RELIABILITY STANDARD AND TEXT OF RELIABILITY STANDARD AND REQUIREMENT(S)/SUB-REQUIREMENT(S)

The purpose of Reliability Standard PRC-005-1 is: to ensure that all transmission and generation Protection Systems³ affecting the reliability of the Bulk Electric System (BES) are maintained and tested.

PRC-005-1 R2 requires that:

Each Transmission Owner and any Distribution Provider that owns a transmission Protection System and each Generator Owner that owns a generation Protection System shall provide documentation of its Protection System maintenance and testing program and the implementation of that program to its Regional [Entity] on request (within 30 calendar days). The documentation of the program implementation shall include:

R2.1. Evidence Protection System devices were maintained and tested within the defined intervals.

R2.2. Date each Protection System device was last tested/maintained.

VIOLATION DESCRIPTION

On March 20, 2009, PECO self-reported non-compliance with PRC-005-1, R2.1. During an internal self-assessment of compliance performance, PECO identified a number of protection system substation battery inspection and maintenance tasks that PECO completed outside the designated time interval set by the PECO Preventive and Predictive Maintenance Program *AM-EDP034* (Program). PECO's Program includes a series of four battery inspection, maintenance and testing periods: five-week (monthly), quarterly, annual, and five-year; and there is overlap in the associated tasks. In all instances concerning the violation of PRC-005-1, R2.1, PECO completed the tasks for the five-week (monthly) testing within the defined interval. There are a total of 151 active batteries on the PECO system. Of the 151 batteries, 95 batteries were associated with the BES and Protection and Control Systems and 33 of the batteries were associated with the Underfrequency Load Shedding equipment in distribution substations. Out of 128 batteries subject to NERC compliance, 113 (approximately 88%) of the batteries were affected by the violation. Nevertheless, PECO performed 3,030 total maintenance and testing tasks during the time period of the alleged violation, and the number of maintenance and testing tasks that PECO did not complete within the defined interval was 284, which represents approximately 9.4% of the total tasks performed. Again, PECO missed none of the five-week testing intervals. Out of the 238 missed quarterly test intervals

Violation Risk Factors, the Commission approved the PRC-005-1 R2.1 "High" VRF as filed. Therefore, the "High" VRF was in effect from June 26, 2007.

³ *The NERC Glossary of Terms Used in Reliability Standards*, updated April 20, 2009, defines Protection System as "Protective relays, associated communication systems, voltage and current sensing devices, station batteries and DC control circuitry."

(some batteries had multiple missed testing intervals), 1 battery required replacement. Out of the 38 missed annual test intervals, 1 battery required maintenance after the missed test interval. Out of the 8 missed five-year test intervals, 1 battery required replacement.

RELIABILITY IMPACT STATEMENT- POTENTIAL AND ACTUAL

The violations did not pose a serious or substantial risk to the reliability of the bulk power system (BPS) because the Program includes a series of four battery inspection, maintenance and testing periodicities: five-week (monthly), quarterly, annual, and five-year; and there is an overlap redundancy in the associated tasks. Specifically, all five week (monthly) activities were completed within their defined intervals and, therefore, all batteries received some form of regular maintenance.

IS THERE A SETTLEMENT AGREEMENT YES ☒ NO ☐

WITH RESPECT TO THE VIOLATION(S), REGISTERED ENTITY

NEITHER ADMITS NOR DENIES IT (SETTLEMENT ONLY)	YES	<input checked="" type="checkbox"/>
ADMITS TO IT	YES	<input type="checkbox"/>
DOES NOT CONTEST IT (INCLUDING WITHIN 30 DAYS)	YES	<input type="checkbox"/>

WITH RESPECT TO THE ASSESSED PENALTY OR SANCTION, REGISTERED ENTITY

ACCEPTS IT/ DOES NOT CONTEST IT YES ☒

III. DISCOVERY INFORMATION

METHOD OF DISCOVERY

SELF-REPORT	<input checked="" type="checkbox"/>
SELF-CERTIFICATION	<input type="checkbox"/>
COMPLIANCE AUDIT	<input 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"/>

DURATION DATE(S) **June 27, 2007 (date PECO was included on the NERC Compliance Registry) through March 18, 2009 (date PECO completed all outstanding maintenance tasks identified in its Mitigation Plan). The Mitigation Plan was completed on April 13, 2010.**

DATE DISCOVERED BY OR REPORTED TO REGIONAL ENTITY **3/20/09**

IS THE VIOLATION STILL OCCURRING

YES ☐ NO ☒

IF YES, EXPLAIN

REMEDIAL ACTION DIRECTIVE ISSUED YES ☐ NO ☒
 PRE TO POST JUNE 18, 2007 VIOLATION YES ☐ NO ☒

IV. MITIGATION INFORMATION

FOR FINAL ACCEPTED MITIGATION PLAN:

MITIGATION PLAN NO. **MIT-09-2252**

DATE SUBMITTED TO REGIONAL ENTITY **12/18/2009**
 DATE ACCEPTED BY REGIONAL ENTITY **1/08/2010**
 DATE APPROVED BY NERC **1/12/2010**
 DATE PROVIDED TO FERC **1/12/2010**

IDENTIFY AND EXPLAIN ALL PRIOR VERSIONS THAT WERE ACCEPTED OR
 REJECTED, IF APPLICABLE

N/A

MITIGATION PLAN COMPLETED YES ☒ NO ☐

EXPECTED COMPLETION DATE **4/30/2010**
 EXTENSIONS GRANTED **NONE**
 ACTUAL COMPLETION DATE **4/13/2010**

DATE OF CERTIFICATION LETTER **4/30/2010**
 CERTIFIED COMPLETE BY REGISTERED ENTITY AS OF **4/13/2010**

DATE OF VERIFICATION LETTER **6/29/2010**
 VERIFIED COMPLETE BY REGIONAL ENTITY AS OF **4/13/2010**

TASKS AND ACTIONS MITIGATION PLAN REQUIRED PECO TO PERFORM

- 1. Preliminary investigation of all battery maintenance tasks (complete and outstanding) due between the dates of June 18, 2007 and March 16, 2009 was performed to identify any instances where tasks were not completed within the defined intervals. (Completed on February 25, 2009)**
- 2. Immediate completion of all identified outstanding maintenance tasks. (Completed on March 18, 2009)**

3. **Immediate implementation of additional reporting and management oversight controls. (Completed on March 15, 2009)**
4. **Immediate communications issued to the Transmission & Substation Maintenance Team conveying the importance of completing battery maintenance and testing tasks in accordance with all four of the defined intervals. (Completed on March 15, 2009)**
5. **Initiation of a formal Root Cause Investigation to thoroughly identify all issues, causal factors, implement any other necessary immediate remediation, define a formal mitigation plan and assign appropriate corrective actions to assure full compliance. (Completed June 8, 2009)**
6. **A-1:⁴ Perform an in depth analysis of applicable PRC standards against all PECO Preventative Maintenance program templates. (Completed July 31, 2009)**
7. **A-2: Complete Management Model updates reflecting revisions to templates and procedures. (Completed October 22, 2009)**
8. **A-3: Verify that the NERC coded tasks identified in Corrective Action A-1 can be completed in a timely fashion without compromising other regulatory and operational obligations. (Complete April 13, 2010)**
9. **B-1: Develop and implement improved tracking, reporting and measurement controls for each compliance task identified in Corrective Action A-1. (Completed August 31, 2009)**
10. **B-2: Develop checklist defining the Corrective Action B-1 tracking, monitoring, reporting and measurement controls and include requirement for periodic review by Compliance Contact to assure changes to controls do not adversely impact timely completion of tasks. (Completed September 30, 2009)**
11. **B-3: Identify and train all personnel responsible for implementation of any Corrective Action B-1 controls. (Completed October 31, 2009)**
12. **B-4: Add Corrective Action B-1 tracking, monitoring, reporting and measurement controls information and the B-3 Checklist to *EED NERC Reliability Standard Compliance Program – Transmission and Distribution (EX-ED-P048)* or other applicable business unit level procedure. (Completed December 15, 2009)**
13. **C-1: Review corporate level program roles and responsibilities and develop/revise procedures as necessary to assure clarity of roles and responsibilities and adequate level of accountability. (Completed December 15, 2009)**
14. **C-2: Conduct any necessary training on revised procedures as part of C-1 corrective action. (Completed December 14, 2009)**
15. **C-3: Review and update PECO business unit level processes, develop/revise procedures to assure clarity of PECO NERC compliance structure and PECO roles and responsibilities. (Completed December 15, 2009)**

⁴ The Mitigation Plan designations A-1 through C-4 refer to Corrective Action Items identified by PECO as a result of the Root Cause Investigation completed on June 8, 2009. PECO included these Corrective Action Items as a part of its Mitigation Plan.

- 16. C-4: Conduct any necessary training for Compliance Contracts and Subject Matter Experts on revised procedures. (Completed by February 28, 2010)**
- 17. Train additional individuals on the development of the relevant Cascade reports and use of the InfoMaker application to establish and share new controls and reports with work teams to ensure tasks are prioritized accordingly to maintain compliance. (Completed June 26, 2009)**

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

These documents provide an overview of PECO's maintenance program for the electric transmission, substation and distribution assets and specifics regarding batteries, including maintenance and testing intervals.

- *Exelon Energy Delivery Preventative and Predictive Maintenance Program (AM0ED-P034 rev. 0, dated May 16, 2005) submitted July 14, 2009*
- *Battery Template (AM-PE-P034-R1057 Rev. 5, dated November 14, 2006) submitted June 29, 2010.*

Amended RFC-1-1E chart of all batteries found in violation, submitted February 19, 2010. This describes the batteries implicated in the Self-Report and addressed by the Mitigation Plan. It is organized by substation and equipment position and indicates each test interval that was missed on each affected battery, the date the missed testing was completed, and the condition of each battery prior to and after the missed test interval. From June 18, 2007 to present, no five-week testing intervals were missed. There were 238 missed quarterly test intervals for 107 batteries, 38 missed annual test intervals for 36 batteries and 8 missed five-year test intervals for 8 batteries. (Some batteries had multiple missed maintenance/testing intervals.) This document summarizes the results of the preliminary investigation of all battery maintenance tasks and the dates on which outstanding tasks were completed.

Screenshots of PECO's Cascade™ Maintenance Database showing Battery Inspection/ Maintenance/Testing Records, dated June 21, 2007 – March 18, 2009; submitted June 29, 2010. This database contains all the records of inspections, maintenance and testing done on all batteries. It is updated through handheld devices by field personnel to include the tasks performed and the date on which they were performed. These screenshots provide documentation that includes the dates on which the batteries were inspected/maintained/tested. A comparison of dates indicates whether the batteries were maintained and tested within the defined interval.

The combination of the above also provides evidence that: (1) the last dates are within the defined testing interval (R2.1), i.e., no subsequent tests have

been required; (2) the final outstanding maintenance tasks were completed by March 18, 2009; (3) addresses the stated violation; and (4) brings PECO into compliance with PRC-005-1 R2.1.

The Mitigation Plan included additional tasks that will protect the VPS in the future and the following evidence was provided to show completion:

- PECO email, dated March 9, 2009, with attached *BATTERY MAINT PM'S REFRESH 3-9-09 - new format.xls*.
- list of participants of *Overview of Battery Maintenance and Testing PM Program for Compliance – 3/15/2009*
- *PECO Root Cause Investigation (RCI) Report*, dated June 8, 2009, provided June 10, 2009.
- A-1 – PECO email, dated July 31, 2009, with attached, approved, completed Action Required report, dated July 31, 2009.
- A-2 – PECO email, dated October 22, 2009, with attached, approved, completed Action Required report, dated October 21, 2009.
- A-3 – PECO email, dated April 13, 2009, with attached, approved, completed Action Required report, dated April 13, 2009.
- B-1 – PECO approved, completed Action Required report, dated August 31, 2009, with attached snapshot of battery maintenance tracking tool.
- B-2 – PECO approved, completed Action Required report, dated September 29, 2009, with attached *CHECK LIST FOR NERC REPORTS & CONTROLS*.
- B-3 – PECO approved, completed Action Required report, dated October 29, 2009.
- B-4 – PECO approved, completed Action Required report, dated December 15, 2009.
- C-1 – PECO approved, completed Action Required report, dated December 15, 2009.
- C-2 – PECO approved, completed Action Required report, dated December 15, 2009, with documentation of meetings held November 9, 10, 16 and 19, 2009.
- C-3 – PECO approved, completed Action Required report, dated December 15, 2009, and PECO Procedure *Technical Services Regulatory Compliance Process AM-PE-P135*, Rev. 0, Effective August 31, 2009.
- C-4 – PECO approved, completed Action Required report, dated February 25, 2010, with documentation of training conducted February 16 and 23, 2010.
- D-1 – PECO approved, completed Action Required report, dated June 26, 2009, with documentation of training conducted May 8, 2009 and June 19 and 23, 2009.

V. PENALTY INFORMATION

TOTAL ASSESSED PENALTY OR SANCTION OF **FIFTEEN THOUSAND DOLLARS (15,000)** FOR **ONE** VIOLATION OF RELIABILITY STANDARDS.

(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

NONE

ADDITIONAL COMMENTS

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

YES ☐ NO ☒

LIST ANY PRIOR CONFIRMED OR SETTLED VIOLATIONS AND STATUS

NONE

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

For the PECO Distribution Provider function, the overall responsibility for NERC Compliance resides with the Registered Officer who is the Vice President of Technical Services and a member

of the Exelon NERC Steering Committee along with three other PECO management employees.

At the corporate level, the NERC Chief Compliance Officer has oversight responsibilities for the Exelon Program. This Senior Officer presides over the Exelon NERC Steering Committee, which meets monthly to review and discuss all NERC related issues in detail. The Corporate program is designed to assure continuous improvement to prevent reoccurrence of any actual or potential violations. The Exelon NERC Compliance Management Team and the business unit implementation personnel accomplish this through the process of evaluating implementation efforts, reviewing and reporting on compliance status and the setting of goals around program improvements. Additionally, informal reviews are conducted any time an issue or question is raised around compliance obligations and for some of the more complex requirements. These reviews are utilized to identify any possible gaps to prevent a violation in the first instance and to inform program improvements to prevent reoccurrence of issues. PECO also employs a rigorous Corrective Action Program to investigate, track and mitigate violations, “near misses” or Other Conditions Adverse to Quality (OCAQ). Finally, the Exelon NERC Reliability Standards Compliance Program (NRSCP) requires training for all employees impacted by NERC standards

EXPLAIN SENIOR MANAGEMENT’S ROLE AND INVOLVEMENT WITH RESPECT TO THE REGISTERED ENTITY’S COMPLIANCE PROGRAM, INCLUDING WHETHER SENIOR MANAGEMENT TAKES ACTIONS THAT SUPPORT THE COMPLIANCE PROGRAM, SUCH AS TRAINING, COMPLIANCE AS A FACTOR IN EMPLOYEE EVALUATIONS, OR OTHERWISE.

Executive and senior management are key participants in the corporate level and individual business unit oversight of the program. Their involvement assures the ability to obtain additional necessary senior management involvement and provide needed resources to accomplish tasks. Additionally, reports to the senior executives of Exelon are provided as an agenda item at each quarterly Exelon Operations Council Meeting.

(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

The total number of tasks missed was less than 10% and all of the monthly tasks were performed timely for every battery on the system.

Additionally, PECO initiated an in-depth "Root Cause Investigation" and provided a corresponding full report of all details associated with the investigation.

(7) ANY OTHER AGGRAVATING FACTORS FOR CONSIDERATION

YES ☐ NO ☒
IF YES, EXPLAIN

(8) ANY OTHER EXTENUATING CIRCUMSTANCES

YES ☐ NO ☒
IF YES, EXPLAIN

(9) ADDITIONAL SUPPORT FOR ASSESSED PENALTY OR SANCTION

EXHIBITS:

SOURCE DOCUMENT
PECO's Self-Report submitted March 20, 2009

MITIGATION PLAN
PECO's Mitigation Plan submitted December 18, 2009

CERTIFICATION BY REGISTERED ENTITY
PECO's Certification of Completion dated April 30, 2010

VERIFICATION BY REGIONAL ENTITY
ReliabilityFirst's Verification of Completion dated June 29, 2010

OTHER RELEVANT INFORMATION:

NOTICE OF ALLEGED VIOLATION AND PROPOSED PENALTY OR
SANCTION ISSUED

DATE: OR N/A ☒

SETTLEMENT DISCUSSIONS COMMENCED

DATE: **1/8/2010** 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 e

Notice of Filing

UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

PECO Energy Company

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 PECO Energy Company in the ReliabilityFirst 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