



NORTH AMERICAN ELECTRIC  
RELIABILITY CORPORATION

July 30, 2010

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

**Re: NERC Notice of Penalty regarding EPCOR USA North Carolina LLC (Southport)  
FERC Docket No. NP10-\_-000**

Dear Ms. Bose:

The North American Electric Reliability Corporation (NERC) hereby provides this Notice of Penalty<sup>1</sup> regarding EPCOR USA North Carolina LLC (ENC – Southport), NERC Registry ID# NCR09021,<sup>2</sup> 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)).<sup>3</sup>

During an on-site Compliance Audit<sup>4</sup> conducted from October 6, 2008 through October 8, 2008, (Audit), SERC Reliability Corporation (SERC) identified violations<sup>5</sup> of the following Reliability Standards: (1) PRC-005-1, Requirement (R) 1 and R2 for ENC – Southport’s failure to have sufficient evidence of a Protection System maintenance and testing program and lack of documentation of the implementation of that program; (2) CIP-001-1 R1 through R4 for ENC –

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<sup>1</sup> *Rules Concerning Certification of the Electric Reliability Organization; and Procedures for the Establishment, Approval, and Enforcement of Electric Reliability Standards* (Order No. 672), III FERC Stats. & Regs. ¶ 31,204 (2006); *Notice of New Docket Prefix “NP” for Notices of Penalty Filed by the North American Electric Reliability Corporation*, Docket No. RM05-30-000 (February 7, 2008). See also 18 C.F.R. Part 39 (2010). *Mandatory Reliability Standards for the Bulk-Power System*, FERC Stats. & Regs. ¶ 31,242 (2007) (Order No. 693), *reh’g denied*, 120 FERC ¶ 61,053 (2007) (Order No. 693-A). See 18 C.F.R. § 39.7(c)(2).

<sup>2</sup> SERC Reliability Corporation confirmed that EPCOR USA North Carolina LLC, under the name of Primary Energy of North Carolina (Southport) LLC, was included on the NERC Compliance Registry as a Generation Owner and a Generator Operator on June 28, 2007. As a Generator Owner, EPCOR USA North Carolina LLC is subject to the requirements of Reliability Standard FAC-008-1 and PRC-005-1, and as a Generator Operator, EPCOR USA North Carolina LLC is subject to the requirements of Reliability Standard CIP-001-1. On May 19, 2010, EPCOR USA North Carolina LLC (ENC – Southport) changed its name to CPI USA North Carolina LLC (Southport).

<sup>3</sup> See 18 C.F.R. § 39.7(c)(2).

<sup>4</sup> The Southport facility was audited together with the Roxboro facility which is also owned and operated by EPCOR USA North Carolina LLC. Also concurrently being filed is a Notice of Penalty designated as NOC-379 regarding a separate Settlement Agreement between SERC and EPCOR USA North Carolina LLC’s Roxboro facility for the same violations.

<sup>5</sup> 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.

Southport's failure to (a) demonstrate that it had written procedural content that described how to recognize a sabotage event and when its operating personnel should be made aware of an event, (b) demonstrate that it had procedures for the communication of information to appropriate parties in the interconnection, (c) provide its operating personnel with sabotage response guidelines, and (d) establish communications with the FBI; and (3) FAC-008-1 R1 for ENC – Southport's failure to have evidence of a documented Facility Ratings Methodology. This Notice of Penalty is being filed with the Commission because SERC and ENC – Southport 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 violations of Reliability Standards PRC-005-1 R1 and 2, CIP-001-1 R1 through R4 and FAC-008-1 R1. According to the Settlement Agreement, ENC – Southport neither admits nor denies the violations, but has agreed to the proposed penalty of thirty thousand dollars (\$30,000) to be assessed to ENC – Southport, in addition to other remedies and actions to mitigate the instant violations and facilitate future compliance under the terms and conditions of the Settlement Agreement. Accordingly, the violations identified as NERC Violation Tracking Identification Numbers SERC200800224, SERC200800225, SERC200800216, SERC200800217, SERC200800218, SERC200800219 and SERC200800214 are being filed in accordance with the NERC Rules of Procedure and the CMEP.

### Statement of Findings Underlying the Violations

This Notice of Penalty incorporates the findings and justifications set forth in the Settlement Agreement executed on September 17, 2009, by and between SERC and ENC – Southport, 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 (2010), NERC provides the following summary table identifying each violation of a Reliability Standard resolved by the Settlement Agreement, as discussed in greater detail below.

Region	Registered Entity	NOC ID	NERC Violation ID	Reliability Std.	Req. (R)	VRF	Total Penalty (\$)
SERC	EPCOR USA North Carolina LLC	380	SERC200800224	PRC-005-1	1	High <sup>6</sup>	30,000

<sup>6</sup> When NERC filed Violation Risk Factors (VRFs) for PRC-005-1, NERC originally assigned a "Medium" VRF to PRC-005-1 R1. The Commission approved the VRF as filed but directed modifications. NERC filed the modified "High" VRF for PRC-005-1 R1 and 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.

Region	Registered Entity	NOC ID	NERC Violation ID	Reliability Std.	Req. (R)	VRF	Total Penalty (\$)
			SERC200800225	PRC-005-1	2	High <sup>7</sup>	
			SERC200800216	CIP-001-1	1	Medium	
			SERC200800217	CIP-001-1	2	Medium	
			SERC200800218	CIP-001-1	3	Medium	
			SERC200800219	CIP-001-1	4	Medium	
			SERC200800214	FAC-008-1	1	Medium <sup>8</sup>	

### PRC-005-1 R1 and R2

The purpose of Reliability Standard PRC-005-1 is to ensure all transmission and generation Protection Systems<sup>9</sup> affecting the reliability of the bulk power system (BPS) are maintained and tested.

PRC-005-1 R1 – Each Transmission Owner and any Distribution Provider that owns a transmission Protection System and each Generator Owner that owns a generation Protection System shall 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) a summary of maintenance and testing procedures. PRC-005-1 R1, R1.1 and R1.2 each have a “High” Violation Risk Factor (VRF).

PRC-005-1 R2 – Each Transmission Owner and any Distribution Provider that owns a transmission Protection System and each Generator Owner that owns a generation Protection System shall provide documentation of its Protection System maintenance and testing program and the implementation of that program to its Regional Entity on request (within 30 calendar days). The documentation of the program implementation shall include: (R2.1) evidence Protection System devices were maintained and tested within the defined intervals and (R2.2) date each Protection System device was last tested/maintained. PRC-005-1 R2 has a “Lower” VRF; R2.1 and R2.2 each have a “High” VRF.

<sup>7</sup> During a final review of the standards subsequent to the March 23, 2007 filing of the Version 1 VRFs, NERC identified that some standards requirements were missing VRFs. One of these was PRC-005-1 R2.1. On May 4, 2007, NERC assigned PRC-005-1 R2.1 a “High” VRF. In the Commission’s June 26, 2007 Order on Violation Risk Factors, the Commission approved the PRC-005-1 R2.1 “High” VRF as filed. Therefore, the “High” VRF was in effect from June 26, 2007. PRC-005-1 R2 has a “Lower” VRF and its sub-requirements have “High” VRFs.

According to the Settlement Agreement, SERC determined that the VRF for the instant violation was “High.”

<sup>8</sup> FAC-008-1 R1, R1.3 and R1.3.5 each have a “Lower” VRF; R1.1, R1.2, R1.2.1, R1.2.2, R1.3.1-4 each have a “Medium” VRF. According to the Settlement Agreement, SERC determined that the VRF for the instant violation was “Medium.”

<sup>9</sup> Protection Systems is defined as “protective relays, associated communication systems, voltage and current sensing devices, station batteries and DC control circuitry” in the *NERC Glossary of Terms Used in Reliability Standards*.

During the Audit, ENC – Southport was unable to provide evidence of compliance with NERC Reliability Standard PRC-005-1 R1 and R2. According to the Settlement Agreement, the ENC – Southport General Manager believed that ENC – Southport, as a Generator Owner, was not required to maintain its generation Protection System equipment since another entity, as a Transmission Owner, maintained and tested the transmission protective devices on the transmission high side bus in the ENC – Southport switch yard. During discussions with SERC Compliance Enforcement Staff, ENC – Southport became aware of the requirement that a Generator Owner have a generation Protection System maintenance and testing program and that its interconnected Transmission Owner did not perform any maintenance on the generation low side of the transformer, since this equipment was outside of the scope of the Transmission Owner's system. Once aware, ENC – Southport began the process of defining the scope of its generation Protection System by writing a preventative maintenance procedure for all categories of its generation protective devices and subsequently performing the required maintenance and testing. The list of equipment that ENC – Southport was to test included the following: generator protective relays, voltage and current sensing devices, DC control circuitry and station batteries.

Directly after the Audit, ENC – Southport acted to mitigate the violations of Reliability Standard PRC-005-1 R1 and R2. ENC – Southport created the initial version of its maintenance and testing procedure to complete the necessary maintenance and testing of the generation Protection System equipment during a scheduled outage that had been planned for the week of October 27, 2008 for Unit 2 and the week of March 9, 2009 for Unit 1.

SERC Compliance Enforcement Staff concluded that the facts and evidence from the Audit supported a finding that ENC – Southport had a violation of Reliability Standard PRC-005-1 R1 and R2, because the evidence reviewed showed that at the time of the Audit, ENC – Southport did not have a documented Protection System maintenance and testing program and therefore had no documentation of the implementation of that program.

SERC Compliance Enforcement Staff concluded that there was no serious or substantial risk to the reliability of the BPS due to the small size of the unit. The Southport facility consists of two generating units, each with a nominal capacity of 56 MW, which are connected to the transmission grid at 230 kV. Therefore, SERC concluded that a misoperation of ENC – Southport's Protection System would have a limited impact on the BPS.<sup>10</sup>

SERC Compliance Enforcement Staff determined that the duration of the violation of PRC-005-1 R1 was from June 28, 2007, the date ENC – Southport was included on the NERC Compliance Registry, until November 10, 2008, when ENC – Southport created a compliant maintenance and testing procedure. SERC Compliance Enforcement Staff determined that the duration of the alleged violation of PRC-005-1 R2 was from June 28, 2007, the date ENC – Southport was included on the NERC Compliance Registry, until March 7, 2009, when ENC-Southport completed its Mitigation Plan.

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<sup>10</sup> SERC's winter peak load for 2009/2010 is 162,886 MW. A 56 MW unit represents only .03% of the generation needs to supply this peak load.

CIP-001-1 R1 through R4

The purpose of Reliability Standard CIP-001-1 is to ensure that all disturbances or unusual occurrences, suspected or determined to be caused by sabotage, shall be reported to the appropriate systems, governmental agencies, and regulatory bodies.

CIP-001-1 R1 – Each Reliability Coordinator, Balancing Authority, Transmission Operator, Generator Operator and Load Serving Entity shall have procedures for the recognition of and for making their operating personnel aware of sabotage events on its facilities and multi-site sabotage affecting larger portions of the Interconnection. CIP-001-1 R1 has a “Medium” VRF.

CIP-001-1 R2 – Each Reliability Coordinator, Balancing Authority, Transmission Operator, Generator Operator and Load Serving Entity shall have procedures for the communication of information concerning sabotage events to appropriate parties in the Interconnection. CIP-001-1 R2 has a “Medium” VRF.

CIP-001-1 R3 – Each Reliability Coordinator, Balancing Authority, Transmission Operator, Generator Operator and Load Serving Entity shall provide its operating personnel with sabotage response guidelines, including personnel to contact, for reporting disturbances due to sabotage events. CIP-001-1 R3 has a “Medium” VRF.

CIP-001-1 R4 – Each Reliability Coordinator, Balancing Authority, Transmission Operator, Generator Operator and Load Serving Entity shall establish communications contacts, as applicable, with local Federal Bureau of Investigation (FBI) or Royal Canadian Mounted Police (RCMP) officials and develop reporting procedures as appropriate to its circumstances. CIP-001-1 R4 has a “Medium” VRF.

During the Audit, ENC – Southport provided its procedure *EPCOR USA of North Carolina LLC Southport and Roxboro Generating Plants Sabotage Reporting Standard CIP-001-1* and associated documents, *Appendix A-Threat Response Forms: Cyber and Computer Intrusion Threat/Incident Report (Form 001)* and *Non-Cyber Threat/Incident Report (Form 002)*, to demonstrate its compliance with NERC Reliability Standard CIP-001-1. ENC – Southport’s procedure and its attachments were undated and ENC – Southport’s General Manager stated that they had been created within the last month and placed in a binder on the operator’s console on September 22, 2008. ENC – Southport provided training logs to show that its operators had been trained on the procedure between September 23, 2008 and October 8, 2008. ENC – Southport also presented other documents to demonstrate compliance prior to the time that the sabotage reporting procedure was put in place, but the audit team found the additional documentation did not show compliance with the standard.

The Audit team determined that ENC – Southport’s current sabotage procedure and supporting documents contained the appropriate elements to demonstrate compliance with CIP-001-1 R1 through R4, but noted violations due to the gap in coverage prior to the implementation of ENC – Southport’s current sabotage procedure since ENC – Southport could not conclusively establish an earlier date upon which the procedure had been created, approved and disseminated.



SERC Compliance Enforcement Staff concluded that the facts and evidence from the Audit supported a finding that ENC – Southport had violations of CIP-001-1 R1 through R4 because the evidence reviewed showed that ENC – Southport had a gap where it did not (a) demonstrate that it had written procedural content that described how to recognize a sabotage event and when its operating personnel should be made aware of an event, (b) demonstrate that it had procedures for the communication of information to appropriate parties in the interconnection, (c) provide its operating personnel with sabotage response guidelines, and (d) provide evidence of established communications with the FBI.

SERC Compliance Enforcement Staff concluded that there was no serious or substantial risk to the reliability of the BPS because, if there had been a sabotage event on ENC – Southport's facilities, the impact would have been minimal due to the size of the facility, and the Southport facility consists of two generating units, each with a capacity of 56 MW, which are connected to the transmission grid at 230 kV.

SERC Compliance Enforcement Staff determined that the duration of the violations of CIP-001 R1, R2 and R4 was from June 28, 2007, the date ENC – Southport was included on the NERC Compliance Registry, until September 22, 2008, when a compliant sabotage reporting procedure was created. SERC Compliance Enforcement Staff determined that the duration of the violation of CIP-001 R3 was from June 28, 2007, the date ENC – Southport was included on the NERC Compliance Registry, until October 8, 2008, when ENC – Southport completed the training to provide its operating personnel with the sabotage response guidelines in its procedure.

#### FAC-008-1 R1

The purpose of Reliability Standard FAC-008-1 is to ensure that Facility Ratings used in the reliable planning and operation of the BPS are determined based on an established methodology or methodologies.

FAC-008-1 R1– The Transmission Owner and Generator Owner shall each document its current methodology used for developing Facility Ratings (Facility Ratings Methodology) of its solely and jointly owned Facilities. The methodology shall include all of the following: (R1.1) a statement that a Facility Rating shall equal the most limiting applicable Equipment Rating of the individual equipment that comprises that Facility, (R1.2) the method by which the Rating (of major BPS equipment that comprises a Facility) is determined, including (R1.2.1) the scope of equipment addressed shall include, but not be limited to, generators, transmission conductors, transformers, relay protective devices, terminal equipment, and series and shunt compensation devices and (R1.2.2) the scope of Ratings addressed shall include, as a minimum, both Normal and Emergency Ratings, and R1.3. consideration of the following:

R1.3.1. Ratings provided by equipment manufacturers.

R1.3.2. Design criteria (e.g., including applicable references to industry Rating practices such as manufacturer's warranty, IEEE, ANSI or other standards).

R1.3.3. Ambient conditions.

R1.3.4. Operating limitations.

R1.3.5. Other assumptions.

FAC-008-1 R1, R1.3 and R1.3.5 each have a “Lower” VRF; R1.1, R1.2, R1.2.1, R1.2.2, R1.3.1-4 each have a “Medium” VRF.

During the Audit, ENC – Southport provided documentation showing that it performed daily capacity tests to demonstrate compliance with FAC-008-1 R1. Based on the documentation reviewed, the SERC Audit team found that ENC – Southport, as a Generator Owner, was unable to present sufficient evidence of a written Facility Ratings Methodology for its generation facilities. The Audit team found that the evidence that ENC – Southport produced was deficient in that it did not address the required items identified in FAC-008-1 R1.1 through R1.3.5.

SERC Compliance Enforcement Staff concluded that the facts and evidence from the Audit supported a finding that ENC – Southport had a violation of FAC-008-1 R1 because at the time of the Audit, ENC – Southport did not have evidence of a documented Facility Ratings Methodology containing the required items set forth in Requirement 1.

SERC Compliance Enforcement Staff further concluded that there was no serious or substantial risk to the reliability of the BPS because ENC – Southport was performing daily capacity tests that showed that the system could handle its load and because the Southport facility consists of two generating units, each with a capacity of 56 MW, which are connected to the transmission grid at 230 kV.

SERC Compliance Enforcement Staff determined that the duration of the violation was from June 28, 2007, the date ENC – Southport was included on the NERC Compliance Registry, until January 16, 2009, when ENC – Southport completed its Mitigation Plan.

#### Regional Entity’s Basis for Penalty

According to the Settlement Agreement, SERC has assessed a penalty of thirty thousand dollars (\$30,000) for the referenced violations. In reaching this determination, SERC considered the following mitigating factors:

1. ENC – Southport has no prior violation of these Standards or any closely-related Standard during the mandatory reliability period;
2. ENC – Southport cooperated in a timely and satisfactory manner with SERC Compliance Enforcement Staff during the investigation. ENC – Southport initiated its own internal investigation and voluntarily provided supporting information to SERC Compliance Enforcement Staff to assist in SERC Compliance Enforcement Staff’s review of the facts and circumstances. This included the submission of detailed Mitigation Plans, evidence resulting from ongoing internal assessments of ENC – Southport’s parent company, EPCOR Power LP’s (EPLP’s) assets across the country, and copies of procedures for review. ENC – Southport’s comprehensive response to SERC Compliance Enforcement Staff’s questions enabled SERC Compliance Enforcement Staff to conduct its investigation in an efficient manner;
3. ENC – Southport agreed to resolve this issue via settlement and promptly initiated various mitigation and preventative measures before receiving a Notice of Alleged Violation and Proposed Penalty or Sanction from SERC;

4. SERC determined that the violations did not pose a serious or substantial risk to the BPS, as discussed above; and
5. SERC staff determined that while the actual completion date of the Mitigation Plan occurred after the due date, due to the need for ENC – Roxboro to add some clarifying language to its Facility Ratings Methodology, SERC Staff concluded that ENC – Roxboro had substantially completed its Mitigation Plan on time. There was no resulting impact on the penalty amount in the Settlement Agreement and footnote 12 in the Settlement Agreement notes that SERC Staff deemed ENC – Roxboro to have substantially completed its Mitigation Plan on time

After consideration of the above factors, SERC determined that, in this instance, the penalty amount of thirty thousand dollars (\$30,000) is appropriate and bears a reasonable relation to the seriousness and duration of the violations.

### **Status of Mitigation Plans<sup>11</sup>**

#### **PRC-005-1 R1 and R2**

ENC – Southport's Mitigation Plan<sup>12</sup> to address its violations of PRC-005-1 R1 and R2 was submitted to SERC on November 5, 2008, with a proposed completion date of March 13, 2009. The Mitigation Plan was accepted by SERC on December 18, 2008 and approved by NERC on January 19, 2009. The Mitigation Plan for these violations is designated as MIT-07-1261 and was submitted as non-public information to FERC on January 19, 2009 in accordance with FERC orders.

ENC – Southport's Mitigation Plan with regard to PRC-005-1 R1 required ENC – Southport to:

1. document an approved generation systems maintenance and testing program for Protection Systems that affect the reliability of the BPS, which includes maintenance and testing intervals, which will be based on the manufacturer's recommendation, and their basis and a summary of maintenance and testing procedures; and
2. develop the generation systems maintenance and testing program to include all elements of the Protection System per NERC Reliability Standard PRC-005-1 R1.

ENC – Southport's Mitigation Plan with regard to PRC-005-1 R2 required ENC – Southport to:

3. include, in its generation Protection Systems maintenance and testing program, testing and maintaining the Generation Protection Systems components as defined in PRC-005-1 R2;
4. identify and test instrument transformers, and record test results and reports, in accordance with the newly implemented program during a scheduled outage of the generator. ;

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<sup>11</sup> See 18 C.F.R § 39.7(d)(7).

<sup>12</sup> ENC – Southport's Mitigation Plan for the PRC-005-1 violations incorrectly states that the violation date is June 18, 2007.



5. perform maintenance and testing of protective relays, current transformers, potential transformers, and DC circuitry in accordance with its defined intervals; and
6. retain the services of a consultant to help manage its program for compliance with the NERC Reliability Standards.<sup>13</sup>

On March 13, 2009, ENC – Southport certified that the above Mitigation Plan requirements were completed on March 7, 2009. As evidence of completion of its Mitigation Plan, ENC – Southport submitted ENC – Southport’s maintenance and testing procedure titled *EPCOR USA North Carolina LLC Southport and Roxboro Generating Plants Protection System Devices Maintenance and Testing Procedure*, dated November 10, 2008. SERC also reviewed battery and relay test work orders from ENC – Southport which demonstrated compliance with PRC-005-1 R2. ENC – Southport has no associated communications equipment.

On March 30, 2009, after reviewing ENC – Southport’s submitted evidence, SERC verified that ENC – Southport’s Mitigation Plan was complete and that ENC – Southport was in compliance with PRC-005-1 R1 and R2.

#### CIP-001-1 R1 through R4

ENC – Southport’s completed Mitigation Plan<sup>14</sup> to address its violations of CIP-001-1 R1 through R4 was submitted to SERC on November 5, 2008 with a completion date of September 22, 2008.<sup>15</sup> The Mitigation Plan was accepted by SERC on December 18, 2008 and approved by NERC on January 19, 2009. The Mitigation Plan for these violations is designated as MIT-07-1259 and was submitted as non-public information to FERC on January 19, 2009 in accordance with FERC orders.

Pursuant to ENC – Southport’s Sabotage Reporting procedure documented in Mitigation Plan MIT-07-1259, ENC – Southport had:

1. written, approved and distributed procedures for the recognition of and for making their operating personnel aware of sabotage events on its facilities and multi-site sabotage affecting larger portions of the Interconnection;
2. written, approved and distributed procedures for the communication of information concerning sabotage events to appropriate parties in the Interconnection;

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<sup>13</sup> The Settlement Agreement action listed at paragraph 48(b)(iv) was not included in the Mitigation Plan and the obligation to “retain the services of a consultant to help manage its program for compliance with the NERC Reliability Standards” arose during the course of settlement negotiations. The Mitigation Plan (section D.1) references the use of a third party vendor to assist in the development of a Protection System maintenance and testing program meeting the requirements of PRC-005-1.

<sup>14</sup> ENC – Southport’s Mitigation Plan for the CIP-001-1 violations incorrectly states that the violation date is June 18, 2007.

<sup>15</sup> SERC Compliance Enforcement Staff requested ENC – Southport to submit a Mitigation Plan, even though the entity was in compliance at the time the violation was found in order to document the corrective actions taken by the entity.

3. written, approved and distributed guidelines to its operating personnel for proper sabotage response, including personnel to contact, for reporting disturbances due to sabotage events; and
4. established communications contacts with local FBI officials and developed reporting procedures as appropriate to their circumstances.

On November 11, 2008, ENC – Southport certified that the above Mitigation Plan requirements were completed as of September 22, 2008. As evidence of completion of its Mitigation Plan, ENC – Southport submitted its sabotage procedure *EPCOR USA North Carolina LLC Southport and Roxboro Generating Plants Sabotage Reporting Procedure Standard CIP-001-1*.

On January 31, 2009, after reviewing ENC – Southport’s submitted evidence, SERC verified that ENC – Southport’s Mitigation Plan was complete and that ENC – Southport was in compliance with CIP-001-1 R1 through R4.

In addition to the actions documented in its Mitigation Plan, ENC – Southport has taken or will take the following actions to prevent a recurrence of a violation of CIP-004-1:<sup>16</sup>

1. introduced, oriented, and trained operating personnel on ENC – Southport’s CIP-001-1 procedures and guidelines;
2. will review and modify its policy annually as appropriate and will conduct annual training with all operating personnel required to attend; and
3. retained the services of a consultant to help manage its compliance program.

#### FAC-008-1 R1

ENC – Southport’s Mitigation Plan<sup>17</sup> to address its violation of FAC-008-1 R1 was submitted to SERC on December 4, 2008, with a proposed completion date of December 10, 2008. The Mitigation Plan was accepted by SERC on December 18, 2008 and approved by NERC on January 19, 2009. The Mitigation Plan for this violation is designated as MIT-07-1257 and was submitted as non-public information to FERC on January 19, 2009 in accordance with FERC orders.

ENC – Southport’s Mitigation Plan required ENC – Southport to:

1. develop an approved Facility Ratings Methodology that addresses FAC-008-1 R1 and its sub-requirements. This procedure addresses the methodology utilized by ENC – Southport to rate its generation facilities in accordance with FAC-008-1;

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<sup>16</sup> The Settlement Agreement actions listed in paragraph 44(b-d) were not included in the Mitigation Plan and arose during the course of settlement discussions. Further, the Mitigation Plan (section D.1) documents ENC – Southport’s development of a Sabotage Reporting procedure. In Section E.2, ENC – Southport states that it “will review the CIP-001-1 documentation annually to determine if any changes need to be made to the document.” In Section E.3, ENC – Southport states that “a third party has been retained to review and enhance the Primary Energy North Carolina (Southport) LLC, Sabotage Reporting procedure.”

<sup>17</sup> ENC – Southport’s Mitigation Plan for the FAC-008-1 violation incorrectly states that the violation date is June 18, 2007.

2. review its Facility Ratings Methodology procedure annually and revise it as necessary;
3. maintain documentation of all equipment with ratings. ENC – Southport does not use emergency ratings; and
4. retain the services of a consultant to help manage ENC – Southport’s compliance with the NERC Reliability Standards.<sup>18</sup>

On December 30, 2008, ENC – Southport certified that the above Mitigation Plan requirements were completed on December 8, 2008. As evidence of completion of its Mitigation Plan, ENC – Southport submitted its *Facility Rating Methodology for EPCOR USA North Carolina, Southport and Roxboro*, dated December 2, 2008.

After review of ENC – Southport’s evidence of Mitigation Plan completion, SERC Compliance Staff concluded that, ENC – Southport had substantially completed its Mitigation Plan on time but requested that ENC - Southport revise its Facility Rating Methodology to include the following statement, “EPCOR USA North Carolina does not establish emergency ratings for any of the equipment discussed in this policy, therefore Emergency Ratings are not provided” for added clarity.

On January 21, 2009, after reviewing ENC – Southport’s revised Facility Rating Methodology (*Facility Rating Methodology for EPCOR USA North Carolina, Southport and Roxboro-Rev 1*, dated January 16, 2009), SERC verified that ENC – Southport’s Mitigation Plan was completed as of January 16, 2009 and the instant violation of FAC-008-1 R1 was addressed.

### **Statement Describing the Proposed Penalty, Sanction or Enforcement Action Imposed<sup>19</sup>**

#### **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 and October 26, 2009 Guidance Orders,<sup>20</sup> 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 thirty thousand dollars (\$30,000) against ENC – Southport and other actions to facilitate future compliance required under the terms and conditions of the Settlement Agreement. In approving the Settlement Agreement, the NERC BOTCC reviewed the applicable requirements of the Commission-approved Reliability Standards and the underlying facts and circumstances of the violations at issue.

<sup>18</sup> The Settlement Agreement action listed at paragraph 46(a)(iv) was not included in the Mitigation Plan and the obligation to “retain the services of a consultant to help manage its program for compliance with the NERC Reliability Standards” arose during the course of settlement negotiations. The Mitigation Plan (section D.1) references the use of a third party vendor to assist in the development of a Facility Rating Methodology meeting the requirements of FAC-008-1.

<sup>19</sup> See 18 C.F.R § 39.7(d)(4)

<sup>20</sup> *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).

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

1. ENC – Southport has no prior violation of this Standard or any closely-related standard during the mandatory reliability period;
2. SERC reported that ENC – Southport cooperated in a timely and satisfactory manner with SERC Compliance Enforcement Staff during the investigation;
3. ENC – Southport agreed to resolve this issue via settlement and promptly initiated various mitigation and preventative measures before receiving a Notice of Alleged Violation and Proposed Penalty or Sanction from SERC;
4. While the actual completion date of the Mitigation Plan occurred after the due date, SERC concluded that ENC - Southport had substantially completed its Mitigation Plan on time and no additional action was required; and
5. The violations did not create a serious or substantial risk to the BPS, as discussed above.

For the foregoing reasons, the NERC BOTCC approves the Settlement Agreement and believes that the proposed penalty of thirty thousand dollars (\$30,000) is appropriate for the violations and circumstances at issue, 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 Worksheets for the violations of PRC-005-1 R1 and R2, CIP-001-1 R1 through R4, and FAC-008-1 R1, dated October 10, 2008, included as Attachment a;
- b) Settlement Agreement by and between ENC – Southport and SERC executed September 17, 2009, included as Attachment b;
  - i) ENC – Southport's Mitigation Plan designated as MIT-07-1259 for CIP-001-1 R1 through R4 submitted November 5, 2008, included in the Settlement Agreement as Appendix A-1;
  - ii) ENC – Southport's Certification of Completion of the Mitigation Plan for CIP-001-1 R1 through R4 submitted November 11, 2008, included in the Settlement Agreement as Appendix A-2;
  - iii) SERC's Verification of Completion of the Mitigation Plan for CIP-001-1 R1 through R4 dated January 31, 2009, included in the Settlement Agreement as Appendix A-3;
  - iv) ENC – Southport's Mitigation Plan designated as MIT-07-1257 for FAC-008-1 R1 submitted December 4, 2008, included in the Settlement Agreement as Appendix A-4;
  - v) ENC – Southport's Certification of Completion of the Mitigation Plan for FAC-008-1 R1 submitted December 30, 2008, included in the Settlement Agreement as Appendix A-5;
  - vi) SERC's Verification of Completion of the Mitigation Plan for FAC-008-1 R1 dated January 21, 2009, included in the Settlement Agreement as Appendix A-6;
  - vii) ENC – Southport's Mitigation Plan designated as MIT-07-1261 for PRC-005-1 R1 and R2 submitted November 5, 2008, included in the Settlement Agreement as Appendix A-7;
  - viii) ENC – Southport's Certification of Completion of the Mitigation Plan for PRC-005-1 R1 and R2 submitted March 13, 2009, included in the Settlement Agreement as Appendix A-8; and
  - ix) SERC's Verification of Completion of the Mitigation Plan for PRC-005-1 R1 and R2 dated March 30, 2009, included in the Settlement Agreement as Appendix A-9.

**A Form of Notice Suitable for Publication<sup>21</sup>**

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

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<sup>21</sup> 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 ENC-Roxboro:</p> <p>Christopher L. Kopecky* Associate General Counsel Capital Power Operations (USA) Inc. 2000 York Road, Suite 129 Oak Brook, Illinois 60523 (630) 413-5476 ckopecky@capitalpowerusa.com</p> <p>David Hermanson* Vice President – Operations Capital Power Operations (USA) Inc. 2000 York Road, Suite 129 Oak Brook, Illinois 60523 (630) 413-5410 dhermanson@capitalpower.com</p> <p>*Persons to be included on the Commission’s service list are indicated with an asterisk. NERC requests waiver of the Commission’s rules and regulations to permit the inclusion of more than two people on the service list.</p>	<p>Rebecca J. Michael* Assistant General Counsel Holly A. Hawkins* Attorney North American Electric Reliability Corporation 1120 G Street, N.W. Suite 990 Washington, D.C. 20005-3801 (202) 393-3998 (202) 393-3955 – facsimile rebecca.michael@nerc.net holly.hawkins@nerc.net</p> <p>For SERC:</p> <p>R. Scott Henry President and Chief Executive Officer SERC Reliability Corporation 2815 Coliseum Centre Drive Charlotte, NC 28217 (704) 940-8202 (704) 357-7914 – facsimile shenry@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>
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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

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

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

cc: EPCOR USA North Carolina LLC (Southport)  
SERC Reliability Corporation

Attachments

## **Attachment a**

**SERC's Auditor Screening Worksheet for the  
alleged violationu of PRC-005-1 R1 and R2, CIP-  
001-1 R1 through R4, and FAC-008-1 R1, dated  
Qewqdg t'32.'422:**

## Screening Worksheet

Tracking Number

Entity Name
Primary Energy of North Carolina - Southport

Is Entity Registered?
Yes

Entity Contact
Bob Gibbs

Entity Telephone Number
910.457.5056

Standard	Requirement
PRC-005-1	R1-2

Is Issue Still Occurring?
Yes

Remedial Action Directive?
No

Date Issue Occurred
06/28/07

Date Issue/Event Reported
10/10/08

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											

Brief Description
Entity has no documented protection system maintenance & testing program

Detailed Description
<p>PENC Southport was found by the audit team in Possible Violation of Requirement 1. The evidence presented was deficient in the following items: They do not have a documented Protection System maintenance and testing program for Protection Systems that affect the reliability of the BES. The Maintenance and testing intervals and their basis, as well as a summary of maintenance and testing procedures, was not provided.</p> <p>PENC Southport was also found by the audit team in Possible Violation of Requirement 2. The evidence presented was deficient in the following items: evidence that Protection System devices were maintained and tested within the defined intervals, and the dates when each Protection System device was last tested/maintained, could not be provided.</p>

Prepared By	Date
Sam Stryker	10/10/08

## Screening Worksheet

Tracking Number

Entity Name
Primary Energy of North Carolina - Southport

Is Entity Registered?
Yes

Entity Contact
Bob Gibbs

Entity Telephone Number
910.457.5056

Standard	Requirement
CIP-001-1	R1-4

Is Issue Still Occurring?
No

Remedial Action Directive?
No

Date Issue Occurred
06/18/08

Date Issue/Event Reported
10/10/08

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										

Brief Description
Entity recently developed procedures compliant with CIP-001. Gap existed from 6/18/07 to the recent development of the procedures.

Detailed Description
PENC Southport was found by the audit team in Possible Violation of this requirement. There is a gap in coverage from June 2007 until these documents were written. The currently in-place procedure appears to be compliant with all requirements of CIP-001-1

Prepared By	Date
Sam Stryker	10/10/08

## Screening Worksheet

Tracking Number

Entity Name
Primary Energy of North Carolina - Southport

Is Entity Registered?
Yes

Entity Contact
Bob Gibbs

Entity Telephone Number
910.457.5056

Standard	Requirement
FAC-008-1	R1

Is Issue Still Occurring?
Yes

Remedial Action Directive?
No

Date Issue Occurred
06/18/08

Date Issue/Event Reported
10/10/08

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											

Brief Description
Entity has no formal facility rating methodology other than test runs of units..

Detailed Description
PENC Southport was found by the audit team in Possible Violation of this Requirements R1 through R1.3.5. The evidence presented was deficient in the following items: there is no written facility ratings methodology, and none of the required items have been addressed in any document.

Prepared By	Date
Sam Stryker	10/10/08

## **Attachment b**

**Settlement Agreement by and between ENC –  
Southport and SERC executed September 17,  
2009**



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**SETTLEMENT AGREEMENT**  
**OF**  
**SERC RELIABILITY CORPORATION**  
**AND**  
**EPCOR USA NORTH CAROLINA LLC**

**I. INTRODUCTION**

1. SERC Reliability Corporation (“SERC”) and EPCOR USA North Carolina LLC<sup>1</sup> (“ENC - Southport”) 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 seven alleged violations by ENC - Southport for its facility located in Southport, NC of NERC Reliability Standards PRC-005-1, Requirements 1 and 2 (SERC Tracking No. 08-142, NERC Violation ID No. SERC200800224; SERC Tracking No. 08-143, NERC Violation ID No. SERC200800225), FAC-008-1, Requirement 1 (SERC Tracking No. 08-132, NERC Violation ID No. SERC200800214), and CIP-001-1, Requirements 1 through 4 (SERC Tracking Nos. 08-134 to 08-137, NERC Violation ID Nos. SERC200800216-219).

**II. STIPULATION**

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

**Background**

3. EPCOR USA North Carolina LLC is an indirect, wholly-owned subsidiary of EPCOR Power LP (“EPLP”). EPLP owns 19 power generation assets located in Canada (British Columbia and Ontario) and the United States (California, Colorado, Illinois, New Jersey, New York and North Carolina), a 50.15% interest in an asset in the state of Washington, and an approximately 15% interest in Primary Energy

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<sup>1</sup> EPCOR USA North Carolina LLC, the owner and operator of the Southport facility, is currently listed on the NERC Compliance Registry as Primary Energy of North Carolina (Southport) LLC.

Recycling Holdings, which owns four generating assets and a 50% interest in a pulverized coal facility, all located in the state of Indiana. EPLP has a total generating capacity of 1,668 MW and a thermal energy capacity of approximately 5 million pounds per hour.

4. ENC owns and operates two generating facilities located in North Carolina, one in Southport and one in Roxboro. The Southport facility is a qualifying facility that consists of two generating units, each with a nominal capacity of 56 MW and is connected to the transmission grid at 230kV. It has one interconnection point to its Balancing Authority, Progress Energy Carolinas.
5. ENC - Southport is currently listed on the NERC Compliance Registry as a Generator Owner and Generator Operator (NCR09020).
6. On April 11, 2008, SERC notified ENC - Southport that a compliance audit to determine its compliance with the NERC Reliability Standards had been scheduled to take place on October 7-9, 2008.<sup>2,3</sup>
7. On July 25, 2008, SERC Compliance Audit Staff sent a letter to ENC - Southport detailing, among other things, the Reliability Standards that would be the focus of the upcoming compliance audit. Among the standards to be audited were NERC Reliability Standards PRC-005-1 (Transmission and Generation Protection System Maintenance and Testing), FAC-008-1 (Facility Ratings Methodology) and CIP-001-1 (Sabotage Reporting).

### **Alleged Violations**

#### **Alleged Violation of NERC Reliability Standard PRC-005-1, Requirements 1 and 2**

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 generation Protection System “shall have a Protection System maintenance and testing program for Protection Systems that affect the reliability of the Bulk Electric System.”<sup>4</sup>

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<sup>2</sup> The Southport facility was scheduled to be audited together with the Roxboro facility that is also owned and operated by EPCOR USA North Carolina LLC.

<sup>3</sup> The dates of the audit were later changed to October 6-8, 2008.

<sup>4</sup> 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.

10. NERC Reliability Standard PRC-005-1, Requirement 2 requires that each Generator Owner that owns a generation Protection System “provide documentation of its Protection System maintenance and testing program,” as well as evidence that its Protection System devices were maintained and tested within the defined intervals and the date each Protection System was last maintained and tested.<sup>5</sup>
11. During the compliance audit that commenced on October 6, 2008 and ended on October 8, 2008, ENC – Southport was unable to provide evidence of compliance with NERC Reliability Standard PRC-005-1. The ENC - Southport General Manager believed that ENC – Southport as a Generator Owner was not required to maintain its generation Protection System equipment, since another Entity as a Transmission Owner maintained and tested the transmission protective devices on the transmission high side bus in the ENC - Southport switch yard.
12. After confirming ENC - Southport’s NERC registration status, SERC Compliance Enforcement Staff commenced its detailed compliance assessment. On October 13, 2008, SERC Compliance Enforcement Staff issued to ENC - Southport a Compliance Assessment Notice advising ENC - Southport of the initiation of a formal assessment to determine, in part, its compliance relative to NERC Reliability Standard PRC-005-1, Requirements 1 and 2 and directing ENC - Southport to preserve all relevant records and information. SERC Compliance Enforcement Staff promptly established direct contact with representatives of ENC - Southport to begin the process of gathering information and documentation for the detailed compliance assessment. SERC Compliance Enforcement Staff also reported the possible violations to NERC, which, in turn, reported the possible violations to the Federal Energy Regulatory Commission (“Commission”) in accordance with the Compliance Monitoring Enforcement Program (“CMEP”) of the NERC Rules of Procedure.
13. In discussions with SERC Compliance Enforcement Staff, ENC – Southport became aware of the requirement that a Generator Owner have a generation Protection System maintenance and testing program and that its interconnected Transmission Owner did not perform any maintenance on the generation low side of the transformer, since this equipment was outside of the scope of the Transmission Owner’s system. Once aware, ENC – Southport began the process of defining the scope of their generation Protection System by writing a preventative maintenance procedure for all categories of their generation protective devices and subsequently performing the required maintenance and testing. The list of equipment that ENC – Southport was to test included generator protective relays, Voltage and current sensing devices, DC control circuitry, and station batteries. ENC – Southport had some work orders as documentation to prove station batteries were inspected on a

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<sup>5</sup> Id.

quarterly basis, but inspections were not formally documented as required by NERC Reliability Standard PRC-005-1. The detailed scope of ENC – Southport’s generation Protection System was included in its Mitigation Plan.

14. Directly after the audit, ENC – Southport acted to mitigate the alleged violations of NERC Reliability Standard PRC-005-1. ENC – Southport created the initial version of its maintenance and testing procedure to complete the necessary maintenance and testing of the generation Protection System equipment during a scheduled outage that had been planned for the week of October 27, 2008 for Unit 2 and the week of March 9, 2009 for Unit 1.
15. SERC Compliance Enforcement Staff concluded that the facts and evidence supported a finding that ENC - Southport violated NERC Reliability Standard PRC-005-1, Requirements 1 and 2, because the evidence reviewed showed that at the time of the Audit, ENC - Southport did not have sufficient evidence of a Protection System maintenance and testing program and lacked documentation of the implementation of that program. Requirements 1 and 2 of NERC Reliability Standard PRC-005-1 are both assigned a “High” Violation Risk Factor (“VRF”) consistent with the VRFs filed by NERC and approved by the Commission. SERC Compliance Enforcement 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 minimal, due to the small size of the units, a misoperation of its protection system would have a limited, if any, impact on the Bulk Electric System.

#### Alleged Violation of NERC Reliability Standard CIP-001-1, Requirements 1 through 4

16. The purpose of NERC Reliability Standard CIP-001-1 is to ensure that disturbances or unusual occurrences, suspected or determined to be caused by sabotage, are reported to the appropriate systems, governmental agencies, and regulatory bodies.
17. NERC Reliability Standard CIP-001-1, Requirement 1 requires, in part, that each Generator Operator have “procedures for the recognition of and for making their operating personnel aware of sabotage events on its facilities...”<sup>6</sup>
18. NERC Reliability Standard CIP-001-1, Requirement 2 requires that each Generator Operator have “procedures for the communication of information concerning sabotage events to the appropriate parties in the Interconnection.”<sup>7</sup>

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<sup>6</sup> NERC Reliability Standard CIP-001-1 –Sabotage Reporting, approved by NERC Board of Trustees on November 1, 2006, approved by FERC effective June 18, 2007.

<sup>7</sup> Id.

19. NERC Reliability Standard CIP-001-1, Requirement 3 requires that each Generator “provide its operating personnel with sabotage response guidelines, including personnel to contact, for reporting disturbances due to sabotage events.”<sup>8</sup>
20. NERC Reliability Standard CIP-001-1, Requirement 4 requires that each Generator Operator have established communications contacts with the local Federal Bureau of Investigations (FBI) officials and have developed the appropriate reporting procedures.<sup>9</sup>
21. During the scheduled compliance audit conducted on October 6-8, 2008, ENC - Southport produced procedure “EPCOR USA of North Carolina LLC Southport and Roxboro Generating Plants Sabotage Reporting Standard CIP-001-1” and associated documents, Appendix A-Threat Response Forms: Cyber and Computer Intrusion Threat/Incident Report (Form 001) and Non-Cyber Threat/Incident Report (Form 002), to demonstrate its compliance with NERC Reliability Standard CIP-001-1. ENC - Southport’s procedure and its attachments were undated and ENC - Southport’s General Manager stated that they had been created within the last month. ENC - Southport also presented other documents to demonstrate compliance prior to the time that the sabotage reporting procedure was put in place, but the audit team found the additional documentation did not show compliance with the standard.
22. From the audit team’s review, ENC - Southport’s current sabotage procedure and supporting documents contained the appropriate elements to demonstrate compliance with the NERC Reliability Standard CIP-001-1, but the audit team noted a possible violation in its audit report due to the gap in coverage prior to the implementation of ENC - Southport’s current sabotage procedure.
23. After confirming ENC - Southport’s registration status, SERC Compliance Enforcement Staff commenced its detailed compliance assessment. On October 13, 2008, SERC Compliance Enforcement Staff issued to ENC - Southport a Compliance Assessment Notice advising ENC - Southport of the initiation of a formal assessment to determine, in part, its compliance relative to Reliability Standard CIP-001-1, Requirements 1-4 and directing ENC - Southport to preserve all relevant records and information. SERC Compliance Enforcement Staff promptly established direct contact with representatives of ENC - Southport to begin the process of gathering information and documentation for the detailed compliance assessment. SERC Compliance Enforcement Staff also reported the possible violations to NERC, which, in turn, reported the possible violations to the Commission in accordance with the CMEP of the NERC Rules of Procedure.

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<sup>8</sup> Id.

<sup>9</sup> Id.

24. As part of its review, SERC Compliance Enforcement Staff reviewed copies of the procedures that had been in place at the time of the audit, as well as earlier procedures, and copies of records showing when ENC-Southport's operating personnel had been made aware of the revised sabotage procedures.
25. As a result of its investigation, SERC Compliance Enforcement Staff concluded that the facts and evidence supported a finding that ENC - Southport violated Requirements 1, 2, 3 and 4 of NERC Reliability Standard CIP-001-1 because the evidence reviewed showed that ENC - Southport (a) had a gap where it could not demonstrate that it had written procedural content that described how to recognize a sabotage event, (b) had a gap where it could not demonstrate that it had procedures for the communication of information to appropriate parties in the interconnection, (c) had a gap where it had not provided its operating personnel with sabotage response guidelines, and (d) had a gap where it had not established communications with the FBI. Requirements 1, 2, 3 and 4 of NERC Reliability Standard CIP-001-1 are each assigned a VRF of "Medium," consistent with the VRF filed by NERC and approved by the Commission. SERC Compliance Enforcement Staff further concluded that there was no serious or substantial risk to the reliability of the Bulk Power System and that the actual and foreseeable impact of the alleged violations was minimal as there had been no reported sabotage event, and if there had been a sabotage event on ENC - Southport's system, the impact would have been minimal, due to ENC - Southport's size and limited facilities.

#### Alleged Violation of NERC Reliability Standard FAC-008-1, Requirement 1

26. The purpose of NERC Reliability Standard FAC-008-1 is to ensure that Facility Ratings used in the reliable planning and operation of the Bulk Electric System are determined based on an established methodology or methodologies.
27. NERC Reliability Standard FAC-008-1, Requirement 1 requires that each Generator Owner have a documented Facility Ratings Methodology.<sup>10</sup>
28. During the Compliance Audit on October 6-8, 2008, ENC - Southport provided documentation showing that it performed daily capacity tests to demonstrate compliance with NERC Reliability Standard FAC-008-1. Based on the documentation reviewed, the SERC auditors found that ENC - Southport, as a Generator Owner, was unable to present sufficient evidence of a written facility ratings methodology for its generation facilities. The auditors found that the evidence that ENC - Southport produced was deficient in that it did not address the required items identified in NERC Reliability Standard FAC-008-1, Requirements 1.1 through 1.3.5.

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<sup>10</sup> NERC Reliability Standard FAC-008-1, Facility Ratings Methodology, approved by NERC Board of Trustees on August 7, 2006, approved by FERC effective June 18, 2007.



29. On October 13, 2008, SERC Compliance Enforcement Staff issued to ENC - Southport a Compliance Assessment Notice advising ENC - Southport of the initiation of a formal assessment to determine, in part, its compliance relative to NERC Reliability Standard FAC-008-1, Requirement 1, and directing ENC - Southport to preserve all relevant records and information. SERC Compliance Enforcement Staff promptly established direct contact with representatives of ENC - Southport to begin the process of gathering information and documentation for the detailed compliance assessment. SERC Compliance Enforcement Staff also reported the possible violations to NERC, which, in turn, reported the possible violations to the Commission in accordance with the CMEP of the NERC Rules of Procedure.
30. SERC Compliance Enforcement Staff concluded that the facts and evidence supported a finding that ENC - Southport violated NERC Reliability Standard FAC-008-1, Requirement 1, because at the time of the audit, ENC - Southport did not have evidence of a documented facility ratings methodology. NERC Reliability Standard FAC-008-1 is assigned a "Medium" VRF consistent with the VRF filed by NERC and approved by the Commission. SERC Compliance Enforcement Staff further concluded that there was no serious or substantial risk to the reliability of the Bulk Power System and that the actual or foreseeable impact of the alleged violations on the reliability of the bulk power system was minimal, due to the size of the entity and because ENC - Southport was performing daily capacity tests that showed that the system could handle its load.
31. On March 6, 2009, ENC - Southport formally requested settlement discussions for the resolution of the alleged violations.

### **III. PARTIES' SEPARATE REPRESENTATIONS**

#### **Statement of SERC and Summary of Findings**

32. SERC finds that beginning on June 28, 2007 and continuing until November 7, 2008, when its Protection System maintenance and testing procedure document for Southport and Roxboro plants was completed, ENC - Southport, as a Generator Owner, did not have documented evidence or records of a Protection System maintenance and testing program for its generation Protection System. 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 program.
33. SERC finds that beginning on June 28, 2007 and continuing until March 7, 2009, ENC - Southport, as a Generator Owner, failed to provide documented evidence or records that all applicable generation Protection System components have been tested and maintained. This is a violation of NERC Reliability Standard PRC-005-1,

Requirement 2, for failing to have evidence of maintenance and testing for elements of its generation Protection System.

34. SERC finds that beginning on June 28, 2007 and continuing until September 22, 2008, ENC - Southport, as a Generator Operator, did not have a written procedure that described how to recognize a sabotage event, and at what stage in the process operating personnel are made aware of the event. This is a violation of NERC Reliability Standard CIP-001-1, Requirement 1, for failing to have procedure with content for recognizing Sabotage events.
35. SERC finds that beginning on June 28, 2007 and continuing until September 22, 2008, ENC - Southport, as a Generator Operator, failed to have procedures for the communication of information concerning sabotage events to appropriate parties in the interconnection. This is a violation of NERC Reliability Standard CIP-001-1, Requirement 2, for failing to have appropriate communication procedures in place.
36. SERC finds that beginning on June 28, 2007 and continuing until October 8, 2008, ENC - Southport, as a Generator Operator, failed to introduce, orient, and train its operating personnel on proper sabotage response guidelines pursuant to its procedures. This is a violation of NERC Reliability Standard CIP-001-1, Requirement 3, for failing to have made Sabotage response guidelines available to operating personnel.
37. SERC finds that beginning on June 28, 2007 and continuing until September 22, 2008, ENC - Southport, as a Generator Operator, had not established communication contacts with local FBI personnel and did not have a procedure for communicating sabotage events to the FBI. This is a violation of NERC Reliability Standard CIP-001-1, Requirement 4, for failing to establish communications contacts with local FBI personnel and not having appropriate reporting procedures.
38. SERC finds that beginning on June 28, 2007 and continuing until January 16, 2009, ENC - Southport, as a Generator Owner, did not have a documented Facility Ratings Methodology that includes all of the items identified in NERC Reliability Standard FAC-008-1 Requirement 1.1 through Requirement 1.3.5. This is a violation of NERC Reliability Standard FAC-008-1, Requirement 1 because the Generator Owner did not have a documented Facility Ratings Methodology for use in developing facility ratings.
39. SERC Compliance Enforcement Staff concluded that the actual or foreseeable impact of the alleged violations on the reliability of the bulk power system was minimal, as discussed above.
40. 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 ENC - Southport**

41. ENC - Southport neither admits nor denies that the facts set forth and agreed to by the parties for purposes of this Agreement constitute violations of NERC Reliability Standards CIP-001-1, Requirements 1-4, FAC-008-1, Requirement 1, and PRC-005-1, Requirements 1 & 2.
42. Although ENC - Southport does not admit to, nor does it deny, the alleged violations of NERC Reliability Standards CIP-001-1, Requirements 1 through 4, FAC-008-1, Requirement 1, and PRC-005-1, Requirements 1 & 2, ENC - Southport has agreed to enter into this Settlement Agreement with SERC to avoid extended litigation with respect to the matters described or referred to herein, to avoid uncertainty, and to effectuate a complete and final resolution of the issues set forth herein. ENC - Southport 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**

43. ENC - Southport's Mitigation Plan MIT-07-1259 for NERC Reliability Standard CIP-001-1, Requirements 1 through 4 dated November 5, 2008, was accepted by SERC on December 18, 2008.<sup>11</sup> It was submitted to NERC for its approval on December 30, 2008 and transmitted to FERC on January 19, 2009. ENC - Southport's Mitigation Plan was completed on September 22, 2008. On November 11, 2008, ENC-Southport certified that it had completed Mitigation Plan MIT-07-1259 on September 22, 2008. SERC verified completion of the Mitigation Plan on January 31, 2009. ENC - Southport's Mitigation Plan MIT-07-1259 is attached as Appendix A-1. Its Certification of Mitigation Plan Completion is attached hereto as Appendix A-2, and the Statement of SERC Compliance Staff Regarding Completion of ENC-Southport's Mitigation Plan MIT-07-1259 is attached hereto as Appendix A-3.
44. Actions implemented by ENC - Southport in Mitigation Plan MIT-07-1259 will help to prevent a recurrence of any similar violation. Specifically:
  - a. For the Mitigation Plan detail associated with NERC Reliability Standard CIP-001-1, Requirements 1 through 4:
    - i. ENC - Southport has written, approved and distributed procedures for the recognition of and for making their operating personnel aware of sabotage

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<sup>11</sup> SERC Compliance Enforcement Staff requested ENC - Southport to submit a mitigation plan, even though the entity was in compliance at the time the possible violation was found, in order to document the corrective actions taken by the entity.

events on its facilities and multi-site sabotage affecting larger portions of the Interconnection

- ii. ENC - Southport has written, approved and distributed procedures for the communication of information concerning sabotage events to appropriate parties in the Interconnection
  - iii. ENC - Southport has written, approved and distributed guidelines to its operating personnel for proper sabotage response, including personnel to contact, for reporting disturbances due to sabotage events.
  - iv. ENC - Southport has established communications contacts with local FBI officials and developed reporting procedures as appropriate to their circumstances.
- b. ENC - Southport introduced, oriented, and trained operating personnel on ENC - Southport's CIP-001-1 procedures and guidelines.
  - c. ENC - Southport will review and modify its policy annually as appropriate and will conduct annual training with all operating personnel required to attend.
  - d. ENC - Southport has retained the services of a consultant to help manage their compliance program.
45. ENC - Southport's Mitigation Plan MIT-07-1257 for NERC Reliability Standard FAC-008-1, Requirement 1 dated December 4, 2008, was accepted by SERC on December 18, 2008. It was submitted to NERC for its approval on December 30, 2008 and transmitted to FERC on January 19, 2009. ENC - Southport's Mitigation Plan was completed on January 16, 2009.<sup>12</sup> On December 30, 2008, ENC-Southport certified that it had completed Mitigation Plan MIT-07-1257 on December 8, 2008. SERC verified completion of the Mitigation Plan on January 21, 2009. ENC - Southport's Mitigation Plan MIT-07-1257 is attached as Appendix A-4. Its Certification of Mitigation Plan Completion is attached hereto as Appendix A-5, and the Statement of SERC Compliance Staff Regarding Completion of ENC-Southport's Mitigation Plan MIT-07-1257 is attached hereto as Appendix A-6.
46. Actions implemented by ENC - Southport in its Mitigation Plan MIT-07-1257 will help to prevent a recurrence of any similar violation. Specifically:
- a. ENC - Southport has written, approved and documented its Facility Ratings Methodology used for developing Facility Ratings.

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<sup>12</sup> ENC-Southport substantially completed its Mitigation Plan on time, but added language at SERC's direction, to identify that it does not establish emergency ratings as part of its Facility Ratings Methodology.

- i. ENC - Southport's Facility Ratings Methodology addresses Requirement 1 and the sub-requirements of FAC-008-1. This procedure addresses the methodology utilized by ENC - Southport to rate their generation facilities in accordance with FAC-008-1.
  - ii. ENC - Southport's Facility Ratings Methodology procedure will be reviewed annually and revised as necessary.
  - iii. ENC - Southport will maintain documentation of all equipment with ratings. ENC - Southport does not use emergency ratings.
  - iv. ENC - Southport has retained the services of a consultant to help manage their compliance with the NERC Reliability Standards.
- 47. ENC - Southport's Mitigation Plan MIT-07-1261 for NERC Reliability Standard PRC-005-1, Requirements 1 and 2 dated November 5, 2008, was accepted by SERC on December 18, 2008. It was submitted to NERC for its approval on December 30, 2008 and transmitted to FERC on January 19, 2009. On March 13, 2009, ENC-Southport certified that it had completed its Mitigation Plan MIT-07-1261 on March 7, 2009. SERC verified completion of the Mitigation Plan on March 30, 2009. ENC - Southport's Mitigation Plan MIT-07-1261 is attached as Appendix A-7. Its Certification of Mitigation Plan Completion is attached hereto as Appendix A-8, and the Statement of SERC Compliance Staff Regarding Completion of ENC-Southport's Mitigation Plan MIT-07-07-1261 is attached hereto as Appendix A-9.
- 48. Actions implemented by ENC - Southport in its Mitigation Plan MIT-07-1261 will help to prevent a recurrence of any similar violation. Specifically:
  - a. For the Mitigation Plan associated with NERC Reliability Standard PRC-005-1, Requirement 1:
    - i. ENC - Southport has written and approved a generation systems maintenance and testing program for Protection Systems that affect the reliability of the BES, which includes Maintenance and testing intervals and their basis and a summary of maintenance and testing procedures.
    - ii. ENC - Southport developed the generation systems maintenance and testing program to include all elements of the Protection System per NERC Reliability Standard PRC-005-1, Requirement 1.
  - b. For the Mitigation Plan associated with NERC Reliability Standard PRC-005-1, Requirement 2:
    - i. ENC - Southport's generation systems maintenance and testing program addresses testing and maintaining the Generation Protection Systems

components as defined in NERC Reliability Standard PRC-005-1, Requirement 2.

- ii. The Mitigation Plan was implemented during a scheduled outage of the generator to test instrument transformers in accordance with the newly implemented program, identifying instrument transformers for testing, testing instrument transformers, recording test results and reports.
  - iii. ENC - Southport performed maintenance and testing of protective relays, current transformers, potential transformers, and DC circuitry in accordance with its defined intervals.
  - iv. In addition, ENC - Southport has retained the services of a consultant to help manage its program for compliance with the NERC Reliability Standards.
49. SERC has reviewed the preventative measures described in the Mitigation Plans and has determined that these measures will assist ENC - Southport in improving prospective compliance with the requirements of all of the Reliability Standards, including NERC Reliability Standards CIP-001-1, FAC-008-1 and PRC-005-1 and will ultimately enhance the reliability of the bulk power system within an appropriate time-frame.
50. For NERC Reliability Standard PRC-005-1, Requirements 1 and 2, SERC reviewed ENC - Southport's maintenance and testing procedure for compliance with Requirement 1 of the Standard titled, "EPCOR USA NORTH CAROLINA LLC SOUTHPORT and ROXBORO GENERATING PLANTS PROTECTION SYSTEM DEVICES MAINTENANCE AND TESTING PROCEDURE." SERC also reviewed battery and relay test work orders from ENC - Southport, demonstrating compliance with Requirement 2 of the standard. ENC-Southport has no associated communications equipment.
51. For NERC Reliability Standard FAC-008-1, SERC reviewed the facility ratings methodology "Facility Rating Methodology for EPCOR USA North Carolina (Southport and Roxboro)" that ENC - Southport developed in compliance with Requirement 1 of the standard.
52. For NERC Reliability Standard CIP-001-1, Requirements 1 through 4, SERC reviewed ENC - Southport "EPCOR USA NORTH CAROLINA LLC SOUTHPORT and ROXBORO GENERATING PLANTS SABOTAGE REPORTING PROCEDURE STANDARD CIP-001-1" sabotage procedure for compliance with NERC Reliability Standard CIP-001-1.
53. SERC Compliance Enforcement Staff also considered the specific facts and circumstances of the violation and ENC - Southport'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 [ENC - Southport] to remedy the violation in a timely manner.”<sup>13</sup> The factors considered by SERC Compliance Enforcement Staff in the determination of the appropriate penalty for ENC - Southport’s alleged violations of NERC Reliability Standards CIP-001-1, FAC-008-1, and PRC-005-1 pursuant to this Settlement Agreement included the following:

- a. ENC - Southport has no prior violation of this Standard or any closely-related standard during the mandatory reliability period.
  - b. ENC - Southport cooperated in a timely and satisfactory manner with SERC Compliance Enforcement Staff during the investigation.<sup>14</sup> ENC - Southport cooperated with SERC Compliance Enforcement Staff during meetings between the parties to discuss these events. ENC - Southport initiated its own internal investigation and voluntarily provided supporting information to SERC Compliance Enforcement Staff to assist in SERC Compliance Enforcement Staff’s review of the facts and circumstances. This included the submission of detailed mitigation plans, evidence resulting from ongoing internal assessments of EPLP’s assets across the country, and copies of procedures for review. ENC - Southport’s comprehensive response to SERC Compliance Enforcement Staff’s questions enabled SERC Compliance Enforcement Staff to conduct its investigation in an efficient manner.
  - c. ENC - Southport agreed to resolve this issue via settlement and promptly initiated various mitigation and preventative measures before receiving a Notice of Alleged Violation from SERC.
  - d. As described above, ENC - Southport has implemented a wide-range of measures to address the alleged violations and to protect against future violations of the same or similar requirements, and is taking steps to implement and strengthen as set forth in Paragraphs 44, 46 and 48.
54. Based on the above factors, as well as the mitigation actions and preventative measures taken, ENC - Southport shall pay \$30,000 to SERC as set forth in this Settlement Agreement. ENC - Southport 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 ENC - Southport 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 ENC - Southport does not remit the payment by the required

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<sup>13</sup> 16 U.S.C. § 824o(e)(6).

<sup>14</sup> Revised Policy Statement on Enforcement, 123 FERC ¶ 61,156, P 65 (May 15, 2008).

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.

55. 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 ENC - Southport to new or additional enforcement, penalty or sanction actions in accordance with the NERC Rules of Procedure. ENC - Southport will retain all rights to defend against such enforcement actions in accordance with the NERC Rules of Procedure.

## **V. ADDITIONAL TERMS**

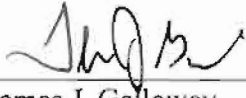
56. The signatories to the Settlement Agreement agree that they enter into the Settlement Agreement voluntarily and that, other than the recitations set forth herein, no tender, offer or promise of any kind by any member, employee, officer, director, agent or representative of SERC or ENC - Southport 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.
57. 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 ENC - Southport 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 ENC - Southport 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.
58. 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.
59. ENC - Southport agrees that this Settlement Agreement, when approved by NERC and the Commission, shall represent a final settlement of all matters set forth herein and ENC - Southport waives its right to further hearings and appeal, unless and only to the extent that ENC - Southport 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 ENC - Southport in accordance with the NERC Rules of Procedure in the event that ENC - Southport fails to comply with the mitigation plan agreed to in this Settlement Agreement. In the event ENC - Southport 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 ENC - Southport 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, ENC - Southport shall retain all rights to defend against such enforcement actions, also according to the NERC Rules of Procedure.

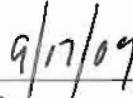
60. Each of the undersigned warrants that he or she is an authorized representative of the entity designated, is authorized to bind such entity and accepts the Settlement Agreement on the entity's behalf.
61. The undersigned representative of each party affirms that he or she has read the Settlement 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.
62. The Settlement Agreement may be signed in counterparts.
63. 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.***

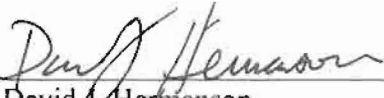
Agreed to and accepted:



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



Date



David J. Hermanson  
Vice President - Operations  
**EPCOR USA NORTH CAROLINA LLC**



Date

**APPENDIX A  
TO  
SETTLEMENT AGREEMENT  
OF  
SERC RELIABILITY CORPORATION  
AND  
EPCOR USA NORTH CAROLINA LLC**

- (1) ENC - Southport's Mitigation Plan for CIP-001-1, R1-4**
- (2) ENC - Southport's Certification of Mitigation Plan Completion for CIP-001-1, R1-4**
- (3) Statement of SERC Reliability Corporation Compliance Staff Regarding  
Completion of ENC - Southport's Mitigation Plan for CIP-001-1, R1-4**
- (4) ENC - Southport's Mitigation Plan for FAC-008-1, R1**
- (5) ENC - Southport's Certification of Mitigation Plan Completion for FAC-008-1, R1**
- (6) Statement of SERC Reliability Corporation Compliance Staff Regarding  
Completion of ENC - Southport's Mitigation Plan for FAC-008-1, R1**
- (7) ENC - Southport's Mitigation Plan for PRC-005-1, R1&R2**
- (8) ENC - Southport's Certification of Mitigation Plan Completion for PRC-005-1,  
R1&R2**
- (9) Statement of SERC Reliability Corporation Compliance Staff Regarding  
Completion of ENC - Southport's Mitigation Plan for PRC-005-1, R1&R2**



## Mitigation Plan Submittal Form

Date this Mitigation Plan is being submitted: 11-05-2008

If this Mitigation Plan has already been completed:

- Check this box ☐ and
- Provide the Date of Completion of the Mitigation Plan: September 22, 2008

### Section A: Compliance Notices<sup>1</sup>

- Section 6.2 of the CMEP<sup>2</sup> 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.

<sup>1</sup> This document will become part of the public record to be included in the Notice of Penalty filing to be submitted to the Federal Energy Regulatory Commission (Commission) upon determination that a confirmed violation has occurred or in the event a settlement agreement is reached between the Registered Entity and the Regional Entity. The entire document will be submitted as part of the public record, unless the Registered Entity marks specific information as confidential Critical Energy Infrastructure Information or Privileged Information in accordance with the NERC Rules of Procedure Section 1500 and the Commission's regulations, rules and orders. The Registered Entity must provide adequate justification supporting designation of information that is submitted to the Commission as Confidential Information. Until such time as this document is submitted to the Commission, it will remain confidential within NERC and the Regional Entity compliance organization pursuant to Section 1500 of the Rules of Procedure.

<sup>2</sup> "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.

# Appendix A-1



- (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.
- 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: Primary Energy of North Carolina  
(Southport) LLC

Company Address: 1281 Powerhouse Drive SE, Southport, NC  
28461

NERC Compliance Registry ID *[if known]*: NCR09021

### **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.**

# Appendix A-1



Name: Bob Gibbs  
Title: General Manager  
Email: bgibbs@epcorusa.com  
Phone: 910-457-5056





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

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

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

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

NERC Violation ID # [if known]	SERC Violation ID # [if known ]	Requirement Violated (e.g. R3.2)	Violation Date <sup>(*)</sup>
SERCYYYYnnnnn	YYYY-nnn	R1	06/18/2007
		R2	06/18/2007
		R3	06/18/2007
		R4	06/18/2007

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

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

Primary Energy North Carolina (Southport) LLC did not have a Sabotage Reporting document written and approved on June 18, 2007. The current Sabotage Reporting document was not written until September 22, 2008.

*[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:

Not applicable.

*[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:

Primary Energy North Carolina (Southport) LLC, has completed a Sabotage Reporting procedure that addresses each CIP-001-1 requirement. The SERC auditors were able to assess this document during the audit and verify that the sabotage reporting procedures demonstrated compliance.

[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: Not applicable.
- 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)
Not applicable.	Not applicable.

(\*) 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.

# Appendix A-1



[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:

The SERC auditors were able to assess the current CIP-001 documentation during the audit. Their assertion was that the document was sufficient to satisfy compliance.

[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:

Not applicable.

[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:

Primary Energy North Carolina (Southport) LLC, developed a Sabotage Reporting document that has been in effect since September 22, 2008.

# Appendix A-1



All requirements of CIP-001-1 are satisfied by this document. In addition, Primary Energy North Carolina (Southport) LLC, will review the CIP-001-1 documentation annually to determine if any changes need to be made to the document.

[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:

A third party has been retained to review and enhance the Primary Energy North Carolina (Southport) LLC, Sabotage Reporting procedure. Any revisions implemented as a result of this review, will be documented in the version history section of the document.

[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 General Manager of Primary Energy North America (Southport) LLC..
  2. I am qualified to sign this Mitigation Plan on behalf of Primary Energy North America (Southport) LLC..
  3. I have read and understand Primary Energy North America (Southport) LLC. 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. Primary Energy North America (Southport) LLC. 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): Bob Gibbs  
 Title: General Manager  
 Date: 11-05-2008

# Appendix A-1





## **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.

Not applicable.

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

### **Submittal Instructions:**

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

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

Email the pdf file to [serccomply@serc1.org](mailto: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](mailto:kkeels@serc1.org)



## Appendix A-2



EPCOR  
Power L.P.

*Print on Registered Entity's Corporate Letterhead*

**To Close Out a Completed Mitigation Plan, fill out this form, save it as a text searchable pdf file or MS Word file, and email it to [serccomply@serc1.org](mailto:serccomply@serc1.org). Note that electronic signatures are acceptable.**

*All Mitigation Plan Completion Certification submittals shall include data or information sufficient for SERC to verify completion of the Mitigation Plan. SERC may request such additional data or information and conduct follow-up assessments, on-site or other Spot Checking, or Compliance Audits as it deems necessary to verify that all required actions in the Mitigation Plan have been completed and the Registered Entity is in compliance with the subject Reliability Standard. (CMEP Section 6.6) Data or information submitted may become part of a public record upon final disposition of the possible violation, therefore any confidential information contained therein should be marked as such in accordance with the provisions of Section 1500 of the NERC Rules of Procedure.*

### **Certification of a Completed Mitigation Plan**

#### **SERC Reliability Corporation Violation Mitigation Plan Closure Form**

Name of Registered Entity submitting certification: **Primary Energy North Carolina (Southport) LLC**

Date of Certification: **11-11-2008**

Name of Standard and the Requirement(s) of mitigated violation(s): **CIP-001-1 R1-R4**

SERC Tracking Number (contact SERC if not known): **unknown**

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

**Date of completion of the Mitigation Plan: 9-22-2008**

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

**Primary Energy North Carolina (Southport) LLC, has completed a Sabotage Reporting procedure that addresses each CIP-001-1 requirement. The SERC auditors were able to assess this document during the audit and verify that the sabotage reporting procedures demonstrated compliance.**

## Appendix A-2

*Print on Registered Entity's Corporate Letterhead*

The Sabotage Reporting procedure was recently enhanced by a third party consultant. The enhancements made to the document included:

- Adding a cover page
- Adding a version history that lists the creation date and revision made to the document
- Adding verbiage to include plant personnel and control room operators in the IMMEDIATE ACTION/COMMUNICATIONS section of the document
- Adding an Appendix A that has Threat Response Forms for operating personnel to complete, when necessary

Description of the information provided to SERC for their evaluation: **11-11-2008**

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: **Bob Gibbs**

Title: **General Manager**

Entity: **Primary Energy North Carolina (Southport) LLC**

Email: **bgibbs@epcorusa.com**

Phone: **910-457-5056**

Designated Signature **Bob Gibbs** Date **11-11-2008**

***[NOTE – Closure Form should be signed by same individual that signed Mitigation Plan]***

**(Form Revised August 13, 2008)**



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

Registered Entity: Primary Energy of North Carolina (Southport) LLC  
SERC Tracking ID: 08-134, 135, 136, 137  
NERC Violation No: SERC200800216, 217, 218, 219  
NERC Mitigation Plan ID: MIT-07-1259  
Standard: CIP-001-1  
Requirement(s): R1, R2, R3, R4

### **Violation Summary:**

- Primary Energy North Carolina (Southport) LLC did not have a Sabotage Reporting document written and approved on June 18, 2007. The current Sabotage Reporting document was not written until September 22, 2008.

### **Mitigation Plan Summary:**

Primary Energy of North Carolina (Southport) LLC's Mitigation Plan to address the referenced violation was submitted on November 5, 2008 and was accepted by SERC on December 18, 2008 and approved by NERC on January 19, 2009. The Mitigation Plan is identified as MIT-07-1259 and was submitted as non-public information to FERC on January 19, 2009 in accordance with FERC orders.

Primary Energy of North Carolina (Southport) LLC's Mitigation Plan was submitted as complete. Primary Energy North Carolina (Southport) LLC's current Sabotage Reporting document was written on September 22, 2008. The audit team reviewed this document during the audit and found it in compliance with the standard.

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

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

### **Mitigation Plan Completion Review Process:**



Primary Energy of North Carolina (Southport) LLC certified on November 11, 2008 that the subject Mitigation Plan was completed on September 22, 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:**

Primary Energy of North Carolina (Southport) LLC submitted and SERC Staff reviewed the following evidence in support of its certification that its Mitigation Plan was completed in accordance with its terms:

- EPCOR USA CIP-001-1\_Procedure\_Final

**Conclusion:**

On January 31, 2009 SERC Reliability Corporation Compliance Staff ("SERC Staff") completed its review of the evidence submitted by Primary Energy of North Carolina (Southport) LLC 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 Primary Energy of North Carolina (Southport) LLC 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,**

Gary Fuerst, CIP Compliance Engineer  
Mike Vastano, Auditor



## Mitigation Plan Submittal Form

Date this Mitigation Plan is being submitted: 12-04-2008

If this Mitigation Plan has already been completed:

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

### Section A:      Compliance Notices<sup>1</sup>

- Section 6.2 of the CMEP<sup>2</sup> 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.

<sup>1</sup> This document will become part of the public record to be included in the Notice of Penalty filing to be submitted to the Federal Energy Regulatory Commission (Commission) upon determination that a confirmed violation has occurred or in the event a settlement agreement is reached between the Registered Entity and the Regional Entity. The entire document will be submitted as part of the public record, unless the Registered Entity marks specific information as confidential Critical Energy Infrastructure Information or Privileged Information in accordance with the NERC Rules of Procedure Section 1500 and the Commission's regulations, rules and orders. The Registered Entity must provide adequate justification supporting designation of information that is submitted to the Commission as Confidential Information. Until such time as this document is submitted to the Commission, it will remain confidential within NERC and the Regional Entity compliance organization pursuant to Section 1500 of the Rules of Procedure.

<sup>2</sup> "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.



- (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.
- 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: Primary Energy of North Carolina  
(Southport) LLC

Company Address: 1281 Powerhouse Drive SE, Southport, NC  
28461

NERC Compliance Registry ID *[if known]*: NCR09020

### **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.**

# Appendix A-4



Name: Bob Gibbs  
Title: General Manager  
Email: bgibbs@epcorusa.com  
Phone: 910-457-5056



## 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: FAC-008-1  
*[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 <sup>(*)</sup>
SERCYYYYnnnnn	YYYY-nnn	R1	06/18/2007

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

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

Primary Energy North Carolina (Southport) LLC does not have a documented and approved Facility Ratings Methodology. In addition, there are no documents available that address any of the FAC-008-1 requirements.

*[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:

Not applicable.

*[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:

With assistance from a third party vendor, Primary Energy North Carolina (Southport) LLC, will develop a Facility Ratings Methodology for its solely owned facilities. The methodology will include the following:

A statement of the most limiting factor.

A method to determine the rating for generators, transmission conductors, transformers, relay protective devices, terminal equipment, and series and shunt compensation devices.

A statement concerning Normal and Emergency ratings.

Consideration will be given to ratings provided by equipment manufacturers, design criteria, ambient conditions, operating limitations, and other assumptions.

The Facility Ratings Methodology will be complete by December 10, 2008.

[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: This Mitigation Plan will be completed on December 10, 2008.

# Appendix A-4



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)
Complete Facility Ratings Methodology	12/10/2008

(\*) 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:

Not applicable.

[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:

Primary Energy North Carolina (Southport) LLC has already developed its Facility Ratings to demonstrate compliance with FAC-009. The Bulk Power System will be protected from negative impacts because Primary Energy North Carolina (Southport) LLC is aware of its ratings for all equipment listed in the FAC-008-1 standard. If the facility continues to operate using Good Utility Practices, there will be no negative impacts while this Mitigation Plan is completed and 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:

Upon completion of this Mitigation Plan, Primary Energy North Carolina (Southport) LLC, will review the FAC-008-1 documentation annually to determine if any changes need to be made to the Facility Ratings Methodology.

[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:

A third party vendor has been retained to develop a Facility Ratings Methodology for Primary Energy North Carolina (Southport) LLC. The consultant will use industry best practices and proven compliance strategies while developing the FAC-008-1 documentation.

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

**Continued on Next Page**

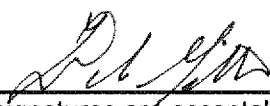


## Section F: Authorization

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 General Manager of Primary Energy North Carolina (Southport) LLC.
  2. I am qualified to sign this Mitigation Plan on behalf of Primary Energy North Carolina (Southport) LLC.
  3. I have read and understand Primary Energy North Carolina (Southport) LLC 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. Primary Energy North Carolina (Southport) LLC 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): Bob Gibbs  
 Title: General Manager  
 Date: 12-04-2008



## **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.

Not applicable.

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

### **Submittal Instructions:**

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

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

Email the pdf file to [serccomply@serc1.org](mailto: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](mailto:kkeels@serc1.org)



EPCOR  
Power L.P.

*Print on Registered Entity's Corporate Letterhead*

**To Close Out a Completed Mitigation Plan, fill out this form, save it as a text searchable pdf file or MS Word file, and email it to [serccomply@serc1.org](mailto:serccomply@serc1.org). Note that electronic signatures are acceptable.**

*All Mitigation Plan Completion Certification submittals shall include data or information sufficient for SERC to verify completion of the Mitigation Plan. SERC may request such additional data or information and conduct follow-up assessments, on-site or other Spot Checking, or Compliance Audits as it deems necessary to verify that all required actions in the Mitigation Plan have been completed and the Registered Entity is in compliance with the subject Reliability Standard. (CMEP Section 6.6) Data or information submitted may become part of a public record upon final disposition of the possible violation, therefore any confidential information contained therein should be marked as such in accordance with the provisions of Section 1500 of the NERC Rules of Procedure.*

### **Certification of a Completed Mitigation Plan**

#### **SERC Reliability Corporation Violation Mitigation Plan Closure Form**

Name of Registered Entity submitting certification: **Primary Energy North Carolina (Southport) LLC**

Date of Certification: **12-30-2008**

Name of Standard and the Requirement(s) of mitigated violation(s): **FAC-008-1 R1**

SERC Tracking Number (contact SERC if not known): **unknown**

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

**Date of completion of the Mitigation Plan: 12-08-2008**

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

**With assistance from a third party vendor, Primary Energy North Carolina (Southport) LLC, will develop a Facility Ratings Methodology for its solely owned facilities. The methodology will include the following:**

## Appendix A-5

*Print on Registered Entity's Corporate Letterhead*

**A statement of the most limiting factor.**

**A method to determine the rating for generators, transmission conductors, transformers, relay protective devices, terminal equipment, and series and shunt compensation devices.**

**A statement concerning Normal and Emergency ratings.**

**Consideration will be given to ratings provided by equipment manufacturers, design criteria, ambient conditions, operating limitations, and other assumptions.**

Description of the information provided to SERC for their evaluation: **EPCOR USA  
Facility Ratings Methodology**

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: **Bob Gibbs**

Title: **General Manager**

Entity: **Primary Energy North Carolina (Southport) LLC**

Email: **bgibbs@epcorusa.com**

Phone: **910-457-5056**

Designated Signature **Bob Gibbs** Date **12-30-2008**

***[NOTE – Closure Form should be signed by same individual that signed Mitigation Plan]***

**(Form Revised August 13, 2008)**



# Appendix A-6



SERC Reliability Corporation  
2815 Coliseum Centre Drive | Suite 500  
Charlotte, NC 28217  
704.357.7372 | Fax 704.357.7914 | [www.serc1.org](http://www.serc1.org)

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

<b>Registered Entity:</b>	Primary Energy of North Carolina (Southport) LLC
<b>SERC Tracking ID:</b>	08-132
<b>NERC Violation No:</b>	SERC200800214
<b>NERC Mitigation Plan ID:</b>	MIT-07-1257
<b>Standard:</b>	FAC-008-1
<b>Requirement:</b>	R1

### **Violation Summary:**

Primary Energy of North Carolina (Southport) LLC could not produce any evidence of a documented methodology that it used for developing Facility Ratings of its Facilities and therefore SERC concluded Primary Energy of North Carolina (Southport) LLC does not meet the requirement or the sub-requirements of FAC-008 R1.

### **Mitigation Plan Summary:**

Primary Energy of North Carolina (Southport) LLC's Mitigation Plan to address the referenced violation was submitted on December 4, 2008 and was accepted by SERC on December 18, 2008 and approved by NERC on January 19, 2009. The Mitigation Plan is identified as MIT-07-1257 and was submitted as non-public information to FERC on January 19, 2009 in accordance with FERC orders.

Pursuant to the Mitigation Plan, Primary Energy of North Carolina (Southport) LLC was required to develop a Facility Ratings Methodology for its solely owned facilities with assistance from a third party vendor. The methodology was to include the following: a statement of the most limiting factor; a method to determine the rating for generators, transmission conductors, transformers, relay protective devices, terminal equipment, and series and shunt compensation devices; a statement concerning Normal and Emergency ratings; and was to take into consideration ratings provided by equipment manufacturers, design criteria, ambient conditions, operating limitations, and other assumptions. The Facility Ratings Methodology was to be completed by December 10, 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.



### **Mitigation Plan Completion Review Process:**

Primary Energy of North Carolina (Southport) LLC certified on December 30, 2008 that the subject Mitigation Plan was completed on December 8, 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:**

Primary Energy of North Carolina (Southport) LLC submitted and SERC Staff reviewed the following evidence in support of Primary Energy of North Carolina (Southport) LLC's certification that its Mitigation Plan was completed in accordance with its terms:

- *Facility Rating Methodology for EPCOR USA North Carolina, Southport and Roxboro*, dated December 2, 2008 [Documented Facility Rating Methodology containing the required elements set forth in FAC-008-1 R1]

Upon review of Primary Energy of North Carolina (Southport) LLC's December 2, 2008 Facility Rating Methodology Document, SERC Staff determined that Primary Energy of North Carolina (Southport) LLC's Facility Rating Document substantially met the requirements of FAC-008-1 R1 however, it did not clearly identify "Normal and Emergency ratings" for all specified equipment. The December 2, 2008 Facility Rating Methodology clearly indicates that Primary Energy of North Carolina (Southport) LLC does not establish an emergency rating for medium voltage bus, generator circuit breakers, transmission conductors, instrument transformers, and relay protective devices but it only states the "normal" ratings for generator step up transformers, station service transformers, shunt reactors, high voltage breakers, disconnect switches and switchyard conductors and bus. These items do not include a statement to identify emergency ratings or the lack thereof. The failure to establish emergency ratings, or indicate that no emergency ratings are established and why, for the subset of equipment listed above is the only area in which Primary Energy of North Carolina (Southport) LLC's Facility Rating Methodology does not meet the Standard requirements.

As a result, SERC Staff suggested to Primary Energy of North Carolina (Southport) LLC that it revise its Facility Rating Methodology to improve the completeness and quality of the Facility Rating Methodology by addressing the emergency ratings for generator step up transformers, station service transformers, shunt reactors, high voltage breakers, disconnect switches and switchyard conductors and bus. In response, on January 16, 2009, Primary Energy of North Carolina (Southport) LLC submitted a revised plan which included the following statement: "EPCOR USA North Carolina does not establish emergency ratings for any of the equipment discussed in this policy, therefore Emergency Ratings are not provided."

- *Facility Rating Methodology for EPCOR USA North Carolina, Southport and Roxboro-Rev 1*, dated January 16, 2009 [Documented Facility Rating Methodology containing the required elements set forth in FAC-008-1 R1]

### **Conclusion:**

On January 21, 2009, SERC Reliability Corporation Compliance Staff ("SERC Staff") completed its review of the evidence submitted by Primary Energy of North Carolina (Southport) LLC 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 Primary Energy of North Carolina (Southport) LLC is in compliance with the subject Reliability Standard Requirement as of January 16, 2008. While the actual completion date of the Mitigation Plan occurred after the due date, SERC Staff concluded that Primary Energy of North Carolina (Southport) LLC had substantially completed its Mitigation Plan on time.

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

**Respectfully Submitted,**

Gary Fuerst, CIP Compliance Engineer  
Mike Vastano, Auditor



# Mitigation Plan Submittal Form

Date this Mitigation Plan is being submitted: 11-05-2008

If this Mitigation Plan has already been completed:

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

## Section A: Compliance Notices<sup>1</sup>

- Section 6.2 of the CMEP<sup>2</sup> 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.

<sup>1</sup> This document will become part of the public record to be included in the Notice of Penalty filing to be submitted to the Federal Energy Regulatory Commission (Commission) upon determination that a confirmed violation has occurred or in the event a settlement agreement is reached between the Registered Entity and the Regional Entity. The entire document will be submitted as part of the public record, unless the Registered Entity marks specific information as confidential Critical Energy Infrastructure Information or Privileged Information in accordance with the NERC Rules of Procedure Section 1500 and the Commission's regulations, rules and orders. The Registered Entity must provide adequate justification supporting designation of information that is submitted to the Commission as Confidential Information. Until such time as this document is submitted to the Commission, it will remain confidential within NERC and the Regional Entity compliance organization pursuant to Section 1500 of the Rules of Procedure.

<sup>2</sup> "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.



- (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.
- 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: Primary Energy of North Carolina  
(Southport) LLC

Company Address: 1281 Powerhouse Drive SE, Southport, NC  
28461

NERC Compliance Registry ID *[if known]*: NCR09020

### **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: Bob Gibbs  
Title: General Manager  
Email: bgibbs@epcorusa.com  
Phone: 910-457-5056



**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 <sup>(*)</sup>
SERCYYYYnnnnn	YYYY-nnn	R1	06/18/2007
		R2	06/18/2007

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

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

Primary Energy North Carolina (Southport) LLC, does not have a documented Protection System maintenance and testing program for Protection System devices that affect the reliability of the Bulk Electric System. The maintenance and testing intervals and their basis, as well as a summary of the maintenance and testing procedures, were not provided to the SERC auditors.

There is no evidence that Protection System devices were maintained and tested within any defined intervals, and there are no dates to prove when each Protection System devices was last tested and maintained.  
 [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:

There is documentation to prove station batteries are inspected on a quarterly basis. However, besides being documented in work orders, there is not a formal maintenance and testing program, as required by the PRC-005 standard.

[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:

With assistance from a third party vendor, Primary Energy North Carolina (Southport) LLC, will develop a Protection System maintenance and testing program for Protection System devices that affect the reliability of the Bulk Electric System. The Maintenance and testing intervals and their basis, as well as a summary of maintenance and testing procedures will be documented in this procedure. Maintenance and testing intervals for Protection System devices will be based on the manufacturer recommendations.

Testing and maintenance to mitigate the audit findings will revolve around scheduled outages that were coordinated with Progress Energy, prior to the SERC audit. The upcoming maintenance and testing is scheduled as follows:

Southport Unit 2 – week of 10/27/2008  
Southport Unit 1 – week of 3/9/2009

Subsequent testing for each generating unit's protective system devices will at regular intervals, thereafter.

[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: This Mitigation Plan will be completed on March 13, 2009.



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)
Completion of Southport Unit 2 Protection System devices maintenance and testing	10/31/2008
Completion of Protection System Device Maintenance and Testing Procedure	12/21/2008
Completion of Southport Unit 1 Protection System devices maintenance and testing	3/13/2009

(\*) 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:

Primary Energy North Carolina (Southport) LLC recognizes that the completion date for this Mitigation Plan is past the 3 months typically allowed by SERC. However, in order to assist with maintaining grid reliability, Primary Energy North Carolina must keep its current scheduled outage dates with its Transmission Operator and cannot shut down the facility to complete our protection system devices maintenance and testing ahead of that time frame.

An "on call statement" will remain on file with the vendor that performs the maintenance and testing of Primary Energy North Carolina (Southport) LLC protection system devices. In the event of a forced outage prior to the scheduled outage, Primary Energy North Carolina (Southport) LLC will make every attempt to complete maintenance and testing of its protection system devices during the forced outage.

[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:



Progress Energy, the Primary Energy BA and TOP, maintains a regular maintenance and testing schedule for their Protection System devices. These devices would prevent Primary Energy North Carolina (Southport) LLC from causing negative impacts to the BES. In addition, these devices would also protect Primary Energy North Carolina (Southport) from possible disturbances that could be caused by Progress Energy. [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:

Once this Mitigation Plan is completed, Primary Energy North Carolina (Southport) LLC, will adhere to a regular maintenance and testing schedule for Protection System devices. In addition, Primary Energy North Carolina (Southport) LLC, will review the maintenance and testing policy annually to determine if any changes need to be made to the PRC-005-1 documentation.

[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:

A third party has been retained to develop a Protection System device maintenance and testing procedure for Primary Energy North Carolina (Southport) LLC. The consultant will use industry best practices and proven compliance strategies while developing the PRC-005-1 documentation.

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



[Continued on Next Page](#)

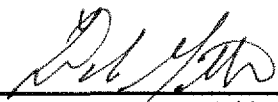


## Section F: Authorization

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 General Manager of Primary Energy North Carolina (Southport) LLC .
  2. I am qualified to sign this Mitigation Plan on behalf of Primary Energy North Carolina (Southport) LLC .
  3. I have read and understand Primary Energy North Carolina (Southport) LLC 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. Primary Energy North Carolina (Southport) LLC 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): Bob Gibbs  
Title: General Manager  
Date: 11-05-2008





## **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.

Not applicable.

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

### **Submittal Instructions:**

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

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

Email the pdf file to [serccomply@serc1.org](mailto: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](mailto:kkeels@serc1.org)





EPCOR  
Power L.P.

*Print on Registered Entity's Corporate Letterhead*

**To Close Out a Completed Mitigation Plan, fill out this form, save it as a text searchable pdf file or MS Word file, and email it to [serccomply@serc1.org](mailto:serccomply@serc1.org). Note that electronic signatures are acceptable.**

*All Mitigation Plan Completion Certification submittals shall include data or information sufficient for SERC to verify completion of the Mitigation Plan. SERC may request such additional data or information and conduct follow-up assessments, on-site or other Spot Checking, or Compliance Audits as it deems necessary to verify that all required actions in the Mitigation Plan have been completed and the Registered Entity is in compliance with the subject Reliability Standard. (CMEP Section 6.6) Data or information submitted may become part of a public record upon final disposition of the possible violation, therefore any confidential information contained therein should be marked as such in accordance with the provisions of Section 1500 of the NERC Rules of Procedure.*

### **Certification of a Completed Mitigation Plan**

#### **SERC Reliability Corporation Violation Mitigation Plan Closure Form**

Name of Registered Entity submitting certification: **Primary Energy North Carolina (Southport) LLC**

Date of Certification: **03-13-2009**

Name of Standard and the Requirement(s) of mitigated violation(s): **PRC-005-1 R1 and R2**

SERC Tracking Number (contact SERC if not known): **unknown**

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

**Date of completion of the Mitigation Plan: 03-07-2009**

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

**With assistance from a third party vendor, Primary Energy North Carolina (Southport) LLC, developed a Protection System maintenance and testing program for Protection System devices that affect the reliability of the Bulk**

## Appendix A-8

*Print on Registered Entity's Corporate Letterhead*

**Electric System.** The Maintenance and testing intervals and their basis, as well as a summary of maintenance and testing procedures are documented in this procedure.

Maintenance and testing intervals for Protection Pursuant to SERC Supplement - Maintenance & Testing – Protection Systems (Transmission, Generation, UFLS, UVLS, & SPS) NERC Reliability Standards PRC-005-1, PRC-008-0, PRC-011-0, and PRC-017-0 (Attachment 1), the components required for EPCOR USA of North Carolina's maintenance and testing program of generation protection systems will include:

- Protective Relays
- Instrument Transformers (PTs and CTs)
- Communication Systems, where appropriate
- Batteries
- DC Control Circuitry

This procedure shall be reviewed annually and modified, as necessary.

Maintenance and testing of the protective relays, instrument transformers, and DC control circuitry devices for Unit 1 was completed on March 5, 2009. Maintenance and testing of the protective relays, instrument transformers, and DC control circuitry devices for Unit 2 was completed on November 1, 2008. Maintenance and testing of the Protective System Devices is scheduled to occur in two years.

Battery maintenance and testing occurs on a quarterly basis. The last battery test for Unit 2 was completed on 1/11/2009. The last battery test for Unit 1 was completed on 12/11/2008.

Description of the information provided to SERC for their evaluation: **EPCOR USA Maintenance and Testing Procedures and recent maintenance and testing of protection system devices.**

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: **Bob Gibbs**

Title: **General Manager**

Entity: **Primary Energy North Carolina (Southport) LLC**

Email: **bgibbs@epcorusa.com**

Phone: **910-457-5056**

Designated Signature Bob Gibbs Date 03-13-2009

**[NOTE – Closure Form should be signed by same individual that signed Mitigation Plan]**

## Appendix A-8

*Print on Registered Entity's Corporate Letterhead*

**(Form Revised August 13, 2008)**



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

Registered Entity:	Primary Energy of North Carolina (Southport) LLC
SERC Tracking ID:	08-142, 143
NERC Violation No:	SERC200800224, 225
NERC Mitigation Plan ID:	MIT-07-1261
Standard:	PRC-005-1
Requirement(s):	R1, R2

### **Violation Summary:**

- Primary Energy North Carolina (Southport) LLC could not provide any evidence in support of compliance with this standard and therefore SERC Staff concludes the Protection System maintenance and testing program did not exist and the Protection System devices were not maintained and tested within the defined intervals.

### **Mitigation Plan Summary:**

Primary Energy of North Carolina (Southport) LLC's Mitigation Plan to address the referenced violation was submitted on November 5, 2008 and was accepted by SERC on December 18, 2008 and approved by NERC on January 19, 2009. The Mitigation Plan is identified as MIT-07-1261 and was submitted as non-public information to FERC on January 19, 2009 in accordance with FERC orders.

Primary Energy of North Carolina (Southport) LLC's Mitigation Plan was completed on March 7, 2009.

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

SERC Reliability Corporation Compliance Staff ("SERC Staff") monitors the Registered Entity's progress towards completion of its Mitigation Plans in accordance with Section 6.0 of the uniform Compliance Monitoring and Enforcement Program, ("CMEP").

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

### **Mitigation Plan Completion Review Process:**



Primary Energy of North Carolina (Southport) LLC certified on March 13, 2009 that the subject Mitigation Plan was completed on March 7, 2009. 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:**

Primary Energy of North Carolina (Southport) LLC submitted and SERC Staff reviewed the following evidence in support of its certification that its Mitigation Plan was completed in accordance with its terms:

- EPCORUSA PRC-005 Final (Maintenance and testing program R1)
- Southport Protective Device Testing Work Orders (Testing evidence R2)
- Southport Battery Testing Work Orders (Testing evidence R2)
- Preventive maintenance – Southport (Testing evidence R2)

**Conclusion:**

On March 30, 2009 SERC Reliability Corporation Compliance Staff ("SERC Staff") completed its review of the evidence submitted by Primary Energy of North Carolina (Southport) LLC 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 Primary Energy of North Carolina (Southport) LLC 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,**

Gary Fuerst, CIP Compliance Engineer  
Mike Vastano, Auditor

**Attachment c**

**Notice of Filing**

UNITED STATES OF AMERICA  
FEDERAL ENERGY REGULATORY COMMISSION

EPCOR USA North Carolina LLC (Southport)

Docket No. NP10-\_\_\_\_-000

NOTICE OF FILING  
July 30, 2010

Take notice that on July 30, 2010, the North American Electric Reliability Corporation (NERC) filed a Notice of Penalty regarding EPCOR USA North Carolina LLC (Southport) 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](mailto:FERCOnlineSupport@ferc.gov), or call (866) 208-3676 (toll free). For TTY, call (202) 502-8659.

Comment Date: [BLANK]

Kimberly D. Bose,  
Secretary