



NORTH AMERICAN ELECTRIC
RELIABILITY CORPORATION

September 30, 2010

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

**Re: NERC Abbreviated Notice of Penalty regarding Seneca Light and Water,
FERC Docket No. NP10-__-000**

Dear Ms. Bose:

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

On November 24, 2009, Seneca re-submitted a Self-Report dated November 23, 2009³ to SERC Reliability Corporation (SERC) regarding its possible non-compliance with CIP-001-1 Requirement (R) 1 through R4 for Seneca's failure to (1) have a procedure for recognizing sabotage events and at what stage in the process operating personnel are made aware of the event; (2) have appropriate communication procedures in place for information to appropriate parties in the interconnection about sabotage events; (3) make sabotage response guidelines

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

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

³ Seneca's initial Self-Report was submitted on November 23, 2009 and only reported non-compliance with CIP-001-1 R3. After discussions with SERC regarding compliance with the remaining requirements of CIP-001-1, Seneca submitted this revised Self-Report to include non-compliance with R1, R2 and R4.

available to operating personnel; and (4) have appropriate procedures for reporting to or coordinating with local Federal Bureau of Investigation (FBI) personnel in the event of a sabotage event. This Notice of Penalty is being filed with the Commission because SERC and Seneca have entered into a Settlement Agreement to resolve all outstanding issues arising from SERC's determination and findings of the enforceable violations of CIP-001-1 R1 through R4. According to the Settlement Agreement, Seneca admits the violations and has agreed to the assessed penalty of three thousand dollars (\$3,000) in addition to other remedies and actions to mitigate the instant violations and facilitate future compliance under the terms and conditions of the Settlement Agreement. Accordingly, the violations identified as NERC Violation Tracking Identification Numbers SERC200900404, SERC200900405, SERC200900406 and SERC200900407 are being filed in accordance with the NERC Rules of Procedure and the CMEP.

Statement of Findings Underlying the Violations

This Notice of Penalty incorporates the findings and justifications set forth in the Settlement Agreement executed on April 27, 2010, by and between SERC and Seneca. The details of the findings and the basis for the penalty are set forth in the Disposition Documents. This Notice of Penalty filing contains the basis for approval of the Settlement Agreement by the NERC Board of Trustees Compliance Committee (NERC BOTCC). In accordance with Section 39.7 of the Commission's regulations, 18 C.F.R. § 39.7, NERC provides the following summary table identifying each violation of a Reliability Standard resolved by the Settlement Agreement, as discussed in greater detail below.

Region	Registered Entity	NOC ID	NERC Violation ID	Reliability Std.	Req. (R)	VRF	Total Penalty (\$)
SERC	Seneca Light and Water	NOC-549	SERC200900404	CIP-001-1	3	Medium	3,000
			SERC200900405	CIP-001-1	1	Medium	
			SERC200900406	CIP-001-1	2	Medium	
			SERC200900407	CIP-001-1	4	Medium	

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

CIP-001-1 R1 through R4 - OVERVIEW⁴

Upon review of a Self-Report submitted by Seneca, SERC determined that Seneca, as a Load Serving Entity, did not (1) have procedures for the recognition of and for making its operating personnel aware of sabotage events on its facilities and multi-site sabotage affecting larger portions of the Interconnection; (2) have procedures for the communication of information concerning sabotage events to appropriate parties in the Interconnection; (3) provide its operating personnel with sabotage response guidelines, including personnel to contact, for reporting

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

disturbances due to sabotage event; nor (4) establish communications contacts, as applicable, with local FBI officials and develop reporting procedures as appropriate to its circumstances.

The duration of the CIP-001-1 R1 through R4 violations was from June 18, 2007, when the Standard became mandatory and enforceable, through March 30, 2010, the date Seneca completed its Mitigation Plan.

SERC determined that the violations did not pose a serious or substantial risk to the reliability of the BPS because, had there been a sabotage event on Seneca's system, the impact would likely have been minimal as the total load of Seneca is less than 35 MW. Additionally, Seneca is connected via a radial connection and the entity to which it is connected has a procedure pursuant to CIP-001 and would have recognized a sabotage event.

Statement Describing the Assessed Penalty, Sanction or Enforcement Action Imposed⁵

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,⁶ the NERC BOTCC reviewed the Settlement Agreement and supporting documentation on July 12, 2010. The NERC BOTCC approved the Settlement Agreement, including SERC's assessment of a three thousand dollar (\$3,000) financial penalty against Seneca and other actions to facilitate future compliance required under the terms and conditions of the Settlement Agreement. In approving the Settlement Agreement, the NERC BOTCC reviewed the applicable requirements of the Commission-approved Reliability Standards and the underlying facts and circumstances of the violations at issue.

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

1. the violations constituted Seneca's first occurrence of violation of the subject NERC Reliability Standards;
2. Seneca self-reported the violations after being advised by SERC staff of the applicability of CIP-001-1 to Seneca;
3. SERC reported that Seneca was cooperative throughout the compliance enforcement process;
4. Seneca has a compliance program,⁷ as discussed in the Disposition Document;
5. there was no evidence of any attempt to conceal a violation nor evidence of intent to do so;

⁵ See 18 C.F.R. § 39.7(d)(4).

⁶ *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). See also *North American Electric Reliability Corporation*, "Notice of No Further Review and Guidance Order," 132 FERC ¶ 61,182 (2010).

⁷ SERC considered the existence of Seneca's internal compliance program as a neutral factor in determining the penalty.

6. SERC determined that the violations did not pose a serious or substantial risk to the reliability of the BPS, as discussed above and in the Disposition Document; and
7. SERC reported that there were no other mitigating or aggravating factors or extenuating circumstances that would affect the assessed penalty.

For the foregoing reasons, the NERC BOTCC approves the Settlement Agreement and believes that the assessed penalty of three thousand dollars (\$3,000) is appropriate for the violations and circumstances at issue, and is consistent with NERC's goal to promote and ensure reliability of the BPS.

Pursuant to 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 are the following documents:

- a) Seneca's Self-Report for CIP-001-1 R1-R4 dated November 23, 2009, included as Attachment a;
- b) Settlement Agreement by and between SERC and Seneca executed April 27, 2010, included as Attachment b;
 - i. Seneca's Mitigation Plan MIT-07-2381 for CIP-001-1 R1-R4 submitted February 11, 2010, included as Appendix A-1 to the Settlement Agreement;
 - ii. Seneca's Certification of Completion of the Mitigation Plan for CIP-001-1 R1-R4 dated March 30, 2010, included as Appendix A-2 to the Settlement Agreement;
 - iii. SERC's Verification of Completion of the Mitigation Plan for CIP-001-1 R1-R4 dated April 13, 2010, included as Appendix A-3 to the Settlement Agreement;
- c) Disposition Document dated July 12, 2010, included as Attachment c.

A Form of Notice Suitable for Publication⁸

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

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* Sr. 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>Robert W. Faires, III, P.E.* Director of Utilities Seneca Light & Water P.O. Box 4773 Seneca, SC 29679 (864) 885-2716 (864) 888-0851 – facsimile rfaires@seneca.sc.us</p> <p>Howard D. Wilcox, III* Energy Load Manager Seneca Light & Water P.O. Box 4773 Seneca, SC 29679 (864) 885-6015 (864) 888-0851 – facsimile pwilcox@seneca.sc.us</p> <p>R. Edward Kilby* Senior Analyst UTEC 147B Dublin Square Rd. Asheboro, NC 27203 (336) 625-0917 (336) 625-0919 – facsimile ekilby@utilitytec.com</p> <p>*Persons to be included on the Commission's service list are indicated with an asterisk. NERC requests waiver of the Commission's rules and regulations to permit the inclusion of more than two people on the service list.</p>	<p>Rebecca J. Michael* Assistant General Counsel 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</p> <p>R. Scott Henry* President and CEO SERC Reliability Corporation 2815 Coliseum Centre Drive, Suite 500 Charlotte, NC 28217 (704) 940-8202 (704) 357-7914 – facsimile shenry@serc1.org</p> <p>Marisa A. Sifontes* General Counsel Jacqueline E. Carmody* Legal Counsel SERC Reliability Corporation 2815 Coliseum Centre Drive, Suite 500 Charlotte, NC 28217 (704) 494-7775 (704) 357-7914 – facsimile msifontes@serc1.org jcarmody@serc1.org</p> <p>Kenneth B. Keels, Jr.* Director of Compliance Andrea Koch* Manager of Compliance Enforcement and Mitigation SERC Reliability Corporation 2815 Coliseum Centre Drive, Suite 500 Charlotte, NC 28217 (704) 940-8214 (704) 357-7914 – facsimile kkeels@serc1.org akoch@serc1.org</p>
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Conclusion

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

Respectfully submitted,

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David N. Cook
Sr. Vice President and General Counsel
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cc: Seneca Light and Water
SERC Reliability Corporation

Attachments

Attachment a

**Seneca's Self-Report for CIP-001-1 R1-R4 dated
November 23, 2009**



**Non-Public and CONFIDENTIAL
(until filed with FERC)**

Self-Reporting Form

Date Submitted by Registered Entity: November 23, 2009

Region: SERC

NERC Registry ID: NCR01309

Joint Registration Organization (JRO) ID:

Registered Entity: Seneca Light and Water

Registered Entity Contact Name: Ed Kilby

Registered Entity Contact Email: ekilby@utilitytec.com

Registered Entity Contact Telephone: 336-625-0917

Function(s) Applicable to Self-Report: LSE

Standard: CIP-001-1

Requirement: R1, R2, R3, R4

Has this possible alleged violation previously been reported or discovered: ☐ Yes ☒ No

If Yes selected: Provide NERC Violation ID (if known):

Date violation occurred: 6/18/07

Date violation discovered: 11/19/09

Is the violation still occurring? ☒ Yes ☐ No

Detailed explanation and cause of violation: SL&W did not believe the standard applied to them since they are not within the Bulk Electric System but functions as a radial

Reliability Impact: Select Reliability Impact Here

Reliability Impact Description: Do not anticipate any impact on the reliability of the Bulk Electric System

Additional Comments: SL&W is completing review of the policy and procedures to comply with this standard and will implement a formal training session with staff within the thirty days allowed. SL&W has previously relied on standard practice to define if any event required law enforcement notification which to this point has not been deemed necessary.

NOTE: While submittal of a mitigation plan is not required until after a determination of a violation is confirmed, early submittal of a mitigation plan to address and remedy an identified deficiency is encouraged. Submittal of a mitigation plan shall not be deemed an admission of a violation. (See NERC Rules of Procedure, Appendix 4C, Section 6.4.)



**Non-Public and CONFIDENTIAL
(until filed with FERC)**

**SERC Staff will contact the person providing the report as soon as possible.
If you do not receive a response from SERC Staff within 2 business days please contact
the SERC office (704-357-7372).**

Please complete the form as completely as possible and email to serccomply@serc1.org.

Attachment b

**Settlement Agreement by and between SERC and
Seneca executed April 27, 2010**

SETTLEMENT AGREEMENT

OF

SERC RELIABILITY CORPORATION

AND

SENECA LIGHT and WATER

I. INTRODUCTION

1. SERC Reliability Corporation (“SERC”) and Seneca Light and Water (“Seneca”) enter into this Settlement Agreement (“Settlement Agreement”) to resolve all outstanding issues arising from a preliminary and non-public assessment resulting in SERC’s determination and findings, pursuant to the North American Electric Reliability Corporation (“NERC”) Rules of Procedure, of four violations by Seneca of NERC Reliability Standard CIP-001-1, Requirements (R)1 through 4 (SERC Tracking Nos. 09-166, 09-167, 09-168, and 09-169, NERC Violation ID Nos. SERC200900404, SERC200900405, SERC200900406, and SERC200900407).

II. STIPULATION

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

Background

3. The City of Seneca, South Carolina, owns and operates a municipal electric distribution system identified as Seneca Light and Water. Seneca purchases electric power and energy supply from the open market. Seneca operates as a radial load connected to Duke Energy and is served by three delivery points. Seneca owns and operates 172 miles of distribution system and serves approximately 6,400 metered customers inside and outside the city limits. A 12.5 kV distribution system is used to provide power to these customers. The Non-Coincident Peak of Seneca’s load in 2009 was 34 MW.

4. Seneca is currently listed on the NERC Compliance Registry as a Distribution Provider (DP) and Load Serving Entity (LSE). (NCR01309). Seneca's LSE function is at issue in these violations and this settlement.

Violations of NERC Reliability Standard CIP-001-1, Requirements 1 through 4

5. The purpose of NERC Reliability Standard CIP-001-1 is to ensure that disturbances or unusual occurrences, suspected or determined to be caused by sabotage are reported to the appropriate systems, governmental agencies, and regulatory bodies.
6. NERC Reliability Standard CIP-001-1, Requirement 1 requires, in part, that each Balancing Authority, Transmission Operator, Generator Operator, and Load Serving Entity have "procedures for the recognition of and for making their operating personnel aware of sabotage events on its facilities..."¹
7. NERC Reliability Standard CIP-001-1, Requirement 2 requires that each Balancing Authority, Transmission Operator, Generator Operator, and Load Serving Entity have "procedures for the communication of information concerning sabotage events to the appropriate parties in the Interconnection."²
8. NERC Reliability Standard CIP-001-1, Requirement 3 requires that each Balancing Authority, Transmission Operator, Generator Operator, and Load Serving Entity "provide its operating personnel with sabotage response guidelines, including personnel to contact, for reporting disturbances due to sabotage events."³
9. NERC Reliability Standard CIP-001-1, Requirement 4 requires that each Balancing Authority, Transmission Operator, Generator Operator, and Load Serving Entity have established communications contacts with the local Federal Bureau of Investigations (FBI) officials and have developed the appropriate reporting procedures.⁴
10. Seneca submitted a self-report on November 23, 2009 of a possible violation of NERC Reliability Standard CIP-001-1 R3.

¹ NERC Standard CIP-001-1 –Sabotage Reporting, approved by NERC Board of Trustees on November 1, 2006, approved by FERC effective June 18, 2007.

² Id.

³ Id.

⁴ Id.

11. SERC staff contacted Seneca to conduct an initial assessment of Seneca's compliance with the remaining requirements of NERC Reliability Standard CIP-001-1. After discussion with SERC staff regarding compliance with the remaining requirements of NERC Reliability Standard CIP-001-1, on November 24, 2009, Seneca resubmitted a self-report of possible violations of R1 through R4 but retained the submission date of November 23, 2009 on the revised self-report.
12. In the revised self-report, Seneca self-reported that Seneca did not believe the standard applied to them "since they are not within the Bulk Electric System but function as a radial" and therefore did not have a procedure in place for sabotage reporting.
13. Seneca has been registered on the NERC Compliance Registry as a Distribution Provider and Load Serving Entity since May 31, 2007. In its self-certification submittals in 2007, 2008 and 2009, Seneca marked as "Not Applicable" each of the CIP-001-1 NERC Reliability Standard requirements. In the required field for the explanation of the "Not Applicable" submittal, Seneca stated that it has a radial electric distribution system behind its transmission provider's transmission protection equipment and therefore any equipment failure on Seneca's system would not jeopardize the reliability of the Bulk Electric System. On November 17, 2009, SERC's Manager of Compliance Enforcement sent Seneca correspondence notifying Seneca that "Not Applicable" is not an acceptable response as NERC Reliability Standard CIP-001-1 is applicable to Load Serving Entities, a function for which Seneca is registered.
14. After confirming Seneca's registration status, SERC staff commenced its detailed compliance assessment. On November 30, 2009, SERC staff issued a Compliance Assessment Notice advising Seneca of the initiation of a formal assessment to determine, in part, its compliance relative to NERC Reliability Standard CIP-001-1, R1-4 and directing Seneca to preserve all relevant records and information. SERC staff promptly established direct contact with representatives of Seneca to begin the process of gathering information and documentation for the detailed compliance assessment. SERC staff also reported the possible violations to NERC on November 30, 2009, which, in turn, reported the possible violations to the Commission in accordance with the CMEP of the NERC Rules of Procedure.
15. Seneca provided and SERC staff reviewed CIP- Critical Infrastructure Protection – Sabotage Reporting Procedure that had been created that had been approved by the Seneca Director of Utilities on November 23, 2009 to comply with CIP-001 Requirements 1 - 4. The revision history on the procedure showed that the document had a draft date of November 2, 2008 but had not been approved by Seneca's Director of Utilities until November 23, 2009. From its review, SERC staff determined that Revision 2 of this procedure, dated November 23, 2009, did not satisfy all of the requirements of NERC Reliability Standard CIP-001-1 because the document did not include procedures for the recognition of and for making Seneca's

operating personnel aware of sabotage events on its facilities or multi-site sabotage events affecting larger portions of the Interconnection (R1) or provide operating personnel with sabotage response guidelines, including personnel to contact, for reporting disturbances due to sabotage events (R3). The November 23, 2009 procedure did include procedures for contacting parties in the Interconnection (R2) and phone numbers for contacting the FBI (R4).

16. As a result of its assessment, SERC staff concluded that the facts and evidence supported a finding that Seneca violated R 1, 2, 3 and 4 of NERC Reliability Standard CIP-001-1 because the evidence reviewed showed that Seneca (a) did not have written procedural content that described how to recognize a sabotage event, and at what stage in the process operating personnel are made aware of the event (b) had a gap where it did not have procedures for the communication of sabotage information to appropriate parties in the interconnection, (c) had not provided its operating personnel with sabotage response guidelines, and (d) had a gap where it did not have written or electronic evidence of reporting procedures for coordination with the local FBI. R 1, 2, 3 and 4 of NERC Reliability Standard CIP-001-1 are each assigned a Violation Risk Factor (“VRF”) of “Medium,” consistent with the VRFs filed by NERC and approved by the Commission. SERC staff further concluded that the violations did not pose a serious or substantial risk to the reliability of the Bulk Power System as there had been no reported sabotage event, and if there had been a sabotage event on Seneca’s system, the impact would likely have been minimal, as the total load of Seneca is less than 35 MW and is connected via a radial connection.
17. On February 23, 2010, Seneca formally requested settlement discussions for the resolution of the violations.
18. On March 1, 2010, SERC staff met with representatives of Seneca. At this time, SERC staff presented its findings and conclusions, the potential daily penalty exposure, and SERC staff’s total proposed penalty based on its assessment of the violations and Seneca’s efforts to remedy the violations, and the settlement process.

III. PARTIES’ SEPARATE REPRESENTATIONS

Statement of SERC and Summary of Findings

19. SERC finds that beginning on June 18, 2007 and continuing until successful completion of its Mitigation Plan on March 30, 2010, Seneca, as a Load Serving Entity did not have a written procedure that described how to recognize a sabotage event, and at what stage in the process operating personnel are made aware of the event. This is a violation of NERC Reliability Standard CIP-001-1, R1, for failing to have a procedure with content for recognizing sabotage events.

20. SERC finds that beginning on June 18, 2007 and continuing until the formal approval of its Sabotage Reporting Procedure on November 23, 2009, Seneca, as a Load Serving Entity, failed to have procedures for the communication of information concerning sabotage events to appropriate parties in the interconnection. This is a violation of NERC Reliability Standard CIP-001-1, R2, for failing to have appropriate communication procedures in place.
21. SERC finds that beginning on June 18, 2007 and continuing until successful completion of its Mitigation Plan on March 30, 2010, Seneca, as a Load Serving Entity, failed to provide its operating personnel with sabotage response guidelines. This is a violation of NERC Reliability Standard CIP-001-1, R3, for failing to have made sabotage response guidelines available to operating personnel.
22. SERC finds that beginning on June 18, 2007 and continuing until November 23, 2009 when its procedure to comply with CIP-001-1 became effective and contact was made with the FBI, Seneca, as a Load Serving Entity, did not have evidence of proper reporting procedures for coordination with the local FBI. Seneca did not establish communications contacts, as applicable, with local Federal Bureau of Investigation (FBI) officials and develop reporting procedures as appropriate to their circumstances which is a violation of NERC Reliability Standard CIP-001-1 R4.
23. SERC staff concluded that the actual or foreseeable impact of the violations on the reliability of the bulk power system was minimal, as discussed above.
24. SERC agrees that this Settlement Agreement is in the best interest of the parties and in the best interest of bulk power system reliability.

Statement of Seneca

25. Seneca admits that the facts set forth and agreed to by the parties for purposes of this Agreement constitute violations of NERC Reliability Standard CIP-001-1.
26. Seneca has agreed to enter into this Settlement Agreement with SERC 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. Seneca agrees that this agreement is in the best interest of the parties and in the best interest of maintaining a reliable electric infrastructure.
27. Seneca's compliance program covers all reliability standards applicable to the functions for which they are registered. Although Seneca does not have a formal compliance department, ownership of the NERC Reliability Standards are assigned to appropriate personnel within the organization. The Load Management Supervisor (LMS) position is responsible for the implementation of Seneca's Internal Compliance Program ICP and reports directly to the Seneca Director of Utilities. The LMS position is not involved, on a daily basis, with ICP compliance. The

Electrical Department Supervisor (EDS) is responsible for the day to day operational compliance and reports directly to the Seneca Director of Utilities. The EDS position controls the daily activities of the personnel that are charged with detecting and reporting parameters contained in the Seneca ICP. The LMS position has the responsibility to communicate any issues directly with the Director of Utilities or his supervisor, the City Administrator. NERC standards are monitored for applicability and compliance needs by both internal and external personnel: Internal – The LMS charged with internal oversight will maintain awareness of NERC Standards and internal compliance activity. External – Internal activity will be complemented by an independent Engineering Consulting firm with experience in this field.

IV. MITIGATING ACTIONS, REMEDIES AND SANCTIONS

28. Seneca's Mitigation Plan MIT-07-2381 for NERC Reliability Standard CIP-001-1, R1 through R4 dated February 11, 2010, was accepted by SERC on February 18, 2010 and submitted to NERC for its approval on February 26, 2010. It was approved by NERC on March 15, 2010 and submitted to FERC on March 15, 2010. Seneca's Mitigation Plan has a completion date of March 31, 2010. Entity certified its completion on March 30, 2010 and SERC verified Entity's completion on April 13, 2010. Seneca's Mitigation Plan MIT-07-2381 is attached as Appendix A-1. Its Certification of Mitigation Plan Completion is attached hereto as Appendix A-2, and the Statement of SERC Compliance staff Regarding Completion of Entity's Mitigation Plan MIT-07-2381 is attached hereto as Appendix A-3.
29. Actions implemented by Seneca in Mitigation Plan MIT-07-2381 resolved the gap in compliance and will help to prevent a recurrence of any similar violation. Specifically, formal procedures were developed and approved by Seneca management to meet the requirements of R1, 2, 3 and 4. The procedure now includes procedures for the recognition of and for making their operating personnel aware of sabotage events on its facilities (R1), procedures for the communication of information concerning sabotage events to appropriate parties in the Interconnection (R2), sabotage response guidelines for operating personnel, including personnel to contact, for reporting disturbances due to sabotage events (R3), and a reporting process procedure for communication with the local FBI (R4). In addition, communication was established with the local FBI office for reporting sabotage events to meet R4 on November 23, 2009.
30. SERC staff has reviewed the preventative measures described in the Mitigation Plan and has determined that these measures will assist Seneca in improving prospective compliance with NERC Reliability Standard CIP-001-1, and will enhance the reliability of the bulk power system.
31. To verify completion of Seneca's Mitigation Plan, SERC reviewed:
 - Seneca's CIP-001-1 Sabotage Reporting Policy/Procedure, Revision 3 Dated March 22, 2010

- Seneca’s sabotage recognition training document - dated March 15, 2010
- Seneca Light & Water Emergency Response Poster, dated March 22, 2010
 - Lists appropriate contact personnel, contact phone numbers and the contact procedure
- Training attendance rosters from the March 25 and 29, 2010 Sabotage Reporting CIP-001 training sessions for Seneca Light & Water Electric Lines and City Management
- FBI Documentation
 - November 23, 2009 letter confirming contact from UTEC on behalf of Seneca to the FBI
 - January 5, 2010 email response from the Greenville, SC office of the FBI
 - Long Distance Telephone Log for Utility Technology showing call to FBI office in Greenville, SC on November, 20, 2009

32. SERC staff also considered the specific facts and circumstances of the violations and Seneca’s actions in response to each violation in determining a proposed penalty that meets the requirement in Section 215 of the Federal Power Act that “[a]ny penalty imposed under this section shall bear a reasonable relation to the seriousness of the violation and shall take into consideration the efforts of [Seneca] to remedy the violation in a timely manner.”⁵ The factors considered by SERC staff in the determination of the appropriate penalty for Seneca’s violations of NERC Reliability Standard CIP-001-1 pursuant to this Settlement Agreement included the following:

- a. Seneca has no prior violations of this Standard or any closely-related standard during the mandatory reliability period.
- b. Seneca cooperated in both a timely and satisfactory manner with SERC staff during the investigation.⁶ Seneca provided prompt responses to all of SERC staff’s data requests and cooperated with SERC staff during meetings between the parties to discuss these events. Seneca’s response to SERC staff’s questions enabled SERC staff to conduct its investigation in an efficient manner.
- c. Seneca agreed to resolve this issue via settlement and promptly initiated various mitigation and preventative measures before receiving a Notice of Alleged Violation from SERC.
- d. Seneca has admitted the violations.

⁵ 16 U.S.C. § 824o(e)(6).

⁶ Revised Policy Statement on Enforcement, 123 FERC ¶ 61,156, P 65 (May 15, 2008).

- e. As described above, Seneca is implementing specific measures to address the violations and to protect against future violations of the same or similar requirements.
33. SERC and Seneca agree that in addition to the actions taken in Seneca's Mitigation Plans and paying the monetary penalty, Seneca will take the following actions:
- a. Train the City of Seneca police and fire departments in sabotage recognition;
 - b. Train the City of Seneca water, sewer, engineering and meter readers in sabotage recognition;
34. Based on the above factors, as well as the mitigation actions and preventative measures taken, Seneca shall pay \$3,000 to SERC as set forth in this Settlement Agreement. Seneca shall remit the payment to SERC via check, or by wire transfer to an account to be identified by SERC ("SERC Account"), within thirty days after SERC provides Seneca with a notice of penalty payment due and invoice, to be issued by SERC after this Settlement Agreement is either approved by the Commission or by operation of law. SERC shall notify NERC, and NERC shall notify the Commission, if the payment is not timely received. If Seneca does not remit the payment by the required date, interest payable to SERC 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, and shall be payable in addition to the payment.
35. 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, may subject Seneca to new or additional enforcement, penalty or sanction actions in accordance with the NERC Rules of Procedure. Seneca will retain all rights to defend against such enforcement actions in accordance with the NERC Rules of Procedure.

V. ADDITIONAL TERMS

36. The signatories to the Settlement Agreement agree that they enter into the Settlement 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 SERC or Seneca has been made to induce the signatories or any other party to enter into the Settlement Agreement. The signatories agree that the terms and conditions of this Settlement Agreement are consistent with the Commission's regulations and orders, and NERC's Rules of Procedure.
37. SERC 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 SERC and Seneca 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 SERC will attempt to negotiate a revised settlement agreement with Seneca 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 this Settlement Agreement.

38. This Settlement Agreement shall become effective upon the Commission's approval of the Settlement Agreement by order or operation of law as submitted to it or as modified in a manner acceptable to the parties.
39. Seneca agrees that this Settlement Agreement, when approved by NERC and the Commission, shall represent a final settlement of all matters set forth herein and Seneca waives its right to further hearings and appeal, unless and only to the extent that Seneca contends that any NERC or Commission action on the Settlement Agreement contains one or more material modifications to the Settlement Agreement. SERC reserves all rights to initiate enforcement, penalty or sanction actions against Seneca in accordance with the NERC Rules of Procedure in the event that Seneca fails to comply with the mitigation plan or complete the additional actions agreed to in this Settlement Agreement. In the event Seneca fails to comply with any of the stipulations, remedies, sanctions or additional terms, as set forth in this Settlement Agreement, SERC will initiate enforcement, penalty, or sanction actions against Seneca to the maximum extent allowed by the NERC Rules of Procedure, up to the maximum statutorily allowed penalty. Except as otherwise specified in this Settlement Agreement, Seneca shall retain all rights to defend against such enforcement actions, also according to the NERC Rules of Procedure.
40. Seneca consents to the use of SERC'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 in any enforcement action or compliance proceeding undertaken by NERC and/or any Regional Entity; provided, however, that Seneca 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 SERC, nor does Seneca consent to the use of this Agreement by any other party in any other action or proceeding.
41. 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 Settlement Agreement on the entity's behalf.
42. The undersigned representative of each party affirms that he or she has read the Settlement Agreement, that all of the matters set forth in the Settlement Agreement

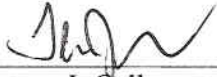
are true and correct to the best of his or her knowledge, information and belief, and that he or she understands that the Settlement Agreement is entered into by such party in express reliance on those representations, provided, however, that such affirmation by each party's representative shall not apply to the other party's statements of position set forth in Section III of this Settlement Agreement.

43. The Settlement Agreement may be signed in counterparts.

44. This Settlement Agreement is executed in duplicate, each of which so executed shall be deemed to be an original.

*Remainder of page intentionally blank.
Signatures to be affixed to the following page.*

Agreed to and accepted:



Thomas J. Galloway
Interim President and CEO
SERC RELIABILITY CORPORATION

4/27/10
Date



Robert W. Faires, III
Director of Utilities
SENECA LIGHT and WATER

4/19/10
Date

**APPENDIX A
TO
SETTLEMENT AGREEMENT
OF
SERC RELIABILITY CORPORATION
AND
SENECA LIGHT and WATER**

- (1) Seneca's Mitigation Plan for CIP-001-1, R1-4**
- (2) Seneca's Certification of Mitigation Plan Completion for CIP-001-1, R1-4**
- (3) Statement of SERC Reliability Corporation Compliance Staff Regarding
Completion of Seneca's Mitigation Plan for CIP-001-1, R1-4**



Mitigation Plan Submittal Form

**Please refer to
SERC Guidelines for Mitigation Plan Submission.pdf available at
<http://www.serc1.org/Application/ContentPageView.aspx?ContentId=22>**

Date this Mitigation Plan is being submitted: February 11, 2010

If this Mitigation Plan has already been completed:

- Check this box ☐ and
- Provide the Date of Completion of the Mitigation Plan:

Section A: Compliance Notices

- 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. This person may be the Registered Entity's point of contact described in Section 2.0.
 - (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) Implementation milestones no more than three (3) months apart for Mitigation Plans with expected completion dates more than three (3) months from the date

¹ "Uniform Compliance Monitoring and Enforcement Program of the North American Electric Reliability Corporation;" a copy of the current version approved by the Federal Energy Regulatory Commission is posted on NERC's website.



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.
- This submittal form shall be used to provide a required Mitigation Plan for review and approval by SERC and NERC.
 - The Mitigation Plan shall be submitted to SERC and NERC as confidential information in accordance with Section 1500 of the NERC Rules of Procedure.
 - This Mitigation Plan form may be used to address one or more related violations of one Reliability Standard. A separate mitigation plan is required to address violations with respect to each additional Reliability Standard, as applicable.
 - If the Mitigation Plan is approved by SERC and 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.
 - SERC or NERC may reject Mitigation Plans that they determine to be incomplete or inadequate.
 - Remedial action directives also may be issued as necessary to ensure reliability of the bulk power system.

Section B: Registered Entity Information

B.1 Identify your organization:

Company Name: Seneca Light and Water (SL&W)
Company Address: P.O. Box 4773
North Second Street
Seneca, SC 29679

NERC Compliance Registry ID *[if known]*: NCR01309

B.2 Identify the individual in your organization who will serve as the Contact to SERC regarding this Mitigation Plan. This person shall be technically knowledgeable regarding this Mitigation Plan and authorized to respond to SERC regarding this Mitigation Plan.

Name: Ed Kilby
Title: Compliance Contact
Email: ekilby@utilitytec.com



Phone: 336-625-0917



Section C: Identity of Reliability Standard Violations Associated with this Mitigation Plan

This Mitigation Plan is associated with the following violation(s) of the reliability standard listed below:

C.1 Standard: CIP-001-1
[Identify by Standard Acronym (e.g. FAC-001-1)]

C.2 Requirement(s) violated and violation dates:
[Enter information in the following Table]

NERC Violation ID # [if known]	SERC Violation ID # [if known]	Requirement Violated (e.g. R3.2)	Violation Date ^(*)
SERCYYYYnnnnn	YYYY-nnn	Rn.n.n	MM/DD/YYYY
	09-166	R3	06/18/2007
	09-167	R1	06/18/2007
	09-168	R2	06/18/2007
	09-169	R4	06/18/2007

(*) Note: The Violation Date shall be: (i) the date that the violation occurred; (ii) the date that the violation was self-reported; or (iii) the date that the violation has been deemed to have occurred on by SERC. Questions regarding the date to use should be directed to SERC.

C.3 Identify the cause of the violation(s) identified above:

SL&W did not interpret the standard as applying to SL&W and thus reported as such in compliance reporting in past years. SL&W submitted compliance certification statements on 9/26/07, 9/30/08, and on 9/30/09 stating that CIP-001-1 did not apply as SL&W is not on the bulk electric system but functions as a radial beyond the Duke Energy delivery point. SL&W acted in accordance with their belief and as there was no communication to the contrary, SL&W believed this to be acceptable. It was never SL&W's intent to be out of compliance. Once it was brought to SL&W's attention that they must comply, steps were taken with urgency to meet the standard. The initial steps were completed on December 4, 2009. SL&W received email communication from SERC staff on November 19, 2009 that the "Not Applicable" submittal on October 1, 2009 was not acceptable because SL&W is identified as an LSE on



the Compliance Registry and thus had to comply. SL&W made an initial effort to comply and has completed what was believed to meet the standard, but after contact and review with SERC Staff received guidance that the threshold for compliance to CIP-001-1 had not been met.

[Provide your response here; additional detailed information may be provided as an attachment as necessary]

C.4 **[Optional]** Provide any relevant additional information regarding the violations associated with this Mitigation Plan:

[Provide your response here; additional detailed information may be provided as an attachment as necessary]



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 violations identified above in Part C.2 of this form:

SL&W is revising procedures to meet requirements of CIP-001-1 R1, R2, and R3. Details of those efforts are provided within this document.

SL&W has contacted the FBI and currently has documentation to confirm compliance with R4.

[Provide your response here; additional detailed information may be provided as an attachment as necessary]

Check this box ☐ and proceed to Section E of this form if this Mitigation Plan, as set forth in Part D.1, has already been completed; otherwise respond to Part D.2, D.3 and, optionally, Part D.4, below.

Mitigation Plan Timeline and Milestones

- D.2 Provide the timetable for completion of the Mitigation Plan, including the completion date by which the Mitigation Plan will be fully implemented and the violations associated with this Mitigation Plan are corrected:
March 31, 2010
- D.3 Enter Milestone Activities, with completion dates, that your organization is proposing for this Mitigation Plan:

Milestone Activity	Proposed Completion Date* (shall not be more than 3 months apart)
Request and receive FBI confirmation of SL&W contact and receipt of letter.	January 15, 2010
Rewrite procedure to meet CIP-001-1 Includes following elements: 1- Sabotage identification section 2- Enhance sections on who to contact 3- Provide how/what to report guidance	



4- Submit and receive approval of revised procedure by SL&W Director of Utilities	
Create new emergency response posters and mount in appropriate areas within the SL&W facilities.	
Conduct additional training session with staff using enhanced procedure	March 31, 2010

(*) Note: 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.

[Note: Provide your response here; additional detailed information may be provided as an attachment as necessary]



Additional Relevant Information (Optional)

- D.4 If you have any relevant additional information that you wish to include regarding the mitigation plan, milestones, milestones dates and completion date proposed above you may include it here:

SL&W has informed all personnel of the potential risk of sabotage with description of some areas to anticipate. This is now being expanded upon and refined to more fully prepare SL&W personnel for any event that might appear to be sabotage in nature or pose a threat to the Seneca distribution system or have any potential impact on the BES. The response procedure and Sabotage Emergency Contact poster will be made more efficient, but the content as previously presented to staff was accurate and response actions were defined. [Provide your response here; additional detailed information may be provided as an attachment as necessary]

Section E: Interim and Future Reliability Risk

Check this box ☒ and proceed and respond to Part E.2 and E.3, below, if this Mitigation Plan, as set forth in Part D.1, has already been completed.

Abatement of Interim BPS Reliability Risk

- E.1 While your organization is implementing the Mitigation Plan proposed in Part D of this form, the reliability of the Bulk Power System 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 or is proposing as part of the Mitigation Plan to mitigate any increased risk to the reliability of the bulk power system while the Mitigation Plan is being implemented:

SL&W actions have been taken to minimize potential risk to the reliability of the BPS. Initial documentation and training has been completed with SL&W staff. If any event were to occur at this point, response procedures and associated actions are defined and will be implemented. While SL&W does not anticipate the need to implement these procedures, SL&W personnel is now prepared and able to do so if a suspected sabotage event should occur. SL&W will enhance this preparation with additional knowledge and guidance providing more advanced training.



[Provide your response here; additional detailed information may be provided as an attachment as necessary]

Prevention of Future BPS Reliability Risk

- E.2 Describe how successful completion of the Mitigation Plan as laid out in Part D of this form will prevent or minimize the probability that your organization incurs further violations of the same or similar reliability standards requirements in the future:

SL&W is incorporating into the procedure an annual review of requirements for CIP-001-1 and training of staff to maintain compliance to this standard.

[Provide your response here; additional detailed information may be provided as an attachment as necessary]

- E.3 Your organization may be taking or planning other action, beyond that listed in the Mitigation Plan, as proposed in Part D.1, to prevent or minimize the probability of incurring further violations of the same or similar standards requirements listed in Part C.2, or of other reliability standards. If so, identify and describe any such action, including milestones and completion dates:

SL&W is committed to the reliability and safety of the SL&W electric system and is also concerned about any influence an event might have on the BES and its reliability. The SL&W organization is committed at all levels to get to and remain in compliance of this standard.

[Provide your response here; additional detailed information may be provided as an attachment as necessary]

[Continued on Next Page](#)



Section F: Authorization

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

- a) Submits the Mitigation Plan, as laid out in Section D of this form, to SERC for acceptance by SERC and approval by NERC, and
- b) If applicable, certifies that the Mitigation Plan, as laid out in Section D of this form, was completed (i) as laid out in Section D of this form and (ii) on or before the date provided as the 'Date of Completion of the Mitigation Plan' on this form, and
- c) Acknowledges:
 1. I am Director of Utilities of Seneca Light and Water, City of Seneca, SC.
 2. I am qualified to sign this Mitigation Plan on behalf of Seneca Light and Water.
 3. I have read and understand Seneca Light and Water obligations to comply with Mitigation Plan requirements and ERO remedial action directives as well as ERO documents, including, but not limited to, the NERC Rules of Procedure, including Appendix 4(C) (Compliance Monitoring and Enforcement Program of the North American Electric Reliability Corporation" (NERC CMEP)).
 4. I have read and am familiar with the contents of the foregoing Mitigation Plan.
 5. Seneca Light and Water agrees to be bound by, and comply with, the Mitigation Plan, including the timetable completion date, as approved by SERC and approved by NERC.

Authorized Individual Signature

A handwritten signature in black ink, appearing to read 'Robert W. Faires, III', is written over a light blue rectangular background.

(Electronic signatures are acceptable; see CMEP)

Name (Print): Robert W. Faires, III

Title: Director of Utilities

Date: February 11, 2010



Section G: Comments and Additional Information

You may use this area to provide comments or any additional relevant information not previously addressed in this form.

[Provide your response here; additional detailed information may be provided as an attachment as necessary]

Submittal Instructions:

Please convert the completed and signed document to a text-searchable Adobe .pdf document using the following naming convention:

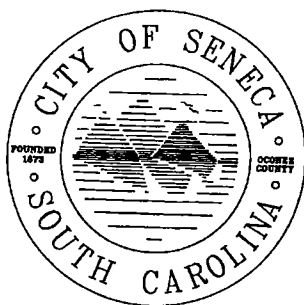
[(MP Entity Name (STD-XXX) MM-DD-YY).pdf]

Email the pdf file to serccomply@serc1.org.

Please direct any questions regarding completion of this form to:

Ken Keels
Manager, Compliance Enforcement
SERC Reliability Corporation
704-357-7372
kkeels@serc1.org

Appendix A-2



Seneca Light & Water Plant

Municipal
P.O. Box 4773
250 East North 2nd Street
Seneca, South Carolina 29679
(864)885-2716
fax: 864-888-0851
www.seneca.sc.us

March 30, 2010

To: Mrs. Janice Carney, Compliance Engineer
SERC Reliability Corporation
2815 Coliseum Centre Drive, Suite 500
Charlotte, NC 28217

Subject: Completion of Mitigation Plan

SERC Tracking Numbers: 09-166, 09-167, 09-168, and 09-169

Registered Entity/Address:
Seneca Light and Water
City of Seneca South Carolina
250 East North Second Street
Seneca, SC 29679

Mrs. Carney;

Please be advised that, as of this date, Seneca Light & Water has completed the requirements of the Mitigation Plan submitted to your office on February 11, 2010. Seneca Light and Water is now in compliance with NERC Standard CIP-001.

Respectfully Submitted:

Mr. Howard D Wilcox, III

Load Management Supervisor
Seneca Light and Water
City of Seneca South Carolina
250 East North Second Street
Seneca, SC 29679
pwilcox@seneca.sc.us

Phone: 864-885-6015

Cc: Robert W Faires, Director of Utilities, Seneca Light and Water
R Edward Kilby, Senior Analyst, Utility Technology

Appendix A-3



SERC Reliability Corporation
2815 Coliseum Centre Drive | Suite 500
Charlotte, NC 28217
704.357.7372 | Fax 704.357.7914 | www.serc1.org

Statement of SERC Reliability Corporation Compliance Staff Regarding Completion of Mitigation Plan

Registered Entity:	Seneca Light and Water (Seneca)
SERC Tracking ID:	09-166, 09-167, 09-168, and 09-169
NERC Violation No:	SERC200900404, SERC200900405, SERC200900406, and SERC200900407
NERC Mitigation Plan ID:	MIT-07-2381
Standard:	CIP-001-1
Requirement(s):	R1 – R4

Violation Summary:

Seneca Light and Water had no existing procedures or guidelines to satisfy requirements of CIP-001-1 nor had Seneca made contact with the FBI as required by CIP-001-1 R4.

Mitigation Plan Summary:

Seneca Light and Water's Mitigation Plan to address the referenced violation was submitted on February 11, 2010 and was accepted by SERC on February 18, 2010 and approved by NERC on March 15, 2010. The Mitigation Plan is identified as MIT-07-2381 and was submitted as non-public information to FERC on March 15, 2010 in accordance with FERC orders.

The Mitigation Plan required Seneca to revise procedures to meet requirements of CIP-001-1 R1, R2, and R3 and make contact with the FBI.

SERC's Monitoring of Registered Entity's Mitigation Plan Progress:

SERC Reliability Corporation Compliance Staff ("SERC Staff") monitors the Registered Entity's progress towards completion of its Mitigation Plans in accordance with Section 6.0 of the uniform Compliance Monitoring and Enforcement Program, ("CMEP"). Pursuant to the CMEP, Registered Entities are required to establish implementation milestones no more than three (3) months apart. SERC Staff solicits quarterly reports from all Registered Entities with open mitigation plans to monitor the progress on completion of milestones. SERC Staff also produces and reviews daily Mitigation Plan status reports highlighting Mitigation Plans that are nearing the scheduled completion date. If the Registered Entity fails to complete its Mitigation Plan according to schedule, appropriate additional enforcement action is initiated to assure compliance is attained.

**Mitigation Plan Completion Review Process:**

Seneca Light and Water certified on March 30, 2010 that the subject Mitigation Plan was completed on March 30, 2010. A SERC compliance staff member reviewed the evidence submitted in a manner similar to a compliance audit. That action was followed by another compliance staff member's peer review of the initial conclusion.

Evidence Reviewed:

Seneca Light and Water submitted and SERC Staff reviewed the following evidence in support of its certification that its Mitigation Plan was completed in accordance with its terms:

- Seneca's CIP-001-1 Sabotage Reporting Policy/Procedure, Revision 3 Dated March 22, 2010
- Seneca's sabotage recognition training document - revision dated March 15, 2010
- Seneca Light & Water Emergency Response Poster, revision dated March 22, 2010
 - Lists appropriate contact personnel, contact phone numbers and the contact procedure
- Training attendance rosters from the March 25, 2010 and March 29, 2010 Sabotage Reporting CIP-001 training sessions for Seneca Light & Water Electric Lines and City Management
- FBI Documentation
 - November 23, 2009 letter confirming contact from UTEC on behalf of Seneca to the FBI
 - January 5, 2010 email response from the Greenville, SC office of the FBI
 - Long Distance Telephone Log for Utility Technology showing call to FBI office in Greenville, SC on November, 20, 2009

Conclusion:

On April 13, 2010, SERC Reliability Corporation Compliance Staff ("SERC Staff") completed its review of the evidence submitted by Seneca Light and Water in support of its Certification of Completion of the subject Mitigation Plan. Based on its review of the evidence submitted, SERC Staff verifies that, in its professional judgment, all required actions in the Mitigation Plan have been completed and Seneca Light and Water is in compliance with the subject Reliability Standard Requirement as of the certified date of completion of the Mitigation Plan, March 30, 2010.

This Statement, along with the subject Mitigation Plan, may become part of a public record upon final disposition of the possible violation.

Respectfully Submitted,

Janice K. Carney – SERC Compliance Engineer
Matt Stryker – SERC Auditor
04/15/10

Attachment c

Disposition Document dated July 12, 2010

DISPOSITION OF VIOLATIONS¹

Dated July 12, 2010

NERC TRACKING NO.	REGIONAL ENTITY TRACKING NO.	NOC#
SERC200900404	09-166	NOC-549
SERC200900405	09-167	
SERC200900406	09-168	
SERC200900407	09-169	

REGISTERED ENTITY Seneca Light and Water (Seneca)	NERC REGISTRY ID NCR01309
---	-------------------------------------

REGIONAL ENTITY
SERC Reliability Corporation (SERC)

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									
	5/31/07				5/31/07									

* VIOLATIONS APPLY TO SHADED FUNCTIONS

DESCRIPTION OF THE REGISTERED ENTITY

Seneca is a municipal electric distribution system owned and operated by the City of Seneca, South Carolina. Seneca purchases electric power and energy supply from the open market. It operates as a radial load connected to Duke Energy and is served by three delivery points. Seneca owns and operates 172 miles of distribution system and serves approximately 6,400 metered customers inside and outside the city limits. A 12.5 kV distribution system is used to provide power to these customers. In 2009, the Non-Coincident Peak of Seneca's load was 34 MW.

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.

II. VIOLATION INFORMATION

RELIABILITY STANDARD	REQUIREMENT(S)	SUB-REQUIREMENT(S)	VRF(S)	VSL(S)
CIP-001-1	1		Medium	Severe
	2		Medium	Severe
	3		Medium	Severe
	4		Medium	Severe

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

The purpose statement of CIP-001-1 provides: “Disturbances or unusual occurrences, suspected or determined to be caused by sabotage, shall be reported to the appropriate systems, governmental agencies, and regulatory bodies.”

Reliability Standard CIP-001-1:

R1. Each Reliability Coordinator, Balancing Authority, Transmission Operator, Generator Operator, and Load Serving Entity shall have procedures for the recognition of and for making their operating personnel aware of sabotage events on its facilities and multi-site sabotage affecting larger portions of the Interconnection.

R2. Each Reliability Coordinator, Balancing Authority, Transmission Operator, Generator Operator, and Load Serving Entity shall have procedures for the communication of information concerning sabotage events to appropriate parties in the Interconnection.

R3. Each Reliability Coordinator, Balancing Authority, Transmission Operator, Generator Operator, and Load Serving Entity shall provide its operating personnel with sabotage response guidelines, including personnel to contact, for reporting disturbances due to sabotage events.

R4. Each Reliability Coordinator, Balancing Authority, Transmission Operator, Generator Operator, and Load Serving Entity shall establish communications contacts, as applicable, with local Federal Bureau of Investigation (FBI) or Royal Canadian Mounted Police (RCMP) officials and develop reporting procedures as appropriate to their circumstances.

VIOLATION DESCRIPTION

On November 24 2009, Seneca re-submitted a Self-Report dated November 23, 2009² stating that it did not have procedures and guidelines to comply with NERC

² Seneca’s initial Self-Report was submitted on November 23, 2009 and only reported non-compliance with CIP-001-1 R3. After discussions with SERC regarding compliance with the remaining requirements of CIP-001-1, Seneca submitted this revised Self-Report to include non-compliance with R1, R2 and R4.

Reliability Standard CIP-001-1 R1 through R4. Seneca reported that it did not realize that the Standard applied because Seneca was under the impression that its radial connection to the Interconnection meant that it was not within the bulk power system (BPS). With that in mind, Seneca, in the self-certifications it filed in 2007, 2008 and 2009, marked that the subject Standard was not applicable. On November 17, 2009, SERC contacted Seneca and advised that the subject Standard is applicable to Load Serving Entities such as Seneca; Seneca subsequently self-reported violations of CIP-001-1 R1 through R4.

SERC concluded that the facts and evidence supported a finding that Seneca violated CIP-001-1 R1, R2, R3 and R4 because Seneca (1) did not have a written procedure that described how to recognize a sabotage event, and at what stage in the process operating personnel are made aware of the event; (2) did not have procedures for the communication of sabotage information to appropriate parties in the Interconnection; (3) had not provided its operating personnel with sabotage response guidelines; and (4) did not have written or electronic evidence of reporting procedures for coordination between local FBI and Seneca facilities.

RELIABILITY IMPACT STATEMENT- POTENTIAL AND ACTUAL

SERC determined that the violations did not pose a serious or substantial risk to the reliability of the BPS because, had there been a sabotage event on Seneca's system, the impact would likely have been minimal as the total load of Seneca is less than 35 MW. Additionally, Seneca is connected via a radial connection and the entity to which it is connected has a procedure pursuant to CIP-001 and would have recognized a sabotage event.

IS THERE A SETTLEMENT AGREEMENT YES ☒ NO ☐

WITH RESPECT TO THE VIOLATION(S), REGISTERED ENTITY

NEITHER ADMITS NOR DENIES IT (SETTLEMENT ONLY)	YES	<input type="checkbox"/>
ADMITS TO IT	YES	<input checked="" 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"/>

*Although Seneca submitted a Self-Report on November 23, 2009, it did so after being advised by SERC that CIP-001-1 applied to Seneca.

DURATION DATE(S) The duration of the violations was from 6/18/2007, when the Standards became mandatory and enforceable, through 3/30/2010, the date Seneca completed its Mitigation Plan.

DATE DISCOVERED BY OR REPORTED TO REGIONAL ENTITY 11/23/2009

IS THE VIOLATION STILL OCCURRING

YES ☐ NO ☒

IF YES, EXPLAIN

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

IV. MITIGATION INFORMATION

FOR FINAL ACCEPTED MITIGATION PLAN:

MITIGATION PLAN NO. **MIT-07-2381**

DATE SUBMITTED TO REGIONAL ENTITY **2/11/2010**

DATE ACCEPTED BY REGIONAL ENTITY **2/18/2010**

DATE APPROVED BY NERC **3/15/2010**

DATE PROVIDED TO FERC **3/15/2010**

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

MITIGATION PLAN COMPLETED YES ☒ NO ☐

EXPECTED COMPLETION DATE **3/31/2010**

EXTENSIONS GRANTED **N/A**

ACTUAL COMPLETION DATE **3/30/2010**

DATE OF CERTIFICATION LETTER **3/30/2010**

CERTIFIED COMPLETE BY REGISTERED ENTITY AS OF **3/30/2010**

DATE OF VERIFICATION LETTER **4/13/2010**
VERIFIED COMPLETE BY REGIONAL ENTITY AS OF **3/30/2010**

ACTIONS TAKEN TO MITIGATE THE ISSUE AND PREVENT
RECURRENCE

1. **Request and receive FBI confirmation of Seneca's contact and receipt of letter;**
2. **rewrite procedure to meet CIP-001-1 R1 through R4 by including a sabotage identification section, enhancing sections on who to contact, and providing guidance on how and what to report;**
3. **create new emergency response posters and mount in appropriate areas within Seneca facilities; and**
4. **conduct additional training session with staff using the enhanced procedure.**

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)

1. **Seneca's *CIP-001-1 Sabotage Reporting Policy/Procedure*, revision 3 dated March 22, 2010;**
2. **Seneca's sabotage recognition training document, revision dated March 15, 2010;**
3. ***Seneca Light & Water Emergency Response Poster*, revision dated March 22, 2010;**
4. **training attendance rosters from the March 25, 2010 and March 29, 2010 Sabotage Reporting CIP-001 training sessions for Seneca and City Management;**
5. **letter confirming contact from a consultant on behalf of Seneca to the FBI dated November 23, 2009;**
6. **e-mail response from the Greenville, SC office of the FBI dated January 5, 2010; and**
7. ***Long Distance Telephone Log for Utility Technology* showing call to FBI office in Greenville, SC on November, 20, 2009.**

V. PENALTY INFORMATION

TOTAL ASSESSED PENALTY OR SANCTION OF **\$3,000** FOR **FOUR**
VIOLATIONS 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

ADDITIONAL COMMENTS

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

YES ☐ NO ☒

LIST ANY PRIOR CONFIRMED OR SETTLED VIOLATIONS AND
STATUS

ADDITIONAL COMMENTS

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

FULL COOPERATION YES ☒ NO ☐
IF NO, EXPLAIN

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

IS THERE A DOCUMENTED COMPLIANCE PROGRAM³
YES ☒ NO ☐
EXPLAIN

Before 2009, Seneca's compliance with the Reliability Standards was managed by a consultant. In 2009, Seneca adopted a compliance program to cover all Reliability Standards applicable to the functions for which they are registered. Although Seneca does not have a formal compliance department, ownership of the NERC Reliability Standards are assigned to personnel within the organization. NERC

³ SERC considered the existence of Seneca's internal compliance program as a neutral factor in determining the penalty.

Standards are monitored for applicability and compliance needs by both internal and external personnel: Internal – The Load Management Supervisor (LMS) charged with internal oversight will maintain awareness of NERC Standards and internal compliance activity. External – Internal activity will be complemented by an independent engineering consulting firm with experience in this field.

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.

YES ☒ NO ☐

EXPLAIN

The LMS position is responsible for the implementation of Seneca’s Internal Compliance Program (ICP) and reports directly to the Seneca Director of Utilities. The LMS position is not involved, on a daily basis, with ICP compliance. The Electrical Department Supervisor (EDS) is responsible for the day to day operational compliance and reports directly to the Seneca Director of Utilities. The EDS position controls the daily activities of the personnel that are charged with detecting and reporting parameters contained in the Seneca ICP. The LMS position has the responsibility to communicate any issues directly with the Director of Utilities or his supervisor, the City Administrator.

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

YES ☐ NO ☒

IF YES, EXPLAIN

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

YES ☐ NO ☒

IF YES, EXPLAIN

(6) ANY OTHER MITIGATING FACTORS FOR CONSIDERATION

YES ☐ NO ☒

IF YES, EXPLAIN

(7) ANY OTHER AGGRAVATING FACTORS FOR CONSIDERATION

YES ☐ NO ☒
IF YES, EXPLAIN

(8) ANY OTHER EXTENUATING CIRCUMSTANCES

YES ☐ NO ☒
IF YES, EXPLAIN

EXHIBITS (SEE ATTACHMENTS TO THE NOTICE OF PENALTY):

SOURCE DOCUMENT

Seneca's Self-Report for CIP-001-1 R1-R4 dated November 23, 2009

MITIGATION PLAN

Seneca's Mitigation Plan MIT-07-2381 for CIP-001-1 R1-R4 submitted February 11, 2010

CERTIFICATION BY REGISTERED ENTITY

Seneca's Certification of Completion of the Mitigation Plan for CIP-001-1 R1-R4 dated March 30, 2010

OTHER RELEVANT INFORMATION:

NOTICE OF ALLEGED VIOLATION AND PROPOSED PENALTY OR
SANCTION ISSUED

DATE: OR N/A ☒

SETTLEMENT DISCUSSIONS COMMENCED

DATE: **2/23/2010** 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 d

Notice of Filing

UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Seneca Light and Water

Docket No. NP10-____-000

NOTICE OF FILING
September 30, 2010

Take notice that on September 30, 2010, the North American Electric Reliability Corporation (NERC) filed a Notice of Penalty regarding Seneca Light and Water in the SERC Reliability 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