



NORTH AMERICAN ELECTRIC
RELIABILITY CORPORATION

September 25, 2009

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

Re: NERC Notice of Penalty regarding Indian River Power, LLC, FERC Docket No. NP09-_-000

Dear Ms. Bose:

The North American Electric Reliability Corporation (NERC) hereby provides this Notice of Penalty¹ regarding Indian River Power, LLC (Indian River Power), NERC Registry ID NCR06028², in accordance with the Federal Energy Regulatory Commission's (Commission or FERC) rules, regulations and orders, as well as NERC Rules of Procedure including Appendix 4C (NERC Compliance Monitoring and Enforcement Program (CMEP)).³

On September 26, 2008, Indian River Power self-reported its non-compliance to PRC-005-1, Requirement (R) 2.1 for its failure to test batteries consistently and at the intervals required by PRC-005-1 R2.1. On November 2, 2008, Indian River Power initiated settlement discussions with ReliabilityFirst Corporation (ReliabilityFirst). This Notice of Penalty is being filed with the Commission because, based on information from ReliabilityFirst, Indian River Power neither admits nor denies the alleged violation of PRC-005-1 R2.1. Indian River Power and ReliabilityFirst have entered into a Settlement Agreement in which Indian River Power has agreed to the proposed penalty of twenty-thousand dollars (\$20,000) to be assessed to Indian River Power, in addition to other remedies which include mitigation actions and actions to promote prospective compliance and prevent recurrence under the terms and conditions of the Settlement Agreement. ReliabilityFirst and Indian River Power have entered into the Settlement Agreement to resolve all outstanding issues arising from a preliminary and non-public

¹ *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 (2008). *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).

² ReliabilityFirst Corporation confirmed that Indian River Power, LLC was included on the NERC Compliance Registry as a Generator Owner and Generation Operator on June 17, 2007 and as a Generator Owner was subject to the requirements of NERC Reliability Standard PRC-005-1.

³ See 18 C.F.R. § 39.7(c)(2).

assessment resulting in ReliabilityFirst's determination and findings of the enforceable alleged violation at issue in this Notice of Penalty. Accordingly, the alleged violation identified as NERC Violation Tracking Identification Number RFC200800082 is being filed in accordance with the NERC Rules of Procedure and the CMEP.

Statement of Findings Underlying the Alleged Violations

This Notice of Penalty incorporates the findings and justifications set forth in the Settlement Agreement executed on May 8, 2009 by and between ReliabilityFirst and Indian River Power, hereinafter referred to collectively as the "Parties" or singularly as a "Party," included as Attachment b and the Supplemental Record Information document issued by ReliabilityFirst on May 8, 2009. The details of the findings and basis for the penalty are set forth in the Settlement Agreement and herein. 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 (2007), NERC provides the following summary table identifying each alleged 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 (\$) |
|--------|-------------------------|--------|-------------------|------------------|----------|-------------------|--------------------|
| RFC | Indian River Power, LLC | 201 | RFC200800082 | PRC-005-1 | 2.1 | High ⁴ | 20,000 |

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

PRC-005-1 R2 requires each Generator Owner that owns a generation Protection System, such as Indian River Power, to provide documentation of its Protection System maintenance and testing program and the implementation of that program to its Regional Entity on request (within 30 calendar days). PRC-005-1 R2.1 requires the documentation of the program implementation to include evidence that Protection System devices were maintained and tested within the defined intervals. PRC-005-1 R2.1 has a "High" Violation Risk Factor (VRF).

According to the Settlement Agreement, on September 26, 2008 Indian River Power self-reported its failure to complete and document battery testing within defined intervals as required by PRC-005-1 R2.1. Indian River Power stated it was missing the monthly battery test documentation for Units #1, 2, 3, and 4 for the months of November and December 2007, and the months of May and June 2008; and the work orders were not closed out in the system. After further investigation, it was determined that the monthly testing was performed on Units #2 and #10 for December 2007. Monthly testing for Indian River #10 was completed during each

⁴ PRC-005-1 R2 has a "Lower" VRF and the sub-requirements have "High" VRFs.

interval. Because all testing is assigned to and generally performed by the same technician at the same time for all units, Indian River Power stated that it believes that the appropriate testing was conducted during at least some of the periods for which it is unable to provide closed-out work orders. Additionally, the quarterly battery testing documents were missing for Unit #10 for the period ending June 2007; for Units #1, 3, 4 and 10 for the periods ending December 2007; and for Units #1, 2, 3, 4 and 10 for the period ending June 2008.

On November 11, 2008, ReliabilityFirst requested more information from Indian River Power. On December 3, 2008, Indian River Power provided a chart covering the period from July 2007 through September 2008 to ReliabilityFirst that indicates which test intervals were missed on each battery unit. This chart indicated that documentation of monthly battery testing was missing for the month of November 2007 for Units #1, 2, 3, and 4. Documentation of monthly battery testing was missing for the month of December 2007 for Units #1, 3, and 4. Documentation of monthly battery testing was missing for the months of May and June 2008 for Units #1, 2, 3, and 4. The chart also indicated when quarterly battery testing was not documented and could not be verified as performed. Documentation of quarterly battery testing was missing for the second quarter of 2007 for Unit #10, and documentation of quarterly battery testing was missing for the fourth quarter of 2007 for Units #1, 3, 4, and 10. In addition, documentation of quarterly battery testing was missing for the second quarter of 2008 for Units #1, 2, 3, 4, and 10.

In addition, Indian River Power reported that, for each test interval missed on each battery, no abnormalities were found in the batteries during the test intervals immediately prior to and immediately following the missed test intervals. As a normal routine and required by the elevation mechanics, plant operators inspect the battery rooms, including battery levels and battery conditions, twice per day for abnormalities seven days a week. If there were any issues during these periods, plant personnel would have noted and addressed the problem. In addition, the DC control supply is equipped with a supervisory system that would alarm for abnormalities such as ground or low voltage.

ReliabilityFirst met with Indian River Power in person on December 9, 2009 and requested further clarification. Indian River Power submitted a response to ReliabilityFirst on January 14, 2009.

According to the Settlement Agreement, in its January 14, 2009 response, Indian River Power states that its violation involves a failure to test or adequately document less than 25% of its elements covered by PRC-005-1 R2.1. To determine this scope, Indian River Power used two methodologies: (1) comparing the number of elements not properly tested to the total number of elements covered by PRC-005-1; and (2) a more conservative measure that compares the total number of tests required by PRC-005-1 to the number of tests successfully conducted at Indian River Power. Under both methodologies, the number of potential violations totals less than 25% of the relevant tests. Attachment 1 to the January 14, 2009 response is a master list of all relay elements and batteries covered by PRC-005-1, broken out by unit at Indian River. As indicated

on the master list, there are a total of 142 elements, including relays and batteries,⁵ at Indian River Power that are subject to PRC-005-1 R.2.1. The five instances where Indian River Power failed to adequately test or document the testing of a battery bank thus represents 3.5% of the total elements covered by the standard. As part of Indian River's January 14, 2009 response, Indian River provided a list of each testing activity required by PRC-005-1 between June 2007 and September 2008. There were 168 testing activities required during this period. Indian River Power successfully completed 134 of those activities. This represents successful completion of 79.8% of the required testing during the required time frame.

Also in its January 14, 2009 response, Indian River Power explains several factors concerning the violation that mitigate the potential impact of the violation on the Bulk Power System. Specifically, Indian River Power indicated that during the time period of the violation, a visual inspection of the battery conditions was required by the elevation mechanics twice a day. Moreover, Indian River Power described the alarms and continuous monitoring on the station battery systems and described an event involving loss of station power to validate that the batteries were operational and functional during this event as well as during the lapsed period of testing.

ReliabilityFirst determined the duration of the violation to be from November 1, 2007, the first test interval for which Indian River was unable to provide documentation of battery testing, until November 25, 2008,⁶ the date that Indian River Power completed its Mitigation Plan.

ReliabilityFirst has assessed a penalty of \$20,000 for this violation. In reaching this determination, ReliabilityFirst considered the following factors: (1) Indian River Power self-reported the violation; (2) Indian River Power remedied the alleged violations in a timely manner; (3) Indian River Power was cooperative throughout the entire violation investigation; and (4) there was no serious or substantial risk to the bulk power system. In addition, there were no aggravating circumstances. ReliabilityFirst determined that, in this instance, the single, aggregate penalty amount of \$20,000 bears a reasonable relation to the seriousness and duration of the alleged violation. Further, based on Indian River Power's cooperation, commitment to compliance and agreement to expeditiously reconcile this issue via settlement, ReliabilityFirst Corporation determined that the penalty of \$20,000 was appropriate.

⁵ The Indian River Generating Station has 5 generating units, each supported by a bank of batteries. Each bank contains 60 individual cells.

⁶ The Certification of Mitigation Plan completion was submitted to RFC on November 25, 2008. However, Indian River states in the document entitled "Indian River Power LLC Violation Mitigation Plan Closure Form" that "All monthly station battery preventative maintenance activities that were found deficient or for which sufficient documentation could not be found (see Attachment 1) were completed by September 29th which made the station current and compliant in battery maintenance. In a similar manner, additional quarterly testing was completed by this date although the quarterly inspections were current within the 3rd quarter and, therefore, compliant." Because all missing monthly and quarterly testing was completed by September 29, 2008 (which RFC verified and describes in the Summary and Review of MP Completion document), RFC deemed that the violation ended when this testing was performed, on September 2008. Although the final three milestone activities were completed after September 29, 2008 and before November 25, 2008, these activities are considered preventive in nature.

Status of Mitigation Plan⁷

Indian River Power's Mitigation Plan to address its alleged violation of PRC-005-1 R2.1 was submitted to ReliabilityFirst on September 26, 2008. On October 22, 2008, ReliabilityFirst notified Indian River Power that it needed more information on the alleged violation before it could be in a position to accept the plan, which Indian River Power provided on December 3, 2008. The plan was accepted by ReliabilityFirst on December 3, 2008 and approved by NERC on January 9, 2009. The Mitigation Plan for this alleged violation is designated as MIT-08-1243 and was submitted as non-public information to FERC on January 9, 2009 in accordance with FERC orders.

Specifically, Indian River Power's approved Mitigation Plan addressed the steps Indian River Power had immediately taken to mitigate the instant violation of PRC-005-1 R2.1. According to the Settlement Agreement, Indian River Power conducted a comprehensive walk down of all units' batteries and chargers and all charges displayed normal operating parameters for voltage and current. Further, Indian River Power verified that: (1) all batteries were visually inspected and displayed normal water level; (2) there was no abnormal corrosion; (3) all connections were intact; (4) normal charging current and gassing effects while maintaining charge; and (5) there was no plate swelling. Indian River Power stated that all monthly battery preventative maintenance tasks had been completed as of September 26, 2008. In addition, all DC breakers supplying protective relaying were verified to be in the normal closed position and all components were verified functional using process parameter verification.

Indian River Power also stated in its Mitigation Plan that it will have heightened awareness and monitoring of DC systems until the following activities were completed: (1) complete any outstanding monthly or quarterly battery charger and battery preventative maintenance tasks; (2) include detailed battery charger test and preventative maintenance procedures in the preventative maintenance work orders based on original equipment manufacturer (OEM) recommendations and ensure that test and preventative maintenance intervals are based on OEM recommendations; (3) further detail battery test and preventative maintenance procedures in the preventative maintenance work orders based on IEEE standard 450; (4) re-train applicable site personnel in the NERC compliance guidelines; (5) develop a tracking table listing all battery charger and battery maintenance and testing with due dates of testing and preventative maintenance tasks and provisions for tracking progress; (6) complete modification of the Computer-Based Management System ("CMMS") preventative maintenance work orders to contain detailed procedures for battery and battery charger testing and preventive maintenance; and (7) complete improvements to the CMMS to accommodate flagging of regulatory required tasks and generate reports for tracking compliance status and progress.

As noted above, Indian River Power certified on November 26, 2008 to ReliabilityFirst that its Mitigation Plan was completed on November 25, 2008.⁸ Indian River Power included the

⁷ See 18 C.F.R. § 39.7(d)(7).

⁸ Indian River Power's Certification of Completion contained two errors, which it clarified in a letter sent to ReliabilityFirst on April 8, 2009, stating in part, "Please note that the correct NERC Violation ID Number is RFC200800082 and that the alleged violation is related to Requirement 2.1 (only)."

following evidence in support of its Mitigation Plan completion: (1) a summary spreadsheet showing when the required monthly battery testing was performed at each of the Indian River Power units from June 2007 through September 2008, that demonstrates that the documentation for the quarterly testing was completed in the third quarter of 2008; (2) Work Order Details Reports for each of the four units and the gas turbine at the Indian River facility, that are dated and signed and show that the required monthly and quarterly preventative maintenance for the four units was completed on September 22, 2008 and for the gas turbine on September 29, 2008; (3) a complete set of revised battery maintenance and testing work plans, that incorporate procedural recommendations from both the battery OEM and IEEE Standard 450 and show that revisions were completed on October 9, 2008; (4) a sign-off sheet, containing the names and signatures of Indian River personnel that attended the required re-training session on NERC compliance, which indicates that the training, involving the review of the requirements of the standards the NRG System Protection policy OCC-010, was completed on September 30, 2008. The following personnel attended the training sessions the station maintenance manager, station technical services manager, electrical and instrument supervisors, and the senior technician in the control shops, because these individuals are responsible for ensuring that maintenance activities required for PRC-005-1 are scheduled and completed in the proper interval; (5) a table developed for tracking the completion of battery and battery charger preventative maintenance and inspection activities, which indicates the monthly and quarterly inspection completions; validation of the monthly battery inspection is shown for September, October, and November 2008 and validation of the fourth quarter 2008 inspections is shown via Work Order Detail Reports; and (6) a screen print of a report developed in the CMMS system showing that required improvements to the CMMS system were made. The report automatically displays a listing of all open protection system work orders and the associated preventative maintenance schedule for the entire relay protection system, including batteries. The improvements were developed and implemented by November 20, 2008. The report allows supervisors and managers to quickly view open preventative work orders scheduled completion, and current status.

ReliabilityFirst reviewed the evidence Indian River Power submitted in support of its Certification of Completion to ensure that the evidence was legitimate and showed that Indian River Power completed the steps committed to in the Mitigation Plan. Accordingly, ReliabilityFirst Corporation verified on March 31, 2009 that the Mitigation Plan was completed on November 25, 2008, and that Indian River Power was in compliance with PRC-005-1 R2.1.

Statement Describing the Proposed Penalty, Sanction or Enforcement Action Imposed⁹

Basis for Determination

Taking into consideration the Commission's direction in Order No. 693, the NERC Sanction Guidelines and the Commission's July 3, 2008 Guidance Order,¹⁰ the NERC BOTCC reviewed the Settlement Agreement and supporting documentation on July 10, 2009. The NERC BOTCC approved the Settlement Agreement, including ReliabilityFirst's imposition of a financial

⁹ See 18 C.F.R § 39.7(d)(4)

¹⁰ *North American Electric Reliability Corporation*, "Guidance Order on Reliability Notices of Penalty," 124 FERC ¶ 61,015 (2008).

penalty of \$20,000 against Indian River Power based upon ReliabilityFirst's findings and determinations, the NERC BOTCC's review of the applicable requirements of the Commission-approved Reliability Standards and the underlying facts and circumstances of the violations at issue.

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

- (1) Indian River Power self-reported the violation;
- (2) Indian River Power remedied the alleged violations in a timely manner;
- (3) The violation of PRC-005-1 R2.1 is the first violation for Indian River Power of NERC Reliability Standards;
- (4) The quality of Indian River Power's compliance program, as a wholly-owned subsidiary of NRG Energy, Inc. (NRG),¹¹ as described in the Settlement Agreement (Compliance training is conducted every 12-18 months for all NRG employees with a course addressing general regulatory concepts and rules, and more specialized training is given annually to selected staff. To date, all NRG and Indian River operating personnel have received specially designed training on NERC Reliability Standards applicable to Generator Owners and Operators. All members of the Regulatory Compliance Group and its counsel have day-to-day access to the Chief Executive Officer and Chief Operating Officer. NRG's internal compliance program involves the initial self-assessment by facility personnel responsible for plant activities related for compliance, and an independent third party review by NRG's Regulatory Compliance Group;
- (5) Indian River Power was cooperative throughout the entire violation investigation;
- (6) There was no serious or substantial risk to the bulk power system, because there were other mitigating factors in effect during these periods of incomplete tests. As a normal routine, the plant inspectors inspect the battery rooms twice per day for abnormalities seven days a week. In essence, these inspections replicate the monthly maintenance checks on a frequent, routine basis. In addition, the DC control supply is equipped with a supervisory system that would alarm for abnormalities such as grounds or low voltage. Finally, routine monitoring of the DC supply systems in the control rooms provides reliable feedback of immediate battery condition; and
- (7) There were no aggravating circumstances identified by ReliabilityFirst.

For the foregoing reasons, the NERC BOTCC approves the Settlement Agreement and believes that the proposed \$20,000 dollar penalty is appropriate for the violation and circumstances in question, and consistent with NERC's goal to promote and ensure reliability of the bulk power system.

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

¹¹ Indian River Power is a wholly owned subsidiary of NRG Energy, Inc.

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) Indian River Power's self-report dated September 26, 2008, included as Attachment a;
- b) Settlement Agreement by and Between Indian River Power LLC and ReliabilityFirst Corporation, included as Attachment b;
- c) Mitigation Plan designated as MIT-08-1243, included as Attachment c;
- d) Indian River Power's Certification of Completion of the Mitigation Plan dated November 26, 2008, included as Attachment d; and
- e) ReliabilityFirst's Statement of Verification that the Mitigation Plan has been completed dated March 31, 2009, included as Attachment e.

A Form of Notice Suitable for Publication¹²

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

¹² See 18 C.F.R § 39.7(d)(6).

Notices and Communications

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

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| <p>Rick Sergel President and Chief Executive Officer David N. Cook* Vice President and General Counsel North American Electric Reliability Corporation 116-390 Village Boulevard Princeton, New Jersey 08540-5721 (609)452-8060 (609) 452-9550 – facsimile david.cook@nerc.net</p> <p>Christopher O'Hara* Assistant General Counsel –Regulatory and Regulatory Compliance Officer NRG Energy, Inc. 211 Carnegie Center Princeton, New Jersey 08540-6213 (609) 524-4601 (609) 524-4589 – facsimile Chris.Ohara@nrgenergy.com</p> <p>Drew Murphy* EVP & Regional President Northeast (President of Indian River Power LLC) NRG Energy, Inc. 211 Carnegie Center Princeton, New Jersey 08540-6213 (609) 524-5115 (609) 524-5160- facsimile Drew.murphy@nrgenergy.com</p> <p>Patricia Lynch* Director - Regulatory Compliance – NE region NRG Energy, Inc. 211 Carnegie Center Princeton, New Jersey 08540 (609) 524-5147 (609) 524-4501 – facsimile Patricia.lynch@nrgenergy.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 Holly A. Hawkins Attorney* North American Electric Reliability Corporation 1120 G Street, N.W. Suite 990 Washington, D.C. 20005-3801 (202) 393-3998 (202) 393-3955 – facsimile rebecca.michael@nerc.net holly.hawkins@nerc.net</p> <p>Timothy R. Gallagher* President & CEO ReliabilityFirst Corporation 320 Springside Drive, Suite 300 Akron, Ohio 44333 (330) 456-2488 (330) 456-5390 – facsimile tim.gallagher@rfirst.org</p> <p>Raymond J. Palmieri* Vice President and Director of Compliance ReliabilityFirst Corporation 320 Springside Drive, Suite 300 Akron, Ohio 44333 (330) 456-2488 (330) 456-5408 – facsimile ray.palmieri@rfirst.org</p> <p>Robert K. Wargo* Manager of Compliance Enforcement ReliabilityFirst Corporation 320 Springside Drive, Suite 300 Akron, Ohio 44333 (330) 456-2488 (330) 456-5408 – facsimile bob.wargo@rfirst.org</p> <p>Megan E. Mahany* Compliance Enforcement Specialist ReliabilityFirst Corporation 320 Springside Drive, Suite 300 Akron, Ohio 44333 (330) 456-2488 (330) 456-5408 – facsimile megan.mahany@rfirst.org</p> |
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Conclusion

NERC respectfully requests that the Commission accept this Notice of Penalty as compliant with its rules, regulations and orders.

Respectfully submitted,

Rick Sergel
President and Chief Executive Officer
David N. Cook
Vice President and General Counsel
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/s/ Rebecca J. Michael
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cc: Indian River Power LLC
ReliabilityFirst Corporation

Attachments

Attachment a

Indian River Power's self-report dated September 26, 2008

Non-Public and Confidential Self Report Output Record

Date Submitted by Registered Entity: 09/26/2008
Region: ReliabilityFirst
NERC Registered ID: NCR06028
Joint Registration Organization (JRO) ID:
Multi-Regional Registration Entity (MRRE)
Regional Affiliates:
Registered Entity: Indian River Power LLC
Functions Applicable to Self-Report: GO
Standard: PRC-005-1
Requirement: R-2.1
Repeat Violation: No
Date Violation Occurred: 11/1/2007
Date Violation Discovered: 09/26/2008

Detailed Description of the Violation:

Battery maintenance and testing was not being performed in accordance with the defined intervals of the Indian River Power LLC maintenance and testing program.

Potential Impact to the Bulk Power System:

Minimal - For each test interval missed on each battery, no abnormalities were found in the battery during the test interval immediately prior to and immediately following the missed test interval. As a normal routine, the plant operators inspect the battery rooms twice per day for abnormalities seven days a week. These inspections include battery levels and battery conditions. , the DC control supply is also equipped with a supervisory system that would alarm for abnormalities such as grounds or low voltage. Routine monitoring of the DC supply systems in the control rooms provides reliable feedback of immediate battery condition. During the period of lapsed battery testing, the battery systems continued to function.

Mitigation Plans Submitted: Yes
If yes: Date Mitigation Plan Submitted: 09/26/2008

Additional Comments: None at this time.

Recorded by and Date: MEM 05/08/2009

Attachment b

Settlement Agreement by and Between Indian River Power LLC and Reliability*First* Corporation



| | |
|-----------------------------|-----------------|
| In re |) DOCKET NUMBER |
| |) |
| INDIAN RIVER POWER, LLC |) RFC200800082 |
| |) |
| NERC Registry ID # NCR06028 |) |

**SETTLEMENT AGREEMENT
OF
RELIABILITYFIRST CORPORATION
AND
INDIAN RIVER POWER, LLC**

I. Introduction

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

II. Stipulation of Facts

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

A. Background

3. Indian River Power is a coal-fired plant and is located in Millsboro, Delaware on a 1,170 acre site. The plant consists of four coal-fired electric steam units, Units 1 through 4 and one 15 MW combustion turbine, bringing total plant capacity to approximately 740 MW. Units 1 and 2 are each 80 MW of capacity and were placed in service in 1957 and 1959, respectively. Unit 3 is 155 MW of capacity

and was placed in service in 1970, while Unit 4 is 410 MW of capacity and was placed in service in 1980.

4. Indian River Power is a wholly owned subsidiary of NRG Energy, Inc. NRG Energy, Inc. is a wholesale power generation company, primarily engaged in the ownership and operations of power generation facilities and the sale of energy, capacity and related products in the United States and internationally. NRG Energy, Inc. has ownership interest in 44 power generating facilities, and has net ownership of 24,005 MW of capacity. NRG Energy, Inc. was incorporated in the state of Delaware and the principal executive offices are located in Princeton, New Jersey.
5. ReliabilityFirst staff confirmed that Indian River Power was registered on the NERC Compliance Registry as a Generator Owner (GO) in the ReliabilityFirst region with the NERC Registry Identification Number NCR06028 during the time period that the alleged violation occurred, and is, therefore, subject to compliance with PRC-005-1, Requirement 2.1.

B. Alleged Violation of PRC-005-1, Requirement 2.1 – RFC200800082

6. NERC Reliability Standard PRC-005-1 “*Transmission and Generation Protection System Maintenance and Testing*”, Requirement 2.1, states “Each Transmission Owner and any Distribution Provider that owns a transmission Protection System and each Generator Owner that owns a generation Protection System shall provide documentation of its Protection System maintenance and testing program and the implementation of that program to its Regional Reliability Organization on request (within 30 calendar days). The documentation of the program implementation shall include:
R2.1. Evidence Protection System devices were maintained and tested within the defined intervals.”
7. On September 26, 2008, Indian River Power submitted to ReliabilityFirst a Compliance Monitoring and Enforcement Program Violation Self-Reporting Form in which Indian River Power identified Non-Compliance to Requirement 2.1 of Reliability Standard PRC-005-1. Specifically, in the Self-Reporting Form, Indian River Power stated that “Battery testing was not performed consistently at the required intervals”.
8. On November 11, 2008, ReliabilityFirst submitted a Request for Information to Indian River Power that requested clarification and additional information regarding the alleged violation. On December 3, 2008, Indian River Power submitted a response to the November 11, 2008 Request for Information. In the response, Indian River Power states, “At the time of the self-report, the monthly and quarterly battery test schedules were incorporated into Indian River’s automated work order system with a “medium priority” designation...It was discovered that the documentation to support completion of the November and

December 2007 monthly tests, as well as for the May and June 2008 battery tests for Units #1-4, was missing and the work orders were not closed out in the system. Later investigations revealed that monthly and quarterly testing was performed on Units #2 and #10 for December, 2007. In addition, monthly testing for Indian River #10 was completed during each interval. Since the testing is assigned and generally performed by the same technician at the same time for all units, Indian River believes that the appropriate testing was conducted during at least some of the periods for which it is unable to provide closed-out work orders...Finally, the quarterly test documentation for Units #1, 2, 3, 4 and 10 during the periods of December 2007 and June 2008 were also not found.”

9. In addition, Indian River Power provided a chart to ReliabilityFirst as an attachment to the December 3, 2008 response, which clearly indicates which test intervals were missed on each battery unit during the period from July 2007 through September 2008. This chart indicated that documentation of monthly battery testing was missing for the month of November 2007 for Units #1, 2, 3, and 4. Documentation of monthly battery testing was missing for the month of December 2007 for Units #1, 3, and 4. Documentation of monthly battery testing was missing for the months of May and June 2008 for Units #1, 2, 3, and 4. The chart also indicated the missing documentation for quarterly battery testing intervals. Documentation of quarterly battery testing was missing for the second quarter of 2007 for Unit #10, and documentation of quarterly battery testing was missing for the fourth quarter of 2007 for Units #1, 3, 4, and 10. In addition, documentation of quarterly battery testing was missing for the second quarter of 2008 for Units #1, 2, 3, 4, and 10.
10. In a letter to ReliabilityFirst dated January 14, 2009, Indian River Power explains several factors concerning the violation that mitigate the potential impact of the violation on the Bulk Power System Specifically, Indian River Power indicated that during the time period of the violation, a visual inspection of the battery conditions was required by the elevation mechanics twice a day. Moreover, Indian River Power described the alarms and continuous monitoring on the station battery systems as well as described an event involving loss of station power to validate that the batteries were operational and functional during this event as well as during the lapsed period of testing.
11. ReliabilityFirst alleges that Indian River Power failed to provide sufficient evidence that Protection System devices were maintained and tested within the defined intervals.

III. PARTIES' SEPARATE REPRESENTATIONS

STATEMENT OF RELIABILITYFIRST AND SUMMARY OF FINDINGS

12. ReliabilityFirst considers this Agreement as the resolution of all issues with regards to the above captioned docket number and to bind Indian River Power in the commitment to perform actions hereafter enumerated and listed as conditions for this Agreement.
13. PRC-005-1, Requirement 2.1 has a Violation Risk Factor (VRF) of High, as evidenced by the Violation Risk Factor Matrix from the NERC December 17, 2007 Compliance Filing. The duration of this violation, for the purposes of penalty determination, is from November 1, 2007, the first test interval for which Indian River was unable to provide documentation of battery testing, until September 26, 2008, the date that Indian River Power submitted an acceptable Mitigation Plan to ReliabilityFirst. Pursuant to rulings of the Commission, such penalties may be applied on a daily basis for the duration of the violation.
14. ReliabilityFirst found noteworthy and commendable certain aspects of Indian River Power's compliance program including that Indian River Power has a central coordinator assigned at the facility for monitoring, coordinating the activities, and reporting on the various NERC Reliability Standard Requirements. In addition, Indian River Power is NRG Energy Inc.'s (NRG) wholly owned subsidiary, and the Indian River Power regulatory compliance program is part of the NRG regulatory compliance program. The compliance program at NRG includes the Deputy General Counsel, who reports to the Board of Directors on a quarterly basis. In addition, the Regulatory Compliance Group includes a Director of Regulatory Compliance, a Director of Commercial Operations and Commodities, and an Analyst. In addition, the Regulatory Compliance Group is supported by two regulatory lawyers and a fifteen-member Regulatory and Governmental Affairs Group. The Regulatory Compliance Group assists with the development of policies and procedures, works with Plant and Commercial Operations to ensure compliance with FERC, NERC, CFTC, tariff, and other rules and regulations, and provides guidance and interpretation. Compliance training is conducted every 12-18 months for all NRG employees with a course addressing general regulatory concepts and rules, and more specialized training is given annually to selected staff within Plant Operations, Commercial Operations, and several supporting groups and departments. To date, all NRG and Indian River operating personnel have received specially designed training on NERC Reliability Standards applicable to Generator Owners and Operators. All members of the Regulatory Compliance Group and its counsel have day-to-day access to the CEO and COO. NRG's internal compliance program involves the initial self-assessment by facility personnel responsible for plant activities related for compliance, and an independent third party review by NRG's Regulatory Compliance Group. Moreover, Indian River is required to perform self-assessments and conduct monthly, quarterly, and

annual reviews for the various requirements of the NERC Reliability Standards. These assessments are submitted at the required frequency to the Director of Regulatory Compliance for review and verification of compliance. Once a possible violation and a root cause is identified, the Regulatory Compliance Group in conjunction with the affected NRG entity, develops a work plan for immediate and long term remediation. Corrective action is followed through completion and status reports are provided to Management and Board committees. In addition, a self report is developed and a mitigation plan is formally submitted to ReliabilityFirst. Finally, Regulatory Compliance has been developing an automated compliance monitoring and tracking system over the last 9 months that will provide auto notifications to designated personnel at each facility responsible for the specific NERC reliability standard that pertains to their area of authority. These notifications will require completion of each compliance task with required evidence at designated intervals, review and approval by an authorized manager as well as Regulatory Compliance.

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

STATEMENT OF INDIAN RIVER POWER

16. Indian River Power neither admits nor denies that the facts set forth and agreed to by the parties for purposes of this Agreement constitute violations of PRC-005-1, Requirement 2.1.
17. Although Indian River Power does not admit to, nor does it deny, the alleged violation, Indian River Power has agreed to enter into this Settlement Agreement with ReliabilityFirst to avoid extended litigation with respect to the matters described or referred to herein, to avoid uncertainty, and to effectuate a complete and final resolution of the issues set forth herein. Indian River Power agrees that this agreement is in the best interest of the parties and in the best interest of maintaining a reliable electric infrastructure.
18. Indian River Power states in their December 3, 2008 letter to ReliabilityFirst that for each test interval missed on each battery, no abnormalities were found in the battery during the test interval immediately prior to and immediately following the missed test interval. In addition, Indian River Power states, "There were other mitigating factors in effect during these periods of incomplete tests. As a normal routine, the plant operators inspect the battery rooms twice per day for abnormalities seven days a week. These inspections include battery levels and battery conditions. In essence, these inspections replicate the monthly maintenance checks on a frequent, routine basis. If there were any issues during these periods, plant personnel would have noted and addressed the problem. In addition, the DC control supply is also equipped with a supervisory system that would alarm for abnormalities such as grounds or low voltage. During these

periods of incomplete tests, maintenance records do not indicate any problems associated with these systems. Finally, routine monitoring of the DC supply systems in the control rooms provides reliable feedback of immediate battery condition. Preventative maintenance activities such as monthly and quarterly testing are related to long term trending and an indication of battery condition as opposed to validation of functional operation. During the period of lapsed battery testing, the battery systems continued to function." These facts support the conclusion that there was no actual harm and no serious or substantial risk to the Bulk Power System as a result of this alleged violation.

During an in-person meeting with representatives from Indian River Power on December 9, 2008, ReliabilityFirst asked for further clarification regarding the details of the alleged violation. Indian River Power provided a response to this request on January 14, 2009. Included in this response was Indian River Power's explanation and documentation to show that the violation involves a failure to test or adequately document less than 25% of the elements covered by PRC-005-1, Requirement 2.1. As Indian River Power explains in the January 14, 2009 response, two methodologies were used to determine the percentage of elements not properly tested: 1) comparing the number of elements not properly tested to the total number of elements covered by PRC-005; and 2) a more conservative measure that compares the total number of tests required by PRC-005 to the number of tests successfully conducted at Indian River Power. Under both methodologies, the number of potential violations totals less than 25% of the relevant tests. Attachment 1 of the January 14, 2009 response includes a master list of all relay elements and batteries covered by PRC-005, broken out by unit at Indian River. As indicated, there are a total of 142 elements, including relays and batteries, at Indian River Power that are subject to PRC-005-1, R.2.1. The five instances where Indian River Power failed to adequately test or document the testing of a battery bank thus represents 3.5% of the total elements covered by the standard. Attachment 2 of the January 14, 2009 response includes a list of each testing activity required by PRC-005 between June 2007 and September 2008. As Attachment 2 indicates, there were 168 testing activities required during this period. Indian River Power successfully completed 134 of those activities. This represents successful completion of 79.8% of the required testing during the required time frame.

IV. MITIGATING ACTIONS, REMEDIES AND SANCTIONS

19. On September 26, 2008, Indian River Power submitted to ReliabilityFirst a Mitigation Plan (Mitigation Plan Tracking # MP-08-1243, *see* Attachment A) to address the Alleged Violation set forth in this Agreement. On October 22, 2008 ReliabilityFirst notified Indian River Power that ReliabilityFirst needed additional information regarding the alleged violation before ReliabilityFirst could be in a position to accept or reject the Mitigation Plan. ReliabilityFirst tolled the thirty day time period for Mitigation Plan acceptance pending

submittal of additional information by Indian River Power. Subsequently, Indian River Power provided ReliabilityFirst with more information regarding the alleged violation, and on December 3, 2008, ReliabilityFirst accepted the Mitigation Plan. On December 11, 2008, ReliabilityFirst submitted the Mitigation Plan to NERC. NERC approved the Mitigation Plan on January 9, 2009 and submitted the Mitigation Plan to FERC as confidential, non-public information on January 9, 2009. On November 26, 2008 Indian River Power submitted to ReliabilityFirst a certification of completion of the Mitigation Plan, dated November 25, 2008 (entitled “Indian River Power LLC Violation Mitigation Plan Closure Form”, *see* Attachment B), and also submitted evidence of completion of the Mitigation Plan. ReliabilityFirst accepted the certification of completion from Indian River Power contingent upon ReliabilityFirst’s acceptance of the Mitigation Plan, which occurred on December 3, 2008. Indian River Power’s certification of completion references PRC-005-1, Requirement 2 and NERC Violation ID # RFC200800085, but the intent of Indian River Power was to reference Requirement 2.1 and NERC Violation ID # RFC200800082. Indian River Power indicates this intent in a clarifying letter sent to ReliabilityFirst on April 8, 2009, where Indian River Power states in part, “Please note that the correct NERC Violation ID Number is RFC200800082 and that the alleged violation is related to Requirement 2.1 (only)”.

20. In the Mitigation Plan, Indian River Power outlines immediate actions taken to mitigate the violation, and indicates that at the time of the Mitigation Plan, the station was compliant in battery testing and preventative maintenance. Indian River Power states, “A comprehensive walk down of all units’ batteries and chargers has been performed. All charges display normal operating parameters for voltage and current. All batteries were visually inspected and display normal water level, no abnormal corrosion, all connections intact, normal charging current and gassing effects while maintaining charged, and no plate swelling. All monthly battery preventative maintenance tasks have been completed as of 1500 hours on 9/26/2008. All DC breakers supplying protective relaying are in the normal closed position...All components have been verified functional using process parameter verification. Heightened awareness and monitoring of DC systems will be implemented until incomplete testing and PM activities are completed”.
21. In addition to the summary of immediate actions taken by Indian River Power, the Mitigation Plan also provides a list of four additional Key Milestone Activities completed by Indian River Power:
 - a. Indian River Power shall complete any outstanding monthly or quarterly battery charger and battery PM tasks. (By October 3, 2008).
 - b. Indian River Power shall re-train applicable personnel connected with NERC compliance. (By October 17, 2008).

- c. Indian River Power shall complete modification of the CMMS PM work orders to contain detailed procedures for battery and battery charger testing and PM. (By October 17, 2008).
 - d. Indian River Power shall complete improvements to the CMMS to accommodate flagging of regulatory required tasks and generate reports for tracking compliance status and progress. (By November 25, 2008).
- 22. ReliabilityFirst reviewed the evidence Indian River Power submitted in support of its certification of completion of the Mitigation Plan. ReliabilityFirst performed an audit-like review to verify that all actions specified in the Mitigation Plan were successfully completed. On March 31, 2009, ReliabilityFirst verified that the Mitigation Plan was completed in accordance with its terms (*see* Attachment C, “Summary and Review of Evidence of Mitigation Plan Completion”).
- 23. Based upon the mitigating actions taken by Indian River Power and Indian River Power’s cooperation and agreement to expeditiously reconcile this issue via settlement, the amount of penalty to be paid by Indian River Power to ReliabilityFirst pursuant to this agreement is \$20,000.00. ReliabilityFirst will provide Indian River Power with an invoice within twenty days after the Agreement is either approved by the Federal Energy Regulatory Commission or by operation of law, and ReliabilityFirst shall notify the North American Electric Reliability Corporation if the payment is not received.
- 24. Indian River Power has completed and ReliabilityFirst has verified completion of all actions necessary to mitigate the alleged violation and achieve compliance. Indian River Power may be subject to future compliance audits, spot checks, or mandatory status updates in order to facilitate ReliabilityFirst’s need to communicate the status and provide accountability to NERC.
- 25. Indian River Power shall pay \$20,000 to ReliabilityFirst as stated in this Settlement Agreement. However, if Indian River Power fails to complete the actions described above, ReliabilityFirst reserves the right to assess and collect a monetary penalty, to impose a sanction or otherwise to impose enforcement actions. Indian River Power shall retain all rights to defend against such additional enforcement actions in accordance with NERC Rules of Procedure.
- 26. Failure to make a timely penalty payment or to comply with any of the terms and conditions agreed to herein, or any other conditions of this Settlement Agreement, shall be deemed to be either the same alleged violation that initiated this Settlement and/or additional violation(s) and may subject Indian River Power to new or additional enforcement, penalty or sanction actions in accordance with the NERC Rules of Procedure.

27. If Indian River Power does not make the monetary penalty payment above at the times agreed by the parties, interest payable to ReliabilityFirst will begin to accrue pursuant to the Commission's regulations at 18 C.F.R. § 35.19(a)(2)(iii) from the date that payment is due, in addition to the penalty specified above.
28. Penalty monies may only be an offset to the overall budget of Indian River Power, and may not be an offset to a specific line item of the budget. The actions that Indian River Power commits to complete in such a settlement must not be the same actions that Indian River Power was planning to perform whether or not the settlement were to occur. (NOP Order at n.25)
29. The terms and conditions of the Agreement are consistent with the regulations and orders of the Commission, as well as with the NERC Rules of Procedure.

V. ADDITIONAL TERMS

30. The signatories to the Agreement agree that they enter into the Agreement voluntarily and that, other than the recitations set forth herein, no tender, offer or promise of any kind by any member, employee, officer, director, agent or representative of ReliabilityFirst or Indian River Power has been made to induce the signatories or any other party to enter into the Agreement.
31. ReliabilityFirst shall report the terms of all settlements of compliance matters to NERC. NERC will review the settlement for the purpose of evaluating its consistency with other settlements entered into for similar violations or under other, similar circumstances. Based on this review, NERC will either approve the settlement or reject the settlement and notify ReliabilityFirst and Indian River Power of changes to the settlement that would result in approval. If NERC rejects the settlement, NERC will provide specific written reasons for such rejection and ReliabilityFirst will attempt to negotiate a revised settlement agreement with Indian River Power including any changes to the settlement specified by NERC. If a settlement cannot be reached, the enforcement process shall continue to conclusion. If NERC approves the settlement, NERC will (i) report the approved settlement to the Commission for the Commission's review and approval by order or operation of law and (ii) publicly post the alleged violation and the terms provided for in the settlement.
32. This Agreement shall become effective upon the Commission's approval of the Agreement by order or operation of law as submitted to it or as modified in a manner acceptable to the parties.
33. Indian River Power agrees that this Agreement, when approved by NERC and the Commission, shall represent a final settlement of all matters set forth herein and Indian River Power waives its right to further hearings and appeal, unless

and only to the extent that Indian River Power contends that any NERC or Commission action on the Agreement contains one or more material modifications to the Agreement.

34. ReliabilityFirst reserves all rights to initiate enforcement, penalty or sanction actions against Indian River Power in accordance with the NERC Rules of Procedure in the event that Indian River Power fails to comply with the terms of this Agreement. In the event that Indian River Power fails to comply with any of the stipulations, remedies, sanctions or additional terms, as set forth in this Agreement, ReliabilityFirst will initiate enforcement, penalty, or sanction actions against Indian River Power to the maximum extent allowed by the NERC Rules of Procedure, up to the maximum statutorily allowed penalty. Indian River Power shall retain all rights to defend against such enforcement actions, also according to the NERC Rules of Procedure.
35. Indian River Power consents to the use of ReliabilityFirst's determinations, findings, and conclusions set forth in this Agreement for the purpose of assessing the factors, including the factor of determining the company's history of violations, that are set forth in the May 15, 2008 Revised Policy Statement on Enforcement,¹ or that may be set forth in any successor policy statement or order. Such use may be in any enforcement action or compliance proceeding under taken by ReliabilityFirst; provided however that Indian River Power 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 ReliabilityFirst, nor does Indian River Power consent to the use of this Agreement by any other party in any other action or proceeding.
36. Each of the undersigned warrants that he or she is an authorized representative of the entity designated, is authorized to bind such entity and accepts the Agreement on the entity's behalf.
37. The undersigned representative of each party affirms that he or she has read the Agreement, that all of the matters set forth in the Agreement are true and correct to the best of his or her knowledge, information and belief, and that he or she understands that the Agreement is entered into by such party in express reliance on those representations, provided, however, that such affirmation by each party's representative shall not apply to the other party's statements of position set forth in Section III of this Agreement.
38. The Agreement may be signed in counterparts.

¹ Revised Policy Statement on Enforcement, 123 FERC ¶ 61,221 (2008).

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

Agreed to and accepted:

RELIABILITYFIRST CORPORATION

By:

Raymond J. Palmieri

Vice President and Director of Compliance

Date

5/11/09

INDIAN RIVER POWER LLC

By:

John Ragan
President

Date

5/05/09

Approved by:

Tim Gallagher

Tim Gallagher

President

ReliabilityFirst Corporation

Date

5/08/09

Attachment c

Mitigation Plan designated as MIT-08-1243



Mitigation Plan Submittal Form

Date this Mitigation Plan is being submitted: September 26, 2008

Section A: Compliance Notices & Mitigation Plan Requirements

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

Section B: Registered Entity Information

- B.1 Identify your organization.

Company Name: Indian River Power LLC

Company Address: P.O. Box 408, Millsboro, DE 19966

NERC Compliance Registry ID: NCR06028

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

Name: Charles Gress

Title: Outage Manager

Email: charles.gress@nrgenergy.com

Phone: 302-934-3502



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

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

| NERC Violation ID # | Reliability Standard | Requirement Number | Violation Risk Factor | Alleged or Confirmed Violation Date ^(*) | Method of Detection (e.g., Audit, Self-report, Investigation) |
|---------------------|----------------------|--------------------|-----------------------|--|---|
| | PRC-005-1 | R2 | High | 9/26/08 | Self-report |
| | | | | | |
| | | | | | |
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| | | | | | |
| | | | | | |

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

- C.2 Identify the cause of the Alleged or Confirmed violation(s) identified above. Additional detailed information may be provided as an attachment.
- C.3 The station's non-compliance with PRC-005-1 is concerning deficiencies in DC system maintenance. Reoccurring monthly and quarterly preventive maintenance (PM) work orders were set up in the station computer-based maintenance management system (CMMS) for battery charger systems and station batteries but task descriptions within the work orders did not adequately cover the tasks required to comply with the reliability standard. Specifically, the work orders for battery chargers focused instead on the batteries and did not address the battery chargers. Battery charger maintenance and testing activities were completed but not uniformly. In addition, testing at the monthly and quarterly intervals occurred on or at least a quarterly basis but with incomplete documentation.
- C.4 Provide any additional relevant information regarding the Alleged or Confirmed violations associated with this Mitigation Plan. Additional detailed information may be provided as an attachment.

RELIABILITY FIRST

Section D: Details of Proposed Mitigation Plan

Mitigation Plan Contents

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

Specific tasks required to bring the station into compliance and required to keep it in compliance include:

1. Complete any outstanding DC system preventive maintenance tasks.
2. Include detailed battery charger test and PM procedures in the PM work orders based on OEM recommendations. Ensure that test and PM intervals are based on OEM recommendations.
3. Further detail battery test and PM procedures in the PM work orders based on IEEE standard 450.
4. Re-train applicable site personnel in the NERC compliance guidelines.
5. Develop a tracking table listing all battery charger and battery maintenance and testing with due dates of testing and PM tasks and provisions for tracking progress. (short-term tracking mechanism)
6. Make improvements to the current CMMS to accommodate flagging of battery charger and battery maintenance and testing tasks and generating reports for tracking compliance status and progress. (long-term tracking mechanism)

Mitigation Plan Timeline and Milestones

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

Implementation of the mitigation plan to ensure continued compliance will be complete by Nov 28, 2008.

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

RELIABILITY FIRST

| Key Milestone Activity | Proposed/Actual Completion Date* (shall not be more than 3 months apart) |
|--|---|
| Complete any outstanding monthly or quarterly battery charger and battery PM tasks | Oct 3, 2008 |
| Re-train applicable site personnel connected with NERC compliance | Oct 17, 2008 |
| Complete modification of the CMMS PM work orders to contain detailed procedures for battery and battery charger testing and PM. | Oct 17, 2008 |
| Complete improvements to the CMMS to accommodate flagging of regulatory required tasks and generate reports for tracking compliance status and progress. | Nov 25, 2008 |

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

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Section E: Interim and Future Reliability Risk

Abatement of Interim BPS Reliability Risk

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

The station is currently compliant in battery testing and PM. The station will be compliant in the testing and PM of battery chargers by Oct 3, 2008.

- A comprehensive walk down of all units' batteries and chargers has been performed. All charges display normal operating parameters for voltage and current. All batteries were visually inspected and display normal water level, no abnormal corrosion, all connections intact, normal charging current and gassing effects while maintaining charged, no plate swelling
- All monthly battery preventative maintenance tasks have been completed as of 1500 hours on 9/26/08
- All DC breakers supplying protective relaying are in the normal closed position
- All battery charger PMs will be completed by 10/3/08.
- Overall visual impression of both the chargers and batteries displays an excellent material condition

All components have been verified functional using process parameter verification. Heightened awareness and monitoring of DC systems will be implemented until incomplete testing and PM activities are completed.

Prevention of Future BPS Reliability Risk

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

The final task of the mitigation plan is to implement improvements in the station CMMS to provide the proper management tools for tracking compliance status and providing management oversight.



Section F: Authorization

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

- a) Submits this Mitigation Plan for acceptance by ReliabilityFirst and approval by NERC, and
- b) If applicable, certifies that this Mitigation Plan was completed on or before the date provided as the 'Date of Completion of the Mitigation Plan' on this form, and
- c) Acknowledges:
 1. I am Michael Bramnick of NRG Energy Inc.
 2. I am qualified to sign this Mitigation Plan on behalf of Indian River Power LLC.
 3. I have read and am familiar with the contents of this Mitigation Plan.
 4. Indian River Power LLC agrees to comply with, this Mitigation Plan, including the timetable completion date, as accepted by ReliabilityFirst and approved by NERC.

Authorized Individual Signature

A handwritten signature in black ink, appearing to read "Michael R. Bramnick", written over a horizontal line.

Name (Print):

Michael Bramnick

Title:
Officer

Deputy General Counsel and Chief Compliance

Date:

September 26, 2008

Section G: Regional Entity Contact

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

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



Attachment A – Compliance Notices & Mitigation Plan Requirements

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

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

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mitigation plan is required to address Alleged or Confirmed violations with respect to each additional Reliability Standard, as applicable.

- V. If the Mitigation Plan is accepted by Reliability*First* and approved by NERC, a copy of this Mitigation Plan will be provided to the Federal Energy Regulatory Commission in accordance with applicable Commission rules, regulations and orders.
- VI. Reliability*First* or NERC may reject Mitigation Plans that they determine to be incomplete or inadequate.
- VII. Remedial action directives also may be issued as necessary to ensure reliability of the BPS.



DOCUMENT CONTROL

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

DOCUMENT APPROVAL

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

DOCUMENT CHANGE/REVISION HISTORY

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

Indian River Power's Certification of Completion of the Mitigation Plan dated November 26, 2008

**Indian River Power LLC
Violation Mitigation Plan Closure Form**

Name of registered entity submitting certification: Indian River Power LLC NCR06028

Date of Certification: November 25, 2008

Name of Standard and the Requirement of which a violation was mitigated: PRC-005-1 R2

Date of completion of the mitigation plan: November 25, 2008

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

Name: Michael Bramnick

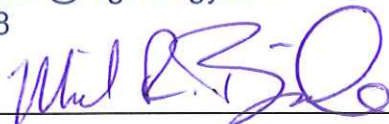
Title: Deputy General Counsel and Chief Compliance Officer

Entity: Indian River Power LLC

Email: Michael.bramnick@nrgenergy.com

Phone: 609-524-4598

Executive Signature



Date

11/26/08

NERC Violation ID# RFC200800085- PRC-005-1 R2

Mitigation Plan Completion for Indian River Power LLC:

1. Complete any outstanding DC system preventative maintenance tasks.

All monthly station battery preventative maintenance activities that were found deficient or for which sufficient documentation could not be found (see Attachment 1) were completed by September 29th which made the station current and compliant in battery maintenance. In a similar manner, additional quarterly testing was completed by this date although the quarterly inspections were current within the 3rd quarter and, therefore, compliant. In addition, a comprehensive walk down of all units' batteries and chargers was conducted. All batteries were visually inspected and displayed normal water levels, no abnormal corrosion, all connections intact, and no plate swelling was present. The proposed completion date in the mitigation plan was set at October 3, 2008, and completed in advance on September 29, 2008. See Attachment 2 and 2A for details of

testing. Note- that the original work plan format was used for documentation purposes as the activities were completed in an expedited fashion upon discovery of the deficiencies. The new work order plans that were developed as part of this mitigation plan had not yet been incorporated into the CMMS system at that time.

2. Include detailed battery charger test and PM procedures in the PM work orders based on OEM recommendations. Ensure that test and PM intervals are based on OEM recommendations.

Battery charger preventative maintenance and testing procedures based on OEM recommendations were completely revamped, developed and incorporated into all battery work plans for each unit within the CMMS system. This activity was completed on October 9, 2008. These activities will be tracked on a monthly basis through the CMMS system. See Attachment 3 for a complete set of revised battery maintenance and testing work plans. It is important to note that following the self report, RFC notified Indian River Power LLC that battery charger maintenance is not covered under requirements for NERC Reliability standard PRC-005 at this time. However, Indian River Power LLC will follow the OEM recommendations as best industry practice pertaining to battery maintenance.

3. Further detail battery test and PM procedures in the PM work orders based on IEEE standard 450.

All of the station battery preventative maintenance work procedures and associated work orders have been revised for each of the units as shown in the CMMS templates for each battery bank in Attachment 3. These new work plans are more detailed and essentially replace the previous work plans that were previously used as shown in Attachment 2. The work plans incorporated recommendations from both the battery OEM and IEEE Standard 450. Revisions of these work orders and work plans were completed on October 9, 2008, and include monthly, quarterly, annual, and semi-annual station battery inspection for each generating unit.

4. Re-train applicable site personnel in the NERC compliance guidelines.

The applicable site personnel responsible for compliance to NERC Standard PRC-005-1 were re-trained in the requirements of the standard and in the importance of ensuring that preventative maintenance, testing, and inspection activities are correctly completed as scheduled. This training involved reviewing the requirements for NERC Reliability Standard PRC-005-1 (Attachment 4) and the associated NRG policy OCC-010 entitled "System Protection" (Attachment 5) in detail, a lengthy and detailed discussion about the self reported non-compliance, and the associated mitigation plan. Each of the station's protective system preventative maintenance activities was reviewed and areas for improvement were identified.

The personnel who received this training included the station maintenance manager, the station technical services manager, the electrical and instrument supervisors and the

senior technician in the controls shop. These individuals are responsible for ensuring that maintenance activities required for compliance to PRC-005-1 are scheduled and completed in the proper interval. In addition, these personnel collaborated to develop and install the revised work plans into the CMMS system. Development of these work plans serves to reinforce these requirements. This training was completed on September 30th and a sign-off sheet for this training is provided in Attachment 6.

5. Develop a tracking table listing all battery charger and battery maintenance and testing with due dates of testing and PM tasks and provisions for tracking progress. (Short-term tracking mechanism).

To provide an immediate tracking mechanism and visibility of compliance to these requirements, a table was developed for tracking the completion of all battery and battery charger preventative maintenance and inspection activities. This table is displayed in the station's main meeting room where the morning plan of the day meetings as well as the afternoon maintenance meetings are held. The controls shop supervisor is responsible for updating this table as PM's are completed and it is reviewed daily by plant management. As indicated on Attachment 7, the table indicates the monthly and quarterly inspection completions. Validation of these monthly and 4th quarter inspections are shown in the actual test results for October and November in Attachments 8 and 9.

6. Make improvements to the current CMMS to accommodate flagging of battery charger and battery maintenance and testing tasks and generating reports for tracking compliance status and progress. (long-term tracking mechanism).

A report has been developed in the CMMS system that will automatically display a listing of all open protection system work orders and the associated preventative maintenance schedule for the entire relay protection system (including batteries). This report, which was developed and implemented by November 20, 2008, allows supervisors and station management to quickly see what preventative maintenance work orders are open, when they are scheduled to be completed and their current status. A screenshot sample of the report is provided in Attachment 10. In addition, all preventative maintenance activities for batteries have been assigned a level 5, the highest priority, which will ensure that these activities precede all other work.

Attachment e

**ReliabilityFirst's Statement of Verification that
the Mitigation Plan has been completed dated
March 31, 2009**



March 31, 2009

Summary and Review of Evidence of Mitigation Plan Completion

| | |
|-----------------------------|--------------------------------|
| NERC Violation ID #: | RFC200800082 |
| NERC Plan ID: | MIT-08-1243 |
| Registered Entity; | Indian River Power, LLC |
| NERC Registry ID: | NCR06028 |
| Standard: | PRC-005-1 |
| Requirements: | R2.1 |
| Status: | R2.1 – Compliant |

Indian River Power LLC submitted a self report of noncompliance with NERC reliability standard PRC-005-1, Transmission and Generation Protection System Maintenance and Testing, Requirement 2.1. Indian River Power LLC reported it had deficiencies in DC system maintenance. Reoccurring monthly and quarterly preventative maintenance (PM) work orders were set up in the station computer-based maintenance management system (CMMS) for battery charger systems and station batteries but task descriptions within the work orders did not adequately cover the tasks required to comply with the standard. Testing at the monthly and quarterly intervals occurred on or at least a quarterly basis but with incomplete documentation. Indian River Power LLC developed an approved mitigation plan with specific tasks required to bring the station into compliance. Indian River Power LLC certified in its letter of November 25, 2008 that it has completed the approved Mitigation Plan and submitted a summary of activities along with the following attachments listed below: (Those attachments that provide direct evidence of Mitigation Plan completion are described in further detail within this document).

“June 2007- Dec 2008- Indian River Station Battery and Relay PM Status”
Attachment 1
“Indian River Power LLC Work Order Details Report – September 2008” –
Attachment 2
“Indian River Power LLC Work Order Details Report” – Attachment 2a
“Indian River Revised Battery PMs” – Attachment 3
“NERC Standard PRC-005-1” – Attachment 4
“NRG Standard Operating System Directive, System Protection Directive, No.
OCC-010” – Attachment 5
“NRG Indian River Operations, LLC Policy Review Form – Signature Form”
Attachment 6
“2008- Indian River Station Battery and Relay PM Matrix” – Attachment 7
“Indian River Power LLC Work Order Details Report- October 2008” –
Attachment 8

“Indian River Power LLC Work Order Details Report”- November 2008 – Attachment 9
“NRG Work Order Overview List” – Attachment 10

Review Process:

PRC-005-1 Requirement 2 states:

R2. Each Transmission Owner and any Distribution Provider that owns a transmission Protection System and each Generator Owner that owns a generation Protection System shall provide documentation of its Protection System maintenance and testing program and the implementation of that program to its Regional Reliability Organization on request (within 30 calendar days). The documentation of the program implementation shall include:

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

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

Evidence Submitted: On November 25, 2008, Indian River Power LLC submitted the following documents as attachments to the certification of completion, as evidence of Mitigation Plan completion:

Attachments 2 and 2A: Indian River Power LLC Work Order Detail Reports (Monthly Inspections) – 9/22/2008 and 9/28/2008

Indian River Power LLC Work Order Detail Reports (Quarterly Inspections) – 9/28/2008

Indian River Power LLC submitted a Work Order Details Report for each of the four (4) units and the gas turbine at the Indian River facility. The required monthly and quarterly PM for the four (4) units was completed on 9/22/2008 and the gas turbine on 9/29/2008. Each detail report describes the PM work performed for the batteries and is signed and dated. Actual test results are also shown in Attachments 2 and 2A.

Attachment 1: June 2007 – December 2008 – Indian River Station Battery and Relay Status

The status spreadsheet shows when the required monthly battery testing was performed at each of the Indian River Power LLC units from June 2007 through September 2008. As stated in Indian River Power LLC’s self report, the monthly and quarterly testing documentation is incomplete. The summary spreadsheet shows that the documentation is complete, however, for all units beginning in July 2008 for the required monthly battery testing. The documentation for the quarterly testing is complete in the third quarter of 2008.

Attachment 7: 2008 Indian River Station Battery and Relay PM Matrix

Attachments 8 and 9: Indian River Power LLC Work Order Detail Reports

Attachment 7 is a table developed for tracking the completion of all battery and battery charger preventative maintenance and inspection activities. The table indicates the monthly and quarterly inspection completions. This table includes details and information not included on the matrix it replaces (Attachment 1). Validation of the monthly battery inspection is shown for September, October, and November 2008. In addition, validation of the fourth quarter 2008 inspections is shown. Actual test results for October and November are shown in Attachments 8 and 9.

Status: Compliant

In addition to completing the required testing and ensuring that the documentation is complete, Indian River Power LLC has taken the following additional steps as stated in its mitigation plan.

Attachment 3: Indian River Power LLC Work Order Detail Reports

Attachment 3 is a complete set of revised battery maintenance and testing work plans. All of the station battery preventative maintenance work procedures and associated work orders have been revised for each of the units as shown in the CMMS templates for each battery bank in Attachment 3. These new work plans are more detailed and replace the previous work plans that were previously used. The work plans incorporate procedural recommendations from both the battery OEM and IEEE Standard 450. Revisions to the work order templates were completed on October 9, 2008 and include monthly, quarterly, annual, and semi-annual station battery inspection for each generating unit.

Indian River Power LLC was notified that battery charger maintenance is not covered under requirements for NERC Reliability standard PRC-005 at this time. However, Indian River Power LLC will follow the OEM recommendations as best industry practice pertaining to battery maintenance. Battery charger preventative maintenance and testing procedures based on OEM recommendations were completely revamped, developed and incorporated into battery work plans for each unit within the CMMS system. These activities were completed on October 9, 2008. These activities will be tracked on a monthly basis through the CMMS system.

Attachment 5: NRG Standard Operating System – System Protection No. OCC-010, November 8, 2007.

Attachment 6: NRC Policy Review Form, Signature Form (Re-training Sign Off Sheet)

Applicable site personnel responsible for compliance to NERC Standard PRC-005-1 were re-trained in the requirements of the standard and the importance of preventative maintenance, testing and inspection activities. The training involved the reviewing the requirements of the standard and the NRG System Protection

policy OCC-010 (Attachment 5). Attachment 6 is a sign off sheet containing the names and signatures of the Indian River personnel that attended the training. The training was completed on September 30, 2008.

Attachment 7: 2008 Indian River Station Battery and Relay PM Matrix

Attachment 7 is a table developed for tracking the completion of all battery and battery charger preventative maintenance and inspection activities. The table indicates the monthly and quarterly inspection completions.

Attachment 10: Screen Print - Work Order Overview List, November 24, 2008.

Attachment 10 is a screen print of a report developed in the CMMS system that automatically displays a listing of all open protection system work orders and the associated preventative maintenance schedule for the entire relay protection system, including batteries. The report was developed and implemented by November 20, 2008. The report allows supervisors and managers to quickly view open preventative work orders scheduled completion, and current status.

Review Results:

ReliabilityFirst Corporation reviewed the evidence that Indian River Power LLC submitted in support of its Certification of Completion. On March 31, 2009 ReliabilityFirst Corporation verified that the Mitigation Plan was completed in accordance with its terms and therefore deemed compliant to the aforementioned NERC Reliability Standard.

Respectfully Submitted,

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

Robert K. Wargo
Manager of Compliance Enforcement
ReliabilityFirst Corporation

Attachment f

Notice of Filing

UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Indian River Power, LLC

Docket No. NP09-____-000

NOTICE OF FILING
September 25, 2009

Take notice that on September 25, 2009, the North American Electric Reliability Corporation (NERC) filed a Notice of Penalty regarding Indian River Power, LLC in the Reliability *First* Corporation region.

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

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

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

Comment Date: [BLANK]

Kimberly D. Bose,
Secretary