

August 30, 2013

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

**Re: NERC Full Notice of Penalty regarding Bryan Texas Utilities,
FERC Docket No. NP13-_-000**

Dear Ms. Bose:

The North American Electric Reliability Corporation (NERC) hereby provides this Notice of Penalty¹ regarding Bryan Texas Utilities (BTU), NERC Registry ID# NCR04022,² in accordance with the Federal Energy Regulatory Commission's (Commission or FERC) rules, regulations and orders, as well as NERC's Rules of Procedure including Appendix 4C (NERC Compliance Monitoring and Enforcement Program (CMEP)).³

BTU is a municipally-owned electric utility located in central Texas and serves the citizens of Bryan, rural Brazos County, and portions of Burleson and Robertson Counties. BTU serves around 48,500 electric customers. Currently, BTU has approximately 2,039 miles of distribution line and 121 miles of transmission line.

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 (2011). *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 Texas Reliability Entity, Inc. (Texas RE) confirmed that BTU was included on the NERC Compliance Registry as a Distribution Provider on September 28, 2007, as a Load-Serving Entity (LSE) on February 8, 2010, as a Transmission Owner and Transmission Provider on June 28, 2007, and as a Transmission Operator (TOP) on May 4, 2010. On February 10, 2010, BTU was registered as a Coordinated Functional Registration (CFR) (JRO00061) for the LSE function. On May 4, 2010, BTU was registered as a CFR (JRO00080) for the TOP function. As a TOP, BTU is subject to the requirements of NERC Reliability Standard EOP-001-0.

³ See 18 C.F.R § 39.7(c)(2).

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This Notice of Penalty is being filed with the Commission because Texas Reliability Entity, Inc. (Texas RE) and BTU have entered into a Settlement Agreement to resolve all outstanding issues arising from Texas RE’s determination and findings of the violation⁴ of EOP-001-0 R3. According to the Settlement Agreement, BTU neither admits nor denies the violation, but has agreed to the assessed penalty of zero dollars (\$0), in addition to other remedies and actions to mitigate the instant violation and facilitate future compliance under the terms and conditions of the Settlement Agreement. Accordingly, the violation identified as NERC Violation Tracking Identification Number TRE201100464 is being filed in accordance with the NERC Rules of Procedure and the CMEP.

Statement of Findings Underlying the Violation

This Notice of Penalty incorporates the findings and justifications set forth in the Settlement Agreement executed on June 20, 2013, by and between Texas RE and BTU, which is included as Attachment a. 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 (2013), NERC provides the following summary table identifying each violation of a Reliability Standard resolved by the Settlement Agreement, as discussed in greater detail below.

Region	Registered Entity	NOC ID	NERC Violation ID	Reliability Std.	Req. (R)	VRF	Total Penalty
Texas Reliability Entity, Inc.	Bryan Texas Utilities	NOC-2096	TRE201100464	EOP-001-0	R3; R3.3	Medium	\$0

EOP-001-0 R3

The purpose statement of Reliability Standard EOP-001-0 provides: “Each Transmission Operator and Balancing Authority needs to develop, maintain, and implement a set of plans to mitigate operating emergencies. These plans need to be coordinated with other Transmission Operators and Balancing Authorities, and the Reliability Coordinator.”

⁴ 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.

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EOP-001-0 R3 provides in pertinent part:

R3. Each Transmission Operator and Balancing Authority shall:

R3.3. Develop, maintain, and implement a set of plans for load shedding.

EOP-001-0 R3 has a “Medium” Violation Risk Factor and a “Moderate” Violation Severity Level. The subject violation applies to BTU’s Transmission Operator (TOP) function.

From August 15, 2011 through August 25, 2011, Texas RE conducted a Compliance Audit of BTU. During the Compliance Audit, Texas RE determined that BTU had a violation of EOP-001-0 R3.3. A review of BTU's load shed plans for 2010 and 2011, and a February 2011 load shed activity log, revealed that BTU failed to maintain its load shedding plans.

Reserve margins in the Electric Reliability Council of Texas (ERCOT) system fell during the morning of February 2, 2011 due to cold weather-related generating unit forced outages and de-ratings. This resulted in ERCOT declaring an Energy Emergency Alert - 3 (EEA-3)⁵ at 5:43 a.m. and making a hot-line call to inform entities in ERCOT of the EEA-3 and on-line reserve levels. During the call, ERCOT issued the first directive (that included BTU) to shed 1000 MW of firm load. ERCOT also issued the directive to Emergency Interruptible Load Service (EILS) providers at 5:49 a.m. to interrupt non-business hour load. Per the ERCOT regional rules, the firm load had 30 minutes to meet the load shed obligation and the EILS providers had 10 minutes to meet the load shed obligation. At 6:04 a.m., 21 minutes after issuing its first order for 1000 MW of firm load shed, ERCOT issued another directive shedding an additional 1000 MW of firm load. At 6:23 a.m., 19 minutes after issuing the second order for 1000 MW of firm load shed, ERCOT issued a third load shed directive for an additional 2000 MW firm load (4000 MW total). ERCOT issued orders from 7:57 a.m. to 1:07 p.m. which restored firm load.

The BTU load shed plans specify that load connected to Under Frequency Load Shedding (UFLS) relays should not be used when selecting feeders for an EEA event. However, two UFLS feeders were included in the BTU manual load shed procedure. During the EEA-3 event taking place on February 2, 2011, BTU operators shed load connected to two UFLS feeders. The actions of the operators did not

⁵ An EEA-3 is declared when ERCOT has difficulty maintaining a system frequency of 59.8 Hz and firm load will need to be shed.

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match the load shed criteria in the plan that prohibited the use of these UFLS feeders in an EEA event. The operators relied upon the feeder list as presented in the procedures.

When the load shed procedure was revised in July 2011, it appears the actions taken by the BTU operators during the EEA event were used as reference, and, therefore, the two UFLS feeders were incorrectly added to the BTU manual load shed procedure. BTU revised the procedure to remove the two UFLS feeders from the procedure during the Compliance Audit by Texas RE in August 2011.

Texas RE determined the duration of the violation to be from February 2, 2011, when the operators took actions that did not match the load shed criteria in BTU's procedures, through August 25, 2011, when BTU removed the two UFLS feeders from the manual load shed procedure.

Texas RE determined that this violation posed a minimal and not serious or substantial risk to the reliability of the bulk power system (BPS). The shedding of the load on the two UFLS feeders was not a violation of NERC Reliability Standards or ERCOT directives; it was a failure of the BTU operators to follow BTU's internal procedure for load shedding. The BTU operators were trained and had been familiar with the load shed procedure since 2007. The two UFLS feeders represented 5.6% of the total feeder listing and only 1% of the total system load. The system was not in an under-frequency situation that required the use of these specialized feeders. In an under-frequency situation, a different procedure would have been followed by BTU operators. The system was not relying on automatic load shed, and the subject feeders were only used for a short period of time because they were used in the rolling feeder protocol. The incorrect revision was only in place from July 2011 through August 2011.

Regional Entity's Basis for Penalty

According to the Settlement Agreement, Texas RE has assessed a penalty of zero dollars (\$0) for the referenced violation. In reaching this determination, Texas RE considered the following factors:

1. the violation constituted BTU's first occurrence of violation of the subject NERC Reliability Standards;
2. BTU was cooperative throughout the compliance enforcement process;
3. BTU had a compliance program at the time of the violation which Texas RE considered a mitigating factor;⁶

⁶ BTU has a designated compliance manager to manage its independent compliance management program. Responsibilities of the compliance manager include: 1) achieving and ensuring continuing compliance with existing and future NERC Reliability Standards; 2) keeping the organization informed of the status of compliance to NERC and Texas RE requirements;

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4. there was no evidence of any attempt to conceal a violation nor evidence of intent to do so;
5. Texas RE determined that the violation posed a minimal risk and did not pose a serious or substantial risk to the reliability of the BPS;
6. BTU put in place electronic programs to track load shedding that BTU put in place following the February 2, 2011 event; and
7. Texas RE reported that there were no other mitigating or aggravating factors or extenuating circumstances that would affect the assessed penalty.

After consideration of the above factors, Texas RE determined that, in this instance, the penalty amount of zero dollars (\$0) is appropriate and bears a reasonable relation to the seriousness and duration of the violation.

Status of Mitigation Activity⁷

BTU's mitigation activities to address its violation of EOLP-001-0 R3 were completed during the Compliance Audit on August 25, 2011.⁸

BTU completed the following mitigation activities:

1. Updated its load shed procedures by removing the reference to the subject UFLS feeders; and
2. Updated personnel who rely on this document on the updates to the feeder listing.

BTU certified on May 20, 2013 that the above mitigation activities were completed on August 25, 2011. As evidence of completion of its mitigation activities, BTU submitted the following:

1. Load Shed Procedures (v1.06);
2. Under Frequency Load Shedding Process 2011; and

3) securing support, resources, and funding as required; 4) participating in compliance workshops; and 5) keeping the general manager informed. The general manager is effectively engaged in BTU's compliance management efforts.

Each division within BTU is responsible for ensuring compliance with required NERC Reliability Standards. Each division with compliance responsibilities maintains a procedures manual that outlines necessary compliance activities. Additionally, independent audits of BTU's compliance processes are conducted to ensure the compliance program continues to be effective. The audits are conducted by independent third-party auditors that provide the appropriate expertise to ensure compliance related issues are identified.

⁷ See 18 C.F.R § 39.7(d)(7).

⁸ Texas RE did not require BTU to submit a formal Mitigation Plan.

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3. Load Shedding Process (v4.0).

On May 20, 2013, after Texas RE's review of BTU's submitted evidence, Texas RE verified that BTU's mitigation activities were completed on August 25, 2011.

Statement Describing the Assessed 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, October 26, 2009 and August 27, 2010 Guidance Orders,¹⁰ the NERC BOTCC reviewed the Settlement Agreement and supporting documentation on August 13, 2013. The NERC BOTCC approved the Settlement Agreement, including Texas RE's assessment of a zero dollar (\$0) financial penalty against BTU and other actions to facilitate future compliance required under the terms and conditions of the Settlement Agreement. In approving the Settlement Agreement, the NERC BOTCC reviewed the applicable requirement of the Commission-approved Reliability Standard and the underlying facts and circumstances of the violation at issue.

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

1. the violation constituted BTU's first occurrence of violation of the subject NERC Reliability Standards;
2. Texas RE reported that BTU was cooperative throughout the compliance enforcement process;
3. BTU had a compliance program at the time of the violation which Texas RE considered a mitigating factor, as discussed above;
4. there was no evidence of any attempt to conceal a violation nor evidence of intent to do so;
5. Texas RE determined that the violation posed a minimal risk and did not pose a serious or substantial risk to the reliability of the BPS, as discussed above;
6. BTU put in place electronic programs to track load shedding following the February 2, 2011 event; and

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); *North American Electric Reliability Corporation*, "Further Guidance Order on Reliability Notices of Penalty," 129 FERC ¶ 61,069 (2009); *North American Electric Reliability Corporation*, "Notice of No Further Review and Guidance Order," 132 FERC ¶ 61,182 (2010).

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7. Texas RE reported that there were no other mitigating or aggravating factors or extenuating circumstances that would affect the assessed penalty.

For the foregoing reasons, the NERC BOTCC approved the Settlement Agreement and believes that the assessed penalty of zero dollars (\$0) is appropriate for the violation and circumstances at issue, and is consistent with NERC's goal to promote and ensure reliability of the BPS.

Pursuant to 18 C.F.R. § 39.7(e), the penalty will be effective upon expiration of the 30-day period following the filing of this Notice of Penalty with FERC, or, if FERC decides to review the penalty, upon final determination by FERC.

Attachments to be Included as Part of this Notice of Penalty

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

- a) Settlement Agreement by and between Texas RE and BTU executed June 20, 2013, included as Attachment a;
 - a. Disposition of Violation, included as Addendum A to the Settlement Agreement; and
- b) Texas RE's Violation Discovery Record for EOP-001-0 dated March 15, 2013, included as Attachment b.

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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 North American Electric Reliability Corporation 3353 Peachtree Road NE Suite 600, North Tower Atlanta, GA 30326 (404) 446-2560</p> <p>Charles A. Berardesco* Senior Vice President and General Counsel North American Electric Reliability Corporation 1325 G Street N.W., Suite 600 Washington, DC 20005 (202) 400-3000 (202) 644-8099 – facsimile charles.berardesco@nerc.net</p> <p>Derrick Davis* Director, Enforcement, Reliability Standards & Registration Texas Reliability Entity, Inc. 805 Las Cimas Parkway Suite 200 Austin, TX 78746 (512) 583-4923 (512) 233-2233 – facsimile derrick.davis@texasre.org</p> <p>Rashida Caraway* Manager, Compliance Enforcement Texas Reliability Entity, Inc. 805 Las Cimas Parkway Suite 200 Austin, TX 78746 (512) 583-4977 (512) 233-2233 – facsimile rashida.caraway@texasre.org</p>	<p>Sonia C. Mendonça* Assistant General Counsel and Director of Enforcement North American Electric Reliability Corporation 1325 G Street N.W. Suite 600 Washington, DC 20005 (202) 400-3000 (202) 644-8099 – facsimile sonia.mendonca@nerc.net</p> <p>Edwin G. Kichline* North American Electric Reliability Corporation Senior Counsel and Associate Director, Enforcement Processing 1325 G Street N.W. Suite 600 Washington, DC 20005 (202) 400-3000 (202) 644-8099 – facsimile edwin.kichline@nerc.net</p> <p>John Fontenot* Compliance Officer Bryan Texas Utilities 205 E. 28th Street Bryan, Texas 77803 (979) 821-5651 (979) 821-5795 – facsimile fontenot@btutilities.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>
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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,

/s/ Sonia Mendonça

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Assistant General Counsel and Director of
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cc: Bryan Texas Utilities
Texas Reliability Entity, Inc.

Attachments

Attachment a

Settlement Agreement by and between Texas RE and BTU executed June 20, 2013

a-A. Disposition of Violation



SETTLEMENT AGREEMENT
OF
TEXAS RELIABILITY ENTITY, INC.
AND
BRYAN TEXAS UTILITIES

I. INTRODUCTION

1. North American Electric Reliability Corporation (NERC) delegated authority to Texas Reliability Entity, Inc. to become the regional entity for the ERCOT region effective July 1, 2010, pursuant to Section 215(e)(4) of the Federal Power Act. NERC also delegated to Texas Reliability Entity, Inc. the authority and responsibility for the continuation of all compliance monitoring and enforcement activities that it had previously delegated to Texas Regional Entity (a division of Electric Reliability Council of Texas, Inc.). The term "Texas RE" is used herein to refer to both Texas Regional Entity and Texas Reliability Entity, Inc.
2. Texas RE and Bryan Texas Utilities (BTU) enter into this Settlement Agreement (Settlement Agreement) to resolve all outstanding issues arising from a preliminary and non-public assessment resulting in Texas RE's determination and findings, pursuant to the NERC Rules of Procedure, of one alleged violation by BTU of NERC Reliability Standard EOP-001-0, R3 (NERC Violation ID No. TRE201100464).
3. BTU neither admits nor denies the violation of NERC Reliability Standard EOP-001-0, R3 and has agreed to the proposed penalty of zero dollars (\$0.00) to be assessed to BTU, in addition to other remedies and mitigation actions to mitigate the instant alleged violations and facilitate future compliance under the terms and conditions of the Settlement Agreement.

II. STIPULATION

4. The facts stipulated herein are stipulated solely for the purpose of resolving, between BTU and Texas RE, the matters discussed herein and do not constitute stipulations or admissions for any other purpose. The attached Disposition Document is incorporated herein in its entirety. BTU and Texas RE hereby stipulate and agree to the following:

Background

5. See Section I of the Disposition Document for a description of BTU.



Violation of NERC Reliability Standard EOP-001-0, R3

6. See Section II of the Disposition Document for the description of the violation.

III. PARTIES' SEPARATE REPRESENTATIONS**STATEMENT OF TEXAS RE AND SUMMARY OF FINDINGS****7. Violation Description**

On August 15, 2011 through August 25, 2011, Texas RE conducted an on-site audit addressing possible noncompliance with EOP-001-0, R3.

EOP-001-0, R3.3 requires each Transmission Operator to develop, maintain, and implement a set of plans for load shedding. A review of BTU's load shed plans (2010 and 2011) and February 2011 load shed activity log revealed that BTU failed to maintain its load shedding plans, due to a discrepancy in the procedures. The BTU load shed plans specify that load connected to Under Frequency Load Shedding (UFLS) relays should not be used when selecting feeders for an Energy Emergency Alert (EEA) event. However, two UFLS feeders were erroneously included in the manual procedure.

During the EEA event of February 2, 2011, BTU operators shed load connected to UFLS feeders. The actions of the operators did not match the load shed criteria in the procedures that prohibited the use of these UFLS feeders in an EEA event. The operators relied upon the feeder list as presented in the procedures. However, the list they relied upon in the procedure inadvertently included two UFLS feeders. During the on-site audit, BTU removed the two UFLS feeders from the manual load shed procedure. The actions of the operators during this EEA event suggest that BTU failed to maintain its load shed plans, resulting in the possible violation of EOP-001-0, R3.3.

8. This violation occurred during a time that the ERCOT system was stressed. Reserve margins in ERCOT fell during the morning of February 2, 2011 due to cold weather related generating unit forced outages and de-ratings. This resulted in ERCOT declaring an Energy Emergency Alert - 3 (EEA-3) at 05:43 am that morning and making a hot-line call to inform entities in ERCOT of the EEA-3 and on-line reserve levels. An EEA-3 is declared when ERCOT has difficulty maintaining a system frequency of 59.8 Hz and firm load will need to be shed. During the call, ERCOT issued the first directive (that included BTU) to shed 1000 MW of firm load. ERCOT also issued the directive to EILS providers at 05:49 am to interrupt their non-business hour load. Per the regional rules, the firm load had 30 minutes to meet their load shed obligation and the EILS providers had 10 minutes to meet their load shed obligation. At 06:04 am, 21 minutes after issuing its first order for 1000 MW of firm load shed, ERCOT issued another directive shedding an additional 1000 MW of firm load. At 06:23 am, 19 minutes after issuing the second order for 1000

MW of firm load shed, ERCOT issued a third load shed directive for an additional 2000 MW firm load (4000 MW total). ERCOT issued orders from 07:57 am to 1:07 pm that gradually restored the firm load.

9. Texas RE agrees that this agreement is in the best interest of the parties and in the best interest of bulk power system reliability.

STATEMENT OF BRYAN TEXAS UTILITIES

10. BTU neither admits nor denies that the facts set forth for purposes of this Agreement constitute violations of EOP-001-0, R3.
11. Although BTU does not admit to, nor does it deny, the alleged violation, BTU has agreed to enter into this Settlement Agreement with Texas RE 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. BTU agrees that this agreement is in the best interest of the parties and in the best interest of maintaining a reliable electric infrastructure.

IV. MITIGATING ACTIONS, REMEDIES AND SANCTIONS

12. Texas RE and BTU agree that BTU has completed and Texas RE has verified completion of the mitigating actions set forth in Section IV of the Disposition Document. Further, Texas RE has verified that BTU has completed the additional actions addressed in Section IV of the Disposition Document (if any). The Mitigating Actions, Remedies and Sanctions are discussed in detail in the Disposition Document.
13. In order to facilitate Texas RE's need to communicate the status and provide accountability to the ERO (NERC), BTU will provide updates quarterly, or more frequently, upon request by Texas RE. BTU will submit these status updates to Texas RE in accordance with the confidentiality provisions of Section 1500 of the NERC Rules of Procedure.
14. It is understood that Texas RE staff shall audit the progress of mitigation plans and any other remedies of this Agreement, including, but not limited to site inspection, interviews, and request other documentation to validate progress and/or completion of the mitigation plans and any other remedies of this Agreement. Texas RE shall reasonably coordinate audits and information requests with BTU related to this Agreement.
15. Texas RE staff also consider the specific facts and circumstances of the violations and BTU's actions in response to the violations 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 such user,

owner, or operator to remedy the violation in a timely manner."¹ The factors considered by Texas RE staff in the determination of the appropriate penalty are set forth in Section V of the Disposition Document.

16. Based on the above factors, as well as the mitigation actions and preventative measures taken, BTU shall pay the monetary penalty of \$0.00 to Texas RE.
17. Failure to make a timely penalty payment or to comply with any of the terms and conditions agreed to herein, or any other conditions of this Settlement Agreement, shall be deemed to be either the same alleged violations that initiated this Settlement and/or additional violation(s) and may subject BTU to new or additional enforcement, penalty or sanction actions in accordance with the NERC Rules of Procedure.
18. If BTU does not make the monetary penalty payment above at the times agreed by the parties, interest payable to Texas RE 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. BTU shall retain all rights to defend against such additional enforcement actions in accordance with NERC Rules of Procedure.

V. ADDITIONAL TERMS

19. 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 Texas RE or BTU has been made to induce the signatories or any other party to enter into the Settlement Agreement.
20. Texas RE 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 Texas RE and BTU 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 Texas RE will attempt to negotiate a revised settlement agreement with BTU 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.
21. 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.

¹ 16 U.S.C. § 824o(e)(6)

22. BTU agrees that this Settlement Agreement, when approved by NERC and the Commission, shall represent a final settlement of all matters set forth herein and BTU waives its right to further hearings and appeal, unless and only to the extent that BTU contends that any NERC or Commission action on the Settlement Agreement contains one or more material modifications to the Settlement Agreement. Texas RE reserves all rights to initiate enforcement, penalty or sanction actions against BTU in accordance with the NERC Rules of Procedure in the event that BTU fails to comply with the Mitigation Plan and compliance program agreed to in this Settlement Agreement. In the event BTU fails to comply with any of the stipulations, remedies, sanctions or additional terms, as set forth in this Settlement Agreement, Texas RE will initiate enforcement, penalty, or sanction actions against BTU 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, BTU shall retain all rights to defend against such enforcement actions, also according to the NERC Rules of Procedure.
23. BTU consents to the use of Texas RE'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 BTU does not consent to the use of the specific acts set forth in this Settlement Agreement as the sole basis for any other action or proceeding brought by NERC and/or Texas RE, nor does BTU consent to the use of this Settlement Agreement by any other party in any other action or proceeding.
24. 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.
25. 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.
26. The Settlement Agreement may be signed in counterparts.
27. This Settlement Agreement is executed in duplicate, each of which so executed shall be deemed to be an original.



Agreed to and accepted:


W. Lane Lanford
President & CEO
Texas Reliability Entity, Inc.

6/20/13
Date


Gary Miller
General Manager
Bryan Texas Utilities

6-20-13
Date



Addendum A

DISPOSITION OF VIOLATION¹

NERC TRACKING NO.
TRE201100464

REGIONAL ENTITY TRACKING NO.
TRE201100464

NOC#

REGISTERED ENTITY
Bryan Texas Utilities (BTU)

NERC REGISTRY ID.
NCR04022

REGIONAL ENTITY
Texas Reliability Entity, Inc. (Texas RE)

I. REGISTRATION INFORMATION

ENTITY IS REGISTERED FOR THE FOLLOWING FUNCTIONS (BOTTOM ROW INDICATES REGISTRATION DATE):

BA	DP	GO	GOP	IA	LSE	PA	PSE	RC	RP	RSG	TO	TOP	TP	TSP
	09/28/2007				02/08/2010						06/28/2007	05/04/2010	06/28/2007	

* Violation applies to shaded functions

DESCRIPTION OF THE REGISTERED ENTITY

Bryan Texas Utilities (BTU) is a municipally-owned electric utility located in central Texas and serves the citizens of Bryan, rural Brazos County, and portions of Burleson and Robertson Counties. BTU celebrated its 100th Anniversary in 2009 and has a long history of excellent customer service standards while maintaining a reliable electric system.

Today, Bryan (population 69,396) continues to grow and BTU serves approximately 48,500 electric customers. BTU originally generated, transmitted and distributed power from a diesel plant and in 1949 built the first units at the Atkins Power Plant, a natural gas-fired plant. In 1975, BTU partnered with three other municipally-owned electric utilities and owns a share of the coal-fired Gibbons Creek Plant (407 megawatts) in Carlos, Texas. In 1978, a second

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.

natural gas plant, the Roland C. Dansby Plant (109 megawatts), was brought online. In 2004, BTU added an LM6000 (48 megawatts) generating unit at the Dansby Power Plant and later in 2009 a second LM6000 (48 megawatts) unit was added. BTU continues to plan for generating capacity to meet the utility's growing needs. Currently, BTU has approximately 2,039 miles of distribution line and 121 miles of transmission line.

II. VIOLATION INFORMATION

RELIABILITY STANDARD	REQUIREMENT(S)	SUB-REQUIREMENT(S)	VRF(S)	VSL(S)
EOP-001-0	R3	R3.3	Medium	Moderate

The purpose statement of Reliability Standard EOP-001-0 provides in pertinent part:

Each Transmission Operator and Balancing Authority needs to develop, maintain, and implement a set of plans to mitigate operating emergencies. These plans need to be coordinated with other Transmission Operators and Balancing Authorities, and the Reliability Coordinator.

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

EOP-001-0, R3:

R3. Each Transmission Operator and Balancing Authority shall:

....

R3.3. Develop, maintain, and implement a set of plans for load shedding.

....

VIOLATION DESCRIPTION

On August 15, 2011 through August 25, 2011, Texas RE conducted an on-site audit addressing possible noncompliance with EOP-001-0, R3.

EOP-001-0, R3.3 requires each Transmission Operator to develop, maintain, and implement a set of plans for load shedding. A review of BTU's load shed plans (2010 and 2011) and February 2011 load shed activity log revealed that BTU failed to maintain its load shedding plans, due to a discrepancy in the procedures. The BTU load shed plans specify that load connected to Under Frequency Load Shedding (UFLS) relays should not be used when selecting feeders for an Energy Emergency Alert (EEA) event. However, two UFLS feeders were erroneously included in the manual procedure.

During the EEA event of February 2, 2011, BTU operators shed load connected to UFLS feeders. The actions of the operators did not match the load shed criteria in the procedures that prohibited the use of these UFLS feeders in an EEA event. The operators relied upon the feeder list as presented in the procedures. However, the list they relied upon in the procedure inadvertently included two UFLS feeders. During the on-site audit, BTU removed the two UFLS feeders from the manual load shed procedure. The actions of the operators during this EEA



event suggest that BTU failed to maintain its load shed plans, resulting in the possible violation of EOP-001-0, R3.3.

RELIABILITY IMPACT STATEMENT- POTENTIAL AND ACTUAL

Texas RE determined this violation posed a minimal risk but not a serious or substantial risk to the reliability of the BPS. The assigned risk is primarily due to the operator's reliance upon the load shed plan that inadvertently included two UFLS feeders, which represented only 5.6% of the total feeder listing and 1% of the total system load. Further, the use of the UFLS feeders did not compromise reliability because the system was not in an under frequency situation that required the use of these specialized feeders. Lastly, the ERCOT system was not relying on automatic load shed and the subject feeders were only used for a short period of time, because they were used in the rolling feeder protocol. BTU's load shed procedure has been in place since the Standard became enforceable and relied upon by its trained operators.

IS THERE A SETTLEMENT AGREEMENT Yes No

WITH RESPECT TO THE ALLEGED/CONFIRMED VIOLATION, REGISTERED ENTITY

Neither admits nor denies it (settlement only)
 Admits to it
 Does not contest it (Including within 30 days)

WITH RESPECT TO THE ASSESSED PENALTY OR SANCTION, REGISTERED ENTITY

Does not contest it

III. DISCOVERY INFORMATION
METHOD OF DISCOVERY

Self-Report
 Self-Certification
 Compliance Audit
 Compliance Violation Investigation
 Spot Check
 Complaint
 Periodic Data Submittal
 Exception Reporting

DURATION DATE(S) 02/02/2011 - 08/25/2011

DATE DISCOVERED BY OR REPORTED TO REGIONAL ENTITY
 08/25/2011

Is the violation still occurring Yes No



Explain if yes

Remedial Action Directive issued Yes No **IV. MITIGATION INFORMATION****MITIGATION PLAN NO.²**Date Submitted to Regional Entity (Date Mitigation Activities Were Completed)
08/25/2011Date Accepted by Regional Entity (Date Texas RE Enforcement Validated the Violation)
05/20/2013

Date approved by NERC

Date provided to FERC

Identify and explain all prior versions that were accepted or rejected, if applicable

MITIGATION PLAN COMPLETED Yes No Expected completion date 08/25/2011
Extensions granted N/ADate of Certification Letter (Date Texas RE Enforcement Validated the Violation)
05/20/2013

Certified as complete by Registered Entity as of 08/25/2011

Date of Verification Letter (Date Texas RE verified mitigation)
05/20/2013

Verified actually complete by Regional Entity as of 08/25/2011

Actions taken to mitigate the issue and prevent recurrence

BTU updated its load shed procedures by removing the reference to the subject UFLS feeders and updating personnel that rely on this document in regards to the feeder listing updates.

² Texas RE did not require Bryan Texas Utilities to submit a formal Mitigation Plan

List of evidence reviewed by Regional Entity to evaluate completion of Mitigation Plan or Milestones (for cases in which mitigation is not yet completed, list evidence reviewed for completed milestones)

Load Shed Procedures (v1.06)	
Under Frequency Load Shedding Process 2011; Pages 1-3	04/09/2011
Load Shedding Process (v4.0)	02/20/2013

V. PENALTY INFORMATION

ASSESSED PENALTY OR SANCTION \$0.00

(1) Registered Entity's compliance history

Previous filed violations of any of the Reliability Standard(s) or Requirement(s) thereunder

Yes No

List violations and status

Previously filed violations of other Reliability Standard(s) or Requirement(s) thereunder

Yes No

List violations and status for BTU QSE Services, Inc. (NCR04024)

Docket # NP09-30-000 was filed on July 10, 2009. On August 7, 2009, FERC issued an order stating it would not engage in further review of the Notice of Penalty.

TRE200800030	CIP-001-1 R1
TRE200800031	CIP-001-1 R3

(2) The degree and quality of cooperation by the Registered Entity

Full cooperation Yes No

If no, explain

(3) The presence and quality of the Registered Entity's Compliance Program

Is there a documented compliance program

Yes No Undetermined



Explain

BTU Management has designated a Compliance Manager to manage its independent compliance management program. Responsibilities of the Compliance Manager include:

Achieve and ensure continuing compliance with existing and future standards.

Keep organization informed of the status of compliance to NERC and TRE requirements.

Secure support, resources, and funding as required.

Participate in compliance workshops. Keep the General Manager informed.

BTU subscribes to the NERC Reliability Standards and has expressed a commitment to the establishment and maintenance of complying with those standards. Each Division within BTU is responsible for insuring compliance with required rules and regulations. As such, each Division with compliance responsibilities maintains a procedures manual that outlines necessary compliance activities.

Additionally, independent audits of BTU's compliance processes are conducted to assure the compliance program continues to be effective. The audits are conducted by independent third party auditors that provide the appropriate expertise to assure compliance related issues are identified.

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 factor in employee evaluations, or otherwise.

BTU's Compliance Manager reports directly to the General Manager. The General Manager is effectively engaged in the Utility's compliance management efforts.

BTU's General Manager issued the following statement to all BTU employees:

"BTU, like other electric utilities, is experiencing a new regulatory environment today that mandates specific operating protocols. These standards will be governed by the Texas Regional Entity and the Federal Energy Regulatory Commission that maintain jurisdiction over electric system operations within generation and transmission on a regional, state and national level. It is within this context that BTU is committed to establishing a positive relationship with these regulatory agencies by extending our full cooperation to agency

representatives, and by striving to execute measures in a timely manner that results in compliance with approved standards. In order to achieve this it will require a concerted effort from every employee as well as a strong focus by our management team. Ensure that managers, supervisors, and other employees are fully aware of this and are fully committed to excellence in complying with the standards.”

(4) Any attempt by the Registered Entity to conceal the violation(s) or information needed to review, evaluate, or investigate the violation

Yes No

Explain if Yes

(5) Any evidence the violation(s) were intentional

Yes No

Explain if Yes

(6) Any other mitigating factors for consideration

Yes No

Explain if Yes

(7) Any other aggravating factors for consideration

Yes No

Explain if Yes

(8) Any other extenuating circumstances

Yes No

Explain if Yes

OTHER RELEVANT INFORMATION

Notice of Alleged Violation issued

Date

Or N/A

Settlement discussions commenced

Date

Or N/A

06/03/2013

Notice of Confirmed Violation issued

Date



Or N/A **Supplemental Record information**Date(s)
Or N/A **Registered Entity response contested**Findings
Penalty
Both
Did not contest **Hearing Requested**Yes No Date
Outcome
Appeal Requested**EXHIBITS**

August 25, 2011 Violation Discovery Record from webCDMS



Attachment b

**Texas RE's Violation Discovery Record for
EOP-001-0 dated March 15, 2013**

Violation - Discovery Record

Registered Entity: Bryan Texas Utilities - DP-LSE-TO-TOP-TP
NERC Registry ID: NCR04022

NERC Violation ID: TRE201100464

Discovery Method: Audit

Date Submitted: August 29, 2011

Region Contact: Rhonda Jones

Phone: 512-583-4973 Email: rhonda.jones@texasre.org

Standard: EOP-001-0 - Emergency Operations Planning

Purpose: Each Transmission Operator and Balancing Authority needs to develop, maintain, and implement a set of plans to mitigate operating emergencies. These plans need to be coordinated with other Transmission Operators and Balancing Authorities, and the Reliability Coordinator.

Requirement: R3

Each Transmission Operator and Balancing Authority shall:

Violated Sub-Req(s): R3.3

Violated Function(s): TOP

Init Determ a Vltn: August 29, 2011

Begin Date of Vltn: February 02, 2011

End Date: August 25, 2011

Notified of Vltn on: August 25, 2011

Potential Impact to BES: is violation did not pose a serious or substantial risk to the bulk power system because BTU was short of its load shed obligation for 3 minutes during the February 2, 2011 load shed event. In addition, during this 3 minute time-window BTU was short on its 17.1MW obligation by 400kW (2.34%)

Brief Vltn Descr. & Cause: BTU did not appropriately maintain its manual load shed procedure; Two underfrequency load shed feeders were included in BTU's manual load shed procedure. During the audit, BTU removed the UFLS feeders from the manual load shed procedure. BTU did not appropriately implement its manual load shed procedure during rolling outages on Feb 2, 2011. During restoration of a load feeder, BTU did not disconnect an appropriate amount of load/feeders prior to restoring the disconnected feeder to maintain BTU's load shed obligation. BTU took action within 3 minutes to correct the obligation deficiency by shedding 2 additional feeders.

Alleged Violation:

Registered Entity
Report/Response:

Risk Factor: Medium

Severity Level: VSL - High

Factual Basis: The Transmission Operator or Balancing Authority demonstrated the existence of a set of plans for load shedding but the plans were not adequately maintained and were not appropriately implemented during an isolated event which occurred within the audit period.