



NORTH AMERICAN ELECTRIC  
RELIABILITY CORPORATION

March 1, 2010

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

**Re: NERC Notice of Penalty regarding Arizona Public Service Company  
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 Arizona Public Service Company (AZPS),<sup>2</sup> NERC Registry ID# NCR05016,<sup>3</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>4</sup>

On November 7, 2008, during preparation for a Self-Certification, AZPS submitted its first Self-Report, later supplemented as discussed below, of a possible violation of PRC-005-1 Requirement (R) 2 to Western Electricity Coordinating Council (WECC) for AZPS's failure to complete all testing for its Protection System as required by the Standard and according to the testing schedule outlined in AZPS's Testing, Maintenance, and Inspection Plan (TMIP). This Notice of Penalty is being filed with the Commission because, based on information from WECC, AZPS does not dispute the violation of PRC-005-1 R2 and the proposed thirty thousand dollar (\$30,000) penalty to be assessed to AZPS. Accordingly, the violation identified as NERC Violation Tracking Identification Number WECC200801217 is a Confirmed Violation, as that term is defined in the NERC Rules of Procedure and the CMEP.

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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 (2008). *Mandatory Reliability Standards for the Bulk-Power System*, FERC Stats. & Regs. ¶ 31,242 (2007) (Order No. 693), *reh'g denied*, 120 FERC ¶ 61,053 (2007) (Order No. 693-A). See 18 C.F.R. § 39.7(c)(2).

<sup>2</sup> On October 14, 2009, NERC submitted an Omnibus filing which addressed violations for certain registered entities including AZPS. On November 13, 2009, FERC issued an order stating it would not engage in further review of the violations addressed in the Omnibus Notice of Penalty.

<sup>3</sup> The Western Electricity Coordinating Council (WECC) confirmed that AZPS was included on the NERC Compliance Registry as a Balancing Authority, Distribution Provider, Generator Operator, Generator Owner, Load Serving Entity, Planning Authority, Purchasing-Selling Entity, Resource Planner, Transmission Operator, Transmission Owner, Transmission Planner and Transmission Service Provider on June 17, 2007. As a Generator Owner and Transmission Owner, AZPS is subject to the requirements of NERC Reliability Standard PRC-005-1 R2.

<sup>4</sup> See 18 C.F.R. § 39.7(c)(2).

### Statement of Findings Underlying the Violation

This Notice of Penalty incorporates the findings and justifications set forth in the Notice of Confirmed Violation and Proposed Penalty or Sanction (NOCV) issued on October 5, 2009, by WECC. The details of the findings and basis for the penalty are set forth herein. This Notice of Penalty filing contains the basis for approval of this Notice of Penalty by the NERC Board of Trustees Compliance Committee (BOTCC). In accordance with Section 39.7 of the Commission's Regulations, 18 C.F.R. § 39.7 (2007), NERC provides the following summary table identifying the Reliability Standard at issue in this Notice of Penalty.

Region	Registered Entity	NOC ID	NERC Violation ID	Reliability Std.	Req. (R)	VRF	Total Penalty (\$)
WECC	Arizona Public Service Company	NOC-395	WECC200801217	PRC-005-1	2	High <sup>5</sup>	30,000

#### PRC-005-1

The purpose of Reliability Standard PRC-005-1 is to ensure that all transmission and generation Protection Systems<sup>6</sup> affecting the reliability of the bulk power system (BPS) are maintained and tested.

PRC-005-1 R2 requires each Transmission owner that owns a transmission Protection System and each Generator Owner that owns a generation Protection System, such as AZPS, to provide documentation of its Protection System maintenance and testing program and the implementation of that program to its Regional Entity on request (within 30 calendar days). This documentation must include: (R2.1) evidence Protection System devices were maintained and tested within the defined intervals and (R2.2) the date each Protection System was last tested/maintained.

PRC-005-1 R2.1 has a "High" Violation Risk Factor (VRF).

On November 5, 2008 and November 6, 2008, in preparation for a Self-Certification, AZPS conducted a self-evaluation during which it discovered a possible non-compliance with PRC-005-1 R2. As a result, AZPS submitted a Self-Report on November 7, 2008. On November 12, 2008, during AZPS's further self-evaluation, AZPS discovered additional non-compliance with PRC-005-1 R2. On November 17, 2008, AZPS submitted another Self-Report with additional details regarding its possible noncompliance with PRC-005-1 R2.

<sup>5</sup> PRC-005-1 R2 has a "Lower" Violation Risk Factor (VRF); R2.1 has a "High" VRF. 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 include PRC-005-1 R2.1. On May 4, 2007, NERC assigned PRC-005 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.

<sup>6</sup> *The NERC Glossary of Terms Used in Reliability Standards*, updated April 20, 2009, defines Protection System as "Protective relays, associated communication systems, voltage and current sensing devices, station batteries and DC control circuitry."

The WECC subject matter experts (SMEs) determined that, although AZPS had submitted two Self-Reports, it had only one possible violation of the Standard, with additional instances. Accordingly, the WECC SMEs rejected AZPS's two Self-Reports and requested that AZPS submit a single Self-Report containing a comprehensive overview of a single possible PRC-005-1 R2 violation. On November 25, 2008, AZPS submitted a single Self-Report that stated that AZPS did not complete all testing according to the testing schedule outlined in AZPS's TMIP.

AZPS attributed the cause of the violations to: (1) multiple "tracking systems" being used to monitor relay maintenance schedules; and (2) multiple people within AZPS having responsibility for managing the schedules associated with relay testing, instead of having one, single-point of responsibility.

On December 11, 2008, WECC SMEs reviewed AZPS's November 25, 2008 Self-Report and concluded that AZPS had failed to adhere to its TMIP for Redhawk Units 1 and 2, Saguaro CT3 and West Phoenix CC4. Additionally, AZPS had failed to complete testing for the necessary elements at the Four Corners Switchyard. In total, AZPS was behind in its TMIP schedule for 196 Protection System devices; AZPS owns more than 1,000 Protection System devices or less than 25% of the applicable devices. Thus, the WECC SMEs concluded that AZPS had a possible violation of PRC-005-1 R2.

WECC Enforcement determined that AZPS had a violation of PRC-005-1 R2, specifically R2.1, because AZPS failed to test or maintain 196 of its Protection System devices within defined intervals. WECC determined the duration of the violation to be from June 18, 2007, the date the Standard became enforceable, through February 27, 2009, when AZPS completed its Mitigation Plan.

WECC determined that AZPS was late in testing and maintaining 196 Protection systems devices, or less than 25% of its applicable devices. Although AZPS's failure to test and maintain Protection System devices within regular maintenance intervals created an increased risk to system operability; AZPS did test or maintain each of the 196 Protection System devices (127 devices for testing and 69 devices for maintenance) within a month of discovering its noncompliance. For this reason, WECC determined this violation posed minimal risk to the reliability of the BPS.

#### Regional Entity's Basis for Penalty

WECC assessed a penalty of thirty thousand dollars (\$30,000) for the referenced violations. In reaching this determination, WECC considered the following factors:

1. the violation was AZPS's first violations of this Standard;
2. AZPS self-reported this violation, even though it was during preparation for a self-certification;
3. AZPS was cooperative throughout the compliance enforcement process;
4. there was no evidence of any attempt to conceal a violation nor evidence of intent to do so; and

5. WECC determined this violation did not pose a serious or substantial risk to the BPS, as discussed above.

After consideration of the above factors, WECC 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 subject violation.

### **Status of Mitigation Plan<sup>7</sup>**

AZPS's Mitigation Plan to address its violation of PRC-005-1 R2 was submitted to WECC on December 19, 2008, with a proposed completion date of February 28, 2009.<sup>8</sup> The Mitigation Plan was accepted by WECC on December 22, 2008 and approved by NERC on February 9, 2009. The Mitigation Plan for this violation is designated as MIT-08-1355 and was submitted as non-public information to FERC on February 17, 2009 in accordance with FERC orders.

AZPS' Mitigation Plan required AZPS to conduct maintenance and testing as follows:

1. Testing of relays:
  - a. Redhawk Unit 1 by November 8, 2008;
  - b. Redhawk Unit 2 by November 9, 2008;
  - c. West Phoenix CC4 by November 14, 2008; and
  - d. Saguaro CT 3 by November 8, 2008.
2. Maintenance of relays:
  - a. Redhawk Maintenance by February 28, 2009; and
  - b. Four Corners Switchyard by December 18, 2008.

In addition to the above actions required to mitigate the violations, AZPS committed to other actions to prevent a recurrence of similar events in the future. Those actions included:

- conducting a Root Cause analysis of this situation to determine the cause of the violation so that steps and controls can be put in place to mitigate or eliminate similar events in the future;
- developing one "master list" that will be used to monitor required relay testing associated with AZPS's TMIP. This master list, which will be developed and maintained under the direction of the leader of the Transmission and Distribution Maintenance Department, will be completed no later than February 15, 2009; and
- designating the leader of the Transmission and Distribution Maintenance Department as having primary responsibility for compliance with AZPS's TMIP including relay maintenance and functional testing. AZPS will develop and implement internal procedures by February 28, 2009 to ensure that all parties responsible for sections of the TMIP including relay maintenance and functional testing understand their roles and

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

<sup>8</sup> AZPS submitted a Mitigation Plan on November 18, 2008, that addressed only the November 5, 2008 self-reported violation of PRC-005-1 R2. At WECC's direction, AZPS revised its Mitigation Plan to reflect the November 25, 2008 self-report, which included the additional instances of AZPS's noncompliance with PRC-005-1 R2.

responsibilities in ensuring that AZPS complies with the requirements of its TMIP including relay maintenance and functional testing. These procedures will require that, in the fall of each year, the Transmission and Distribution Maintenance Department will meet with the Generation Department and review the required relay maintenance and testing associated with generation facilities for the next year.

AZPS certified on March 2, 2009 that its Mitigation Plan was completed on February 27, 2009. As evidence of completion of its Mitigation Plan, AZPS submitted the following:

- *TMIP Relay Maintenance* – this document included the date AZPS last tested each Protection System device;
- *APS TMIP Related Substation Locations*;
- *2009 TMIP Relay Maintenance, 2009 TMIP Relay Functional* – these documents contained the master list of relays associated with the TMIP; and
- *Service Agreement for APS Transmission and Distribution Maintenance and APS Procedure to Ensure Compliance* dated February 27, 2009 – the internal procedure that was created to ensure that all parties responsible for sections of the TMIP including relay maintenance and functional testing understand their roles and responsibilities in ensuring that AZPS complies with the requirements of the TMIP.

Upon review of these documents, WECC determined that AZPS had completed testing of its relays at Redhawk Units 1 and 2, West Phoenix CC4 and Saguaro CT3. Additionally, WECC determined that AZPS had maintained the necessary units at Redhawk and the Four Corners Switchyard.

On March 11, 2009, after reviewing AZPS's submitted evidence, WECC verified that AZPS's Mitigation Plan was completed on February 27, 2009 and notified AZPS in a letter dated April 8, 2009 that it was in compliance with PRC-005-1 R2.

### **Statement Describing the Proposed Penalty, Sanction or Enforcement Action Imposed<sup>9</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 Guidance Order,<sup>10</sup> the NERC BOTCC reviewed the NOCV and supporting documentation on February 10, 2010. The NERC BOTCC approved the assessment of a thirty thousand dollar (\$30,000) penalty against AZPS based upon WECC's findings and determinations, the NERC BOTCC's review of the applicable requirements of the Commission-approved Reliability Standards and the underlying facts and circumstances of the violation at issue.

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<sup>9</sup> See 18 C.F.R. § 39.7(d)(4).

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

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

1. the violation was AZPS's first violation of this Standard;
2. AZPS self-reported this violation, even though it was during preparation for a self-certification;
3. AZPS was cooperative throughout the compliance enforcement process;
4. there was no evidence of any attempt to conceal a violation nor evidence of intent to do so; and
5. this violation did not pose a serious or substantial risk to the BPS, as discussed above.

For the foregoing reasons, the NERC BOTCC believes that the proposed penalty of thirty thousand dollars (\$30,000) is appropriate for the violation and circumstances in question, and is consistent with NERC's goal to promote and ensure reliability of the BPS.

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) AZPS's Self-Reports for PRC-005-1 R2 dated November 7, 2008, November 17, 2008 and November 25, 2008, included as Attachment a;
- b) AZPS's response to WECC's Notice of Alleged Violation and Proposed Penalty or Sanction dated August 26, 2009, included as Attachment b;<sup>11</sup>
- c) AZPS's Mitigation Plan designated as MIT-08-1355 for PRC-005-1 R2 submitted December 19, 2008, included as Attachment c;
- d) AZPS's Certification of Completion of the Mitigation Plan for PRC-005-1 R2 dated March 2, 2009, included as Attachment d; and
- e) WECC's Verification of Completion of the Mitigation Plan for PRC-005-1 R2 dated March 11, 2009, included as Attachment e.

### **A Form of Notice Suitable for Publication<sup>12</sup>**

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

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<sup>11</sup> In an August 26, 2009, letter to WECC, AZPS requested CEII treatment for its August 26 Response to the Notice of Alleged Violation and Proposed Penalty or Sanction ("NAVAPS"), Self-Reports, Mitigation Plans, and evidentiary submissions to WECC related to the violation addressed in the NAVAPS. In response, WECC requested that AZPS mark specific information as CEII. By letter dated October 5, 2009, AZPS clarified that it seeks CEII handling and protections for only three specific documents previously provided to WECC: AZPS's TMIP Relay Maintenance (all versions), TMIP Relay Functionals (all versions), and TMIP Related Substation Locations.

<sup>12</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>Louise McCarren* Chief Executive Officer Western Electricity Coordinating Council 615 Arapeen Drive, Suite 210 Salt Lake City, UT 84108-1262 (801) 883-6868 (801) 582-3918 – facsimile Louise@wecc.biz</p> <p>Constance White* Vice President of Compliance Western Electricity Coordinating Council 615 Arapeen Drive, Suite 210 Salt Lake City, UT 84108-1262 (801) 883-6885 (801) 883-6894 – facsimile CWhite@wecc.biz</p> <p>Steven Goodwill* Associate General Counsel Western Electricity Coordinating Council 615 Arapeen Drive, Suite 210 Salt Lake City, UT 84108-1262 (801) 883-6857 (801) 883-6894 – facsimile SGoodwill@wecc.biz</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>Christopher Luras* Manager of Compliance Enforcement Western Electricity Coordinating Council 615 Arapeen Drive, Suite 210 Salt Lake City, UT 84108-1262 (801) 883-6887 (801) 883-6894 – facsimile CLuras@wecc.biz</p> <p>Steve Wheeler* Executive Vice President, Customer Service/Regulatory Administration Arizona Public Service Company P.O. Box 53999 MS 9040 Phoenix, Arizona 85072-3999 (602) 250-3982 (602) 250-2367 – facsimile Steve.Wheeler@aps.com</p> <p>*Persons to be included on the Commission's service list are indicated with an asterisk. NERC requests waiver of the Commission's rules and regulations to permit the inclusion of more than two people on the service list.</p>
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## Conclusion

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

Respectfully submitted,

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

/s/ Rebecca J. Michael  
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: Arizona Public Service Company  
Western Electricity Coordinating Council

Attachments

## **Attachment a**

**AZPS's Self-Reports for PRC-005-1 R2 dated  
November 7, 2008, November 17, 2008 and  
November 25, 2008**



CONFIDENTIAL

## Compliance Violation Self-Reporting Form

Please complete an individual Self-Reporting Form for each NERC Reliability Standard that indicates any level(s) of non-compliance and return to [Compliance@WECC.biz](mailto:Compliance@WECC.biz)

Registered Entity Name: Arizona Public Service Company

Contact Name: Thomas Glock

Contact Phone: (602)250-1160

Contact email: Thomas.Glock@aps.com

Date noncompliance was discovered: 11/05/08 & 11/6/08

Date noncompliance was reported: 11/07/08

Standard Title: Transmission and Generation Protection System Maintenance and Testing

Standard Number: PRC-005-1

Requirement Number(s)<sup>1</sup>: **R2, R2.1, R2.2**

How was the noncompliance found? (e.g. Routine Readiness Evaluation, Self-evaluation, Internal Audit, etc.)

Self-evaluation in preparation of upcoming required self-certification.

**\*Submit a Mitigation Plan in conjunction with this form to show that corrective steps are being taken within ten (10) business days. If a mitigation plan is not being submitted with this form please complete the following:**

Describe the cause of non-compliance:

As part of an internal self - evaluation assessment, It was identified that relay testing for some of the generation units had not been completed on schedule as required by APS' TMIP. The generation units identified are Redhawk 1 & 2, Saguaro CT3 and West Phoenix CC4.

Describe the reliability impact of this non-compliance:

There were no reliability impacts to the BES as a result of the delayed testing.

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<sup>1</sup> Violations are on a per requirement basis.

Expected date of Mitigation Plan submittal: 11/21/08



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## Compliance Violation Self-Reporting Form

Please complete an individual Self-Reporting Form for each NERC Reliability Standard that indicates any level(s) of non-compliance and return to [Compliance@WECC.biz](mailto:Compliance@WECC.biz)

Registered Entity Name: Arizona Public Service Company

Contact Name: Thomas Glock

Contact Phone: (602)250-1160

Contact email: Thomas.Glock@aps.com

Date noncompliance was discovered: 11/12/08

Date noncompliance was reported: 11/17/08

Standard Title: Transmission and Generation Protection System Maintenance and Testing

Standard Number: PRC-005-1

Requirement Number(s)<sup>1</sup>: **R2, R2.1, R2.2**

How was the noncompliance found? (e.g. Routine Readiness Evaluation, Self-evaluation, Internal Audit, etc.)

Self-evaluation in preparation of upcoming required self-certification.

**\*Submit a Mitigation Plan in conjunction with this form to show that corrective steps are being taken within ten (10) business days. If a mitigation plan is not being submitted with this form please complete the following:**

Describe the cause of non-compliance:

It was identified that relay testing for some of the transmission elements had not been completed on schedule as required by APS' TMIP. The elements identified are at the Four Corners Switchyard.

Describe the reliability impact of this non-compliance:

There were no reliability impacts to the BES as a result of the delayed testing.

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<sup>1</sup> Violations are on a per requirement basis.

Expected date of Mitigation Plan submittal: 12/12/08



**CONFIDENTIAL**

## **Compliance Violation Self-Reporting Form**

Please complete an individual Self-Reporting Form for each NERC Reliability Standard that indicates any level(s) of non-compliance and return to [Compliance@WECC.biz](mailto:Compliance@WECC.biz)

Registered Entity Name: Arizona Public Service Company

Contact Name: Thomas Glock

Contact Phone: (602)250-1160

Contact email: Thomas.Glock@aps.com

Date noncompliance was discovered: 11/05/08, 11/6/08 and 11/12/08

Date noncompliance was reported: 11/07/08; Revised 11/25/08 at the request of WECC

Standard Title: Transmission and Generation Protection System Maintenance and Testing

Standard Number: PRC-005-1

Requirement Number(s)<sup>1</sup>: **R2, R2.1, R2.2**

How was the noncompliance found? (e.g. Routine Readiness Evaluation, Self-evaluation, Internal Audit, etc.)

Self-evaluation in preparation of upcoming required self-certification.

**\*Submit a Mitigation Plan in conjunction with this form to show that corrective steps are being taken within ten (10) business days. If a mitigation plan is not being submitted with this form please complete the following:**

Describe the cause of non-compliance:

As part of an internal self - evaluation assessment, It was identified that relay testing for some of the generation units had not been completed on schedule as required by APS' TMIP. The generation units identified are Redhawk 1 & 2, Saguaro CT3 and West Phoenix CC4. In addition, relay testing for some of the transmission elements at the Four Corners Switchyard had not been completed on schedule as required by APS' TMIP. The number of relays for the units listed above is 127 for testing and 69 for maintenance.

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<sup>1</sup> Violations are on a per requirement basis.



Describe the reliability impact of this non-compliance:

There were no reliability impacts to the BES as a result of the delayed testing.

Expected date of Mitigation Plan submittal: 12/24/08

## **Attachment b**

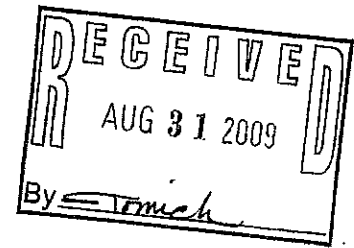
### **AZPS's response to WECC's Notice of Alleged Violation and Proposed Penalty or Sanction dated August 26, 2009**



For Public Release - March 1, 2010

A subsidiary of Pinnacle West Capital Corporation

Steven M. Wheeler  
Executive Vice President, Customer Service and Regulation



August 26, 2009

**CONFIDENTIAL INFORMATION  
CEII CONFIDENTIAL AND CONFIDENTIAL  
BUSINESS AND MARKET INFORMATION  
EXEMPT FROM MANDATORY DISCLOSURE  
REQUIREMENTS OF THE FREEDOM OF  
INFORMATION ACT, 5 U.S.C. § 552, AND SHOULD  
BE WITHHELD FROM PUBLIC DISCLOSURE.  
18 C.F.R. § 388.112(a)**

**Via Overnight Delivery and E-mail**

Constance B. White  
Vice President of Compliance  
Western Electricity Coordinating Council  
615 Arapen Drive, Suite 210  
Salt Lake City, UT 84108

Re: Notification of Arizona Public Service Company Regarding Notice of  
Alleged Violation and Proposed Penalty or Sanction; WECC Tracking  
Identification No. AZPS\_WECC20081328; NERC Violation Tracking  
Identification No. WECC200801217

Dear Ms. White:

In response to the July 29, 2009 Notice of Alleged Violation and Proposed Penalty or Sanction referenced above ("Notice") and in accordance with Section 5.2 of the Western Electricity Coordinating Council Compliance Monitoring and Enforcement Program ("CMEP"), Arizona Public Service Company ("APS") hereby elects the following option:

1. AZPS ... does not contest the Alleged Violation and proposed penalty or sanction, and agrees to submit and implement a mitigation plan to correct the violation and its underlying causes.

With respect to the referenced mitigation plan, APS notes that as reflected on Attachment 1 to the Notice, APS submitted a revised mitigation plan to WECC on December 19, 2008, with an expected completion date of February 28, 2009. (Notice, p. 7) On December 22, 2008, WECC reviewed APS' revised mitigation plan and accepted it. (Notice, p. 7) On March 2, 2009, APS submitted its completed mitigation plan and certified that it had completed the action in the plan by February 27, 2009. (Notice, p. 7) On March 11, 2009, WECC reviewed the completed mitigation plan and associated documents, and concluded

Constance B. White  
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August 26, 2009

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REQUIREMENTS OF THE FREEDOM OF  
INFORMATION ACT, 5 U.S.C. § 552, AND SHOULD  
BE WITHHELD FROM PUBLIC DISCLOSURE.  
18 C.F.R. § 388.112(a)**

that APS “had demonstrated completion of the mitigation plan by February 27, 2009.”  
(Notice, p. 8)

In light of WECC’s acknowledgement in its Notice of APS’ submission and implementation of a WECC-accepted mitigation plan and WECC’s conclusion that APS had demonstrated completion of that mitigation plan, APS deems its December 19, 2008 submission of its revised mitigation plan and its March 2, 2009 submission of its completed mitigation plan and certification of completion as compliant with the requirement to “submit and implement a mitigation plan to correct the violation and its underlying causes” in the elected option. Nonetheless, APS requests that WECC confirm that APS has complied with the elected option. APS also requests confirmation that WECC has indeed forwarded APS’ WECC-accepted mitigation plan to NERC for its review in accordance with page 4 of the Notice and that NERC has approved the WECC-accepted mitigation plan. If WECC desires anything further of APS regarding the WECC-accepted mitigation plan, please advise us immediately.

We request that you treat this letter and the previous submissions to WECC, including but not limited to the Self-Reports, mitigation plans, and attachments thereto, confidentially in accordance with and as required by Section 9.3 of the Uniform Compliance Monitoring and Enforcement Program of the North American Electric Reliability Corporation and Section 1500 of the Rules of Procedure of the North American Electric Reliability Corporation.

We also request that you treat the underlying Self-Reports, mitigation plans, attachments thereto, and other submissions to WECC relating to the Alleged Violation, including the TMIP Relay Maintenance, TMIP Related Substation Locations, 2009 TMIP Relay Maintenance, 2009 TMIP Relay Functional, and Service Agreement for APS Transmission and Distribution Maintenance and APS Procedure to Ensure Compliance (dated 2/27/09), as Critical Energy Infrastructure Information (“CEII”). The referenced submissions contain specific engineering, vulnerability, or detailed design information about existing critical infrastructure that:

- (i) Relates details about the production, generation, transportation, transmission, or distribution of energy;
- (ii) Could be useful to a person in planning an attack on critical infrastructure;
- (iii) Is exempt from mandatory disclosure under the Freedom of Information Act, 5 U.S.C. 552; and
- (iv) Does not simply give the general location of the critical infrastructure.

Constance B. White  
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August 26, 2009

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INFORMATION ACT, 5 U.S.C. § 552, AND SHOULD  
BE WITHHELD FROM PUBLIC DISCLOSURE.  
18 C.F.R. § 388.112(a)**

Please contact me with any questions related to this Notification. We look forward to your confirmation regarding the submission of the WECC-accepted mitigation plan.

Sincerely,



Steven M. Wheeler  
Executive Vice President, Customer Service and Regulation  
Arizona Public Service Company

cc: Tom Glock, APS Director, Power Operations  
David Hilt, NERC Vice President and Director of Compliance  
Tim Kucey, NERC Manager of Enforcement and Mitigation  
Steven Goodwill, WECC Counsel  
Melissa Thompson, WECC Counsel  
Louise McCarren, WECC CEO

## **Attachment c**

**AZPS's Mitigation Plan designated as MIT-08-1355 for PRC-005-1 R2 submitted December 19, 2008**



## Mitigation Plan Submittal Form

New ☐ or Revised ☒

Date this Mitigation Plan is being submitted: 11/18/08; revised 12/19/08 per WECC Staff\*

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 & Mitigation Plan Requirements**

- A.1 Notices and requirements applicable to Mitigation Plans and this Submittal Form are set forth in "Appendix A - Compliance Notices & Mitigation Plan Requirements" to this form. **Review the notices and check this box ☒ to indicate that you have reviewed and understand the information provided therein.** This Submittal Form and the Mitigation Plan submitted herein are incomplete and cannot be accepted unless the box is checked.

### **Section B: Registered Entity Information**

- B.1 Identify your organization:

Company Name: Arizona Public Service Co. (APS)  
Company Address: 502 S. 2<sup>nd</sup> Ave, Phoenix, AZ 85003  
NERC Compliance Registry ID *[if known]*: NCR05016

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

Name: Thomas Glock  
Title: Director, Power Operations  
Email: Thomas.Glock@aps.com  
Phone: 602-250-1160





### **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]	WECC Violation ID # [if known]	Requirement Violated (e.g. R3)	Violation Date <sup>(*)</sup> (MM/DD/YY)
PRC-005-1		R2, R2.1, R2.2	11/07/08*

(\*) Note: The Violation Date shall be: (i) 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 WECC. Questions regarding the date to use should be directed to the WECC.

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

As part of an internal self-evaluation assessment, it was identified that relay testing and maintenance had not been completed on schedule as required by APS' TMIP. The relays and associated equipment identified are:

Redhawk 1 & 2 - identified 11/5/08;

West Phoenix CC4 & Saguaro CT 3 - identified 11/6/08;

Four Corners Switchyard - identified 11/12/08.

APS believes the cause of the violation(s) were the result of: 1) multiple "tracking systems" being used to monitor relay maintenance schedules; and 2) multiple people within APS having responsibility for managing the schedules associated with relay testing, instead of having one, single-point of responsibility.

[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 were no reliability impacts to the BES as a result of the delayed testing.  
[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:

Testing of relays, at issue, is as follows:  
Redhawk Unit 1 - 11/8/08 COMPLETE;  
Redhawk Unit 2 - 11/9/08 COMPLETE;  
West Phoenix CC4 - 11/7/08 & 11/14/08 COMPLETE;  
Saguaro CT 3 - 11/8/08 COMPLETE;

Maintenance of relays, at issue, is as follows:  
Redhawk Maintenance - 2/28/09;  
Four Corners Switchyard - 12/18/08. COMPLETE  
Also see response to E.3.

[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:



**Western Electricity Coordinating Council**



- D.3 Testing of relays, at issue, is as follows:
- D.4 Redhawk Unit 1 - 11/8/08 COMPLETE
- D.5 Redhawk Unit 2 - 11/9/08 COMPLETE;
- D.6 West Phoenix CC4 - 11/7/08 & 11/14/08 COMPLETE;
- D.7 Saguaro CT 3 - 11/8/08 COMPLETE;
- D.8 Maintenance of relays, at issue, is as follows:
- D.9 Redhawk Maintenance - 2/28/09;
- D.10 Four Corners Switchyard - 12/18/08. COMPLETE
- D.11 Also see response to E.3.
- D.12 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)
Develop Master List of relays associated with APS' TMIP.	02/15/09
Maintenance on Red Hawk Relays	02/28/09
Develop and implement internal procedures to ensure that all parties responsible for sections of the TMIP including relay maintenance and functional testing understand their roles and responsibilities in ensuring that APS complies with the requirements of the TMIP including relay maintenance and functional testing.	02/28/09

(\*) 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.13 If you have any relevant additional information that you wish to include regarding the mitigation plan, milestones, milestones dates and completion date proposed above you may include it here:

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



## **Section E: Interim and Future Reliability Risk**

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

### **Abatement of Interim BPS Reliability Risk**

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

All relays at issue have been tested and are scheduled for maintenance to be completed by the end of February 2009 to become compliant with APS' TMIP. As such, APS believes that any risks or impacts associated with the potential malfunction of these relays has been mitigated as appropriate.

[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:

APS believes the cause of the violation(s) was the result of: 1) multiple "tracking systems" being used to monitor relay maintenance schedules; and 2) multiple people within APS having responsibility for managing the schedules associated with relay testing, instead of having one, single-point of responsibility. As such, APS has taken the steps outlined in E.3 (below) in an effort to prevent further violations of this nature.

[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:

In addition to correcting the violations, several other steps have been taken by APS to prevent a recurrence of similar events in the future. Those steps include: 1) conducting a Root Cause analysis of this situation to determine the cause of the violation so that steps and controls can be put in place to mitigate or eliminate similar events in the future; 2) APS is currently developing one "master list" that will be used to monitor required relay testing associated with APS' TMIP. This master list, which will be developed and maintained under the direction of the leader of the Transmission and Distribution Maintenance Department, will be complete and implemented as soon as possible, but no later than 02/15/09; and, 3) APS has designated the leader of the Transmission and Distribution Maintenance Department as having primary responsibility for compliance with the APS TMIP including relay maintenance and functional testing. APS will develop and implement internal procedures by 02/28/09 to ensure that all parties responsible for sections of the TMIP including relay maintenance and functional testing understand their roles and responsibilities in ensuring that APS complies with the requirements of the TMIP including relay maintenance and functional testing. The Transmission and Distribution Maintenance Department will keep up to date records of all TMIP relays including those associated with Generation Facilities. Records will include dates of past maintenance activities and the date that the next maintenance is due. These procedures will provide for record updates when relays are added, changed out, or settings are changed. These procedures will require that in the fall of each year, the Transmission and Distribution Maintenance Department will meet with the Generation Department and review the required relay maintenance and testing associated with Generation Facilities for the next year. Schedules will be developed for Generation Facility outages necessary to perform the required relay maintenance and testing.

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




## **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 WECC for acceptance by WECC 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 Thomas Glock of Arizona Public Service Co (APS).
  2. I am qualified to sign this Mitigation Plan on behalf of Arizona Public Service Co (APS).
  3. I have read and understand Arizona Public Service Co (APS) 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. Arizona Public Service Co (APS) agrees to be bound by, and comply with, the Mitigation Plan, including the timetable completion date, as approved by WECC and approved by NERC.

**Authorized Entity Officer Signature:**

  
(Electronic signatures are acceptable; see CMEP)

Name (Print): Thomas Glock  
Title: Director, Power Operations  
Date: 12/19/08





### **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.

APS was extremely disappointed to learn of these relay violations, especially in light of our ongoing commitment to maintain a culture of compliance. APS' commitment to compliance with all regulations, laws and requirements is unwavering and, as such, any violation or potential violation identified is dealt with immediately and in such a way as to prevent or mitigate, where possible, future violations.

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

Please direct any questions regarding completion of this form to:

Jim Stuart, Sr. Compliance Engineer

Email: [Jstuart@wecc.biz](mailto:Jstuart@wecc.biz)

Phone: (801) 883-6887



## **Attachment A – Compliance Notices & Mitigation Plan Requirements**

- I. Section 6.2 of the CMEP1 sets forth the information that must be included in a Mitigation Plan. The Mitigation Plan must include:
  - (1) The Registered Entity's point of contact for the Mitigation Plan, who shall be a person (i) responsible for filing the Mitigation Plan, (ii) technically knowledgeable regarding the Mitigation Plan, and (iii) authorized and competent to respond to questions regarding the status of the Mitigation Plan. This person may be the Registered Entity's point of contact described in Section 2.0.
  - (2) The Alleged or Confirmed Violation(s) of Reliability Standard(s) the Mitigation Plan will correct.
  - (3) The cause of the Alleged or Confirmed Violation(s).
  - (4) The Registered Entity's action plan to correct the Alleged or Confirmed Violation(s).
  - (5) The Registered Entity's action plan to prevent recurrence of the Alleged or Confirmed violation(s).
  - (6) The anticipated impact of the Mitigation Plan on the bulk power system reliability and an action plan to mitigate any increased risk to the reliability of the bulk power-system while the Mitigation Plan is being implemented.
  - (7) A timetable for completion of the Mitigation Plan including the completion date by which the Mitigation Plan will be fully implemented and the Alleged or Confirmed Violation(s) corrected.
  - (8) Implementation milestones no more than three (3) months apart for Mitigation Plans with expected completion dates more than three (3) months from the date of submission. Additional violations could be determined for not completing work associated with accepted milestones.
  - (9) Any other information deemed necessary or appropriate.
  - (10) The Mitigation Plan shall be signed by an officer, employee, attorney or other authorized representative of the Registered Entity, which if applicable, shall be the person that signed the Self-Certification or Self Reporting submittals.
- II. This submittal form may be used to provide a required Mitigation Plan for review and approval by WECC and NERC.

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<sup>1</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.



- III. The Mitigation Plan shall be submitted to the WECC and NERC as confidential information in accordance with Section 1500 of the NERC Rules of Procedure.
- IV. 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.
- V. If the Mitigation Plan is approved by WECC 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.
- VI. WECC or NERC may reject Mitigation Plans that they determine to be incomplete or inadequate.
- VII. Remedial action directives also may be issued as necessary to ensure reliability of the bulk power system.

## **Attachment d**

### **AZPS's Certification of Completion of the Mitigation Plan for PRC-005-1 R2 dated March 2, 2009**



**CONFIDENTIAL**

### **Mitigation Plan Completion Form**

**Please complete a Mitigation Plan Completion form for each fully mitigated violation and submit to the WECC Compliance Web Portal File Upload along with the supporting evidence that confirms full compliance and Authorized Officer's signature.**

Registered Entity Name: Arizona Public Service Company (AZPS)

Standard Title: Transmission and Generation Protection Systems Maintenance and Testing

Standard Number: PRC-005-1

Requirement Number(s): R2

Actual completion date of Mitigation Plan: 02/27/2009

**Check this box ☐ to indicate that you understand that the submittal of this Completion form is incomplete and cannot be reviewed for approval unless supporting documentation/evidence that confirms full compliance is attached.**

Please provide the specific location (i.e. paragraph numbers, page numbers) in the documentation / evidence submitted to verify compliance.

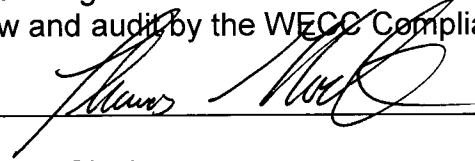
- 1) Relay testing and maintenance has been completed as required by the TMIP.
- 2) A master list of relays associated with the TMIP has been developed. The master list is attached as evidence to confirm full compliance. [Attachments A & B]
- 3) Developed internal procedures (Service agreement between APS Transmission/Distribution Maintenance and APS Generation) to ensure that all parties responsible for sections of the TMIP including relay maintenance and functional testing understand their roles and responsibilities in ensuring that APS complies with the requirements of the TMIP. This is an internal procedure developed to enhance compliance with the reliability standard. This document is also attached for review. [Attachment C]

Additional Notes or Comments pertaining to this violation:

By implementing the above actions, AZPS firmly believes that it is fully in compliance with the requirements for PRC-005-1.

By endorsement of this document I attest that AZPS is now in full compliance with the standard / requirements addressed in this Mitigation Plan and documentation / evidence supporting full compliance is attached for review and audit by the WECC Compliance Staff.

Authorized Officer's Signature: \_\_\_\_\_

A handwritten signature in black ink, appearing to read 'Thomas Glock', is written over a horizontal line.

Authorized Officer's Name: Thomas Glock

Authorized Officer's Title: Director, Power Operations

Date: 03/02/2009

**Attachment e**

**WECC's Verification of Completion of the  
Mitigation Plan for PRC-005-1 R2  
dated April 8, 2009**



**CONFIDENTIAL**



**Laura Scholl**  
Managing Director of Compliance

801.819.7619  
[lscholl@wecc.biz](mailto:lscholl@wecc.biz)

April 8, 2009

Tom Glock  
Director, Power Operations  
Arizona Public Service Company  
502 S. 2nd Avenue  
Phoenix, Arizona 85003

NERC Registration ID: NCR05016

Subject: Certification of Completion Response Letter

Dear Tom Glock,

The Western Electricity Coordinating Council (WECC) has received the Certification of Completion and supporting evidence on 3/2/2009 for Arizona Public Service Company AZPS's alleged violation of Reliability Standard PRC-005-1 and Requirement(s) 2. Listed below is the outcome of WECC's official review.

WECC has accepted the Certification of Completion for Requirement(s) 2 of the Reliability Standard PRC-005-1 and have found these requirements to be fully mitigated. No further mitigation of these requirements will be required at this time.

If you have any questions or concerns, please contact Phil O'Donnell at [podonnell@wecc.biz](mailto:podonnell@wecc.biz). Thank you for your assistance in this effort.

Sincerely,

*Laura Scholl*

Laura Scholl  
Managing Director of Compliance

LS:cm

cc: Jana Van Ness, AZPS Manager, Regulatory Compliance  
Lisa Milanese, WECC Manager of Compliance Program Administration  
Phil O'Donnell, WECC Acting Manager of Audits

**Attachment f**

**Notice of Filing**

UNITED STATES OF AMERICA  
FEDERAL ENERGY REGULATORY COMMISSION

Arizona Public Service Company

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

NOTICE OF FILING  
March 1, 2010

Take notice that on March 1, 2010, the North American Electric Reliability Corporation (NERC) filed a Notice of Penalty regarding Arizona Public Service Company in the Western Electricity Coordinating Council 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