

September 30, 2013

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

**Re: NERC Full Notice of Penalty regarding San Diego Gas & Electric,  
FERC Docket No. NP12-\_-000**

Dear Ms. Bose:

The North American Electric Reliability Corporation (NERC) hereby provides this Notice of Penalty<sup>1</sup> regarding San Diego Gas & Electric (SDG&E), NERC Registry ID# NCR05377,<sup>2</sup> in accordance with the Federal Energy Regulatory Commission's (Commission or FERC) rules, regulations and orders, as well as NERC Rules of Procedure including Appendix 4C (NERC Compliance Monitoring and Enforcement Program (CMEP)).<sup>3</sup>

This Notice of Penalty is being filed with the Commission because NERC and SDG&E have entered into a Settlement Agreement to resolve all outstanding issues arising from NERC's determination and findings of the violation<sup>4</sup> of PER-002-0 Requirement (R)1. According to the Settlement Agreement, SDG&E neither admits nor denies the violations, but has agreed to the assessed penalty of five thousand dollars (\$5,000), in addition to other remedies and actions to mitigate the instant violation and facilitate future compliance under the terms and conditions of the Settlement Agreement.

<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 (2011). *Mandatory Reliability Standards for the Bulk-Power System*, FERC Stats. & Regs. ¶ 31,242 (2007) (Order No. 693), *reh'g denied*, 120 FERC ¶ 61,053 (2007) (Order No. 693-A). See 18 C.F.R § 39.7(c)(2).

<sup>2</sup> NERC confirmed that SDG&E was included on the NERC Compliance Registry as a Generator Operator, Transmission Operator (TOP), Transmission Owner, Generator Owner, Distribution Provider, Load Serving Entity, Purchasing-Selling Entity, Transmission Planner, and Resource Planner in the Western Electricity Coordinating Council (WECC) region on June 17, 2007. As a TOP, SDG&E is subject to the requirements of NERC Reliability Standard PER-002-0.

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

<sup>4</sup> For purposes of this document, each violation at issue is described as a "violation," regardless of its procedural posture and whether it was a possible, alleged or confirmed violation.

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Accordingly, the violation identified as NERC Violation Tracking Identification Number NCEA201100108 is being filed in accordance with the NERC Rules of Procedure and the CMEP.

**Statement of Findings Underlying the Violation**

This Notice of Penalty incorporates the findings and justifications set forth in the Settlement Agreement executed on May 30, 2012, by and between NERC and SDG&E, which is included as Attachment a. The details of the findings and basis for the penalty are set forth in the Settlement Agreement and herein. This Notice of Penalty filing contains the basis for approval of the Settlement Agreement by the NERC Board of Trustees Compliance Committee (NERC BOTCC). In accordance with Section 39.7 of the Commission’s regulations, 18 C.F.R. § 39.7 (2013), NERC provides the following summary table identifying each violation of a Reliability Standard resolved by the Settlement Agreement, as discussed in greater detail below.

Region	Registered Entity	NOC ID	NERC Violation ID	Reliability Std.	Req. (R)	VRF	VSL	Total Penalty
North American Electric Reliability Corporation	San Diego Gas & Electric	NOC-1315	NCEA201100108	PER-002-0	R1	High	High	\$5,000

PER-002-0

The purpose statement of Reliability Standard PER-002-0 provides: “Each Transmission Operator and Balancing Authority must provide their personnel with a coordinated training program that will ensure reliable system operation.”

PER-002-0 R1 provides: “Each Transmission Operator and Balancing Authority shall be staffed with adequately trained operating personnel.”

PER-002-0 has a “High” Violation Risk Factor and a “High” Violation Severity Level. The subject violation applies to SDG&E’s TOP function.

On January 9, 2009, NERC initiated a Compliance Investigation regarding an event that took place on November 7, 2008 (the Event). On November 7, 2008, a fire in a series capacitor bank at a substation in SDG&E’s service territory resulted in a 500 kV line (TL 50001) being taken out of service for

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approximately 15 minutes. While that line was out of service, overloads were experienced on Path 49, for which SDG&E is not a path operator. A System Operating Limit (SOL) exceedance on Path 49 and Path 44 developed,<sup>5</sup> and load shedding was ordered by the California Independent System Operator (CAISO), and attempted by other parties to relieve this condition.<sup>6</sup>

SDG&E had a procedure (GIP2120) for switching the TL 50002 series capacitor bank at the same substation. This procedure included a reference to the TL 50001 series capacitor bank but did not accurately explain the steps to be taken to operate the TL 50001 series capacitor bank. The steps in the GIP2120 procedure were not carried out correctly in the initial attempt by the control room operator to operate the motor operated disconnects (MODs) for the TL 50001 series capacitor. Consequently, on the day of the event, the SDG&E control room operator was delayed in opening the isolating MODs, thus delaying recovery of the line. By delaying operating the MODs, the line being placed back in service was delayed, extending the SOL exceedance on the two paths. The SDG&E control room operator contacted a different SDG&E operator who was able to talk the instant operator through the appropriate steps. SDG&E's work to return the line to service lasted for about 16 minutes. NERC found that SDG&E, as a TOP, violated PER-002-0 R1 by failing to be staffed with adequately trained operating personnel.

NERC determined the duration of the violation to be from November 7, 2008 (when it became evident that the operator was not adequately trained) through February 8, 2009 (when all operators completed training).

NERC determined that this violation posed a moderate risk to the reliability of the bulk power system (BPS) and did not pose a serious or substantial risk to the BPS. Although SDG&E was unable immediately to isolate the TL 50001 series capacitor bank, the path operators where SOL limits were exceeded were responsible for addressing the related exceedance independent of SDG&E's actions regarding opening the isolating MODs on TL 50001. CAISO was able to use other resources to address the Event. This included load shedding by other entities, derates of other lines, shifting load, and bringing the TL 50001 line back into service.

#### Enforcement Authority's Basis for Penalty

According to the Settlement Agreement, NERC has assessed a penalty of five thousand dollars (\$5,000) for the referenced violation. In reaching this determination, NERC considered the following factors:

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<sup>5</sup> The SCIT (Southern California Import Transmission) nomogram, a stability limit, was exceeded by approximately 2,500 MW.

<sup>6</sup> Approximately 250 MW of load was shed which interrupted service to 140,000 customers.

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1. load was shed during the Event (approximately 200 MW by Southern California Edison - Transmission & Distribution Business Unit (SCE), none by SDG&E). The load shed resulted from SOL exceedance outside of SDG&E's service area;
2. SDG&E had a compliance program at the time of the violation which NERC considered a mitigating factor;<sup>7</sup>
3. SDG&E was cooperative both during and after the investigation;
4. NERC determined that the violation posed a moderate risk and did not pose a serious or substantial risk to the reliability of the BPS;
5. the violation constituted SDG&E's first occurrence of violation of the subject NERC Reliability Standard;<sup>8</sup>
6. there was no evidence of any attempt to conceal a violation nor evidence of intent to do so; and
7. NERC reported that there were no other mitigating or aggravating factors or extenuating circumstances that would affect the assessed penalty.

After consideration of the above factors, NERC determined that, in this instance, the penalty amount of five thousand dollars (\$5,000) is appropriate and bears a reasonable relation to the seriousness and duration of the violation.

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<sup>7</sup> SDG&E has a compliance program, as memorialized in its *Reliability Standards Compliance Plan*. SDG&E has a compliance organization, including a designated leader for Reliability Standards. In November 2008, the designated leader was the vice president of electric transmission and distribution. The designated leader reported to the chief operating officer, who reports to the chief executive officer. The reliability standards organization is independent of line management below the level of the chief operating officer. SDG&E compliance activities include comprehensive training, including annual training, on Reliability Standards, and all supervisors are responsible for ensuring that all subordinates responsible for Reliability Standards compliance are adequately trained. The SDG&E program includes the potential for adverse personnel action for violation of Reliability Standards up to and including termination.

<sup>8</sup> This Notice of Penalty is concurrently being filed with two other Notices of Penalty involving violations arising from the Event. The first Notice of Penalty is a Settlement Agreement addressing a violation of PER-002-0 R1 for SCE. The second Notice of Penalty is a Settlement Agreement addresses violations of COM-002-2 R2, EOP-001-0 R3, EOP-003-1 R8, TOP-002-2 R1, TOP-004-1 R6, and Western Electricity Coordinating Council (WECC) Regional Reliability Standard TOP-STD-007-0 WR1 for California Independent System Operator (CAISO). CAISO is a participant in Coordinated Functional Registrations (CFRs) (formerly known as Type II Joint Registration Organization (JRO) Registrations) with various registered entities, including JRO00008 with SDG&E and JRO00009 with SCE, originally dated September 11, 2008. Under JRO00008, CAISO is the responsible entity for any violations of TOP-004-1 R6 due to actions or inactions of SDG&E. Under JRO00009, CAISO is the responsible entity for any violations of EOP-001-0 and EOP-003-1 due to actions or inactions of SCE.

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### **Status of Mitigation Plan**<sup>9</sup>

To mitigate this violation, SDG&E produced revised procedures laying out the individual steps for that line and ensured that all operators were subsequently trained on the updated procedures (GIP2015 and GIP2120). Copies of the updated procedures are available to all control room operators.

On May 30, 2012, SDG&E certified that SDG&E's mitigation activities were complete as of February 8, 2009. On January 12, 2012, after reviewing SDG&E's submitted evidence, NERC verified that SDG&E's mitigation activities were completed on February 8, 2009.

### **Statement Describing the Assessed Penalty, Sanction or Enforcement Action Imposed**<sup>10</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, October 26, 2009 and August 27, 2010 Guidance Orders,<sup>11</sup> the NERC BOTCC reviewed the Settlement Agreement and supporting documentation on May 7, 2012. The NERC BOTCC approved the Settlement Agreement, including NERC's assessment of a five thousand dollar (\$5,000) financial penalty against SDG&E 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 violation at issue.

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

1. load was shed during the Event;
2. NERC determined that the violation posed a moderate risk and did not pose a serious or substantial risk to the reliability of the BPS, as discussed above;
3. the violation constituted SDG&E's first occurrence of violation of the subject NERC Reliability Standard;
4. NERC reported that SDG&E was cooperative throughout the compliance enforcement process;

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<sup>9</sup> See 18 C.F.R § 39.7(d)(7).

<sup>10</sup> See 18 C.F.R. § 39.7(d)(4).

<sup>11</sup> *North American Electric Reliability Corporation*, "Guidance Order on Reliability Notices of Penalty," 124 FERC ¶ 61,015 (2008); *North American Electric Reliability Corporation*, "Further Guidance Order on Reliability Notices of Penalty," 129 FERC ¶ 61,069 (2009); *North American Electric Reliability Corporation*, "Notice of No Further Review and Guidance Order," 132 FERC ¶ 61,182 (2010).

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5. SDG&E had a compliance program at the time of the violation which NERC considered a mitigating factor, as discussed above;
6. there was no evidence of any attempt to conceal a violation nor evidence of intent to do so; and
7. NERC reported that there were no other mitigating or aggravating factors or extenuating circumstances that would affect the assessed penalty.

For the foregoing reasons, the NERC BOTCC approved the Settlement Agreement and believes that the assessed penalty of five thousand dollars (\$5,000) is appropriate for the violation and circumstances at issue, and is consistent with NERC's goal to promote and ensure reliability of the BPS.

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

**Attachments to be Included as Part of this Notice of Penalty**

The Settlement Agreement by and between NERC and SDG&E executed May 30, 2012, is included as part of this Notice of Penalty as Attachment a.

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

<p>Gerald W. Cauley                  President and Chief Executive Officer                  North American Electric Reliability Corporation                  3353 Peachtree Road NE                  Suite 600, North Tower                  Atlanta, GA 30326                  (404) 446-2560</p>	<p>Sonia C. Mendonça*                  Assistant General Counsel and Director of Enforcement                  North American Electric Reliability Corporation                  1325 G Street N.W.                  Suite 600                  Washington, DC 20005                  (202) 400-3000                  (202) 644-8099 – facsimile                  sonia.mendonca@nerc.net</p>
<p>Charles A. Berardesco*                  Senior Vice President and General Counsel                  North American Electric Reliability Corporation                  1325 G Street N.W., Suite 600                  Washington, DC 20005                  (202) 400-3000                  (202) 644-8099 – facsimile                  charles.berardesco@nerc.net</p>	<p>Edwin G. Kichline*                  North American Electric Reliability Corporation                  Senior Counsel and Associate Director of Enforcement Processing                  1325 G Street N.W.                  Suite 600                  Washington, DC 20005                  (202) 400-3000                  (202) 644-8099 – facsimile                  edwin.kichline@nerc.net</p>
<p>Stacy Van Goor*                  Assistant General Counsel - Regulatory                  San Diego Gas &amp; Electric                  101 Ash Street                  HQ 12                  San Diego, CA 92101                  svangoor@semprautilities.com</p>	<p>*Persons to be included on the Commission’s service list are indicated with an asterisk. NERC requests waiver of the Commission’s rules and regulations to permit the inclusion of more than two people on the service list.</p>



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**Conclusion**

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

Respectfully submitted,

/s/ Sonia Mendonça

Sonia C. Mendonça  
Assistant General Counsel and Director of  
Enforcement  
North American Electric Reliability  
Corporation  
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cc: San Diego Gas & Electric  
North American Electric Reliability Corporation

Attachments



**Attachment a**

**Settlement Agreement by and between NCEA  
and SDGE executed May 30, 2012**

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**NOTICE OF SPREADSHEET NOTICE OF PENALTY TREATMENT AND  
SETTLEMENT AGREEMENT  
BETWEEN  
NORTH AMERICAN ELECTRIC RELIABILITY CORPORATION  
AND  
SAN DIEGO GAS AND ELECTRIC COMPANY**

1. San Diego Gas and Electric Company (SDGE) neither admits nor denies the alleged violation of NERC Reliability Standard PER-002-0 Requirement 1 and has agreed to the proposed penalty to be assessed to SDGE, in addition to mitigation actions undertaken to mitigate the instant alleged violation.
2. Acceptance of this Agreement results in the assessment of \$5,000 for the violation listed in Attachment A, subject to approval or modification by the North American Electric Reliability Corporation (NERC) and the Federal Energy Regulatory Commission (FERC or Commission). Payment terms, if applicable, will be set forth in the invoice to be submitted by the applicable Regional Entity after Commission approval of the instant Notice of Penalty.
3. SDGE has agreed to enter into this Settlement Agreement with the North American Electric Reliability Corporation (NERC) 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. SDGE agrees that this Settlement Agreement is in the best interest of the parties and in the best interest of bulk-power system reliability.
4. The violations listed in Attachment A will be considered Confirmed Violations for all purposes and may be used as aggravating factors in accordance with the NERC Sanction Guidelines for determining appropriate monetary penalties or sanctions for future violations.
5. SDGE certifies that the violation listed in Attachment A has been mitigated by the following activities:
  - a. Procedures GIP 2105 and GIP 2120 have been updated to reflect specific references to the TL500001 line and associated switching equipment.

- b. All operators were adequately trained on the updated procedures outlined in item 5a.
  - c. Updated procedures GIP2105 and GIP2120 are available on-site to all control room personnel.
6. NCEA has verified on January 12, 2012 that the violation listed in Attachment A has been mitigated as of February 8, 2009 as described in Attachment A.
  7. The disposition agreed to herein represents a full and final disposition of the violation listed in Attachment A, subject to approval or modification by NERC and FERC with notice to SDGE in accordance with the NERC Rules of Procedure. SCDGE waives its right to further hearings and appeals; unless and only to the extent that SDGE contends that any NERC or Commission action on this Settlement Agreement contains one or more material modifications to this Settlement Agreement.
  8. In the event SDGE fails to comply with any of the stipulations, remedies, sanctions or additional terms, as set forth in this Settlement Agreement, NERC will initiate enforcement, penalty, or sanction actions against SDGE 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, SDGE shall retain all rights to defend against such enforcement actions, also according to the NERC Rules of Procedure.
  9. 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.
  10. 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.

Accepted:

David Cook by R. Mitchell

David Cook  
General Counsel  
North American Electric Reliability  
Corporation

5/29/12  
Date

David Geier

David Geier  
Vice President, Electric Operations

5/30/12  
Date

Attachment A

Region	Registered Entity	NCR_ID	NERC Violation ID #	Notice of Confirmed Violation or Settlement Agreement	Description of the Violation	Reliability Standard	Req.	Violation Risk Factor	Violation Severity Level	Risk Assessment	Violation Start Date	Violation End Date	Total Penalty or Sanction (\$)	Method of Discovery	Description of Mitigation Activity	Mitigation Completion Date	Date Regional Entity Verified Completion of Mitigation	"Admits," "Agrees/States," "Neither Admits nor Denies," or "Does Not Contest"	Other Factors Affecting the Penalty Determination, including Compliance History, Internal Compliance Program and Compliance Culture
NERC Compliance Enforcement Authority (NCEA)	San Diego Gas & Electric Company (SDGE)	NCR05377	NCEA201100108	Settlement Agreement	<p>On January 9, 2009, an Investigation by NERC was initiated regarding an event that took place on November 7, 2008 (the Event). On November 7, 2008 a fire in a series capacitor bank at a substation in SDGE's service territory resulted in a 500 kV line (TL50001) being taken out of service for approximately 15 minutes. While that line was out of service, overloads were experienced on Path 49, for which SDGE is not a path operator. A System Operating Limit (SOL) exceedance on Path 49 developed, and load shedding was ordered and attempted by other parties to relieve this condition.</p> <p>SDGE had a procedure (GIP2120) for switching the TL50002 series capacitor bank at the same substation. This procedure included a reference to the TL50001 series capacitor bank. The steps in the GIP2120 procedure were not accurately carried out in the initial attempt to operate the motor operated disconnects (MODs) for the TL50001 series capacitor. Consequently, NCEA concluded that, on the day of the event, the SDGE control room operator, who equates to less than 1.5 % of SDGE's operating personnel, was delayed in opening the isolating MODs. NCEA found that SDGE, as a Transmission Operator, violated PER-002-0 R1 by failing to be staffed with adequately trained operating personnel.</p>	PER-002-0	R1	High	Moderate	<p>This violation posed a moderate risk and not a serious or substantial risk to the reliability of the bulk power system (BPS). Although SDGE was unable to immediately isolate the TL50001 series capacitor bank, this violation did not pose a serious or substantial risk to the reliability of the BPS because the system is designed so that the loss of a single line does not result in load shedding. The system has backup protective actions and other tools at the disposal of path operators. These actions included load shedding by other entities, derates of other lines, shifting load, and bringing the TL50001 line back into service. These actions were independent of SDGE's actions regarding opening the isolating MODs on TL50001. The risk posed by SDGE's failure to train all of its personnel in a timely manner was mitigated by the fact that there were other SDGE's operating personnel were adequately trained and able to guide this single operator through the process of operating the MODs.</p>	10/29/2008 (the date of the operator's last training) The Event occurred on 11/7/08 for approximately 50 minutes. SDGE's work to return the line to service lasted for about 16 minutes.	11/7/2008 On that same day, the correct procedures for operating the MODs was explained by SDG&E personnel to the SDG&E operator who made the initial, unsuccessful attempt to operate the MODs. Other mitigation activities were completed as part of the formal Mitigation Plan on 2/8/2009.	\$5,000	Compliance Investigation	SDGE revised procedures (GIP2105 and GIP2120) laying out the individual steps for the TL50001 line and associated switching equipment. All operators were subsequently trained on the updated procedures. Copies of the updated procedures are available to all control room operators.	2/8/2009	1/12/2012	Neither Admits nor Denies	<p>SDG&amp;E has a compliance program, as codified in its Reliability Standards Compliance Plan, and NCEA considered it a mitigating factor in the penalty determination.</p> <p>SDGE has a Compliance Organization, including a Designated Leader for Reliability Standards. In November 2008, the Designated Leader was the Vice President of Electric Transmission and Distribution. The Designated Leader reported to the Chief Operating Officer, who reports to the Chief Executive Officer. The reliability standards organization is independent of Line Management below the level of the Chief Operating Officer.</p> <p>SDGE compliance activities include comprehensive training, including annual training, on reliability standards, and all supervisors are responsible for ensuring that all subordinates responsible for Reliability Standards Compliance are adequately trained.</p> <p>The SDGE program includes the potential for adverse personnel action for violation of Reliability Standards up to and including termination.</p> <p>Additionally, SDGE was extremely cooperative both during and after the investigation. Load was shed during the Event (approximately 200 MW by SCE, none by SDGE). The load shed resulted from SOL exceedances which were outside of SDGE's service area.</p> <p>There are no previous violations of this Standard by SDGE.</p>