



NORTH AMERICAN ELECTRIC
RELIABILITY CORPORATION

March 31, 2010

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

**Re: NERC Notice of Penalty regarding Occidental Chemical Corporation
FERC Docket No. NP10-_-000**

Dear Ms. Bose:

The North American Electric Reliability Corporation (NERC) hereby provides this Notice of Penalty¹ regarding Occidental Chemical Corporation (OCC), NERC Registry ID# NCR09019,² 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

During an on-site Compliance Audit conducted from August 18, 2008 to August 19, 2008 (Audit), SERC Reliability Corporation (SERC) identified a possible violation of Reliability Standard PRC-005-1 Requirement (R) 1 for OCC's failure to specifically address associated communication systems in its maintenance and testing procedures. This Notice of Penalty is being filed with the Commission because, based on information from SERC, SERC and OCC have entered into a Settlement Agreement to resolve all outstanding issues arising from a preliminary and non-public assessment resulting in SERC's determination and findings of the enforceable alleged violation of Reliability Standard PRC-005-1 R1. According to the Settlement Agreement, OCC neither admits nor denies the alleged violation, but has agreed to the proposed penalty of twenty thousand dollars (\$20,000) to be assessed to OCC, 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 alleged violation

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 (2009). *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 SERC Reliability Corporation confirmed that OCC was included on the NERC Compliance Registry as a Generator Owner and Generator Operator on June 28, 2007. As a Generator Owner, OCC is subject to the requirements of NERC Reliability Standard PRC-005-1 R1.

³ *See* 18 C.F.R. § 39.7(c)(2).

identified as NERC Violation Tracking Identification Number SERC200800184 is being filed in accordance with the NERC Rules of Procedure and the CMEP.

Statement of Findings Underlying the Alleged Violation

This Notice of Penalty incorporates the findings and justifications set forth in the Settlement Agreement executed on September 17, 2009, by and between SERC and OCC, which is included as Attachment b. 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 (2009), 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 (\$)
SERC	Occidental Chemical Corporation	NOC-377	SERC200800184	PRC-005-1	1	High ⁴	20,000

PRC-005-1 R1

The purpose of Reliability Standard PRC-005-1 is to ensure all transmission and generation Protection Systems⁵ affecting the reliability of the Bulk Power System (BPS) are maintained and tested.

PRC-005-1 R1 requires each Generator Owner that owns a generation Protection System, such as OCC, to have a Protection System maintenance and testing program for Protection Systems that affect the reliability of the BPS. The program shall include: (R1.1) Maintenance and testing intervals and their basis and (R1.2) Summary of maintenance and testing procedures. PRC-005-1 R1 has a "High" Violation Risk Factor (VRF).

On August 18, 2008, during the scheduled Audit, OCC provided several documents to demonstrate its compliance with NERC Reliability Standard PRC-005-1 for the equipment related to its generation Protection System. Specifically, OCC provided its corporate procedure, *Occidental Chemical Corporate "Electrical Maintenance Guidelines," Rev 1*, dated November 2006, which contained the appropriate intervals for testing of Protection System equipment.

⁴ When NERC filed Violation Risk Factors (VRFs) for PRC-005-1, NERC originally assigned a "Medium" VRF to PRC-005-1 Requirement R1. The Commission approved the VRF as filed but directed modifications. On June 1, 2007, NERC filed the modified "High" VRF for PRC-005-1 Requirement R1 for approval. On August 9, 2007, the Commission issued an Order approving the modified VRF. Therefore, the "Medium" VRF was in effect from June 18, 2007 until August 9, 2007 and the "High" VRF has been in effect since August 9, 2007.

⁵ The *NERC Glossary of Terms Used in Reliability Standards*, updated April 20, 2009, defines Protection System as "Protective relays, associated communication systems, voltage and current sensing devices, station batteries and DC control circuitry."

OCC also provided two plant specific documents: *Occidental Chemical Taft Facility Maintenance and Testing Program & Summary*, a spreadsheet summary showing the status of testing of Protection System equipment, and *Occidental Chemical Taft Facility Maintenance Procedure MNT01, "Maintenance Procedures Review Process," Rev. 1*, dated June 18, 2004, a document that outlines the ongoing verification process for OCC's maintenance procedures to assure that they are valid and current and that they address the programs for which they are written.

The corporate procedure is a procedure covering Protection System equipment, and their associated maintenance, applicable to all OCC facilities, including the Taft facility, but did not specifically reference the individual Protection System equipment or maintenance activities at the Taft facility. In its review of the plant specific documentation, the Audit Team was unable to validate the inception and origin of the *Occidental Chemical Taft Facility Maintenance and Testing Program & Summary*, as the spreadsheet included references to work orders and maintenance procedures, but did not have approval and revision dates. The maintenance supervisor of the Taft Cogeneration facility attested that he developed this summary spreadsheet as a means to organize and compare the Taft Chemical Complex electrical maintenance and testing program components with the Occidental Chemical Corporation guidelines and to determine and track where improvements could be made in the Taft Chemical Complex's program. The Taft Cogeneration facility maintenance supervisor attested that he created this document in November 2006.

The Audit Team determined that neither the corporate procedure nor the Taft-facility specific program and summary spreadsheet contained specific references to the testing and maintenance of associated communications systems, as required by the standard. However, OCC was able to present evidence at the audit that showed it had performed testing of its associated communications systems. The Audit Team Lead completed an audit screening worksheet and submitted it to SERC Enforcement Staff for further disposition.

SERC Staff requested that OCC re-affirm the scope of its Protection System components and validate the specific generating facility impacted. SERC Staff also requested additional information on OCC's interconnection to the BPS to determine the transmission lines that may be impacted by the facility's associated communications systems, details of OCC's associated communication systems and how they are continuously monitored, and information about the potential impacts of a failure of its associated communications systems.

SERC Staff found that the OCC Taft Cogeneration facility has two lines that interconnect the facility with its Transmission Owner's 230 kV substation, which are both energized at all times, under normal operating conditions. The Taft Cogeneration facility's generation Protection System has eight relays with fiber optic links that transmit current differential signals and are continuously monitored by OCC's plant Digital Control System. SERC concluded that OCC's generation Protection System contained associated communications systems that affect the BPS and thereby should have been specifically identified in OCC's procedures as a category of equipment under PRC-005-1 R1.

SERC determined the duration of the alleged violation to be from June 28, 2007,⁶ the date OCC was included on the NERC Compliance registry, through November 11, 2008, when OCC completed its Mitigation Plan. SERC concluded that there was no serious or substantial risk to the reliability of the BPS and that the actual or foreseeable risk to the reliability of the BPS, as a result of this alleged violation, was low. SERC arrived at this conclusion because although OCC's associated communication systems were not identified in its documentation, the maintenance and testing protocol for the remaining components of its generation Protection System (protective relays, voltage and current sensing devices, station batteries and DC control circuitry) were included as part of OCC's corporate procedure. In addition, the Taft-specific spreadsheet contained the testing intervals and maintenance records for all components of the generation Protection System, other than the associated communication systems. The evidence reviewed also showed that OCC had performed a basis check of its fiber optic links in conjunction with the relay tests. In addition, OCC has a single point of interconnection with the interconnecting Transmission Owner that would limit the impact on the BPS, if its Protection System failed to operate as designed.

Regional Entity's Basis for Penalty

According to the Settlement Agreement, SERC has assessed a penalty of twenty thousand dollars (\$20,000) for the referenced alleged violation. In reaching this determination, SERC considered the following factors: (1) OCC has no prior violations of PRC-005-1 or any closely-related standard; (2) SERC Staff concluded that the violation did not create a serious or substantial risk to the reliability of the BPS, as discussed above and (3) OCC has a corporate compliance program, that, among other things, coordinates NERC compliance activities at all of its relevant facilities that was developed with cognizance of Commission guidance. Additionally, SERC noted in the settlement agreement that in considering the penalty to apply for this alleged violation it did not provide credit for cooperation in this matter because, although OCC provided responses to all of SERC Staff's data requests, SERC Staff stated that it believed OCC maintained a defensive posture with SERC Staff during meetings to discuss the alleged violation and OCC did not take immediate corrective actions to mitigate the alleged violation.

After consideration of the above factors, SERC determined that, in this instance, the penalty amount of twenty thousand dollars (\$20,000) is appropriate and bears a reasonable relation to the seriousness and duration of the alleged violation.

Status of Mitigation Plan⁷

OCC's completed Mitigation Plan to address its alleged violation of PRC-005-1 R1 was submitted to SERC on November 11, 2008 with a completion date of November 11, 2008. The Mitigation Plan was accepted by SERC on December 18, 2008 and approved by NERC on January 12, 2009. The Mitigation Plan for this alleged violation is designated as MIT-08-1252

⁶ The Settlement Agreement and Mitigation Plan both incorrectly state that the start date of the violation was June 18, 2007, the date the standards became enforceable. However, OCC was not included on the NERC Compliance Registry until June 28, 2007. Therefore, the start of the violation is June 28, 2007.

⁷ See 18 C.F.R. § 39.7(d)(7).

and was submitted as non-public information to FERC on January 12, 2009 in accordance with FERC orders.

OCC's Mitigation Plan stated that OCC had modified its existing relay maintenance and testing procedure summary to have a separate line item for Associated Communication Systems, including a separate schedule for maintenance and testing intervals and their basis. Specifically, OCC: (1) revised the Taft Chemical Plant procedure *MNT-100 "Taft Electrical PM Guideline,"* a facility-specific maintenance and testing procedure for the Reliability Standard PRC-005-1 requirements, to include, in the testing intervals, basis and requirements, specific reference to associated communication systems. The revised procedure now addresses the electrical maintenance and testing intervals for all protection System components, including associated communication systems components; and (2) documented the results of testing done on its associated communication systems per its normal maintenance schedule as specified in *MNT-100 "Taft Electrical PM Guideline,"* where the completion of the Mitigation Plan corrected the alleged documentation deficiency in its maintenance and testing program.

OCC certified on November 11, 2008 that its Mitigation Plan was completed as of November 11, 2008. As evidence of completion of its Mitigation Plan, OCC submitted the following:

- New procedure *OCC MNT-100 "Taft Electrical PM Guideline" Ver. 0*, dated October 28, 2008 (revised procedure conforming to Requirement 1);
- The authorization and approval signature sheet to validate implementation of *OCC MNT-100 "Taft Electrical PM Guideline" Ver. 0*, signed by the maintenance manager on November 3, 2008.

On December 31, 2008, after reviewing OCC's submitted evidence, SERC verified that OCC's Mitigation Plan was completed as of November 11, 2008 and that OCC was in compliance with PRC-005-1 R1.

Statement Describing the Proposed Penalty, Sanction or Enforcement Action Imposed⁸

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,⁹ the NERC BOTCC reviewed the Settlement Agreement and supporting documentation on January 15, 2010. The NERC BOTCC approved the Settlement Agreement, including SERC's imposition of a financial penalty, assessing a penalty of twenty thousand dollars (\$20,000) against OCC. In approving the Settlement Agreement, the NERC BOTCC reviewed the applicable requirements of the Commission-approved Reliability Standards and the underlying facts and circumstances of the alleged violation at issue.

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

⁸ See 18 C.F.R. § 39.7(d)(4).

⁹ *North American Electric Reliability Corporation*, "Guidance Order on Reliability Notices of Penalty," 124 FERC ¶ 61,015 (2008).

- (1) OCC has no prior violations of PRC-005-1 or any closely-related standard;
- (2) the violations did not create a serious or substantial risk to the reliability of the BPS, as discussed above;
- (3) OCC has a corporate compliance program, that, among other things, coordinates NERC compliance activities at all of its relevant facilities; and
- (4) SERC did not provide credit for cooperation in this matter because, although OCC provided responses to all of SERC Staff's data requests, SERC Staff believed that OCC maintained a defensive posture with SERC Staff during meetings to discuss the alleged violation and OCC did not take immediate corrective actions to mitigate the alleged violation.

For the foregoing reasons, the NERC BOTCC approves the Settlement Agreement and believes that the proposed penalty of twenty thousand dollars (\$20,000) is appropriate for the violations and circumstances in question, and is 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.

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 and material:

- a) SERC's Auditor Screening Worksheet for the alleged violation of PRC-005-1 R1 dated August 19, 2008, included as Attachment a;
- b) Settlement Agreement by and between SERC and OCC executed September 17, 2009, included as Attachment b, containing the following appendices:
 - i) OCC's Mitigation Plan designated as MIT-08-1252 for the alleged violation of PRC-005-1 R1, submitted November 11, 2008, included in the Settlement Agreement as Appendix A-1;
 - ii) OCC's Certification of Completion of the Mitigation Plan for the alleged violation of PRC-005-1 R1, submitted November 11, 2008, included in the Settlement Agreement as Appendix A-2; and
 - iii) SERC's Verification of Completion of the Mitigation Plan for the alleged violation of PRC-005-1 R1, dated December 31, 2008, included in the Settlement Agreement as Appendix A-3.

A Form of Notice Suitable for Publication¹⁰

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

¹⁰ See 18 C.F.R. § 39.7(d)(6).

Notices and Communications

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

<p>Gerald W. Cauley* President and Chief Executive Officer David N. Cook* Vice President and General Counsel North American Electric Reliability Corporation 116-390 Village Boulevard Princeton, N.J. 08540-5721 (609) 452-8060 (609) 452-9550 – facsimile gerry.cauley@nerc.net david.cook@nerc.net</p> <p>For Occidental :</p> <p>Joseph D. Matranga* Vice President Power 5 Greenway Plaza, Suite 110 Houston, TX 77046 (713) 215-7962 (713) 215-7571 – facsimile Joe_d_matranga@oxy.com</p> <p>Michelle, D'Antuono* Sr. Energy Analyst 5 Greenway Plaza, Suite 110 Houston, TX 77046 (713) 215-7064 (713) 215-7571 – facsimile Michelle_DAntuono@oxy.com</p> <p>Porter K. Ryan* Assistant General Counsel - Regulatory Compliance 5 Greenway Plaza, Suite 110 Houston, TX 77046 (713) 366-5882 (713) 985-8901 – facsimile Porter_Ryan@oxy.com</p> <p>Daniel E. Frank* Partner 1275 Pennsylvania Avenue, NW Washington, District of Columbia 20004 (202) 383-0838 (202) 637-3593 – facsimile Daniel.Frank@sutherland.com</p>	<p>Rebecca J. Michael* Assistant General Counsel Holly A. Hawkins* Attorney North American Electric Reliability Corporation 1120 G Street, N.W. Suite 990 Washington, D.C. 20005-3801 (202) 393-3998 (202) 393-3955 – facsimile rebecca.michael@nerc.net holly.hawkins@nerc.net</p> <p>For SERC:</p> <p>Thomas J. Galloway Interim President and Chief Executive Officer SERC Reliability Corporation 2815 Coliseum Centre Drive Charlotte, NC 28217 (704) 940-8205 (704) 357-7914 – facsimile tgalloway@serc1.org</p> <p>Marisa A. Sifontes * Interim Director of Compliance and Compliance Legal Counsel SERC Reliability Corporation 2815 Coliseum Centre Drive Charlotte, NC 28217 (704) 494-7775 msifontes@serc1.org</p> <p>Kenneth B. Keels, Jr.* Manager of Compliance Enforcement SERC Reliability Corporation 2815 Coliseum Centre Drive Charlotte, NC 28217 (704) 940-8214 (704) 357-7914 – facsimile kkeels@serc1.org</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/ Rebecca J. Michael

Rebecca J. Michael
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Holly A. Hawkins
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cc: Occidental Chemical Corporation
SERC Reliability Corporation

Attachments

Attachment a

SERC's Auditor Screening Worksheet for the alleged violation of PRC-005-1 R1 dated August 19, 2008

Screening Worksheet

Tracking Number

Entity Name
Occidental Chemical Corporation

Is Entity Registered?
Yes

Entity Contact
Joe Matranga

Entity Telephone Number
713 215-7962

Standard	Requirement
PRC-005-1	1

Is Issue Still Occurring?
Yes

Remedial Action Directive?
No

Date Issue Occurred
8/19/08

Date Issue/Event Reported
8/19/08

Method of Discovery
Audit

NERC 48-Hour Reportable?
No

Threat to BES?
No

Alleged Violation Applies to:													
BA	DP	GO	GOP	LSE	PA	PSE	RC	RP	RSG	TO	TOP	TP	TSP
		Yes	Yes										

Brief Description
Protection System Maintenance and Testing Program does not include the maintenance intervals, basis for intervals or a summary of maintenance and testing procedures for "associated communications equipment".

Detailed Description
Protection System Maintenance and Testing Program does not include the maintenance intervals, basis for intervals or a summary of maintenance and testing procedures for "associated communications equipment". Evidence provided, demonstrated that maintenance and testing intervals and their basis have been established and a summary of maintenance and testing procedures was provided through other, non-referenced documents. The audit team determined this to be a documentation only issue.

Prepared By	Date
James Harrell	8/19/08

Attachment b

Settlement Agreement by and between SERC and OCC executed September 17, 2009

SETTLEMENT AGREEMENT

OF

SERC RELIABILITY CORPORATION

AND

OCCIDENTAL CHEMICAL CORPORATION

I. INTRODUCTION

1. SERC Reliability Corporation (“SERC”) and Occidental Chemical Corporation (“OCC”) enter into this Settlement Agreement (“Settlement Agreement”) to resolve all outstanding issues arising from a preliminary and non-public assessment resulting in SERC’s determination and findings, pursuant to the North American Electric Reliability Corporation (“NERC”) Rules of Procedure, of an alleged violation by OCC of NERC Reliability Standard PRC-005-1, Requirement 1 (SERC Tracking No. 08-100, NERC Violation ID No. SERC200800184).

II. STIPULATION

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

Background

3. Occidental Chemical Corporation, a New York corporation, is a leading North American manufacturer of polyvinyl chloride (PVC) resins, chlorine and caustic soda – key building blocks for a variety of indispensable products such as plastics, pharmaceuticals and water disinfectants. Other OCC products include caustic potash, chlorinated organics, sodium silicates, chlorinated isocyanurates and resorcinol. Based in Dallas, Texas, OCC has manufacturing facilities in the United States, Canada, Chile and Brazil.
4. OCC’s facility that is relevant to this Agreement, the Taft Cogeneration facility, is a 778 MW combined cycle cogeneration facility constructed on a 13-acre site located adjacent to OCC’s Taft Chemical Plant near New Orleans, Louisiana. The Taft Cogeneration Facility includes three 7FA GE combustion gas turbines (approximately 170 MW each) and one GE condensing steam turbine. The Taft

Cogeneration Facility's main fuel source is natural gas. The facility supplies all of steam and electrical needs of the adjacent Taft Chemical Plant with any remaining electrical production available for sale into the local grid. The Taft Cogeneration Facility is interconnected to an Entergy 230kV substation via two 230kV lines.

5. OCC is registered as a Generator Owner and Generator Operator in the SERC region.
6. On February 18, 2008, SERC notified OCC that a Compliance Audit to determine its compliance with the NERC Reliability Standards had been scheduled to take place on August 18-20, 2008.¹
7. On May 22, 2008, SERC Staff sent a letter to OCC detailing, among other things, the Reliability Standards that would be the focus of the upcoming Compliance Audit. Among the standards to be audited was NERC Reliability Standard PRC-005-1 (Transmission and Generation Protection System Maintenance and Testing).

Alleged Violation of NERC Reliability Standard PRC-005-1, Requirement 1

8. The purpose of NERC Reliability Standard PRC-005-1 is to ensure that all transmission and generation Protection Systems that affect the reliability of the Bulk Electric System are maintained and tested.
9. NERC Reliability Standard PRC-005-1, Requirement 1 requires that a Generator Owner that owns a Protection System "shall have a Protection System maintenance and testing program for Protection Systems that affect the reliability of the Bulk Electric System."²
10. On August 18, 2008, during the scheduled Compliance Audit, OCC provided several documents to demonstrate its compliance with NERC Reliability Standard PRC-005-1, for the equipment related to its generation Protection System. Specifically, OCC provided its corporate procedure, titled Occidental Chemical Corporate "Electrical Maintenance Guidelines," Rev 1, dated November 2006, that contained the appropriate intervals for testing of Protection System equipment, as well as two plant-specific documents, Occidental Chemical Taft Facility Maintenance and Testing Program & Summary, a spreadsheet summary showing the status of testing of Protection System equipment, and Occidental Chemical Taft Facility Maintenance Procedure MNT01, "Maintenance Procedures Review Process," Rev. 1, dated June 18, 2004, a document that outlines the ongoing verification process for OCC's maintenance Procedures to assure that they are valid and current and that they address the programs for which they are written.

¹ The audit was completed on August 19, 2008.

² NERC Reliability Standard PRC-005-1 – Transmission and Generation Protection System Maintenance and Testing, approved by NERC Board of Trustees on May 2, 2006, approved by FERC effective June 18, 2007.

11. The corporate procedure is a procedure covering Protection System equipment, and their associated maintenance, applicable to all OCC facilities, including the Taft facility, but did not specifically reference the individual Protection System equipment or maintenance activities at the Taft facility. In its review of the plant-specific documentation, the Audit Team was unable to validate the inception and origin of the Occidental Chemical Taft Facility Maintenance and Testing Program & Summary, as the spreadsheet included references to work orders and maintenance procedures, but did not have approval and revision dates. The maintenance supervisor of the Taft Cogeneration facility attested that he developed this summary spreadsheet as a means to organize and compare the Taft Chemical Complex electrical maintenance and testing program components with the Occidental Chemical Corporation guidelines and to determine and track where improvements could be made in the Taft Chemical Complex's program. The Taft Cogeneration facility maintenance supervisor attested that he created this document in November 2006.
12. The Audit Team expected that the evidence presented to show compliance with NERC Reliability Standard PRC-005-1, Requirement 1 would contain and cover all of the categories of OCC's generation Protection System components, such as Protective relays, associated communication systems, voltage and current sensing devices, station batteries and DC control circuitry. Neither the corporate procedure nor the Taft-facility specific program and summary spreadsheet contained specific references to the testing and maintenance of Associated Communications Systems, as required by the standard; however, presented evidence showed that OCC had performed testing of its Associated Communications Systems.
13. Based on its review of the documentation provided, the Audit Team found that OCC had a possible violation of NERC Reliability Standard PRC-005-1, Requirement 1, because OCC's maintenance and testing procedures did not specifically mention or address associated communications systems. The Audit Team Lead completed an audit screening worksheet and submitted it to Enforcement Staff for further disposition.
14. After confirming OCC's NERC registration status, SERC Staff commenced its detailed compliance assessment. On August 26, 2008, SERC Staff issued to OCC a Compliance Assessment Notice advising OCC of the initiation of a formal assessment to determine its compliance status with NERC Reliability Standard PRC-005-1, Requirement 1. SERC Staff also directed OCC to preserve all relevant records and information. Subsequently, SERC Staff requested certain information from OCC to assist with its assessment, to which OCC responded. Specifically, SERC Staff requested that OCC re-affirm the scope of its Protection System components and validate the specific generating facility impacted. SERC Staff also requested additional information on OCC's interconnection to the Bulk Power System to determine the transmission lines that may be impacted by the facility's associated communications systems, details of OCC's associated communication

systems and how they are continuously monitored, and information about the potential impacts of a failure of its associated communications systems. SERC Staff promptly established direct contact with representatives of OCC to begin the process of gathering information and documentation for the detailed compliance assessment. SERC Staff also reported the possible violation to NERC, which, in turn, reported the possible violation to the Federal Energy Regulatory Commission (“Commission”) in accordance with the Compliance Monitoring Enforcement Program (“CMEP”) of the NERC Rules of Procedure.

15. Upon its review, SERC Staff found that the OCC Taft Cogeneration facility has two lines that interconnect the facility with its Transmission Owner’s 230kV substation, which are both energized at all times, under normal operating conditions. The Taft Cogeneration facility’s generation Protection System has eight relays with fiber optic links that transmit current differential signals and are continuously monitored by OCC’s plant Digital Control System (“DCS”). Staff concluded that OCC’s generation Protection System contained associated communications systems that affect the Bulk Power System and thereby should have been specifically identified in OCC’s procedures as a category of equipment under NERC Reliability Standard PRC-005-1, Requirement 1.
16. SERC Staff concluded that the facts and evidence supported a finding that OCC violated NERC Reliability Standard PRC-005-1, Requirement 1, because the evidence reviewed showed that a subset of OCC’s Taft Cogeneration facility generation Protection System, the "associated communications" components, was not specifically identified in its maintenance and testing procedures. The violation duration began on June 18, 2007 when the standard became enforceable and continued until OCC completed its mitigation on November 11, 2008. Requirement 1 of NERC Reliability Standard PRC-005-1 is assigned a “High” VRF consistent with the VRF filed by NERC and approved by the Commission. SERC Staff concluded that there was no serious or substantial risk to the reliability of the Bulk Power System and that the actual or foreseeable risk to the reliability of the Bulk Power System as a result of this alleged violation was low. Although OCC’s associated communication systems were not identified in its documentation, the maintenance and testing protocol for the remaining components of its generation Protection System (Protective relays, voltage and current sensing devices, station batteries and DC control circuitry) were included as part of OCC’s corporate procedure. In addition, the Taft-specific spreadsheet contained the testing intervals and maintenance records for all components of the generation Protection System, other than the associated communication systems. The evidence reviewed also showed that OCC had performed a basic check of its fiber optic links in conjunction with the relay tests. In addition, OCC has a single point of interconnection with the interconnecting Transmission Owner that would limit the impact on the Bulk Power System, if its Protection System failed to operate as designed.
17. On February 9, 2009, OCC formally requested settlement discussions for the resolution of this alleged violation.

III. PARTIES' SEPARATE REPRESENTATIONS

Statement of SERC and Summary of Findings

18. SERC finds that beginning on June 18, 2007, when the standard became enforceable and continuing until November 11, 2008, when OCC completed its mitigation of the alleged violation, OCC, as a Generator Owner, did not have documented procedures for the maintenance and testing of Associated Communications Systems related to its generation Protection Systems. This is a violation of NERC Reliability Standard PRC-005-1, Requirement 1 for failing to have documentation for its generation Protection System maintenance and testing programs.
19. SERC Staff concluded that the actual or foreseeable impact of the alleged violations on the reliability of the Bulk Power System was low and did not pose a serious or substantial risk to the reliability of the Bulk Power System, as discussed above.
20. SERC agrees that this Settlement Agreement is in the best interest of the parties and in the best interest of Bulk Power System reliability.

Statement of OCC

21. OCC neither admits nor denies that the facts set forth and agreed to by the parties for the purposes of this Agreement constitute a violation of PRC-005-1. The on-site audit conducted by the SERC Reliability Corporation ("SERC") in August 2008 found, in part, that "OCC had appropriate and complete program information and documentation for all elements of the protective system with the exception of Associated Communication Systems, which were not specifically mentioned or addressed as required."
22. During the entire time period covered by this Agreement, OCC had in place, and followed, a maintenance and testing program for its Protection System, and that maintenance and testing program remains in place today. In its maintenance and testing program, OCC used, and uses, a combination of both (a) condition based maintenance and (b) time based maintenance. In accordance with OCC's Protection System maintenance and testing program, during the period covered by this Agreement, OCC tested and maintained the "associated communication systems" as a part of the protective relay system, and OCC continues to do so today. In addition, during the period covered by this Agreement, the protective relay systems and associated communication systems were, and today remain, continuously monitored by the Taft Cogeneration Facility's control system.
23. At the end of SERC's 2008 on-site audit, OCC was informed that the lack of reference to "Associated Communication Systems" in the program documentation was a potential violation of PRC-005. After discussions with SERC, OCC submitted a completed mitigation plan that modified the maintenance and testing program to

explicitly refer to "Associated Communication Systems" as being tested in the program. No change in the substance of OCC's maintenance and testing program was necessary because all required facilities were maintained and tested in accordance with the relevant procedures.

24. Although OCC does not admit to, nor does it deny, the alleged violation, OCC has agreed to enter into this Agreement with SERC to avoid extended litigation with respect to the matters described or referred to herein, to avoid uncertainty, and to effectuate a complete and final resolution of the issues set forth herein. OCC 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

25. OCC's Mitigation Plan MIT-08-1252 for NERC Reliability Standard PRC-005-1, Requirement 1 was submitted and certified as being complete on November 11, 2008. It was accepted by SERC on December 18, 2008, submitted to NERC on December 30, 2008 and approved on January 12, 2009. On December 31, 2008, SERC Staff verified the completion of OCC's Mitigation Plan. OCC's Mitigation Plan MIT-08-1252 is attached hereto as Appendix A-1. OCC's Certification of Mitigation Plan Completion is attached hereto as Appendix A-2, and the Statement of SERC Compliance Staff Regarding Completion of OCC's Mitigation Plan MIT-08-1252 is attached hereto as Appendix A-3.
26. Actions implemented by OCC in its Mitigation Plan will help to prevent a recurrence of any similar violation. Specifically:
 - a. For the Mitigation Plan detail associated with NERC Reliability Standard PRC-005-1, Requirement 1:
 - i. OCC revised the Taft chemical plant procedure MNT-100 "Taft Electrical PM Guideline," a facility-specific maintenance and testing procedure for the NERC Reliability Standard PRC-005-1 requirements, to include, in the testing intervals, basis and requirements, specific reference to associated communication systems. The revised procedure now addresses the electrical maintenance and testing intervals for all Protection System components, including associated communication systems components.
 - ii. OCC will document the results of testing done on its associated communication systems per its normal maintenance schedule as specified in MNT-100 "Taft Electrical PM Guideline. Completion of the Mitigation Plan corrected the alleged documentation deficiency in its maintenance and testing program.
 - iii. SERC has reviewed the preventative measures described in the Mitigation Plan and has determined that these measures will assist OCC in improving

prospective compliance with the requirements of NERC Reliability Standard PRC-005-1 and will ultimately enhance the reliability of the Bulk Power System within an appropriate time-frame.

27. Specifically, to verify OCC's completion of its Mitigation Plan, SERC reviewed:

- i. New procedure OCC MNT-100 "Taft Electrical PM Guideline" Ver. 0, dated October 28, 2008 (revised procedure conforming to Requirement 1); and
- ii. The authorization and approval signature sheet to validate implementation of OCC MNT-100 "Taft Electrical PM Guideline" Ver. 0, signed by the maintenance manager on November 3, 2008.

28. SERC Staff also considered the specific facts and circumstances of the violation and OCC's actions in response to the alleged violation in determining a proposed penalty that meets the requirement in Section 215 of the Federal Power Act that "[a]ny penalty imposed under this section shall bear a reasonable relation to the seriousness of the violation and shall take into consideration the efforts of [OCC] to remedy the violation in a timely manner."³ The factors considered by SERC Staff in the determination of the appropriate penalty for OCC's alleged violations of NERC Reliability Standard PRC-005-1 pursuant to this Settlement Agreement included the following:

- a. OCC has had no prior violations of this Standard or any closely-related standard.
- b. SERC did not provide credit for cooperation in this matter.⁴ Although OCC provided responses to all of SERC Staff's data requests, SERC Staff believes that OCC maintained a defensive posture with SERC Staff during meetings between the parties to discuss these events. In addition, OCC did not take immediate corrective actions to mitigate the possible violation.
- c. OCC agreed to resolve this issue via settlement.
- d. OCC has a corporate compliance program that, among other things, coordinates NERC compliance activities at all of its relevant facilities that was developed with cognizance of Commission guidance. OCC's corporate compliance program is operated and managed independently, but is executed with the support and involvement of senior management.

³ 16 U.S.C. § 824o(e)(6).

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

- e. As described above, OCC has completed its Mitigation Plan and implemented measures to address the alleged violation and to protect against future violations of the same or similar requirements, as set forth in Paragraph 26.
29. Based on the above factors, as well as the mitigation actions and preventative measures taken, OCC shall pay \$20,000 to SERC as set forth in this Settlement Agreement. OCC shall remit the payment to SERC via check, or by wire transfer to an account to be identified by SERC ("SERC Account"), within twenty days after SERC provides OCC with a notice of penalty payment due and invoice, to be issued by SERC after this Settlement Agreement is either approved by the Commission or by operation of law. SERC shall notify NERC, and NERC shall notify the Commission, if the payment is not timely received. If OCC does not remit the payment by the required date, interest payable to SERC will begin to accrue pursuant to the Commission's regulations at 18 C.F.R. §35.19a(a)(2)(iii) from the date that payment is due, and shall be payable in addition to the payment.
30. Failure to make a timely penalty payment or to comply with any of the terms and conditions agreed to herein, or any other conditions of this Settlement Agreement, may subject OCC to new or additional enforcement, penalty or sanction actions in accordance with the NERC Rules of Procedure. OCC will retain all rights to defend against such enforcement actions in accordance with the NERC Rules of Procedure.

V. ADDITIONAL TERMS

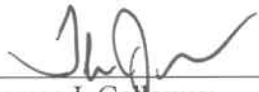
31. The signatories to the Settlement Agreement agree that they enter into the Settlement Agreement voluntarily and that, other than the recitations set forth herein, no tender, offer or promise of any kind by any member, employee, officer, director, agent or representative of SERC or OCC has been made to induce the signatories or any other party to enter into the Settlement Agreement. The signatories agree that the terms and conditions of this Settlement Agreement are consistent with the Commission's regulations and orders, and NERC's Rules of Procedure.
32. SERC shall report the terms of all settlements of compliance matters to NERC. NERC will review the settlement for the purpose of evaluating its consistency with other settlements entered into for similar violations or under other, similar circumstances. Based on this review, NERC will either approve the settlement or reject the settlement and notify SERC and OCC of changes to the settlement that would result in approval. If NERC rejects the settlement, NERC will provide specific written reasons for such rejection and SERC will attempt to negotiate a revised settlement agreement with OCC 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.

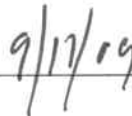
33. This Settlement Agreement shall become effective upon the Commission's approval of the Settlement Agreement by order or operation of law as submitted to it or as modified in a manner acceptable to the parties.
34. OCC agrees that this Settlement Agreement, when approved by NERC and the Commission, shall represent a final settlement of all matters set forth herein and OCC waives its right to further hearings and appeal, unless and only to the extent that OCC contends that any NERC or Commission action on the Settlement Agreement contains one or more material modifications to the Settlement Agreement. SERC reserves all rights to initiate enforcement, penalty or sanction actions against OCC in accordance with the NERC Rules of Procedure in the event that OCC fails to comply with the mitigation plan specified in this Settlement Agreement. In the event OCC fails to comply with any of the stipulations, remedies, sanctions or additional terms, as set forth in this Settlement Agreement, SERC will initiate enforcement, penalty, or sanction actions against OCC 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, OCC shall retain all rights to defend against such enforcement actions, also according to the NERC Rules of Procedure.
35. Each of the undersigned warrants that he or she is an authorized representative of the entity designated, is authorized to bind such entity and accepts the Settlement Agreement on the entity's behalf.
36. 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.
37. The Settlement Agreement may be signed in counterparts.
38. This Settlement Agreement is executed in duplicate, each of which so executed shall be deemed to be an original.

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

Agreed to and accepted:




Thomas J. Galloway
Vice President and Director of Compliance
SERC RELIABILITY CORPORATION



Date

OCCIDENTAL CHEMICAL CORPORATION

By: 

Scott A. King
Vice President and General Counsel



Date

**APPENDIX A
TO
SETTLEMENT AGREEMENT
OF
SERC RELIABILITY CORPORATION
AND
OCCIDENTAL CHEMICAL CORPORATION**

- (1) OCC's Mitigation Plan for PRC-005-1, R1**
- (2) OCC's Certification of Mitigation Plan Completion for PRC-005-1, R1**
- (3) Statement of SERC Reliability Corporation Compliance Staff Regarding
Completion of OCC's Mitigation Plan for PRC-005-1, R1**



Mitigation Plan Submittal Form

Date this Mitigation Plan is being submitted: 11/11/2008

If this Mitigation Plan has already been completed:

- Check this box ☒ and
- Provide the Date of Completion of the Mitigation Plan: 11/11/2008

Section A: Compliance Notices

- Section 6.2 of the CMEP¹ sets forth the information that must be included in a Mitigation Plan. The Mitigation Plan must include:
 - (1) The Registered Entity's point of contact for the Mitigation Plan, who shall be a person (i) responsible for filing the Mitigation Plan, (ii) technically knowledgeable regarding the Mitigation Plan, and (iii) authorized and competent to respond to questions regarding the status of the Mitigation Plan. This person may be the Registered Entity's point of contact described in Section 2.0.
 - (2) The Alleged or Confirmed Violation(s) of Reliability Standard(s) the Mitigation Plan will correct.
 - (3) The cause of the Alleged or Confirmed Violation(s).
 - (4) The Registered Entity's action plan to correct the Alleged or Confirmed Violation(s).
 - (5) The Registered Entity's action plan to prevent recurrence of the Alleged or Confirmed violation(s).
 - (6) The anticipated impact of the Mitigation Plan on the bulk power system reliability and an action plan to mitigate any increased risk to the reliability of the bulk power-system while the Mitigation Plan is being implemented.
 - (7) A timetable for completion of the Mitigation Plan including the completion date by which the Mitigation Plan will be fully implemented and the Alleged or Confirmed Violation(s) corrected.
 - (8) Implementation milestones no more than three (3) months apart for Mitigation Plans with expected completion dates more than three (3) months from the date 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.

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



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

Section B: Registered Entity Information

B.1 Identify your organization:

Company Name: Occidental Chemical Corporation (OCC), Taft
Cogeneration Facility
Company Address: 266 Highway 3142, Hahnville, LA 70057
NERC Compliance Registry ID *[if known]*: NCR09019

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

Name: Tim Soles
Title: Energy Consultant
Email: tim_soles@oxy.com
Phone: 713-366-5318; 832-236-4188 (cell)



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

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

C.1 Standard: PRC-005-1
[Identify by Standard Acronym (e.g. FAC-001-1)]

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

NERC Violation ID # [if known]	SERC Violation ID # [if known]	Requirement Violated (e.g. R3.2)	Violation Date ^(*)
SERC200800184	08-100	R1.	06/18/07

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

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

Lack of separate, individual documentation of maintenance and testing intervals and procedure summary for "Associated Communication Systems" for generation protections relays.

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

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

Per the current OCC Taft Cogeneration Facility's practice, the associated communication systems for the relays are included in the relay maintenance and testing maintenance program. Maintenance and testing of the associated



communication systems are, therefore, done in conjunction with and on the same intervals as the relays.

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



Section D: Details of Proposed Mitigation Plan

Mitigation Plan Contents

- D.1 Identify and describe the action plan, including specific tasks and actions that your organization is proposing to undertake, or which it undertook if this Mitigation Plan has been completed, to correct the violations identified above in Part C.2 of this form:

OCC will modify their existing relay maintenance and testing procedure summary to have a separate line item for Associated Communication Systems, including a separate schedule for maintenance and testing intervals and their basis.

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

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

Mitigation Plan Timeline and Milestones

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

Milestone Activity	Proposed Completion Date* (shall not be more than 3 months apart)

(*) Note: Implementation milestones no more than three (3) months apart for Mitigation Plans with expected completion dates more than three (3) months from the date of submission. Additional violations could be determined for not completing work associated with accepted milestones.

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



Additional Relevant Information (Optional)

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

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

Section E: Interim and Future Reliability Risk

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

Abatement of Interim BPS Reliability Risk

- E.1 While your organization is implementing the Mitigation Plan proposed in Part D of this form, the reliability of the Bulk Power System may remain at higher risk or be otherwise negatively impacted until the plan is successfully completed. To the extent they are, or may be, known or anticipated: (i) identify any such risks or impacts; and (ii) discuss any actions that your organization is planning to take or is proposing as part of the Mitigation Plan to mitigate any increased risk to the reliability of the bulk power system while the Mitigation Plan is being implemented:

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

Prevention of Future BPS Reliability Risk

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

Completion of the Mitigation Plan will correct the alleged documentation deficiency in OCC's maintenance and testing program which will obviate any future potential violations.



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

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

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

[Continued on Next Page](#)



Section F: Authorization

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

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

Authorized Individual Signature

(Electronic signatures are acceptable; see CMEP)

Name (Print): Joe D. Matranga
Title: Vice President, Power
Date: 11/11/2008

A handwritten signature in black ink, appearing to read 'Joe D. Matranga', is written over a horizontal line.



Section G: Comments and Additional Information

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

OCC disagrees that the alleged violation of PRC-005 as described herein is a violation of the Standard, primarily because the Standard itself does not require separate maintenance and testing documentation for communication systems associated with relays apart from the maintenance and testing documentation for the relays themselves. In addition, guidance documents provided by NERC indicate that these types of integrated systems can be tested and maintained together. This is especially true since the systems are continuously monitored by the generation control system.

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

Submittal Instructions:

Please convert the completed and signed document to an Adobe .pdf document using the following naming convention:

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

Email the pdf file to serccomply@serc1.org.

Please direct any questions regarding completion of this form to:

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



Certification of a Completed Mitigation Plan

SERC Reliability Corporation Violation Mitigation Plan Closure Form

Name of Registered Entity submitting certification: **Occidental Chemical Corporation, Taft Cogeneration Facility**

Date of Certification: **11/11/2008**

Name of Standard and the Requirement(s) of mitigated violation(s): **PRC-005-1, R1**

SERC Tracking Number (contact SERC if not known): **08-100**

NERC Violation ID Number (if assigned): **SERC200800184**

Date of completion of the Mitigation Plan: 11/11/2008

Summary of all actions described in Part D of the relevant mitigation plan: OCC will modify their existing relay maintenance and testing procedure summary to have a separate line item for Associated Communication Systems, including a separate schedule for maintenance and testing intervals.

Description of the information provided to SERC for their evaluation: Taft chemical plant procedure MNT-100 "Taft Electrical PM Guideline." This procedure is a modification of the existing procedure that includes a separate reference for the maintenance and testing intervals for "associated communication equipment" for protective relays. See page 20 of 27 of MNT-100 for the relevant section on protective relays. Also, page 3 of 27 details the basis for all electrical maintenance and testing intervals.

I certify that the mitigation plan for the above-named violation has been completed on the date shown above. In doing so, I certify that all required mitigation plan actions described in Part D of the relevant mitigation plan have been completed, compliance has been restored, the above-named entity is currently compliant with all of the requirements of the referenced standard, and that all information submitted information is complete and correct to the best of my knowledge.

Name: **Joe Matranga**
Title: **Vice President, Power**
Entity: **Occidental Energy Ventures Corp**
Email: **joe_d_matranga@oxy.com**
Phone: **713-215-7962**

Designated Signature  Date **11/11/08**

[NOTE – Closure Form should be signed by same individual that signed Mitigation Plan]
(Form Revised August 13, 2008)



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

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

Registered Entity: Occidental Chemical Corporation ("OCC")
SERC Tracking ID: 08-100
NERC Violation No: SERC200800184
NERC Mitigation Plan ID: MIT-08-1252
Standard: PRC-005-1
Requirement: R1

Violation Summary:

Entity is in violation of PRC-005-1 R1 for not having "associated communications" components documented as part of the generation Protection System since this component is critical to the facility protection scheme.

Mitigation Plan Summary:

OCC's Mitigation Plan to address the referenced violation was submitted on November 11, 2008 and was accepted by SERC on December 18, 2008 and approved by NERC on January 12, 2009. The Mitigation Plan is identified as MIT-08-1252 and was submitted as non-public information to FERC on January 12, 2009 in accordance with FERC orders.

Entity modified their existing relay maintenance and testing procedures to identify the missing associated communication systems and to include schedules for maintenance and testing intervals and their basis. The Mitigation Plan was submitted as being complete as of November 11, 2008.

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

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

In this case, OCC submitted the Mitigation Plan as complete and no additional monitoring of progress was necessary.

Mitigation Plan Completion Review Process:

OCC certified on November 11, 2008 that the subject Mitigation Plan was completed on November 11, 2008. A SERC compliance staff member reviewed the evidence submitted in a manner similar to a compliance audit. That action was followed by another compliance staff member's peer review of the initial conclusion.

Evidence Reviewed:

OCC submitted and SERC Staff reviewed the following evidence in support of its certification that its Mitigation Plan was completed in accordance with its terms: Taft chemical plant procedure MNT-100 "Taft Electrical PM Guideline." This a new procedure merged with existing procedures that includes a separate reference for the maintenance and testing intervals for "associated communication equipment" for protective relays. See page 20 of 27 of MNT-100 for the relevant section on protective relays. Also, page 3 of 27 details the basis for electrical maintenance and testing intervals and is now applicable to associated communication systems components.

Conclusion:

On December 31, 2008, SERC Reliability Corporation Compliance Staff ("SERC Staff") completed its review of the evidence submitted by OCC in support of its Certification of Completion of the subject Mitigation Plan. Based on its review of the evidence submitted, SERC Staff verifies that, in its professional judgment, all required actions in the Mitigation Plan have been completed and OCC is in compliance with the subject Reliability Standard Requirements.

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

Respectfully Submitted,

Mickey Bellard
Sam Stryker

Attachment c

Notice of Filing

UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Occidental Chemical Corporation

Docket No. NP10-____-000

NOTICE OF FILING
March 31, 2010

Take notice that on March 31, 2010, the North American Electric Reliability Corporation (NERC) filed a Notice of Penalty regarding Occidental Chemical Corporation in the SERC Reliability Corporation region.

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

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

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

Comment Date: [BLANK]

Kimberly D. Bose,
Secretary