NERC
NORTH AMERICAN ELECTRIC RELIABILITY CORPORATION

Attachment a

Source Document

RELIABILITY FIRST

COMPLIANCE MONITORING AND ENFORCEMENT PROGRAM
VIOLATION SELF-REPORTING FORM

This Violation Self-Reporting Form can be used for submittals via e-mail or fax for violations of the Reliability Standards identified by a self- assessment.

1. **Reliability Standard (XXX-###-# or XXX-###-RFC-##)** PRC-005-1

2. **Violation(s):** Check the appropriate box(s) to identify violation(s) of any of the applicable requirement(s) referenced in the standard.

   For violations of requirements with Levels of Non-Compliance or Violation Severity Levels (VSL) specified in the standard:

   ☒ Entity is Level 1 Non-Compliance or has Lower VSL for the following: requirement(s):R2.1 for function(s):TO

   ☐ Entity is Level 2 Non-Compliance or has Moderate VSL for the following: requirement(s):_____ for function(s):_____

   ☐ Entity is Level 3 Non-Compliance or has High VSL for the following: requirement(s):_____ for function(s):_____

   ☐ Entity is Level 4 Non-Compliance or has Severe VSL for the following: requirement(s):_____ for function(s):_____

   For violations of requirements with no Levels of Non-Compliance or Violation Severity Levels specified in the standard:

   ☐ Entity is in violation of requirement(s) not referenced in the Levels of Non-Compliance or Violation Severity Levels section of the standard:

   requirement(s): _____ for function(s):_____

3. **Description of the violation:** R2.1. States "Evidence Protection System devices were maintained and tested within the defined intervals.". The month of the last trip test date for a specific line terminal (i.e. Claymont 22084) was incorrectly entered into the tracking spreadsheet (i.e. listed as 12/07/03 rather than 02/07/03) which resulted in the trip testing of the front line and back-up relays not being completed in the defined interval. The Claymont 22084 terminal was trip tested on 9/12/07, well within the defined interval based on the incorrect date. However, based on the correct date, the interval was missed by a little more than 2 months. This was discovered as part of a recent overall review/revalidation (completed on 5/21/08 for Delmarva New Castle). The Lower Violation Severity Level for R2.1 states "Evidence Protection System devices were maintained and tested within the defined intervals was missing for no more than 25% of the applicable devices.". The Claymont 22084 terminal represents less than 1% of applicable terminals and/or relays.

4. **Additional information:** _____

5. **Mitigation Plan attached:** ☒ Yes ☐ No

6. **Officer Verification:** I understand that this information is being provided as required by the Reliability*First* Compliance Monitoring and Enforcement Program. Any review of this violation will require all information certified on this form be supported by appropriate documentation.

Enter NERC Registry ID# NCR00752

Officer's Name: Tsion M. Messick

Officer's Title: VP Transmission

Officer's e-mail address: tsion.messick@pepcoholdings.com Phone: 302-454-4936

Registered Company Name: Delmarva Power CDMS User ID: DELPL

Primary Compliance Contact (PCC)/Alternate: Mark D. Godfrey

Email: mark.godfrey@pepcoholdings.com Phone: 302-454-4915 Date: 05-21-2008

E-mail Submittals to: compliance@rfirst.org or Fax#: 330- 456-5408 – Attention Compliance Dept.
For any questions regarding compliance submittals, please e-mail: compliance@rfirst.org.

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Attachment b

Settlement Agreement(s)

RELIABILITY FIRST

August 17, 2009

Mark Godfrey
Transmission Compliance Manager
Delmarva Power & Light Company
P.O. Box 9239
Newark, Delaware 19714

Re: Notice of Proposed Expedited Disposition of Pending Violations or Alleged Violations

Dear Mark Godfrey:

This letter is giving notice that ReliabilityFirst Corporation ("ReliabilityFirst") proposes expedited disposition of the pending violation or alleged violation listed in **Attachment B**. **Please review the information below and respond in writing no later than five (5) business days from the date of this Notice.** Responses should be directed to Abby Sheatzley, Paralegal, at abby.sheatzley@rfirst.org. If you have questions, please call Megan Mahany at (330) 247-3083.

ReliabilityFirst intends to submit to the North American Electric Reliability Corporation ("NERC") for filing with the Federal Energy Regulatory Commission ("FERC" or "Commission") a request to expedite resolution of the pending violation or alleged violation listed in **Attachment B** and to accept disposition of these violation or alleged violation under the terms of the Agreement in **Attachment A** hereto, based on the following factors:

- The violation does not pose a serious or substantial risk to system reliability.
- The violation occurred prior to July 3. 2008.
- The violation has been mitigated with mitigation plan completion verified by ReliabilityFirst or the violation is being mitigated under the terms of a mitigation plan that has been approved by ReliabilityFirst and NERC.

This proposed expedited disposition will result in the assessment of the penalty identified for each of the respective violation listed in **Attachment B** if this disposition is accepted by Delmarva Power & Light Company and by NERC and FERC.

If Delmarva Power & Light Company accepts this proposed expedited disposition, sign the attached Agreement and return it to Reliability*First* within **five (5) business days** after the date of this Notice. ***If Delmarva Power & Light Company does not wish to accept this proposed expedited disposition, sign the attached Decision to Opt Out and return it to ReliabilityFirst within five (5) business days after the date of this Notice.***

Sincerely,

Raymond J. Palmieri

Raymond J. Palmieri
Vice President and Director of Compliance

Attachments:
A – Agreement
B – List of Violation and associated Penalty

ATTACHMENT A

AGREEMENT

Delmarva Power & Light Company and Reliability*First* agree to the following:

1. Acceptance of this Agreement results in the assessment of zero USD for the violation listed in **Attachment B,** subject to approval or modification by the North American Electric Reliability Corporation ("NERC") and the Federal Energy Regulatory Commission ("FERC" or "Commission"). Monetary penalty payments, to the extent applicable, must be made by Wire transfer to a Reliability*First* account that will be outlined in an invoice sent to Delmarva Power & Light Company within twenty days after the Agreement is either approved by the Commission or is rendered effective by operation of law. Payment of this invoice shall be made within twenty days after the receipt of the invoice, and Reliability*First* shall notify NERC if the payment is not received.

2. The violation listed in **Attachment B** will be considered Confirmed Violation 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 violation.

3. Delmarva Power & Light Company attests there have been no repeat occurrences of the violation listed in **Attachment B** as of the date of this attestation.

4. The expedited disposition agreed to herein represents a full and final disposition of the violation listed in **Attachment B**, subject to approval or modification by NERC and FERC.

5. If Delmarva Power & Light Company does not make the monetary penalty payment above at the times agreed by the parties, interest payable to Reliability*First* will begin to accrue pursuant to the Commission's regulations at 18 C.F.R. § 35.19(a)(2)(iii) from the date that payment is due, in addition to the penalty specified above.

Accepted:
Delmarva Power & Light Company

Thomas M. Messick, as 8/20/09
Date

Vice President, Transmission
(Title) on Behalf of Delmarva Power & Light Company

ReliabilityFirst Corporation

R J. Palmieri 8/25/09
By Raymond J. Palmieri Date

ATTACHMENT B

List of Violation

NERC Violation ID	Registered Entity	Standard	Requirement	Penalty
RFC200800061	Delmarva Power & Light Company	PRC-005-1	2	$0.00 USD

In re DELMARVA POWER & LIGHT COMPANY	)	**DOCKET NUMBER RFC200800061**
NERC Registry ID # NCR00752	)	

SETTLEMENT AGREEMENT OF RELIABILITY*FIRST* CORPORATION AND DELMARVA POWER & LIGHT COMPANY

I. Introduction

1. ReliabilityFirst Corporation ("ReliabilityFirst") and Delmarva Power & Light Company ("Delmarva Power" or "Delmarva ") enter into this Settlement Agreement ("Agreement") to resolve all outstanding issues arising from a preliminary and non-public investigation resulting in ReliabilityFirst's determination and findings, pursuant to the North American Electric Reliability Corporation ("NERC") Rules of Procedure, of a violation by Delmarva Power of the NERC Reliability Standard PRC-005-1, Requirement 2.1.

II. Stipulation

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

A. Background

3. Delmarva Power is a regulated utility engaged in the transmission of electricity in the state of Delaware. Delmarva Power has over 500,000 electric delivery customers.

4. Delmarva Power is a subsidiary of Pepco Holdings, Inc. ("PHI"). PHI is a holding company whose utility affiliates, including Delmarva Power, are engaged in regulated utility operations and sale of competitive energy products and services to residential and commercial customers. PHI companies deliver electric energy and natural gas to more than 1.9 million customers in Delaware, the District of Columbia, Maryland and New Jersey.

5. Reliability*First* staff confirmed that Delmarva Power was registered on the NERC Compliance Registry as a Transmission Owner ("TO") in the Reliability*First* region with the NERC Registry Identification Number NCR00752 during the time period that the alleged violation occurred, and is, therefore, subject to compliance with PRC-005-1, Requirement 2.1.

B. Alleged Violation of PRC-005-1, Requirement 2.1 – RFC200800061

6. NERC Reliability Standard PRC-005-1 *"Transmission and Generation Protection System Maintenance and Testing*", Requirement 2, states "Each Transmission Owner and any Distribution Provider that owns a transmission Protection System and each Generator Owner that owns a generation Protection System shall provide documentation of its Protection System maintenance and testing program and the implementation of that program to its Regional Reliability Organization on request (within 30 calendar days). The documentation of the program implementation shall include:

   R2.1. Evidence Protection System devices were maintained and tested within the defined intervals."

7. On May 21, 2008, Delmarva Power self-reported immediately upon discovery an incidence of potential non-compliance with Requirement 2.1 of Reliability Standard PRC-005-1. Delmarva Power submitted to Reliability*First* by e-mail a Compliance Monitoring and Enforcement Program Violation Self-Reporting Form in which Delmarva Power identified a clerical error in its tracking system for maintenance of Protective System devices. The error concerned the month of the last trip test date for a specific line terminal. An unintentional consequence of the clerical error was that the subject relays were tested on September 12, 2007 (well within the required testing intervals based upon the erroneous date entered) rather than in July 2007 as required under Delmarva Power's defined interval counted from the actual previous test date.

8. Specifically, in the Self-Reporting Form, Delmarva Power stated that "[t]he month of the last trip test date for a specific line terminal (Claymont 22084) was incorrectly entered into the tracking spreadsheet (listed as *12*/07/03 rather than 02/07/03)[emphasis supplied] which resulted in the

trip testing of the front line and back-up relays not being completed in the defined interval. The Claymont 22084 terminal was trip tested on September 12, 2007, well within the defined interval based on the incorrect date. However, based on the correct date [previous actual date], the interval was missed by a little more than 2 months. This [clerical error and the date of the subsequent testing] was discovered as part of a recent overall review/revalidation (completed on May 21, 2008 for Delmarva New Castle)…The Claymont 22084 represents less than 1% of applicable terminals and/or relays."

9. Delmarva submitted a Compliance Audit Survey to Reliability*First* on April 1, 2008 in preparation for an upcoming audit. The Reliability*First* on-site audit of Delmarva Power was conducted from May 20-22, 2008. During the compliance audit, of the fifty (50) NERC requirements audited, seven were not applicable and forty-three were found to be compliant. The audit team consisted of four Reliability*First* Compliance staff personnel, three Federal Energy Regulatory Commission ("FERC") personnel, and one NERC representative. The NERC and FERC personnel functioned as active participants in the audit process. The non-public version of the Compliance Audit Report notes that Delmarva Power discovered a possible violation within its relay testing records. During preparations for audit, Delmarva Power discovered that two relays were tested in 2007 approximately two months outside the defined maintenance interval. The report includes notice that Delmarva Power self-reported this possible violation immediately upon discovery to Reliability*First*'s Vice-President and Director of Compliance and included a mitigation plan.

10. In addition to referencing the self-report, the Delmarva Power Compliance Audit Report states that "[t]he audit team reviewed the following DPL documentation in support of compliance: 1. DPL maintained and tested within defined intervals with the following sample data for BES facilities and battery systems. Included: [r]elay calibration test reports, [f]unctional test reports, [b]attery test data maintained at regional office(s), with monthly backup to secure corporate server 2. Atlantic City Electric/Delmarva Power document, "Protective System Scheme/Protection and Maintenance Program & Procedures", Page 4 (R1.1- Maintenance & Testing Intervals), [i]ncludes frequency of testing and testing procedures."

11. On January 5, 2009, Reliability*First's* Enforcement Staff submitted a Request for Information to Delmarva Power that requested clarification and additional information regarding the details of the self-reported alleged violation. On January 23, 2009, Delmarva Power submitted a response to the January 5, 2009 Request for Information. In Delmarva Power's January 23, 2009 Response, Delmarva Power clarified the statement that "[t]he Claymont 22084 terminal was trip tested on

September 12, 2007, well within the defined interval based on the incorrect date. However, based on the correct date, the interval was missed by a little more than 2 months." Delmarva Power states in the response that based upon the correct date of February 7, 2003 that should have been entered into the tracking spreadsheet, the next due date for testing should have been July 2, 2007 (based upon the established Delmarva Power test interval of four years plus a 10% grace period to facilitate testing.) Therefore, Delmarva Power failed to test the Claymont 22084 terminal within the defined intervals of its Protection System maintenance and testing program from July 2, 2007 until the test was performed on September 12, 2007.

12. In Delmarva Power's January 23, 2009 response, Delmarva Power also substantiated the statement in the Self-Report that the Claymont 22084 terminal represents less than 1%, that is 0.34% of, or 2 out of 588 applicable protection system devices at Delmarva Power as discussed immediately below. Delmarva Power provided a document entitled "Delmarva Power Front-line and Back-Up Terminal List", which shows the 588 front-line and back-up terminals in place at Delmarva Power. The Claymont 22084 front-line and back-up terminal represents 2 of the 588 total protection system devices in place at Delmarva Power, or 0.34% of the total number of protection system devices.

13. Also in the Delmarva Power January 23, 2009 Response, Delmarva Power stated, "The Claymont 22084 front-line and back-up relays are microprocessor based relays and as such are self monitoring with remote alarming. A search of the Delmarva Power Automatic Equipment Operation Tracking System database (the current database goes back to January 1999) indicates that there have been no operations or any mis-operations on the Claymont 22084 line terminal since at least January 1999." When the front-line and back-up microprocessor relays were tested on September 12, 2007, they were found to be fully functional. Delmarva Power also stated in the January 23, 2009 Response that "All Delmarva Power BES Protection System devices per PRC-005-1, R.2.1 are being maintained and tested within the defined intervals and Delmarva Power is in compliance with PRC-005-1, R.2.1. Results of the latest testing at Claymont 22084 indicate that the Protection System devices are [were] currently working and in good condition."

14. Delmarva Power submitted a response on July 31, 2008, to RFC for information regarding the criticality of the Claymont 22084 line to the BES system. Delmarva Power's response included a description of the electric system in the area, average July and August 2007 MW flows at approx 20% of the normal line rating of 650 MVA summer normal and 805 MVA summer emergency (*i.e.*, for the two months in question), available generation resources (more than enough to mitigate any potential

problem), potential impact (*i.e.*, potentially result in system constraints that would be controlled by re-dispatch or operation off-cost generation with no cascading outages), and a detailed description of the self monitoring diverse microprocessor relays.

15. These facts support the conclusion that there was no actual harm and no serious or substantial risk to the Bulk Power System as a result of this alleged violation.

16. Reliability*First* alleges that Delmarva Power failed to provide sufficient evidence that Protection System devices were maintained and tested within the defined intervals. Specifically, due to clerical error, Delmarva Power maintained and tested the Claymont 22084 terminal approximately two months outside the defined intervals of its Protection System maintenance and testing program.

III. PARTIES' SEPARATE REPRESENTATIONS

STATEMENT OF RELIABILITY*FIRST* AND SUMMARY OF FINDINGS

17. Reliability*First* considers this Agreement as the resolution of all issues in connection with the above captioned docket number and binds Delmarva Power in its commitment to perform actions hereafter enumerated and listed as conditions for this Agreement. PRC-005-1, Requirement 2.1 has a Violation Risk Factor (VRF) of High. The duration of this violation, for the purposes of penalty determination, is from July 2, 2007, the date that the testing on the Claymont 22084 terminal should have been performed, until September 12, 2007, the date that the missed testing was performed on Claymont 22084. Pursuant to rulings of the Commission, such penalties may be applied on a daily basis for the duration of the violation.

18. Reliability*First* found noteworthy and commendable certain aspects of the compliance program and compliance culture at PHI, which governs Delmarva Power. The compliance program is multi-faceted and includes: each applicable NERC standard assigned to a PHI executive based on area of responsibility; NERC standards awareness for responsible individuals that included the expertise of an external consultant providing detailed review of standards and requirements; an executive-level Steering Committee for oversight; day-to-day monitoring of compliance; an Annual Plan and status reports; a document repository/management system; a compliance monitoring system (AssurX Monitoring Tool); an independent assessment of compliance with applicable standards; and self-reporting of any potential violations for immediate action. The Manager of Transmission Compliance is also a member of the NERC Compliance Executive Steering Committee. The Vice President of Transmission and compliance executive has independent access to the CEO, Executive

Committees, and the corporate Board of Directors. The executive level Steering Committee was established in 2006 for the oversight and coordination of PHI's compliance activities for ensuring 100% compliance with all applicable standards including voluntary standards. This PHI-wide Steering Committee meets on a monthly basis to review RFC's annual plans, PHI's major compliance activities and plans. In addition, a subset of this Steering Committee meets on a monthly basis to review PHI's utility operating companies' specific activities, which includes Delmarva Power. The PHI Steering Committee includes executives of each of PHI's lines of business as well as PHI's Vice President and General Auditor. The Committee meets monthly and reports into both the President and Chief Operating Officer and PHI's Corporate Risk Management Committee. Compliance goals are included in management employees' individual annual Performance Assessment System, and the internal compliance program includes internal controls to prevent recurrence of violations. Mitigation plans are submitted as part of the self-reporting process and include plans to prevent recurrence of any violations.

19. ReliabilityFirst agrees that this agreement is in the best interest of the parties and in the best interest of bulk power system reliability.

STATEMENT OF DELMARVA POWER

20. Delmarva Power admits the facts set forth and agreed to by the parties for purposes of this Agreement constitute violations of NERC Reliability Standard PRC-005-1, Requirement 2.1.

21. Because of the unintentional clerical error that was the reason for the missed testing interval, Delmarva Power agrees to the alleged violation. Delmarva Power has agreed to enter into this Settlement Agreement with ReliabilityFirst to avoid extended litigation with respect to the matters described or referred to herein, as well as to avoid uncertainty and to effectuate a complete and final resolution of the issues set forth herein. Delmarva Power agrees that this agreement is in the best interest of the parties and in the best interest of maintaining a reliable electric infrastructure.

IV. MITIGATING ACTIONS, REMEDIES AND SANCTIONS

22. On May 21, 2008, Delmarva Power submitted to ReliabilityFirst a Mitigation Plan (MP-08-0597, *see* Attachment A) to address the Alleged Violation set forth in this agreement. On May 30, 2008, Delmarva Power submitted to ReliabilityFirst a certification of completion of the Mitigation Plan (*see* Attachment B). ReliabilityFirst accepted the certification of completion from Delmarva Power contingent upon ReliabilityFirst's acceptance of the Mitigation Plan. On June 13, 2008,

ReliabilityFirst accepted the Mitigation Plan. On June 13, 2008, ReliabilityFirst submitted the Mitigation Plan to NERC. NERC approved the Mitigation Plan on July 11, 2008 and submitted the Mitigation Plan to FERC as confidential, non-public information on July 11, 2008. On January 26, 2009, Delmarva Power submitted evidence of completion of the Mitigation Plan as part of its response to a January 5, 2009 information request letter from ReliabilityFirst.

23. In the Mitigation Plan, Delmarva Power stated that the Claymont 22084 terminal trip testing was completed on September 12, 2007, which mitigated the alleged violation. In addition, Delmarva Power outlined three additional preventive actions to be performed as part of the Mitigation Plan. Delmarva Power provided a list of Key Milestone Activities:

    a. Trip test Claymont 22084 Terminal. (Completed)

    b. Delmarva will complete validating the summary report/spreadsheet for PRC-005 against the individual relay test records. (Completed May 30, 2008)

    c. Delmarva will revise its field maintenance/trip test report/process to establish consistent collection of required information as additional evidence. (Completed May 30, 2008)

    d. Delmarva will add to its PRC-005 procedures a step for validating the test dates in the summary report/spreadsheet against the individual relay test records at least once a year to ensure that all new entries are correctly captured. (Completed May 30, 2008)

24. ReliabilityFirst reviewed the evidence Delmarva Power submitted in support of its certification of completion of the Mitigation Plan. ReliabilityFirst performed an audit-like review to verify that all actions specified in the Mitigation Plan were successfully completed. On April 15, 2009, ReliabilityFirst verified that the Mitigation Plan was completed in accordance with its terms (*see* Attachment C, "Summary and Review of Evidence of Mitigation Plan Completion").

25. For purposes of settling any and all disputes arising from ReliabilityFirst's investigation into the matters reported by Delmarva Power in its Self Report, ReliabilityFirst and Delmarva Power agree that on and after the effective date of this Agreement, Delmarva Power shall take the actions set forth in this paragraph to share lessons learned in connection with the detection and remediation of the instant violation and to enhance training with respect to PRC-005. Specifically, Delmarva Power will share lessons learned at an industry forum hosted by RFC and will contribute to RFC's

costs for such forum in an amount not to exceed $4,000. At the RFC forum, Delmarva Power will conduct a session focused on documentation, validation and review efforts on PRC-005 (and other Standards if that is of interest to RFC) in order to avoid clerical and typographical errors of the type that contributed to the instant violation. In addition, Delmarva Power will provide refresher "awareness training" to employees responsible for compliance with PRC-005 requirements. Such training will be similar to the "lessons learned" presentation described above in this paragraph 24, with a specific emphasis on PRC-005, and related requirements and procedures particularly those concerning validation of data/documentation and completion of PRC-005 maintenance and testing.

26. Based upon the mitigating actions taken by Delmarva Power and Delmarva Power's cooperation and agreement to expeditiously reconcile this alleged violation via settlement, the amount of penalty to be paid by Delmarva Power pursuant to this agreement is zero dollars ($0). This penalty amount reflects that this self-reported violation, which occurred and was mitigated during 2007, was: (i) a first and single incident that involved 0.34% of the total system relays; (ii) a solitary violation; and (iii) not one that put bulk power system reliability at serious or substantial risk. In fact, review showed that: (i) the Protection System was in working order during the interval in question; (ii) the relays in question are microprocessor based relays and as such are self monitoring with remote alarming; and (iii) for July and August 2007 -- the two months in question -- MW flows on the lines associated with the relays in question were at approximately 20% of the normal line rating of 650 MVA summer normal and 805 MVA summer emergency while available generation resources for the same period were sufficient to mitigate any potential problem.

27. In order to facilitate Reliability*First*'s need to communicate the status and provide accountability to the ERO (NERC), if requested by Reliability*First,* Delmarva Power will provide status updates at a minimum quarterly or more frequently. Delmarva Power will submit such status updates to Reliability*First* in accordance with the confidentiality provisions of Section 1500 of the NERC Rules of Procedure.

28. It is understood that Reliability*First* staff shall audit the progress of mitigation plans and any other remedies of this Agreement, including, but not limited to site inspection, interviews, and request other documentation to validate progress and/or completion of the mitigation plans and any other remedies of this Settlement Agreement. Reliability*First* shall reasonably coordinate audits and information requests with Delmarva Power related to this Settlement Agreement.

29. Based on the above actions taken or to be taken by Delmarva Power, Delmarva Power shall pay zero dollars ($0) to Reliability*First* as stated in this Settlement Agreement. However, if Delmarva Power fails to complete the actions described above, Reliability*First* reserves the right to assess and collect a monetary penalty, to impose a sanction or otherwise to impose enforcement actions. Delmarva Power shall retain all rights to defend against such additional enforcement actions in accordance with NERC Rules of Procedure.

30. The estimated costs to Delmarva Power to implement the agreed to actions in Paragraph 24 are approximately $5,000 to $7,000. Reliability*First* may audit and inspect financial records to validate actual expenditures with estimates in this Settlement Agreement. Funding and programs associated with this Settlement Agreement will be above the original planned budget and programs for 2009 or 2010 as directed by Reliability*First*.

31. 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, shall be deemed to be either the same alleged violation that initiated this Settlement and/or additional violation(s) and may subject Delmarva Power to new or additional enforcement, penalty or sanction actions in accordance with the NERC Rules of Procedure.

32. If Delmarva Power does not make the monetary penalty payment above at the times agreed by the parties, interest payable to Reliability*First* will begin to accrue pursuant to the Commission's regulations at 18 C.F.R. § 35.19(a)(2)(iii) from the date that payment is due, in addition to the penalty specified above.

33. The actions that Delmarva Power commits to complete in such a settlement must not be the same actions that Delmarva Power was planning to perform whether or not the settlement were to occur.

34. The terms and conditions of the Agreement are consistent with the regulations and orders of the Commission, as well as with the NERC Rules of Procedure.

V. ADDITIONAL TERMS

35. The signatories to the Agreement agree that they enter into the 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 Reliability*First* or Delmarva Power has been made to induce the signatories or any other party to enter into the Agreement.

36. The Regional Entity 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 the Regional Entity and the Registered Entity 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 the Regional Entity will attempt to negotiate a revised settlement agreement with the Registered Entity 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 the alleged violation and the terms provided for in the settlement.

37. This Agreement shall become effective upon the Commission's approval of the Agreement by order or operation of law as submitted to it or as modified in a manner acceptable to the parties.

38. Delmarva Power agrees that this Agreement, when approved by NERC and the Commission, shall represent a final settlement of all matters set forth herein and Delmarva Power waives its right to further hearings and appeal, unless and only to the extent that Delmarva Power contends that any NERC or Commission action on the Agreement contains one or more material modifications to the Agreement.

39. Reliability*First* reserves all rights to initiate enforcement, penalty or sanction actions against Delmarva Power in accordance with the NERC Rules of Procedure in the event that Delmarva Power fails to comply with the mitigation plan and compliance program agreed to in this Agreement. In the event Delmarva Power fails to comply with any of the stipulations, remedies, sanctions or additional terms, as set forth in this Agreement, Reliability*First* will initiate enforcement, penalty, or sanction actions against Delmarva Power to the maximum extent allowed by the NERC Rules of Procedure, up to the maximum statutorily allowed penalty. Delmarva Power shall retain all rights to defend against such enforcement actions, also according to the NERC Rules of Procedure.

40. Delmarva Power consents to the use of Reliability*First*'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, that are set forth in the May 15, 2008 Revised Policy

Statement on Enforcement,[1] or that may be set forth in any successor policy statement or order. Such use may be in any enforcement action or compliance proceeding under taken by Reliability*First*; provided however that Delmarva Power 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 Reliability*First*, nor does Delmarva Power consent to the use of this Agreement by any other party in any other action or proceeding.

41. 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 Agreement on the entity's behalf.

42. The undersigned representative of each party affirms that he or she has read the Agreement, that all of the matters set forth in the Agreement are true and correct to the best of his or her knowledge, information and belief, and that he or she understands that the 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 Agreement.

43. The Agreement may be signed in counterparts.

44. This Agreement is executed in duplicate, each of which so executed shall be deemed to be an original.

[1] *Revised Policy Statement on Enforcement*, 123 FERC ¶ 61,221 (2008).

Agreed to and accepted:

Raymond J. Palmieri
Vice President and Director of Compliance
ReliabilityFirst Corporation

8/7/09
Date

Tsion M. Messick
Vice President, PD Transmission
Pepco Holdings, Inc.

8/20/09
Date

Approved by:

Tim Gallagher
President
ReliabilityFirst Corporation

8/21/09
Date

NERC
NORTH AMERICAN ELECTRIC RELIABILITY CORPORATION

Attachment c

Mitigation Plan

Mitigation Plan Submittal Form

Date this Mitigation Plan is being submitted: 5/21/2008

Section A: Compliance Notices & Mitigation Plan Requirements

A.1 Notices and requirements applicable to Mitigation Plans and this Submittal Form are set forth in "Attachment A - Compliance Notices & Mitigation Plan Requirements."

A.2 This form must be used to submit required Mitigation Plans for review and acceptance by Reliability*First* and approval by NERC.

A.3 ☒ I have reviewed Attachment A and understand that this Mitigation Plan Submittal Form will not be accepted unless this box is checked.

Section B: Registered Entity Information

B.1 Identify your organization.

Company Name:	Delmarva Power
Company Address:	800 King Street, Wilmington, DE 19899
NERC Compliance Registry ID:	NCR00752

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

Name:	Mark D. Godfrey
Title:	Transmission Compliance Manager
Email:	mark.godfrey@pepcoholdings.com
Phone:	302-454-4915

Section C: Identification of Alleged or Confirmed Violation(s) Associated with this Mitigation Plan

C.1 This Mitigation Plan is associated with the following Alleged or Confirmed violation(s) of the reliability standard listed below.

NERC Violation ID #	Reliability Standard	Requirement Number	Violation Risk Factor	Alleged or Confirmed Violation Date(*)	Method of Detection (*e.g.*, Audit, Self-report, Investigation)
	PRC-005-1	R2.1	High	5/21/08	Self-report

(*) Note: The Alleged or Confirmed Violation Date shall be expressly specified by the Registered Entity, and subject to modification by Reliability*First*, as: (i) the date the Alleged or Confirmed violation occurred; (ii) the date that the Alleged or Confirmed violation was self-reported; or (iii) the date that the Alleged or Confirmed violation has been deemed to have occurred on by Reliability*First*. Questions regarding the date to use should be directed to the Reliability*First* contact identified in Section G of this form.

C.2 Identify the cause of the Alleged or Confirmed violation(s) identified above. Additional detailed information may be provided as an attachment.

The month of the last trip test date for a specific line terminal (i.e. Claymont 22084) was incorrectly entered into the tracking spreadsheet (i.e. listed as 12/07/03 rather than 02/07/03) which resulted in the trip testing of the front line and back-up relays not being completed in the defined interval. The Claymont 22084 terminal was trip tested on 9/12/07, well within the defined internal based on the incorrect date. However, based on the correct date, the interval was missed by a little more than 2 months. This was discovered as part of a recent overall review/revalidation (completed on 5/21/08 for Delmarva New Castle).

Note: If a formal root cause analysis evaluation was performed, submit a copy of the summary report.

C.3 Provide any additional relevant information regarding the Alleged or Confirmed violations associated with this Mitigation Plan. Additional detailed information may be provided as an attachment.

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 Alleged or Confirmed violations identified above in Part C.1 of this form. Additional detailed information may be provided as an attachment.

Trip Testing was already completed. Implement measures to minimize future occurrences.

Mitigation Plan Timeline and Milestones

D.2 Provide the date by which full implementation of the Mitigation Plan will be, or has been, completed with respect to the Alleged or Confirmed violations identified above. State whether the Mitigation Plan has been fully implemented, and/or whether the actions necessary to assure the entity has returned to full compliance have been completed.

The Claymont 22084 terminal trip testing was completed on September 12, 2007. Mitigation Plans to minimize future occurrences will be completed by May 30, 2008.

D.3 Enter Key Milestone Activities (with due dates) that can be used to track and indicate progress towards timely and successful completion of this Mitigation Plan.

Key Milestone Activity	Proposed/Actual Completion Date* (shall not be more than 3 months apart)
Trip test Claymont 22084 terminal.	Completed
Delmarva will complete validating the summary report/spreadsheet for PRC-005 against the individual	May 30, 2008

relay test records.	
Delmarva will revise its field maintenance/trip test report/process to establish consistent collection of required information as additional evidence.	May 30, 2008
Delmarva will add to its PRC-005 procedures a step for validating the test dates in the summary report/spreadsheet against the individual relay test records at least once a year to ensure that all new entries are correctly captured.	May 30, 2008

(*) Note: Additional violations could be determined for not completing work associated with accepted milestones.

Section E: Interim and Future Reliability Risk

Abatement of Interim BPS Reliability Risk

E.1 While your organization is implementing this Mitigation Plan the reliability of the Bulk Power System (BPS) 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 to mitigate this increased risk to the reliability of the BPS. Additional detailed information may be provided as an attachment.

There is no anticipated impact of the bulk power system reliability.

Prevention of Future BPS Reliability Risk

E.2 Describe how successful completion of this Mitigation Plan by your organization will prevent or minimize the probability that the reliability of the BPS incurs further risk of similar violations in the future. Additional detailed information may be provided as an attachment.

The revision of the process for documentation and an annual review should minimize any errors in the summary tracking spreadsheet from becoming a non-compliance issue beyond the defined interval.

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 this Mitigation Plan for acceptance by Reliability*First* and approval by NERC, and

b) If applicable, certifies that this Mitigation Plan was completed on or before the date provided as the 'Date of Completion of the Mitigation Plan' on this form, and

c) Acknowledges:

1. I am VP Transmission of Pepco Holdings, Inc.

2. I am qualified to sign this Mitigation Plan on behalf of Delmarva Power.

3. I have read and am familiar with the contents of this Mitigation Plan.

4. Delmarva Power agrees to comply with, this Mitigation Plan, including the timetable completion date, as accepted by Reliability*First* and approved by NERC.

Authorized Individual Signature _____

Name (Print): Tsion M. Messick

Title: VP Transmission

Date: 5/21/08

Section G: Regional Entity Contact

Please direct completed forms or any questions regarding completion of this form to the Reliability*First* Compliance e-mail address compliance@rfirst.org. Please indicate the company name and reference the NERC Violation ID # (if known) in the subject line of the e-mail. Additionally, any Reliability*First* Compliance Staff member is available for questions regarding the use of this form. Please see the contact list posted on the Reliability*First* Compliance web page.

Attachment A – Compliance Notices & Mitigation Plan Requirements

I. Section 6.2 of the CMEP[1] 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.

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

(9) Any other information deemed necessary or appropriate.

(10) The Mitigation Plan shall be signed by an officer, employee, attorney or other authorized representative of the Registered Entity, which if applicable, shall be the person that signed the Self-Certification or Self Reporting submittals.

II. This submittal form must be used to provide a required Mitigation Plan for review and acceptance by Reliability*First* and approval by NERC.

III. This Mitigation Plan is submitted to Reliability*First* and NERC as confidential information in accordance with Section 1500 of the NERC Rules of Procedure.

IV. This Mitigation Plan Submittal Form may be used to address one or more related Alleged or Confirmed violations of one Reliability Standard. A separate

[1] "*Compliance Monitoring and Enforcement Program" of the ReliabilityFirst Corporation*;" a copy of the current version approved by the Federal Energy Regulatory Commission is posted on the Reliability*First* website.

mitigation plan is required to address Alleged or Confirmed violations with respect to each additional Reliability Standard, as applicable.

V. If the Mitigation Plan is accepted by Reliability*First* and approved by NERC, a copy of this Mitigation Plan will be provided to the Federal Energy Regulatory Commission in accordance with applicable Commission rules, regulations and orders.

VI. Reliability*First* or NERC may reject Mitigation Plans that they determine to be incomplete or inadequate.

VII. Remedial action directives also may be issued as necessary to ensure reliability of the BPS.

DOCUMENT CONTROL

Title: Mitigation Plan Submittal Form

Issue: Version 1.0

Date: 2 January 2008

Distribution: Public

Filename: ReliabilityFirst Mitigation Plan Submittal Form - Ver 1.DOC

Control: Reissue as complete document only

DOCUMENT APPROVAL

Prepared By	Approved By	Approval Signature	Date
Robert K. Wargo Senior Consultant Compliance	Raymond J. Palmieri Vice President and Director Compliance		1/2/08

DOCUMENT CHANGE/REVISION HISTORY

Version	Prepared By	Summary of Changes	Date
1.0	Robert K. Wargo	Original Issue – Replaces "Proposed Mitigation Plan" Form	1/2/08

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Attachment d

Registered Entity's Certification of Completion

From: mark.godfrey@
Posted At: Friday, May 30, 2008 2:38 PM
Posted To:
Conversation: PRC-005-1Self-Report for Delmarva Power
Subject: Re: PRC-005-1Self-Report for Delmarva Power

Bob,

Attached is an updated mitigation plan for PRC-005-1, updating the status of the key milestone activities. All key milestones and the overall mitigation plan are now completed as submitted.

Please let me know if you have any questions or if you need anything else. If possible, please confirm receipt of this e-mail for our records.

Thank you.
Mark

Mark D. Godfrey
Transmission Compliance Manager
Atlantic City Electric - Delmarva Power - Pepco
Pepco Holdings, Inc

NERC
NORTH AMERICAN ELECTRIC RELIABILITY CORPORATION

Attachment e

Regional Entity's Verification of Completion

Summary and Review of Evidence of Mitigation Plan Completion
Delmarva Power

NERC Violation ID #:	**RFC200800061**
NERC Plan ID:	**MIT-2008-0597**
Registered Entity;	**Delmarva Power**
NERC Registry ID:	**NCR00752**
Standard:	**PRC-005-1**
Requirements:	**R2**
Status:	**R2 – Compliant**

Delmarva Power submitted a self report of noncompliance with NERC reliability standard PRC-005-1, Transmission and Generation Protection System Maintenance and Testing. The month of the last trip test date for a specific line terminal was incorrectly entered into the tracking spreadsheet (i.e. listed as 12/07/03 rather than 02/07/03) which resulted in the trip testing of the front line and back-up relays not being completed in the defined interval. The terminal was trip tested on 9/12/07, within the defined internal based on the incorrect date. However, based on the correct date, the interval was missed by a little more than 2 months. This was discovered as part of an overall review/revalidation (completed on 5/21/08 for one location).

Delmarva Power certified on May 30, 2008 that the Mitigation Plan for PRC-005 - 1, Requirement R2 has been completed. Reliability*First* requested and received evidence of completion for actions taken by Delmarva Power as specified in the Mitigation Plan. Reliability*First* performed an audit-like review to verify that all actions specified in the Mitigation Plan were successfully completed.

Review Process:

PRC-005-1 Requirement 2 states:

> ***R2.*** *Each Transmission Owner and any Distribution Provider that owns a transmission Protection System and each Generator Owner that owns a generation Protection System shall provide documentation of its Protection System maintenance and testing program and the implementation of that program to its Regional Reliability Organization on request (within 30 calendar days). The documentation of the program implementation shall include:*
>
> > ***R2.1.*** *Evidence Protection System devices were maintained and tested within the defined intervals*
> >
> > ***R2.2.*** *Date each Protection System device was last tested/maintained*

Evidence Submitted:

R2: Trip Testing Checklist, 09/12/07

The Triptest Checklist is a worksheet completed by the technician who performed the test. The checklist/worksheet shows the details of the testing and the date of test being September 9, 2007

Delmarva Power NERC Compliance Data Spreadsheet, PRC-005 (BES), Page 2 of 8

Page two (2) of eight (8) of the Delmarva Power NERC Compliance Data is a spread sheet that has been corrected to show that the correct dates have been entered into the tracking system. The spreadsheet shows, among other things, the location, protected equipment, relay type, test date, and next test due date.

Delmarva Power NERC Compliance Data Spreadsheet, PRC-005 (BES), May 21, 2008
Delmarva Power NERC Compliance Data Spreadsheet, PRC-005 (BES), May 27, 2008
Email dated, May 29, 2008

Delmarva Power is split into two regions (i.e. New Castle and Bay).

An overall review/revalidation was completed on May 21, 2008 for the Delmarva Power New Castle region. The Delmarva Power NERC Compliance Data Spreadsheet for the New Castle region dated May 21, 2008 is a tracking spreadsheet that was validated against the individual relay test records. All trip test and calibration dates were found to be correct except for four. However, only the date for the Claymont 22084 terminal resulted in the maintenance/testing interval being missed.

The Delmarva Power NERC Compliance Data Spreadsheet dated May 27, 2008 is a tracking spreadsheet showing the results of a second validation which shows the corrected summary report/spreadsheet for PRC-005 against the individual relay test records. All trip test and calibration dates were found to be correct.

The email on May 29, 2008 stated that the data validation for the Bay region testing & maintenance is complete and all trip test and calibration dates were found to be correct.

PHI Atlantic City Electric & Delmarva Power Electric Maintenance Work Practice Revision 2 - Protective System Schemes Protection and Maintenance Program & Procedures, Approved May 30, 2008

The procedure has been revised to show the steps for ensuring the collection of consistent and complete documentation of field maintenance/trip test reporting. This document is used by Delmarva Power Electric Maintenance for their Work Practice. Page 3, Section 2.2, Item 3, shows that a statement has been added to the list of responsibilities indicating that the Relay Supervisor is responsible for ensuring that the collection of documentation on field maintenance/trip test reporting as well as newly commissioned schemes is consistent and complete.

Item 4 shows another statement has been added to the list of responsibilities indicating that the Relay Supervisor is responsible for ensuring that the data provided in the relay and battery maintenance database is validated at least once a year against relay test records including newly commissioned schemes.

The Revision History on Page 7, Section 6, shows that these changes have been added to Revision 2.

NERC Compliance Data, PRC-005 (BES), Delmarva – New Castle/Bay Regions

The NERC Compliance Data for the New Castle and Bay Regions is a listing of all relays (front line and backup) in the two Delmarva regions. The table shows that there are 588 relays and that the two relays at Claymont represent 0.34% of the total.

Status: Compliant

Review Results:

Reliability*First* Corporation reviewed the evidence that Delmarva Power submitted in support of its Certification of Completion. Reliability*First* Corporation verified that the Mitigation Plan was completed in accordance with its terms and therefore deemed compliant to the aforementioned NERC Reliability Standard.

Respectfully,

Robert K. Wargo
Robert K. Wargo
Manager of Compliance Enforcement
Reliability*First* Corporation