



NORTH AMERICAN ELECTRIC
RELIABILITY CORPORATION

March 31, 2010

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

**Re: NERC Notice of Penalty regarding East Kentucky Power Cooperative
FERC Docket No. NP10-_-000**

Dear Ms. Bose:

The North American Electric Reliability Corporation (NERC) hereby provides this Notice of Penalty¹ regarding East Kentucky Power Cooperative (EKPC),² NERC Registry ID# NCR01225,³ 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)).⁴

On October 1, 2008, EKPC submitted a self-report of⁵ its possible non-compliance with CIP-001-1 Requirement (R) 1 through R4 to SERC for EKPC's failure to have a procedure for recognizing sabotage events, have appropriate communication procedures in place, make sabotage response guidelines available to operating personnel and have appropriate procedures for reporting to or coordinating with local Federal Bureau of Investigation (FBI) personnel in the event of a sabotage event. This Notice of Penalty is being filed with the Commission because, based on information from SERC, SERC and EKPC have entered into a Settlement Agreement to resolve all outstanding issues arising from a preliminary and non-public assessment resulting in SERC's determination and findings of the enforceable alleged violations of CIP-001-1 R1

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

² On November 13, 2009, NERC filed a Notice of Penalty at FERC regarding EKPC's alleged violations of BAL-001-0 R1 and BAL-005-0 R2, which was designated as Docket No. NP10-7-000. FERC issued a Notice stating it would not further review that Notice of Penalty on December 11, 2009.

³ SERC Reliability Corporation (SERC) confirmed that EKPC 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 May 31, 2007 and as an Interchange Authority on March 20, 2008. As a Balancing Authority, Transmission Operator, Generator Operator and Load Serving Entity, EKPC is subject to the requirements of NERC Reliability Standard CIP-001-1.

⁴ See 18 C.F.R. § 39.7(c)(2).

⁵ The self report was received at the time of a self-certification for compliance with Reliability Standard CIP-001-1.

through R4. According to the Settlement Agreement, EKPC neither admits nor denies the alleged violations, but has agreed to the proposed penalty of seven thousand dollars (\$7,000) to be assessed to EKPC, 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 alleged violations identified as NERC Violation Tracking Identification Numbers SERC200800204, SERC200800205, SERC200800206 and SERC200800207 are being filed in accordance with the NERC Rules of Procedure and the CMEP.

Statement of Findings Underlying the Alleged Violations

This Notice of Penalty incorporates the findings and justifications set forth in the Settlement Agreement executed on October 27, 2009, by and between SERC and EKPC, 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 (2007), NERC provides the following summary table identifying each alleged violation of a Reliability Standard resolved by the Settlement Agreement, as discussed in greater detail below.

Region	Registered Entity	NOC ID	NERC Violation ID	Reliability Std.	Req. (R)	VRF	Total Penalty (\$)
SERC	East Kentucky Power Cooperative	NOC-409	SERC200800204	CIP-001-1	1	Medium	7,000
			SERC200800205	CIP-001-1	2	Medium	
			SERC200800206	CIP-001-1	3	Medium	
			SERC200800207	CIP-001-1	4	Medium	

CIP-001-1

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

CIP-001-1 R1 requires each Balancing Authority, Transmission Operator, Generator Operator and Load Serving Entity, such as EKPC, to 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" Violation Risk Factor (VRF).

CIP-001-1 R2 requires each Balancing Authority, Transmission Operator, Generator Operator and Load Serving Entity, such as EKPC, to 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 requires each Balancing Authority, Transmission Operator, Generator Operator and Load Serving Entity, such as EKPC, to provide its 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 requires each Balancing Authority, Transmission Operator, Generator Operator and Load Serving Entity, such as EKPC, to establish communications contacts, as applicable, with local FBI or Royal Canadian Mounted Police officials and develop reporting procedures as appropriate to their circumstances. CIP-001-1 R4 has a "Medium" VRF.

On October 1, 2008, EKPC self-certified its possible non-compliance with CIP-001-1 R1 through R4 on a Self-Report form dated September 30, 2008, stating that during an internal compliance assessment on July 1, 2008, EKPC compared its existing *Crisis Management Plan* to NERC Reliability Standard CIP-001-1. EKPC reported that its existing plan addressed the requirements of CIP-001-1 R1 through R4, but did not fully meet them. EKPC also provided examples of compliance gaps in its plan for all four requirements of the Standard.

SERC commenced its detailed compliance assessment and requested copies of EKPC's sabotage reporting procedures and FBI contact information to assist in its review. EKPC's *Crisis Management Plan* included a vulnerability risk assessment for each EKPC critical asset and provided an overview of crisis management and disaster recovery policies for the organization. The plan was not specific about the recognition, communication, and personnel awareness of sabotage events on EKPC's distribution, generation, and transmission facilities. In addition, while it contained key personnel and FBI contact information, it did not contain procedures for reporting to or coordinating with the FBI in the event of a sabotage event.

SERC determined that EKPC had alleged violations of CIP-001-1 R1 through R4 because the evidence reviewed showed that EKPC did not: (a) have written procedural content that described how to recognize a sabotage event, and at what stage in the process operating personnel are made aware of the event; (b) have procedures for the communication of sabotage information to appropriate parties in the Interconnection; (c) provide its operating personnel with sabotage response guidelines; and (d) have written or electronic evidence of reporting procedures for coordination between local FBI and EKPC facilities. SERC determined the duration of each of the alleged violations to be from June 18, 2007, the date the Standards became enforceable, through September 23, 2008, when EKPC completed its Mitigation Plan.

Regional Entity's Basis for Penalty

According to the Settlement Agreement, SERC has assessed a penalty of seven thousand dollars (\$7,000) for the referenced alleged violations. In reaching this determination, SERC considered the following factors: (1) EKPC has no prior violations of CIP-001-1 or any closely-related standard during the mandatory reliability period; (2) EKPC cooperated in a timely and satisfactory manner throughout the enforcement process; (3) EKPC agreed to resolve this issue via settlement before receiving a Notice of Alleged Violation and Proposed Penalty or Sanction; and (4) SERC determined that the alleged violations did not pose a serious or substantial risk to

the bulk power system because there had been no reported sabotage event, and if there had been a sabotage event on EKPC's system, the impact would have been minimal, as EKPC's existing Crisis Management Plan, while not conforming, would have provided some guidance to EKPC's staff.

After consideration of the above factors, SERC determined that, in this instance, the penalty amount of seven thousand dollars (\$7,000) is appropriate and bears a reasonable relation to the seriousness and duration of the alleged violations.

Status of Mitigation Plan⁶

EKPC's completed Mitigation Plan to address its alleged violations of CIP-001-1 R1 through R4 was submitted to SERC on September 30, 2008 with a completion date of September 23, 2008. The Mitigation Plan was accepted by SERC on November 20, 2008 and approved by NERC on November 26, 2008. The Mitigation Plan for these alleged violations is designated as MIT-07-1123 and was submitted as non-public information to FERC on November 26, 2008 in accordance with FERC orders.

EKPC's Mitigation Plan stated that EKPC developed written procedures that describe how to recognize a potential sabotage event, provide guidelines on appropriate responses to sabotage events and provide guidelines on how to communicate necessary information to appropriate parties in the Interconnection. Additionally, EKPC met with a representative of the FBI to discuss terrorism and security coordination, maintained evidence of the meeting and had developed appropriate reporting procedures.

EKPC certified on October 24, 2008 that its Mitigation Plan was completed on September 23, 2008.⁷ As evidence of completion of its Mitigation Plan, EKPC submitted the following:

- *Reporting Sabotage and Suspicious Activities Procedures* Rev. 1 dated September 23, 2008 which was the sabotage procedure issued to EKPC's Generation and Transmission Operations employees for the recognition of and for making its operating personnel aware of sabotage events on its facilities and multi-site sabotage affecting larger portions of the Interconnection;
- *Reporting Sabotage and Suspicious Activities Form* Rev. 1, dated September 23, 2008, Appendix B, which provides communication guidelines for responses and contains communications lists to report a suspected or actual sabotage event;
- *Sabotage Reporting Contact List*, Rev. 1, dated September 23, 2008, Appendix A used for notification of internal and external personnel with FBI and local contact information; and
- *Suspicious Activity Form*, Rev. 1, dated September 23, 2008, Appendix B 8.1, used to document pertinent information reported to the system operator.

⁶ See 18 C.F.R § 39.7(d)(7).

⁷ EKPC's certification of completion is dated October 22, 2008; however, the document was not signed until October 24, 2008.

On January 6, 2009, after reviewing EKPC's submitted evidence, SERC verified that EKPC's Mitigation Plan was completed on September 23, 2008 and that EKPC was in compliance with CIP-001-1 R1 through R4.

According to the Settlement Agreement, EKPC will also take the following actions:

- Implement an employee compliance awareness program to raise general awareness among all EKPC employees;
- Implement a member cooperative compliance awareness program to expand sabotage awareness training throughout the distribution line crews of EKPC's 16 member cooperative, and increase the number of trained individuals in the field and further ensure the safe stewardship of EKPC's transmission and delivery infrastructure;
- Establish a statewide "Best Practices" group to foster greater cooperation between neighboring registered entities in the Commonwealth of Kentucky, with the aim of assisting each other to improve upon efforts to further the NERC compliance program through ongoing dialogue and an exchange of ideas;
- Host a 2-day Homeland Security training event for local emergency personnel and first-responders to introduce the various natural, technological, and civil hazards to which electric power systems may be vulnerable and the potential effects the hazards may induce;
- Host a regional NRECA-led workshop on the NERC Reliability Standards and compliance therewith; and
- Participate as a panelist in the SERC Compliance 2009 Nashville Seminar to discuss lessons learned and its compliance program.

Statement Describing the Proposed Penalty, Sanction or Enforcement Action Imposed⁸

Basis for Determination

Taking into consideration the Commission's direction in Order No. 693, the NERC Sanction Guidelines and the Commission's July 3, 2008 Guidance Order,⁹ the NERC BOTCC reviewed the Settlement Agreement and supporting documentation on February 10, 2010. The NERC BOTCC approved the Settlement Agreement, including SERC's imposition of a financial penalty, assessing a penalty of seven thousand dollars (\$7,000) against EKPC 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 alleged violations at issue.

⁸ See 18 C.F.R. § 39.7(d)(4).

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

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

- (1) EKPC has no prior violations of CIP-001-1 or any closely-related standard during the mandatory reliability period;
- (2) SERC reported EKPC was cooperative throughout the enforcement process;
- (3) EKPC agreed to resolve the matter by settlement; and
- (4) SERC determined that the alleged violations did not pose a serious or substantial risk to the bulk power system, as discussed above.

For the foregoing reasons, the NERC BOTCC approves the Settlement Agreement and believes that the proposed penalty of seven thousand dollars (\$7,000) is appropriate for the violations and circumstances in question, and is consistent with NERC's goal to promote and ensure reliability of the bulk power system.

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

Attachments to be Included as Part of this Notice of Penalty

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

- a) EKPC's Self-Report for CIP-001-1 R1 through R4 dated September 30, 2008 and submitted October 1, 2008, included as Attachment a;
- b) Settlement Agreement by and between SERC and EKPC executed October 27, 2009, included as Attachment b;
 - i) EKPC's Mitigation Plan designated as MIT-07-1123 for CIP-001-1 R1 through R4 submitted September 30, 2008, included in the Settlement Agreement as Appendix A-1;
 - ii) EKPC's Certification of Completion of the Mitigation Plan for CIP-001-1 R1 through R4 dated October 22, 2008 and signed October 24, 2008, included in the Settlement Agreement as Appendix A-2; and
 - iii) SERC's Verification of Completion of the Mitigation Plan for CIP-001-1 R1 through R4 dated January 6, 2009, included in the Settlement Agreement as Appendix A-3.

A Form of Notice Suitable for Publication¹⁰

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

¹⁰ See 18 C.F.R. § 39.7(d)(6).

Notices and Communications

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

<p>Gerald W. Cauley* President and Chief Executive Officer David N. Cook* Vice President and General Counsel North American Electric Reliability Corporation 116-390 Village Boulevard Princeton, N.J. 08540-5721 (609) 452-8060 (609) 452-9550 – facsimile gerry.cauley@nerc.net david.cook@nerc.net</p> <p>For EKPC:</p> <p>Anthony S. Campbell* President and Chief Executive Officer East Kentucky Power Cooperative PO Box 707 Winchester, KY 40392 (859) 745-9313 (859) 744-6008 – facsimile tony.campbell@ekpc.coop</p> <p>Denver York* Vice President, System Operations East Kentucky Power Cooperative PO Box 707 Winchester, KY 40392 (859) 745-9235 (859) 744-6008 – facsimile denver.york@ekpc.coop</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>Thomas J. Galloway Interim President and Chief Executive Officer SERC Reliability Corporation 2815 Coliseum Centre Drive Charlotte, NC 28217 (704) 940-8205 (704) 357-7914 – facsimile tgalloway@serc1.org</p> <p>Marisa A. Sifontes* Interim Director of Compliance and Compliance Legal Counsel SERC Reliability Corporation 2815 Coliseum Centre Drive Charlotte, NC 28217 (704) 494-7775 msifontes@serc1.org</p> <p>Kenneth B. Keels, Jr.* Manager of Compliance Enforcement SERC Reliability Corporation 2815 Coliseum Centre Drive Charlotte, NC 28217 (704) 940-8214 (704) 357-7914 – facsimile kkeels@serc1.org</p>
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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

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Holly A. Hawkins
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cc: East Kentucky Power Cooperative
SERC Reliability Corporation

Attachments

Attachment a

**EKPC's Self-Report for CIP-001-1 R1 through R4
dated September 30, 2008 and submitted October
1, 2008**



SERC Reliability Corporation
Self-Reporting / Complaint Form Template
Revision 1 (10-25-07)

Report Type (please check): ☒ **Self-Report** ☐ **Complaint**

Date of Report: 9/30/2008

NAME OF PERSON REPORTING POSSIBLE STANDARD VIOLATION(S)		
CONTACT NAME	CONTACT TELEPHONE NUMBER	
Barry Warner	859-744-4812 ext 304	
CONTACT E-MAIL	CONTACT FAX	
Barry.warner@ekpc.coop	859-744-6008	
REPORTING COMPANY NAME	ANONYMOUS? (Y/N)	
East Kentucky Power Cooperative, Inc.		
NERC OR REGIONAL STANDARD(S) AND SPECIFIC REQUIREMENT(S) POSSIBLY VIOLATED		
NAME OF COMPANY POSSIBLY VIOLATING STANDARD(S)		ENTITY/FUNCTION TYPE(S)
East Kentucky Power Cooperative, Inc.		BA, GO, GOP, LSE, TO, TOP
STANDARD # AND VERSION	MEASURE / REQUIREMENT	DATE OF POSSIBLE VIOLATION(S)
CIP-001-1	R1, R2, R3, R4	9/30/2008
POSSIBLE VIOLATION DESCRIPTION, REASON FOR COMPLAINT, OR QUESTION		
<p>EKPC has always been cognizant of the need for vigilance from its personnel when dealing with events that may adversely impact either EKPC's system or the bulk electric system. To assist EKPC employees to recognize such events and to utilize appropriate reporting channels to notify the correct parties, EKPC developed a Crisis Management Plan. A section of the plan classifies the types of events, including sabotage, that may demand an immediate response from employees. It further outlines the communications chain that should be followed to alert those individuals within EKPC who may be called upon to initiate actions to mitigate the event. However, during an internal compliance assessment on July 1, 2008, where the plan was compared to NERC Standard CIP-001-1, it was felt that though the plan did address all the requirements, it did not fully meet them.</p> <p>An example of this would be R1, where even though the reporting culture throughout the Cooperative dictates that an employee's supervisor be notified of any possible harmful event and that field personnel notify operating personnel of any abnormal situation involving the transmission system, and where extensive on-the-job training has been undertaken to emphasize this, no written procedure existed that described how to recognize a sabotage event, nor at what stage in the process operating</p>		



personnel are made aware of the event.

Requirement 2 says that EKPC should have "procedures for the communication of information . . . to appropriate parties in the interconnection." Though operating personnel have been trained to contact their counterparts at adjacent utilities should an event occur that might have potential to impact them, no written procedures existed to direct their efforts.

Likewise, though operating personnel inherently know whom to call to report an event, and have detailed call-out lists to support this action, R3 says operating personnel should utilize "sabotage response guidelines." Though both in-house training and external operator training courses have stressed this, EKPC had no specific guidelines available for its operating personnel to assist with this function.

Similarly, EKPC has had a long-standing, professional relationship with the local FBI office, and lists the FBI office number on the Key Crisis Telephone Numbers list in its Crisis Management Plan. But while EKPC believes its FBI contact person would corroborate that discussions had taken place in the past concerning terrorism and security coordination, no written or electronic evidence was available to prove that such discussions had taken place.

RELIABILITY IMPACT (IF KNOWN)

None.

SERC Staff will contact the person providing the report as soon as possible. If you do not receive a response from SERC Staff within 2 business days please contact the SERC office (704-357-7372).

Please complete the form as completely as possible and email to serccomply@serc1.org.

Attachment b

**Settlement Agreement by and between SERC and
EKPC executed October 27, 2009**

SETTLEMENT AGREEMENT

OF

SERC RELIABILITY CORPORATION

AND

EAST KENTUCKY POWER COOPERATIVE

I. INTRODUCTION

1. SERC Reliability Corporation (“SERC”) and East Kentucky Power Cooperative (“EKPC”) 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 four alleged violations by EKPC of NERC Reliability Standard CIP-001-1, Requirements 1 through 4 (SERC Tracking Nos. 08-119, 08-120, 08-121, and 08-122, NERC Violation ID Nos. SERC200800204, SERC200800205, SERC200800206, and SERC200800207).

II. STIPULATION

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

Background

3. EKPC is an electric cooperative headquartered in Winchester, KY. EKPC was organized and exists under the laws of the Commonwealth of Kentucky, is engaged in the business of transmitting and delivering electric power to its 16 member cooperatives that in turn provide electric service to their respective retail customers. EKPC owns and operates generating plants and a transmission system in the State of Kentucky. Its member cooperatives established EKPC for the purpose of generating or otherwise acquiring electric capacity and energy and delivering or otherwise causing to be delivered electric capacity and energy to its member cooperatives that in turn provide electric service to their respective retail customers.

4. EKPC currently provides wholesale energy and services to its 16 member distribution cooperatives through power plants, peaking units, hydro power, and power purchases and a transmission system consisting of more than 2,800 miles of transmission lines, in addition to transmission service purchased from transmission service providers other than EKPC. EKPC's member distribution cooperatives supply energy to approximately 511,000 Kentucky homes, farms, businesses, and industries across 87 counties.
5. EKPC is currently listed on the NERC Compliance Registry as a Balancing Authority (BA), Transmission Owner (TO), Transmission Operator (TOP), Transmission Service Provider (TSP), Interchange Authority (IA), Transmission Planner (TP), Resource Planner (RP), Distribution Provider (DP), Generator Owner (GO), Generator Operator (GOP), Load Serving Entity (LSE), Purchasing-Selling Entity (PSE) and Planning Authority (PA) (NCR01225). EKPC's BA, TOP, GOP, and LSE functions are at issue in these violations and this settlement.

Alleged Violations

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

6. 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.
7. NERC Reliability Standard CIP-001-1, Requirement 1 requires, in part, that each Balancing Authority, Transmission Operator, Generator Operator, and Load Serving Entity have "procedures for the recognition of and for making their operating personnel aware of sabotage events on its facilities..."¹
8. NERC Reliability Standard CIP-001-1, Requirement 2 requires that each Balancing Authority, Transmission Operator, Generator Operator, and Load Serving Entity have "procedures for the communication of information concerning sabotage events to the appropriate parties in the Interconnection."²
9. NERC Reliability Standard CIP-001-1, Requirement 3 requires that each Balancing Authority, Transmission Operator, Generator Operator, and Load Serving Entity

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

² Id.

“provide its operating personnel with sabotage response guidelines, including personnel to contact, for reporting disturbances due to sabotage events.”³

10. NERC Reliability Standard CIP-001-1, Requirement 4 requires that each Balancing Authority, Transmission Operator, Generator Operator, and Load Serving Entity have established communications contacts with the local Federal Bureau of Investigations (FBI) officials and have developed the appropriate reporting procedures.⁴
11. On October 1, 2008, EKPC submitted a self-report stating that during an internal compliance assessment on July 1, 2008, EKPC compared its existing Crisis Management Plan to NERC Reliability Standard CIP-001-1. EKPC reported that it felt that though its existing plan did address all of the requirements of NERC Reliability Standard CIP-001-1, it did not fully meet them. EKPC also provided examples of compliance gaps in their plan for all four requirements of the Standard. SERC staff noted that EKPC’s self-report was received on October 1, 2008, which was the due date of a self-certification for EKPC to verify its compliance status with NERC Reliability Standard CIP-001-1.
12. After confirming EKPC’s registration status, SERC Staff commenced its detailed compliance assessment. On October, 6, 2008, SERC Staff issued to EKPC a Compliance Assessment Notice advising EKPC of the initiation of a formal assessment to determine, in part, its compliance relative to NERC Reliability Standard CIP-001-1, Requirements 1-4 and directing EKPC to preserve all relevant records and information. SERC Staff promptly established direct contact with representatives of EKPC to begin the process of gathering information and documentation for the detailed compliance assessment. SERC Staff also reported the possible violations to NERC on October 6, 2008, which, in turn, reported the possible violations to the Commission in accordance with the CMEP of the NERC Rules of Procedure.
13. To assist in its review, SERC Staff requested copies of EKPC’s sabotage reporting procedures and FBI contact information.
14. EKPC’s Crisis Management Plan included a vulnerability risk assessment for each EKPC critical asset and provided an overview of crisis management and disaster recovery policies for the organization. The prior plan was not specific about the recognition, communication, and personnel awareness of sabotage events on EKPC’s

³ Id.

⁴ Id.

distribution, generation, and transmission facilities. In addition, while it contained key personnel and FBI contact information, it did not contain procedures for reporting to or coordinating with the FBI in the event of a sabotage event.

15. As a result of its investigation, SERC Staff concluded that the facts and evidence supported a finding that EKPC violated Requirements 1, 2, 3 and 4 of NERC Reliability Standard CIP-001-1 because the evidence reviewed showed that EKPC (a) did not have written procedural content that described how to recognize a sabotage event, and at what stage in the process operating personnel are made aware of the event (b) did not have procedures for the communication of sabotage information to appropriate parties in the interconnection, (c) had not provided its operating personnel with sabotage response guidelines, and (d) did not have written or electronic evidence of reporting procedures for coordination between local FBI and EKPC facilities. Requirements 1, 2, 3 and 4 of NERC Reliability Standard CIP-001-1 are each assigned a Violation Risk Factor (“VRF”) of “Medium,” consistent with the VRFs filed by NERC and approved by the Commission. SERC Staff further concluded that the actual and foreseeable impact of the alleged violations was minimal and did not pose a serious or substantial risk to the reliability of the Bulk Power System as there had been no reported sabotage event, and if there had been a sabotage event on EKPC’s system, the impact would have been minimal, as EKPC’s existing Crisis Management Plan, while not conforming, would have provided some guidance to EKPC’s staff.
16. On February 24, 2009, EKPC formally requested settlement discussions for the resolution of the alleged violations.

III. PARTIES’ SEPARATE REPRESENTATIONS

Statement of SERC and Summary of Findings

17. SERC finds that beginning on June 18, 2007 and continuing until September 23, 2008, the date EKPC completed the tasks and actions to correct the alleged violation pursuant to its Mitigation Plan, EKPC, as a Balancing Authority, Transmission Operator, Generator Operator, and Load Serving Entity 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 a procedure with content for recognizing sabotage events.
18. SERC finds that beginning on June 18, 2007 and continuing until September 23, 2008, the date EKPC completed the tasks and actions to correct the alleged violation pursuant to its Mitigation Plan, EKPC, as a Balancing Authority, Transmission Operator, Generator Operator, and Load Serving Entity, 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.

19. SERC finds that beginning on June 18, 2007 and continuing until September 23, 2008, the date EKPC completed the tasks and actions to correct the alleged violation pursuant to its Mitigation Plan, EKPC, as a Balancing Authority, Transmission Operator, Generator Operator, and Load Serving Entity, 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.
20. SERC finds that beginning on June 18, 2007 and continuing until September 23, 2008, the date EKPC completed the tasks and actions to correct the alleged violation pursuant to its Mitigation Plan, EKPC, as a Balancing Authority, Transmission Operator, Generator Operator, and Load Serving Entity, did not have evidence of proper reporting procedures for coordination between local FBI and EKPC facilities. While EKPC had established communications contacts with local FBI personnel, this is a violation of NERC Reliability Standard CIP-001-1, Requirement 4, for failing to have appropriate reporting procedures.
21. SERC 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.
22. 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 EKPC

23. EKPC 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 Standard CIP-001-1.
24. Although EKPC does not admit to, nor does it deny, the alleged violations, EKPC 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. EKPC agrees that this agreement is in the best interest of the parties and in the best interest of maintaining a reliable electric infrastructure.
25. EKPC's compliance program covers all reliability standards. Although EKPC does not have a formal compliance department, ownership of the NERC Reliability Standards are assigned to appropriate department managers and subject matter experts. The role of "Compliance Manager" is assigned to George Carruba, Manager

of Power Delivery Operations with guidance from John Twitchell, Sr. VP G & T Operations, who performs the role of Compliance Officer. As Manager of Power Delivery Operations, George Carruba is ultimately responsible for compliance with certain standards. However, other departments responsible for compliance with Reliability Standards report to other management positions. The Compliance Specialist and internal audit team function with sufficient independence throughout the organization and have access to Sr. V. P. G&T Operations to avoid conflicts of interest. George Carruba acting as “Compliance Manager” has independent access to the CEO, Anthony S. Campbell. Access to the Board of Directors is through Sr. VP John Twitchell, the CEO, and the Board Power Delivery Committee.”

IV. MITIGATING ACTIONS, REMEDIES AND SANCTIONS

26. EKPC’s Mitigation Plan MIT-07-1123 for NERC Reliability Standard CIP-001-1, Requirements 1 through 4 dated September 30, 2008, was accepted by SERC on November 20, 2008 and submitted to NERC for its approval on November 25, 2008. It was approved by NERC on November 26, 2008 and submitted to FERC on November 26, 2008. EKPC’s Mitigation Plan was completed on September 23, 2008. EKPC certified its completion on October 22, 2008 and SERC verified EKPC’s completion on January 6, 2009. EKPC’s Mitigation Plan MIT-07-1123 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 EKPC’s Mitigation Plan MIT-07-1123 is attached hereto as Appendix A-3.
27. Actions implemented by EKPC in Mitigation Plan MIT-07-1123 resolved the gap in compliance and will help to prevent a recurrence of any similar alleged violation. EKPC now has a complete set of procedures to aid its personnel in the recognition of sabotage events on its facilities and for making its operating personnel aware of such events. These procedures also provide EKPC’s operating personnel with sabotage response guidelines, including personnel to contact, for reporting disturbances due to sabotage events.
28. SERC has reviewed the preventative measures described in the Mitigation Plan and has determined that these measures will assist EKPC in improving prospective compliance with the requirements of all of the Reliability Standards, including NERC Reliability Standard CIP-001-1, and will ultimately enhance the reliability of the bulk power system within an appropriate time-frame.
29. To verify completion of EKPC’s Mitigation Plan, SERC reviewed:
 - i. EKPC Reporting Sabotage and Suspicious Activities Procedures:
Sabotage procedure issued to Generation and Transmission Operations employees for the recognition of and for making its operating personnel

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

- ii. EKPC Reporting Sabotage and Suspicious Activities Form – provides communication guidelines for responses and contains communications lists to report a suspected or actual sabotage event. The “Sabotage Reporting Contact List” is used for notification of internal and external personnel with FBI and local contact information and the “Suspicious Activity Form” is used to document pertinent information reported to the system operator.

30. SERC Staff also considered the specific facts and circumstances of the violation and EKPC’s actions in response to each 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 [EKPC] to remedy the violation in a timely manner.”⁵ The factors considered by SERC Staff in the determination of the appropriate penalty for EKPC’s alleged violations of NERC Reliability Standard CIP-001-1 pursuant to this Settlement Agreement included the following:

- a. EKPC has no prior violation of this Standard or any closely-related standard during the mandatory reliability period.
- b. EKPC cooperated in both a timely and satisfactory manner with SERC Staff during the investigation.⁶ EKPC provided prompt responses to all of SERC Staff’s data requests and cooperated with SERC Staff during meetings between the parties to discuss these events. EKPC proactively initiated its own internal investigation and voluntarily provided supporting information to SERC Staff to assist in SERC Staff’s review of the facts and circumstances. EKPC’s response to SERC Staff’s questions enabled SERC Staff to conduct its investigation in an efficient manner.
- c. EKPC 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, EKPC has implemented a wide-range of measures to address the alleged violations and to protect against future violations of the

⁵ 16 U.S.C. § 824o(e)(6).

⁶ Revised Policy Statement on Enforcement, 123 FERC ¶ 61,156, P 65 (May 15, 2008).

same or similar requirements, and is taking steps to strengthen its compliance program, as set forth in Paragraphs 27 and 31.

31. SERC and EKPC agree that in addition to the actions taken in EKPC's Mitigation Plans, EKPC will take the following actions:
- a. Implement an employee compliance awareness program to raise general awareness among all EKPC employees,
 - b. Implement a member cooperative compliance awareness program to expand sabotage awareness training throughout the distribution line crews of EKPC's 16 member cooperative, and increase the number of trained individuals in the field and further ensure the safe stewardship of EKPC's transmission and delivery infrastructure,
 - c. Establish a statewide "Best Practices" group to foster greater cooperation between neighboring registered entities in the Commonwealth of Kentucky, with the aim of assisting each other to improve upon efforts to further the NERC compliance program through ongoing dialogue and an exchange of ideas,
 - d. Host a 2-day Homeland Security training event for local emergency personnel and first-responders to introduce the various natural, technological, and civil hazards to which electric power systems may be vulnerable and the potential effects the hazards may induce,
 - e. Host a regional NRECA-led workshop on the NERC Reliability Standards and compliance therewith, and
 - f. Participate as a panelist in the SERC Compliance 2009 Nashville seminar to discuss lessons learned and its compliance program.
32. Based on the above factors, as well as the mitigation actions and preventative measures taken, EKPC shall pay \$7,000 to SERC as set forth in this Settlement Agreement. EKPC 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 EKPC 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 EKPC does not remit the payment by the required date, interest payable to SERC will begin to accrue pursuant to the Commission's regulations at 18 C.F.R. §35.19a(a)(2)(iii) from the date that payment is due, and shall be payable in addition to the payment.
33. 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 EKPC to new or additional enforcement, penalty or sanction actions in accordance with the NERC Rules of Procedure. EKPC will retain all rights to defend against such enforcement actions in accordance with the NERC Rules of Procedure.

V. ADDITIONAL TERMS

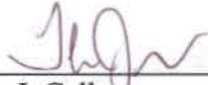
34. The signatories to the Settlement Agreement agree that they enter into the Settlement Agreement voluntarily and that, other than the recitations set forth herein, no tender, offer or promise of any kind by any member, employee, officer, director, agent or representative of SERC or EKPC has been made 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.
35. 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 EKPC 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 EKPC 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.
36. 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.
37. EKPC agrees that this Settlement Agreement, when approved by NERC and the Commission, shall represent a final settlement of all matters set forth herein and EKPC waives its right to further hearings and appeal, unless and only to the extent that EKPC 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 EKPC in accordance with the NERC Rules of Procedure in the event that EKPC fails to comply with the mitigation plan or complete the additional actions agreed to in this Settlement Agreement. In the event EKPC 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 EKPC 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, EKPC shall retain all rights to defend against such enforcement actions, also according to the NERC Rules of Procedure.

38. EKPC consents to the use of SERC's determinations, findings, and conclusions set forth in this Agreement for the purpose of assessing the factors, including the factor of determining the company's history of violations, in accordance with the NERC Sanction Guidelines and applicable Commission orders and policy statements. Such use may be in any enforcement action or compliance proceeding undertaken by NERC and/or any Regional Entity; provided, however, that EKPC does not consent to the use of the specific acts set forth in this Agreement as the sole basis for any other action or proceeding brought by NERC and/or SERC, nor does EKPC consent to the use of this Agreement by any other party in any other action or proceeding.
39. 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.
40. 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.
41. The Settlement Agreement may be signed in counterparts.
42. 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.***

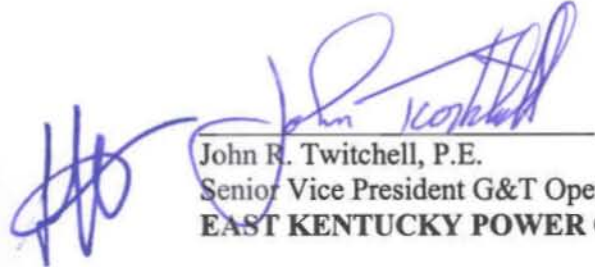
Agreed to and accepted:



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

10/27/09

Date



John R. Twitchell, P.E.
Senior Vice President G&T Operations
EAST KENTUCKY POWER COOPERATIVE

12 Oct 09

Date

**APPENDIX A
TO
SETTLEMENT AGREEMENT
OF
SERC RELIABILITY CORPORATION
AND
EAST KENTUCKY POWER COOPERATIVE**

- (1) EKPC's Mitigation Plan for CIP-001-1, R1-4**
- (2) EKPC's Certification of Mitigation Plan Completion for CIP-001-1, R1-4**
- (3) Statement of SERC Reliability Corporation Compliance Staff Regarding
Completion of EKPC's Mitigation Plan for CIP-001-1, R1-4**



Mitigation Plan Submittal Form

Date this Mitigation Plan is being submitted: 09/30/2008

If this Mitigation Plan has already been completed:

- Check this box ☒ and
- Provide the Date of Completion of the Mitigation Plan: 09/23/2008

Section A: Compliance Notices

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

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

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- 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: East Kentucky Power Cooperative

Company Address: 4775 Lexington Road, Winchester, KY 40391

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

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: Barry K. Warner

Title: Transmission - Control Area Operations Supervisor

Email: barry.warner@ekpc.coop

Phone: (859) 745-9304



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 ^(*)
		R1	09/30/2008
		R2	09/30/2008
		R3	09/30/2008
		R4	09/30/2008

(*) 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:

EKPC had no written procedure to describe how to recognize a sabotage event; EKPC has a procedure for the communication of crisis (sabotage) information internally to appropriate parties, but it does not address communication with interconnections; EKPC has a documented set of crisis management guidelines that lists sabotage, but not a specific set of sabotage response guidelines; EKPC had made contact with its local FBI office, but had no written or electronic evidence of the ensuing discussions concerning terrorism and security coordination.

[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:

EKPC has always been cognizant of the need for vigilance from its personnel when dealing with events that may adversely impact either EKPC's system or the bulk electric system. To assist EKPC employees to recognize such events and to utilize appropriate reporting channels to notify the correct parties, EKPC developed a Crisis Management Plan. A section of the plan classifies the types of events, including sabotage, that may demand an immediate response from employees. It further outlines the communications chain that should be followed to alert those individuals within EKPC who may be called upon to initiate actions to mitigate the event. However, during an internal compliance assessment on July 1, 2008, where the plan was compared to NERC Standard CIP-001-1, it was felt that though the plan did address all the requirements, it did not fully meet them.

An example of this would be R1, where even though the reporting culture throughout the Cooperative dictates that an employee's supervisor be notified of any possible harmful event and that field personnel notify operating personnel of any abnormal situation involving the transmission system, and where extensive on-the-job training has been undertaken to emphasize this, no written procedure existed that described how to recognize a sabotage event, nor at what stage in the process operating personnel are made aware of the event.

Requirement 2 says that EKPC should have "procedures for the communication of information . . . to appropriate parties in the interconnection." Though operating personnel have been trained to contact their counterparts at adjacent utilities should an event occur that might have potential to impact them, no written procedures existed to direct their efforts.

Likewise, though operating personnel inherently know whom to call to report an event, and have detailed call-out lists to support this action, R3 says operating personnel should utilize "sabotage response guidelines." Though both in-house training and external operator training courses have stressed this, EKPC had no specific guidelines available for its operating personnel to assist with this function.

Similarly, EKPC has had a long-standing, professional relationship with the local FBI office, and lists the FBI office number on the Key Crisis Telephone Numbers list in its Crisis Management Plan. But while EKPC believes its FBI contact person would corroborate that discussions had taken place in the past

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concerning terrorism and security coordination, no written or electronic evidence was available to prove that such discussions had taken place.

[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:

EKPC developed written procedures which describe how to recognize a potential sabotage event, provide guidelines on appropriate responses to sabotage events, and how to communicate necessary information to interested parties in the interconnection. EKPC also met with a representative of the FBI for the purpose of discussing terrorism and security coordination and has maintained evidence of this meeting.

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

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

Mitigation Plan Timeline and Milestones

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

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

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

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



Additional Relevant Information (Optional)

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

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

Section E: Interim and Future Reliability Risk

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

Abatement of Interim BPS Reliability Risk

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

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

Prevention of Future BPS Reliability Risk

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

EKPC now has a complete set of procedures to aid its personnel in the recognition of sabotage events on its facilities and for making its operating personnel aware of such events. These procedures also provide EKPC's operating personnel with sabotage response guidelines, including personnel to

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contact, for reporting disturbances due to sabotage events. Having met with the local representative of the FBI and having documented this meeting, EKPC has developed reporting procedures appropriate to the anticipated response from involved law enforcement agencies.

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

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

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

Continued on Next Page



Section F: Authorization

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

- a) Submits the Mitigation Plan, as laid out in Section D of this form, to SERC for acceptance by SERC and approval by NERC, and
- b) If applicable, certifies that the Mitigation Plan, as laid out in Section D of this form, was completed (i) as laid out in Section D of this form and (ii) on or before the date provided as the 'Date of Completion of the Mitigation Plan' on this form, and
- c) Acknowledges:
 1. I am Supervisor of Transmission - Control Area Operations of East Kentucky Power Cooperative.
 2. I am qualified to sign this Mitigation Plan on behalf of East Kentucky Power Cooperative.
 3. I have read and understand East Kentucky Power Cooperative 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. East Kentucky Power Cooperative 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

A handwritten signature in black ink, appearing to read 'Barry K. Warner', is written over a horizontal line.

(Electronic signatures are acceptable; see CMEP)

Name (Print): Barry K. Warner

Title: Transmission - Control Area Operations Supervisor

Date: 9/30/08



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.

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

Submittal Instructions:

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

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

Email the pdf file to serccomply@serc1.org.

Please direct any questions regarding completion of this form to:

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

Appendix A-2

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. 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: EKPC

Date of Certification: 10/22/2008

Name of Standard and the Requirement(s) of mitigated violation(s): CIP-001-1: R1; R2; R3; R4.

SERC Tracking Number (contact SERC if not known): 08-119, 08-120, 08-121, 08-122

NERC Violation ID Number (if assigned):

Date of completion of the Mitigation Plan: 9/23/2008

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

EKPC developed written procedures which describe how to recognize a potential sabotage event, provide guidelines on appropriate responses to sabotage events, and how to communicate necessary information to interested parties in the interconnection. EKPC also met with a representative of the FBI for the purpose of discussing terrorism and security coordination and has maintained evidence of this meeting.

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Print on Registered Entity's Corporate Letterhead

Description of the information provided to SERC for their evaluation:

EKPC provided the following documents:

EKPC Crisis Management Plan 2008
Key Crisis Telephone Number List (10/18/2005)
Key Crisis Telephone Number List (4/14/2008)
EKPC Emergency Restoration Procedures
EKPC Reporting Sabotage and Suspicious Activities Procedures
EKPC Sabotage Contact List
EKPC Reporting Sabotage and Suspicious Activities Form

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: Barry Warner
Title: Transmission – Control Area Operations Supervisor
Entity: EKPC
Email: barry.warner@ekpc.coop
Phone: 859-744-4812 ext. 304

Designated Signature Barry Warner Date 10-24-08

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

(Form Revised August 13, 2008)

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

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

Registered Entity: East Kentucky Power Cooperative (EKPC)
SERC Tracking IDs: 08-119, 08-120, 08-121, 08-122
NERC Violation Nos: SERC200800204, SERC200800205, SERC200800206,
SERC200800207
NERC Mitigation Plan ID: MIT-07-1123
Standard: CIP-001-1
Requirement(s): R1, R2, R3, and R4

Violation Summary:

SERC finds that beginning on June 18, 2007 and continuing until September 23, 2008, EKPC, as a Balancing Authority, Transmission Operator, Generator Operator, and Load Serving Entity was in violation of NERC Reliability Standard CIP-001-1, Requirement 1, for failing to have procedure with content for recognizing Sabotage events; CIP-001-1, Requirement 2, for failing to have appropriate communication procedures in place; CIP-001-1, Requirement 3, for failing to have made Sabotage response guidelines available to operating personnel; and CIP-001-1, Requirement 4, for establishing communications contacts with local FBI personnel and but failing to not having appropriate reporting procedures.

Mitigation Plan Summary:

EKPC's Mitigation Plan to address the referenced violations was submitted on September 30, 2008 and was accepted by SERC on November 20, 2008 and approved by NERC on November 26, 2008. The Mitigation Plan is identified as MIT-07-1123 and was submitted as non-public information to FERC on November 26, 2008 in accordance with FERC orders.

EKPC initially certified closure of the Mitigation Plan by checking the D-1 section of the form and subsequently sent an official closure certification on October 22, 2008

EKPC formally developed a procedure that described how to recognize a sabotage event, and at what stage in the process operating personnel are made aware of the event. EKPC provided written evidence of proper reporting procedures and coordination between local FBI and other facilities. EKPC's sabotage response guidelines were provided to operating personnel. EKPC has integrated its existing FBI contact number with proper procedures for the communication of sabotage information to appropriate parties in the interconnection that specifically direct operating personnel on the use of proper protocol.

Appendix A-3



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

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

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



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

Mitigation Plan Completion Review Process:

EKPC certified on October 22, 2008 that the subject Mitigation Plan was completed on September 23, 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:

EKPC submitted and SERC Staff reviewed the following evidence in support of its certification that its Mitigation Plan was completed in accordance with its terms:

EKPC Reporting Sabotage and Suspicious Activities Procedures: Sabotage procedure issued to Generation and Transmission Operations employees for the recognition of and for making its operating personnel aware of sabotage vents on its facilities and multi site sabotage affecting larger portions of the Interconnection.

EKPC Reporting Sabotage and Suspicious Activities Form – provides communication guidelines for responses and contains communications lists to report a suspected or actual sabotage event. "Sabotage Reporting Contact List" for notification of internal and external personnel with FBI and local contact information. "Suspicious Activity Form" used to document pertinent information reported to the system operator.

Conclusion:

On January 6, 2009 SERC Reliability Corporation Compliance Staff ("SERC Staff") completed its review of the evidence submitted by [EntityName] 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 EKPC is in compliance with the subject Reliability Standard Requirements.

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

Respectfully Submitted,

Mickey Bellard
Steve Gibe

Attachment c

Notice of Filing

UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

East Kentucky Power Cooperative

Docket No. NP10-____-000

NOTICE OF FILING
March 31, 2010

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

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

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

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

Comment Date: [BLANK]

Kimberly D. Bose,
Secretary