



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 Deficiency Notice of Penalty regarding South Louisiana Electric Cooperative Association, FERC Docket No. NP10-__-000

Dear Ms. Bose:

The North American Electric Reliability Corporation (NERC) hereby provides this Deficiency Notice of Penalty (Deficiency NOP) regarding the South Louisiana Electric Cooperative Association (SLECA), as listed in Attachment d,¹ 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)). Violations² addressed within a Deficiency NOP are administrative, minor or documentation in nature. Specifically in this case, Deficiency treatment is appropriate because the violations posed a minimal risk to the bulk power system. There were two (2) violations. Each violation was minor and the violations had a low assessed penalty.

The Settlement Agreement resolves all outstanding issues arising from SERC Reliability Corporation's (SERC) determination and findings of the enforceable violations of CIP-001-1 Requirement (R) 4 and CIP-001-1 R1. According to the Settlement Agreement, SLECA admits the violations and has agreed to the assessed penalty of five thousand dollars (\$5,000), 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.

¹ The Disposition Document addresses: (1) all relevant facts, in sufficient detail, to indicate the nature of the violation cited and its duration; (2) sufficient information on whether an entity did not perform the action required by the relevant Reliability Standard or failed to document that the action had been performed; (3) a linkage between specific facts and the penalty factors listed as relevant to the penalty determination; (4) specific information in a mitigation plan how a registered entity will comply with the requirements it has violated; and (5) specific information on how a Regional Entity verified that a registered entity timely completed a mitigation plan.

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.

Statement of Findings Underlying the Violations

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,³ 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 five thousand dollar (\$5,000) financial penalty against SLECA and other actions to facilitate future compliance required under the terms and conditions of the Settlement Agreement.

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 NOP 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 NOP are the following documents:

- a) SERC's Self-Report for CIP-001-1 R4 dated September 28, 2009, included as Attachment a;
- b) SERC's Self-Report for CIP-001-1 R1 dated December 18, 2009, included as Attachment b;
- c) Settlement Agreement by and between SERC and SLECA executed April 27, 2010, included as Attachment c;
 - i. SLECA's Mitigation Plan #MIT-09-2434 for CIP-001-1 R4 and R1 submitted March 18, 2010, included as Appendix A-1 to the Settlement Agreement;
 - ii. SLECA's Certification of Completion of the Mitigation Plan for CIP-001-1 R4 and R1 dated March 18, 2010, included as Appendix A-2 to the Settlement Agreement;
 - iii. SERC's Verification of Completion of the Mitigation Plan for CIP-001-1 R4 and R1 dated April 14, 2010, included as Appendix A-3 to the Settlement Agreement;
- d) Disposition Document for CIP-001-1 R4 and R1 dated July 12, 2010, included as Attachment d.

A Form of Notice Suitable for Publication⁴

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

³ *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).

⁴ 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>Michael J. Guidry* General Manager South Louisiana Electric Cooperative Association P.O. Box 4037 Houma, LA 70361 (985) 876-6880 (985) 851-3644 - facsimile mguidry@sleca.com</p> <p>Steven J. Giroir* Manager of Engineering South Louisiana Electric Cooperative Association P.O. Box 4037 Houma, LA 70361 (985) 876-6880 (985) 851-3644 - facsimile sgiroir@sleca.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 Chief Executive Officer 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 Deficiency NOP as compliant with its rules, regulations and orders.

Respectfully submitted,

Gerald W. Cauley
President and Chief Executive Officer
David N. Cook
Sr. Vice President and General Counsel
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/s/ Rebecca J. Michael
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cc: South Louisiana Electric Cooperative Association
SERC Reliability Corporation

Attachments

Attachment a

SERC's Self-Report for CIP-001-1 R4 dated September 28, 2009



Non-Public and CONFIDENTIAL
(until filed with FERC)

Self-Reporting Form

Date Submitted by Registered Entity: 9/28/09

Region: SERC

NERC Registry ID: NCR00163

Joint Registration Organization (JRO) ID:

Registered Entity: South Louisiana Electric Cooperative Association

Registered Entity Contact Name: Steven J. Giroir

Registered Entity Contact Email: sgiroir@sleca.com

Registered Entity Contact Telephone: 985-876-6880

Function(s) Applicable to Self-Report: LSE

Standard: CIP-001-1

Requirement: 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: 5/28/2008

Date violation discovered: 9/28/2009

Is the violation still occurring? ☐ Yes ☒ No

Detailed explanation and cause of violation: Prior to May 28, 2008, South Louisiana Electric Cooperative Association (SLECA) was represented in NERC/SERC Compliance by a JRO, Louisiana Generating LLC, which was responsible for compliance with CIP-001-1. SLECA registered as an LSE and DP on May 28, 2008 and immediately began its program to become completely compliant with all applicable NERC/SERC Reliability Standards. On November 18, 2008, Steven Giroir, SLECA's Compliance Manager, established contact with Special Agent Will Hatcher of the New Orleans office of the Federal Bureau of Investigation. From that date (11/18/2008) reporting procedures with the FBI have been adopted and continue in place to this date. SLECA believes that consideration should be given to the necessary transition time from its participation in a JRO to a stand-alone entity. Additionally, it should be noted that SLECA was struck in September 2008 by two hurricanes, Gustav and Ike, which significantly retarded its efforts to attain complete compliance with NERC Standards. SLECA has been compliant with CIP-001-1 R4 since 11/18/2008.

Reliability Impact: Minimal



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Reliability Impact Description: SLECA's facilities are isolated from the BES by switches owned by other Entities. Therefore, while a possibility of sabotage exists, its effects are likely to be minimal.

Additional Comments: Note that while SLECA became compliant on November 18, 2008, it was not aware at that time that it had previously been non-compliant. SLECA was under the misapprehension that it had a grace period in which to become compliant with all CIP Standards as opposed to just CIP-002 through CIP-009 as it has now determined. It is for this reason that it is self-reporting at this time rather than on the day of its registration as an LSE.

Further, as SLECA has grown more familiar with the NERC Standards and their intentions, it has decided to follow the lead of its sister cooperatives— Beauregard Electric, Pointee Coupee Electric, Washington-St. Tammany Electric, and Jefferson Davis Electric— in requesting exemption from NERC regulation. This week, SLECA will begin the composition of a letter requesting such exemption. We believe that, at a minimum, SLECA should be delisted as an LSE and thus not required to comply with CIP-001-1 R4. We will submit such a letter separately.

We have, however, already mitigated this particular violation and are submitting a completed mitigation plan along with this self-report.

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.)*

**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

SERC's Self-Report for CIP-001-1 R1 dated December 18, 2009



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

Self-Reporting Form

Date Submitted by Registered Entity: 12-18-09

Region: SERC

NERC Registry ID: NRC00163

Joint Registration Organization (JRO) ID:

Registered Entity: SOUTH LOUISIANA ELCTRIC COOPERATIVE ASSOCIATION

Registered Entity Contact Name: Steven J. Giroir

Registered Entity Contact Email: sgirair@sleca.com

Registered Entity Contact Telephone: 985-876-6880

Function(s) Applicable to Self-Report: LSE

Standard: CIP-001-1

Requirement: R1

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

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

Date violation occurred: 5/28/2008

Date violation discovered: 12/17/2009

Is the violation still occurring? ☐ Yes ☒ No

Detailed explanation and cause of violation: SLECA's procedure document did not contain detailed procedures for the recognition of and for making operating personnel aware of sabotage events.

Reliability Impact: Minimal

Reliability Impact Description: SLECA's facilities are isolated from the BES by switches owned by other Entities. Therefore, while a possibility of sabotage exists, its effects are likely to be minimal.

Additional Comments:

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.)

SERC Staff will contact the person providing the report as soon as possible.



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

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 c

Settlement Agreement by and between SERC and SLECA executed April 27, 2010

SETTLEMENT AGREEMENT

OF

SERC RELIABILITY CORPORATION

AND

SOUTH LOUISIANA ELECTRIC COOPERATIVE ASSOCIATION

I. INTRODUCTION

1. SERC Reliability Corporation (“SERC”) and South Louisiana Electric Cooperative Association (“SLECA”) 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 two violations by SLECA of NERC Reliability Standard CIP-001-1, Requirements (R)1 and 4 (SERC Tracking Nos. 09-089 and 09-187, NERC Violation ID Nos. SERC200900328 and SERC200900425).

II. STIPULATION

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

Background

3. SLECA is a member-owned, rural electric cooperative with a peak non-coincident load of 129 MW. Its headquarters are in Houma, Louisiana. SLECA serves customers in Terrebonne, Lafourche, St. Mary, and Assumptions parishes. SLECA owns and operates approximately 1,400 miles of distribution lines, 10 distribution substations and less than 30 miles of radial transmission lines operated at less than 100 kV that are used to provide direct service to SLECA substations. SLECA owns no generation facilities. SLECA serves approximately 17,000 residential customers and 3,000 commercial customers.

4. SLECA is currently listed on the NERC Compliance Registry as a Distribution Provider (DP) and Load Serving Entity (LSE). (NCR00163). SLECA's LSE function is at issue in these violations and this settlement.
5. Prior to May 28, 2008, responsibility for compliance with the NERC Reliability Standards was performed by the G&T cooperative of which SLECA was a member. The G&T cooperative had accepted responsibility for compliance with CIP-001-1 on behalf of its member distribution cooperatives. On February 29, 2008, the G&T cooperative sent written notification to SLECA that the G&T would discontinue its role as the responsible party for compliance with the NERC Reliability Standards on behalf of its member distribution cooperatives in ninety (90) days from the written notification, triggering SLECA's registration effective May 28, 2008.

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

6. 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.
7. 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
8. 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.²
9. As a newly registered entity, SLECA thought that there was a grace period to come into compliance with NERC Reliability Standard CIP-001-1, consistent with the implementation plan for NERC Reliability Standards CIP-002 through 009. By September 2009, SLECA began to question the existence of a grace period for newly registered entities and contacted SERC's Manager of Compliance Enforcement requesting a clarification. SERC staff responded to SLECA on September 28, 2009 that there was no grace period for CIP-001-1 for newly registered entities.

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.

10. SLECA submitted a self-report on September 28, 2009 of a possible gap in its compliance with NERC Reliability Standard CIP-001-1 R4 for not having made contact with the FBI until November 19, 2008. In its self-report, SLECA explained its confusion surrounding the compliance date for NERC Reliability Standard CIP-001-1.
11. After confirming SLECA's registration status, SERC staff commenced its detailed compliance assessment. On October 2, 2009, SERC staff issued a Compliance Assessment Notice advising SLECA of the initiation of a formal assessment to determine, in part, its compliance relative to NERC Reliability Standard CIP-001-1, R4 and directing SLECA to preserve all relevant records and information. SERC staff promptly established direct contact with representatives of SLECA to begin the process of gathering information and documentation for the detailed compliance assessment. SERC staff also reported the possible violation to NERC on October 2, 2009, which, in turn, reported the possible violations to the Commission in accordance with the CMEP of the NERC Rules of Procedure.
12. At SERC staff's request, SLECA provided evidence showing that on November 19, 2008, SLECA's Compliance Manager established contact with the local office of the Federal Bureau of Investigation and developed a reporting procedure, but was unable to present evidence of compliance with NERC Reliability Standard CIP-001-1 R4 before that time.
13. SLECA was also able to present evidence demonstrating its compliance with CIP-001-1 R2 and R3. Evidence of compliance with CIP-001-1 R2 was found in SLECA's Hazard Recognition procedure which included procedures for the communication of information concerning sabotage events to appropriate parties in the Interconnection. The Hazard Recognition procedure was an undated procedure, but SLECA provided an attestation to show that it was in effect and followed prior to the time SLECA was included on the NERC Compliance Registry until its Sabotage Reporting procedure became effective. Evidence of compliance with CIP-001-1 R3 was also found in SLECA's Hazard Recognition procedure which included response guidelines, including personnel to contact, for reporting disturbances due to sabotage events.
14. SLECA provided the current and previous versions of its "Sabotage Reporting" procedure and the Hazard Recognition procedure to demonstrate compliance with NERC Reliability Standard CIP-001-1 R1. This procedure showed a draft date of February 19, 2009, with an issuance date of May 19, 2009. However, from its assessment, SERC staff determined that while SLECA had a procedure for the recognition of sabotage events as required by CIP-001-1 R1, it did not have a procedure for making its operating personnel aware of sabotage events which is required by CIP-001-1 R1. SERC staff notified SLECA of the CIP-001-1 R1 possible violation on December 17, 2009 and SLECA submitted a self-report of the CIP-001-1 R1 possible violation on December 18, 2009. On December 21, 2009,

SERC staff issued an additional Compliance Assessment Notice to SLECA to address the possible violation of R1. SERC staff reported the possible violation of R1 to NERC on December 23, 2009, which, in turn, reported the possible violations to the Commission in accordance with the CMEP of the NERC Rules of Procedure.

15. As a result of its assessment, SERC staff concluded that the facts and evidence supported a finding that SLECA violated R 1 and 4 of NERC Reliability Standard CIP-001-1 because the evidence reviewed showed that SLECA (a) did have written procedural content that described how to recognize a sabotage event but did not include at what stage in the process operating personnel are made aware of the event or how operating personnel are made aware of the event, and (b) did not have written or electronic evidence of reporting procedures for coordination between local FBI and SLECA facilities. R 1 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 actual and foreseeable impact of the violations was minimal and 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 SLECA’s system, the impact would have been minimal, as the total load of SLECA is less than 129 MW and is connected to the BPS via radial connection.
16. On March 18, 2010, SLECA formally requested settlement discussions for the resolution of the violations.
17. On March 25, 2010 and April 13, 2010, SERC staff met with representatives of SLECA. 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 seriousness of the violation and SLECA’s efforts to remedy the violations, and the settlement process.

III. PARTIES’ SEPARATE REPRESENTATIONS

Statement of SERC and Summary of Findings

18. SERC finds that beginning on May 28, 2008, the date SLECA was included on the Compliance Registry and continuing until successful completion of the Mitigation Plan on January 14, 2010, SLECA, as a Load Serving Entity did not have a written procedure that described at what stage in the process operating personnel are made aware of the event and how operating personnel are made aware of an event. This is a violation of NERC Reliability Standard CIP-001-1, R1, for failing to have a procedure with content for reporting sabotage events to operating personnel.
19. SERC finds that beginning on May 28, 2008, the date SLECA was included on the Compliance Registry, and continuing until contact was made with the FBI on November 19, 2008, SLECA, as a Load Serving Entity, did not have evidence of proper reporting procedures for coordination between local FBI and SLECA

facilities. SLECA 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.

20. 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.
21. 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 SLECA

22. SLECA 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.
23. SLECA 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. SLECA agrees that this agreement is in the best interest of the parties and in the best interest of maintaining a reliable electric infrastructure.
24. SLECA's compliance program covers all reliability standards applicable to the functions for which they are registered. Although SLECA does not have a formal compliance department, ownership of the NERC Reliability Standards are assigned to appropriate personnel within the organization. Overall responsibility for the implementation of SLECA's compliance program is assigned to the Manager of Engineering. Day-to-day compliance is the responsibility of the appropriate department heads, specifically the following: Operations Superintendent, Amelia District Manager, Manager of Member Services and Manager of Finance/Accounting. The Manager of Engineering has direct and independent access to the General Manager. Additionally, the Manager of Engineering prepares and submits to the Board of Directors a monthly report on the Cooperative's NERC/SERC compliance program and related activities.

IV. MITIGATING ACTIONS, REMEDIES AND SANCTIONS

25. SLECA's Mitigation Plan MIT-09-2434 for NERC Reliability Standard CIP-001-1, R1 and R4 dated March 18, 2010, was accepted by SERC on March 29, 2010 and submitted to NERC for its approval on March 31, 2010. It was approved by NERC on April 16, 2010 and submitted to FERC on April 16, 2010. SLECA's Mitigation Plan has a completion date of January 14, 2010. SLECA certified its completion on March 18, 2010 and SERC verified SLECA's completion on April 14, 2010. SLECA's Mitigation Plan MIT-09-2434 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 SLECA's Mitigation Plan MIT-09-2434 is attached hereto as Appendix A-3.

26. Actions implemented by SLECA in Mitigation Plan MIT-09-2434 will resolve the gap in compliance and will help to prevent a recurrence of any similar violation. Formal procedures were developed and approved by SLECA management to meet the requirements of R1 and R4. Communication was established with the local FBI office for reporting sabotage events to meet requirement R4 on November 19, 2008.
27. SERC staff has reviewed the preventative measures described in the Mitigation Plan and has determined that these measures will assist SLECA in improving prospective compliance with NERC Reliability Standard CIP-001-1, and will enhance the reliability of the bulk power system.
28. To verify completion of SLECA's Mitigation Plan, SERC reviewed:
 - Minutes and the associated attendance rosters verifying training of SLECA's Sabotage Reporting Procedure conducted on January 12, 2010, January 13, 2010 and January 14, 2010
 - SLECA's NERC/SERC Compliance Procedure Number CIP-001-1 version # 1.5.1 dated March 5, 2010. Version #1.5.1 corrected Section 5.2 M1 to include reference to Attachment B rather than A alone. Version # 1.5 dated January 11, 2010 met the CIP-001-1 requirements
 - Evidence of contact with the FBI on November 19, 2008 is included on page 14 of the procedure
29. SERC staff also considered the specific facts and circumstances of the violations and SLECA'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 [SLECA] to remedy the violation in a timely manner."³ The factors considered by SERC staff in the determination of the appropriate penalty for SLECA's violations of NERC Reliability Standard CIP-001-1 pursuant to this Settlement Agreement included the following:
 - a. SLECA has no prior violations of this Standard or any closely-related standard during the mandatory reliability period.

³ 16 U.S.C. § 824o(e)(6).

- b. SLECA cooperated in a satisfactory manner with SERC staff during the investigation.⁴ SLECA's response to SERC staff's questions enabled SERC staff to conduct its investigation in an efficient manner.
 - c. SLECA agreed to resolve this issue via settlement and initiated various mitigation and preventative measures before receiving a Notice of Alleged Violation from SERC.
 - d. SLECA has admitted the violations.
 - e. As described above, SLECA is implementing specific measures to address the violations and to protect against future violations of the same or similar requirements.
30. Based on the above factors, as well as the mitigation actions and preventative measures taken, SLECA shall pay \$5,000 to SERC as set forth in this Settlement Agreement. SLECA 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 SLECA 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 SLECA 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.
31. 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 SLECA to new or additional enforcement, penalty or sanction actions in accordance with the NERC Rules of Procedure. SLECA will retain all rights to defend against such enforcement actions in accordance with the NERC Rules of Procedure.

V. ADDITIONAL TERMS

32. 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 SLECA 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.

⁴ Revised Policy Statement on Enforcement, 123 FERC ¶ 61,156, P 65 (May 15, 2008).

33. 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 SLECA 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 SLECA 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.
34. 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.
35. SLECA agrees that this Settlement Agreement, when approved by NERC and the Commission, shall represent a final settlement of all matters set forth herein and SLECA waives its right to further hearings and appeal, unless and only to the extent that SLECA 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 SLECA in accordance with the NERC Rules of Procedure in the event that SLECA fails to comply with the mitigation plan or complete the additional actions agreed to in this Settlement Agreement. In the event SLECA 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 SLECA 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, SLECA shall retain all rights to defend against such enforcement actions, also according to the NERC Rules of Procedure.
36. SLECA 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 SLECA 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.

37. 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.
38. 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.
39. The Settlement Agreement may be signed in counterparts.
40. 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



Michael Guidry
General Manager
SOUTH LOUISIANA ELECTRIC COOPERATIVE ASSOCIATION

4/20/2010
Date

**APPENDIX A
TO
SETTLEMENT AGREEMENT
OF
SERC RELIABILITY CORPORATION
AND
SOUTH LOUISIANA ELECTRIC COOPERATIVE ASSOCIATION**

- (1) SLECA's Mitigation Plan for CIP-001-1, R1 and 4**
- (2) SLECA's Certification of Mitigation Plan Completion for CIP-001-1, R1 and 4**
- (3) Statement of SERC Reliability Corporation Compliance Staff Regarding
Completion of SLECA's Mitigation Plan for CIP-001-1, R1 and 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: 3/18/2010

If this Mitigation Plan has already been completed:

- Check this box ☒ and
- Provide the Date of Completion of the Mitigation Plan: 1/14/2010

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: South Louisiana Electric Cooperative Association
Company Address: P.O. Box 4037, Houma, LA 70361
NERC Compliance Registry ID **[if known]**: NCR00163

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: Steven J. Giroir
Title: Manager Of Engineering
Email: sgiroir@sleca.com
Phone: 985-876-6880



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	09-089	R4.	05/28/2008
	09-187	R1.	05/28/2008

(*) 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:

Prior to May 28, 2008, South Louisiana Electric Cooperative Association (SLECA) was represented in NERC/SERC Compliance by a contractual agreement with Louisiana Generating LLC, which Entity was responsible for compliance with all Reliability Standards on SLECA's behalf. SLECA registered as an LSE and DP on May 28, 2008 and immediately began its program to become completely compliant with all applicable NERC/SERC Reliability Standards. On November 19, 2008, SLECA's Compliance Manager established contact with a Special Agent of the New Orleans office of the Federal Bureau of Investigation. From that date (11/19/2008) reporting procedures with the FBI have been adopted and continue in place. It should be noted that SLECA was struck in September 2008 by two hurricanes, Gustav and Ike, which significantly retarded its efforts to attain complete compliance with



NERC Standards. SLECA has been compliant with CIP-001-1 R4 since 11/19/2008.

In the case of R1, in the course of SLECA's compliance with CIP-001-1, SLECA personnel and consultants misinterpreted the language of the requirement, believing that R1 simply calls for a training program which was to instruct personnel in how to recognize sabotage events and to raise awareness of sabotage, whether on SLECA facilities or elsewhere. On December 17, 2009, SERC Staff informed SLECA that the Cooperative had seemingly misinterpreted R1's intent. After review, SLECA self-reported its alleged violation on December 18, 2009. SLECA's Manager of Engineering engaged in several conversations with SERC Staff to gain a better understanding of the intent of R1 and came to understand that the Cooperative's sabotage procedures needed to include more specific information on sabotage recognition and specific procedures for making personnel aware of sabotage events. The Cooperative then made modifications to SLECA's Procedure dealing with CIP-001-1, completing those modifications on January 11, 2010 and the accompanying training by January 14, 2010 and has remained compliant with CIP-001-1 since that date.

[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:

Regarding R1, SLECA completed modifications to its Compliance Procedure "CIP-001-1, Sabotage Reporting" on January 11, 2010, which modifications provided complete procedures for the recognition of and for making operating personnel aware of sabotage events on SLECA's facilities and multi-site sabotage affecting larger portions of the Interconnection. Additionally, employees were instructed in the modified Procedure at training meetings held on January 12, 13 and 14, 2010. This section of the Mitigation Plan is thus complete.

Regarding R4, on November 19, 2008, SLECA's Compliance Manager established contact with a Special Agent of the New Orleans office of the Federal Bureau of Investigation, who instructed SLECA in the necessary procedures to be implemented in order to achieve compliance with CIP-001-1 R4. From that date (November 19, 2008) reporting procedures with the FBI have been adopted and continue in place to this date, and SLECA has been fully compliant with CIP-001-1 R4 since November 19, 2008. Thus, this section of the Mitigation Plan has been completed and no further mitigation is needed.

With these actions and the ongoing compliance established by SLECA's Procedure, no further mitigation is necessary.

[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:



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)

(*) 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:

[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:

[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:

Requirement R4 of CIP-001-1 states that the Responsible Entity "shall establish communications contacts, as applicable, with local Federal Bureau of Investigation (FBI) . . . officials and develop reporting procedures as appropriate to their circumstances." The contact with the Special Agent of the



FBI has established the required contact and the procedures were set forth by that Special Agent in an email to SLECA. SLECA has adopted the contact and procedure laid out in the Agent's email. This contact has eliminated the probability that SLECA will incur further violations of the same or similar standards requirements in the future.

Regarding Requirement R1 of CIP-001-1, the modifications to SLECA's "Recognition and Awareness of Sabotage" document and its "Sabotage Reporting Guidelines" document, both of which are attachments to the Cooperative's CIP-001-1 Compliance Procedure, satisfy the intention of Requirement R1. Along with the appropriate training of personnel, which was also performed, this will prevent or minimize the probability of further violations of the same or similar reliability standards requirements in the future. [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:

[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 Manager of Engineering of South Louisiana Electric Cooperative Association.
 2. I am qualified to sign this Mitigation Plan on behalf of South Louisiana Electric Cooperative Association.
 3. I have read and understand South Louisiana Electric Cooperative Association's 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. South Louisiana Electric Cooperative Association 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

(Electronic signatures are acceptable; see CMEP)

Name (Print): Steven J. Giroir
 Title: Manager of Engineering
 Date: 3/18/2010





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



South Louisiana Electric Cooperative Association

P.O. BOX 4037
HOUMA, LOUISIANA 70361

Certification of a Completed Mitigation Plan

SERC Reliability Corporation Violation Mitigation Plan Closure Form

Name of Registered Entity submitting certification: [South Louisiana Electric Cooperative Association \(SLECA\)](#)

Date of Certification: [03/18/2010](#)

Name of Standard and the Requirement(s) of mitigated violation(s): [CIP-001-1 Sabotage Reporting R1 & R4](#)

SERC Tracking Number (contact SERC if not known): 09-089 and 09-187

NERC Violation ID Number (if assigned):

Date of completion of the Mitigation Plan: 01/14/2010

Summary of all actions described in Part D of the relevant mitigation plan:

Regarding R1, SLECA completed modifications to its Compliance Procedure "CIP-001-1, Sabotage Reporting" on January 11, 2010, which modifications provided complete procedures for the recognition of and for making operating personnel aware of sabotage events on SLECA's facilities and multi-site sabotage affecting larger portions of the Interconnection. Additionally, employees were instructed in the modified Procedure at training meetings held on January 12, 13 and 14, 2010. This section of the Mitigation Plan is thus complete.

Regarding R4, on November 19, 2008, SLECA's Compliance Manager established contact with a Special Agent of the New Orleans office of the Federal Bureau of Investigation, who instructed SLECA in the necessary procedures to be implemented in order to achieve compliance with CIP-001-1 R4. From that date (November 19, 2008) reporting procedures with the FBI have been adopted and continue in place to this date, and SLECA has been fully compliant with CIP-001-1 R4 since November 19, 2008. Thus, this section of the Mitigation Plan has been completed and no further mitigation is needed. With these actions and the ongoing compliance established by SLECA's Procedure, no further mitigation is necessary.

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South Louisiana Electric Cooperative Association

P.O. BOX 4037
HOUMA, LOUISIANA 70361

Description of the information provided to SERC for their evaluation:

1. NERC/SERC Compliance Procedure, Sabotage Reporting CIP-001-1.doc
This is SLECA's Compliance Procedure governing its actions regarding CIP-001-1, including R1 & R4. This document includes (Attachment A) SLECA's guidelines for the recognition and awareness of sabotage and the methods by which personnel are made aware of sabotage events on its facilities and multi-site sabotage events. It also includes (Attachment B) sabotage reporting guidelines. This portion of the document also includes documentation of SLECA's contact with the FBI.
2. 2007 Hazard Recognition Training.pdf This document is a compilation of documents provided to SERC giving evidence of SLECA's compliance with the training requirements of CIP-001-1 prior to the release of its written Procedure (Item 1, above) on May 19, 2009. Included are: an affidavit attesting to the effective date of SLECA's Hazard Recognition Procedure; a copy of that Procedure; and attendance rosters and minutes from the 2007 training sessions.
3. Reliability Services Agreement Termination Letter.pdf This is a letter from Louisiana Generating LLC terminating its Reliability Services Agreement with SLECA, which led to SLECA becoming a Registered Entity.
4. 2009 Sabotage Training.pdf This document contains rosters and minutes of employee training on sabotage awareness and reporting. It also includes the section (Sabotage Reporting) which was used as an employee handout in all training sessions. Additionally, it contains a scanned copy of the Sabotage Response Guidelines wallet card provided to all SLECA employees at the training sessions. This is followed by 15 employee acknowledgement forms indicating receipt of the Sabotage Response Guidelines as a sampling of such forms.
5. 2010 Supplemental Sabotage Training.pdf On January 12, 13, and 14, 2010 all SLECA employees were given additional sabotage training to include the changes that were made to SLECA's NERC/SERC Compliance Procedure, Sabotage Training CIP-001-1, referenced above. These changes were made as part of SLECA's mitigation of the alleged violation of R1. This document includes training rosters and minutes of that sabotage training. Note that all sabotage training is done along with SLECA's normal safety training.

I certify that the mitigation plan for the above-named violation has been completed on the date shown above. In doing so, I certify that all required mitigation plan actions described in Part D of the relevant mitigation plan have

Appendix A-2



South Louisiana Electric Cooperative Association

P.O. BOX 4037
HOUMA, LOUISIANA 70361

been completed, compliance has been restored, the above-named entity is currently compliant with all of the requirements of the referenced standard, and that all information submitted information is complete and correct to the best of my knowledge.

Name: [Steven J. Giroir](#)

Title: [Manager of Engineering](#)

Entity: [South Louisiana Electric Cooperative Association](#)

Email: sgiroir@sleca.com

Phone: [985-876-6880](tel:985-876-6880)

Designated Signature:

Date March 18, 2010

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:	South Louisiana Electric Cooperative Association ("SLECA")
SERC Tracking ID:	09-089 and 09-187
NERC Violation No:	SERC200900328 and SERC200900425
NERC Mitigation Plan ID:	MIT-09-2434
Standard:	CIP-001-1
Requirement(s):	R1 and R4

Violation Summary:

SERC finds that beginning on May 28, 2008, the effective registration date, and continuing until successful completion of the Mitigation Plan on January 14, 2010, SLECA did not have a written procedure to make operating personnel aware of a sabotage event on the system which is a violation of CIP-001-1, R1 and beginning on May 28, 2008 and continuing until contact was made with the FBI on November 19, 2008, SLECA did not have evidence of proper reporting procedures for coordination with the local FBI which is a violation of CIP-001-1 R4

Mitigation Plan Summary:

SLECA's Mitigation Plan to address the referenced violation was submitted on March 18, 2010 and was accepted by SERC on March 29, 2010 and approved by NERC on April 16, 2010. The Mitigation Plan is identified as MIT-09-2434 and was submitted as non-public information to FERC on April 16, 2010 in accordance with FERC orders.

For the CIP-001-1 R1 violation, SLECA completed modifications to its Compliance Procedure "CIP-001-1, Sabotage Reporting" on January 11, 2010, which provides procedures for the recognition of and for making operating personnel aware of sabotage events on SLECA's facilities and multi-site sabotage affecting larger portions of the Interconnection. Additionally, employees were instructed in the modified Procedure at training meetings held on January 12, 13 and 14, 2010.

For the CIP-001-1 R4 violation, on November 19, 2008, SLECA's Compliance Manager established contact with a Special Agent of the New Orleans office of the Federal Bureau of Investigation, who instructed SLECA in the necessary procedures to be implemented in order to achieve compliance with CIP-001-1R4.

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:

SLECA certified on March 18, 2010 that the subject Mitigation Plan was completed on January 14, 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:

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

- Minutes and the associated attendance rosters verifying training of SLECA's Sabotage Reporting Procedure conducted on January 12, 2010, January 13, 2010 and January 14, 2010
- SLECA's NERC/SERC Compliance Procedure Number CIP-001-1 version # 1.5.1 dated March 5, 2010. Version #1.5.1 corrected Section 5.2 M1 to include reference to Attachment B rather than A alone. Version # 1.5 dated January 11, 2010 met the CIP-001-1 requirements
 - Evidence of contact with the FBI on November 19, 2008 is included on page 14 of the procedure

Conclusion:

On April 14, 2010, SERC Reliability Corporation Compliance Staff ("SERC Staff") completed its review of the evidence submitted by SLECA 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 SLECA is in compliance with the subject Reliability Standard Requirement as of the certified date of completion of the Mitigation Plan, January 14, 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 Carney – SERC Compliance Engineer
Matt Stryker – SERC CIP Compliance Auditor
04/16/10

Attachment d

Disposition Document for CIP-001-1 R4 and R1 dated July 12, 2010

DISPOSITION OF VIOLATION¹

Dated July 12, 2010

NERC TRACKING NO.	REGIONAL ENTITY TRACKING NO.	NOC#
SERC200900328	09-089	NOC-548
SERC200900425	09-187	

REGISTERED ENTITY	NERC REGISTRY ID
South Louisiana Electric Cooperative Association (SLECA)	NCR00163

REGIONAL ENTITY
SERC Reliability Corporation (SERC)

I. REGISTRATION INFORMATION

ENTITY IS REGISTERED FOR THE FOLLOWING FUNCTIONS:

BA	DP	GO	GOP	IA	<i>LSE</i>	PA	PSE	RC	RP	RSG	TO	TOP	TP	TSP
	X				X									
	5/28/08				5/28/08									

* VIOLATION APPLIES TO SHADED FUNCTIONS

DESCRIPTION OF THE REGISTERED ENTITY

SLECA is a member-owned, rural electric cooperative with a peak non-coincident load of 129 MW. Its headquarters are in Houma, Louisiana. SLECA serves customers in Terrebonne, Lafourche, St. Mary, St. Martin, and Assumption parishes. SLECA owns and operates approximately 1,400 miles of distribution lines, 10 distribution substations and less than 30 miles of radial transmission lines operated at 115 kV that are used to provide direct service to SLECA substations. SLECA owns no generation facilities. SLECA serves approximately 17,000 residential customers and 3,000 commercial customers.

Prior to May 28, 2008, responsibility for compliance with the NERC Reliability Standards was performed by SLECA's power supplier, Louisiana Generating, LLC.

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	4		Medium	Severe
CIP-001-1	1		Medium	High

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.”

CIP-001-1 R1 and R4 provide:

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.

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 September 28, 2009, SLECA self-reported to SERC a violation of CIP-001-1 R4, for failing to have proper reporting procedures for coordination between local FBI and its facilities by the May 28, 2008, the date the standard became enforceable for SLECA.² SLECA did not establish communications contacts, as applicable, with local FBI officials and did not develop reporting procedures as appropriate to their circumstances until November 19, 2008.³

SERC Staff commenced a detailed compliance assessment and subsequently reviewed evidence of compliance for all requirements of CIP-001-1. On December

² Prior to May 28, 2008, SLECA was represented in NERC/SERC Compliance by a contractual agreement with Louisiana Generating LLC, which was responsible for compliance with all Reliability Standards on SLECA's behalf. SLECA registered as an LSE and DP on May 28, 2008 and began its program to become completely compliant with all applicable NERC/SERC Reliability Standards.

³ The Self-Report erroneously stated the FBI contact and mitigation of the instant violation occurred on November 18, 2008; however, SERC staff confirmed that this contact occurred on November 19, 2008.

17, 2009, SERC Staff informed SLECA that SLECA had misinterpreted the language of CIP-001-1 R1 when SLECA believed that the requirement simply called for a training program which was to instruct personnel on how to recognize sabotage events and to raise awareness of sabotage, whether at SLECA facilities or elsewhere.

On December 18, 2009, SLECA submitted a Self-Report to SERC for a violation of CIP-001-1 R1, for failing to have a written procedure that described when and how operating personnel would be made aware of a sabotage event. On January 11, 2010, SLECA made modifications to its sabotage reporting procedure by including more specific information on sabotage recognition and specific procedures for making personnel aware of sabotage events.

RELIABILITY IMPACT STATEMENT- POTENTIAL AND ACTUAL

SERC concluded that the CIP-001-1 R4 and R1 violations did not pose a serious or substantial risk to the reliability of the bulk power system (BPS) because SLECA is connected to the BPS via a radial connection and SLECA's facilities are isolated from the BPS by switches owned by other Entities. Therefore, while a possibility of sabotage exists, its effects are likely to be minimal.

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 ⁴	<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"/>

⁴ SLECA self-reported the violation of R1 after being notified of the possible non-compliance by SERC. SERC discovered the possible non-compliance during its compliance assessment of R4, and provided SLECA with the notification of its possible non-compliance with R1 on December 21, 2009.

PERIODIC DATA SUBMITTAL
EXCEPTION REPORTING

☐
☐

DURATION DATE(S) **R4: May 28, 2008 (the date SLECA was included on the NERC Compliance Registry) through November 19, 2008 (violation mitigated); and R1: May 28, 2008 (enforceable date) through January 14, 2010 (Mitigation Plan completed).**

DATE DISCOVERED BY OR REPORTED TO REGIONAL ENTITY **R4: September 28, 2009; and R1: December 18, 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-09-2434**

DATE SUBMITTED TO REGIONAL ENTITY **March 18, 2010**

DATE ACCEPTED BY REGIONAL ENTITY **March 29, 2010**

DATE APPROVED BY NERC **April 16, 2010**

DATE PROVIDED TO FERC **April 16, 2010**

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

N/A

MITIGATION PLAN COMPLETED YES ☒ NO ☐

EXPECTED COMPLETION DATE **January 14, 2010**

EXTENSIONS GRANTED **N/A**

ACTUAL COMPLETION DATE **January 14, 2010**

DATE OF CERTIFICATION LETTER **March 18, 2010**

CERTIFIED COMPLETE BY REGISTERED ENTITY AS OF **January 14, 2010**

DATE OF VERIFICATION LETTER **April 14, 2010**

VERIFIED COMPLETE BY REGIONAL ENTITY AS OF **January 14, 2010**

ACTIONS TAKEN TO MITIGATE THE ISSUE AND PREVENT RECURRENCE

R4: On November 19, 2008, SLECA's Compliance Manager established contact with a Special Agent of the New Orleans office of the FBI, who instructed SLECA as to the necessary procedures to be implemented in order to achieve compliance. From that date, reporting procedures with the FBI have been adopted and continue to be in place and SLECA has been fully compliant with CIP-001-1 R4.

R1: SLECA completed modifications to its compliance procedure *CIP-001-1, Sabotage Reporting* on January 11, 2010, which provided complete procedures for the recognition of and for making operating personnel aware of sabotage events at SLECA's facilities and multi-site sabotage affecting larger portions of the Interconnection. Additionally, employees were instructed on the modified procedure at training meetings held January 12, 2010 through January 14, 2010.

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)

- *CIP-001-1, Sabotage Reporting* - This is SLECA's compliance procedure governing its actions regarding CIP-001-1, including R1 and R4. This document includes (Attachment A) SLECA's guidelines for the recognition and awareness of sabotage and the methods by which personnel are made aware of sabotage events at its facilities and multi-site sabotage events. It also includes (Attachment B) sabotage reporting guidelines. This portion of the document also includes documentation of SLECA's contact with the FBI. Version # 1.5 dated January 11, 2010 met the CIP-001-1 requirements. Version # 1.5.1 dated March 5, 2010 corrected a typographical error.
- *2007 Hazard Recognition Training.pdf* - This document is a compilation of documents provided to SERC giving evidence of SLECA's compliance with the training requirements of CIP-001-1 prior to the release of its written *Sabotage Reporting* procedure on May 19, 2009. Included are: an affidavit attesting to the effective date of SLECA's *Hazard Recognition Procedure*; a copy of that procedure; and attendance rosters and minutes from the 2007 training sessions.
- *Reliability Services Agreement Termination Letter.pdf* - This is a letter from Louisiana Generating LLC terminating its Reliability Services Agreement with SLECA, which led to SLECA becoming a Registered Entity.
- *2009 Sabotage Training.pdf* - This document contains rosters and minutes of employee training on sabotage awareness and reporting. It also includes the section (Sabotage Reporting) which was used as an employee handout in all training sessions. Additionally, it contains a scanned copy of the *Sabotage*

Response Guidelines wallet card provided to all SLECA employees at the training sessions. This is followed by 15 employee acknowledgement forms indicating receipt of the *Sabotage Response Guidelines* as a sampling of such forms.

- ***2010 Supplemental Sabotage Training.pdf*** - On January 12, 2010 through January 14, 2010, all SLECA employees were given additional sabotage training to include the changes that were made to SLECA's Sabotage Training, referenced above. These changes were made as part of SLECA's mitigation of CIP-001-1 R1. This document includes training rosters and minutes of that sabotage training that was done along with SLECA's normal safety training.

V. PENALTY INFORMATION

TOTAL ASSESSED PENALTY OR SANCTION OF **\$5,000** FOR **2** 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 PROGRAM⁵

YES ☒ NO ☐

EXPLAIN

According to SLECA, its compliance program covers all Reliability Standards applicable to the functions for which they are registered. Although SLECA does not have a formal compliance department, ownership of compliance with the NERC Reliability Standards are assigned to appropriate personnel within the organization. Overall responsibility for the implementation of SLECA's compliance program is assigned to the Manager of Engineering. Day-to-day compliance is the responsibility of the appropriate department heads, specifically the following: Operations Superintendent, Amelia District Manager, Manager of Member Services and Manager of Finance/Accounting. The Manager of Engineering has direct and independent access to the General Manager. Additionally, the Manager of Engineering prepares and submits to the Board of Directors a monthly report on SLECA's NERC and SERC compliance program and related activities.

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.

See above.

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

(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

SERC's Self-Report for CIP-001-1 R4 dated September 28, 2009

SERC's Self-Report for CIP-001-1 R1 dated December 18, 2009

MITIGATION PLAN

SLECA's Mitigation Plan #MIT-09-2434 for CIP-001-1 R4 and R1 submitted March 18, 2010

CERTIFICATION BY REGISTERED ENTITY

SLECA's Certification of Completion of the Mitigation Plan for CIP-001-1 R4 and R1 dated March 18, 2010

OTHER RELEVANT INFORMATION:

NOTICE OF ALLEGED VIOLATION AND PROPOSED PENALTY OR
SANCTION ISSUED

DATE: OR N/A ☒

SETTLEMENT DISCUSSIONS COMMENCED

DATE: **March 18, 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

South Louisiana Electric Cooperative Association

Docket No. NP10-____-000

NOTICE OF FILING
September 22, 2010

Take notice that on September 22, 2010, the North American Electric Reliability Corporation (NERC) filed a Notice of Penalty regarding South Louisiana Electric Cooperative Association 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