NERC
NORTH AMERICAN ELECTRIC
RELIABILITY CORPORATION

Attachment a

Source Document

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Attachment b

Settlement Agreement(s)

TEXAS RELIABILITY ENTITY

July 8, 2010

Colonel Michael Teague
Commanding Officer
U.S. Army Corps of Engineers
Tulsa District
1645 S. 101 E. Avenue
Tulsa, Oklahoma 74128-4609

Via Electronic Delivery

Notice of Proposed Expedited Disposition of Alleged Violations

Dear Colonel Teague:

This letter is notice that the Texas Reliability Entity (Texas RE) is proposing to resolve the final disposition of the U.S. Army Corps of Engineers, Tulsa District's (USACE-Tulsa) violations of the North American Electric Reliability Council (NERC) Reliability Standards listed in Attachment B via the NERC Expedited Disposition Process. The Expedited Disposition Process is an abbreviated process reserved by NERC for disposition of those violations of the Reliability Standards that: (1) do not pose a serious risk to the reliability of the Bulk Electric System; (2) were discovered prior to July 3, 2008; and, (3) have been fully mitigated.

Texas RE provided USACE-Tulsa with an original Notice of Proposed Expedited Disposition of Alleged Violations (Disposition Notice) on April 1, 2010. In the Disposition Notice Texas RE requested USACE-Tulsa agree to Expedited Disposition by executing an attached Agreement. The Agreement included the following terms and conditions (stated in part):

1. The assessment of no penalties for the violations;

2. The violations 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;

3. USACE-Tulsa attests, to the best of its knowledge, there have been no repeat occurrences of the violations;

4. The expedited disposition is a full and final disposition of the violations;

5. USACE-Tulsa's acceptance of this agreement shall not be considered a waiver of USACE Tulsa's right, as a subdivision of the Federal Government, to contest USACE Tulsa's registration in the NERC Compliance Registry or jurisdiction of Texas RE, NERC or FERC over the USACE Tulsa as to its compliance and/or enforcement of the NERC Reliability Standards;

6. The Agreement and expedited disposition shall become effective upon NERC and FERC approval of the Agreement and expedited disposition without modification by order or operation of law as submitted to FERC or as modified in

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a manner acceptable to both parties. If NERC or FERC reject or modify the Agreement, or in the event NERC or FERC impose a material change or condition unacceptable to a Party or Parties to the Agreement, the Agreement shall be deemed withdrawn as to such objecting Party or Parties, and shall not constitute any part of the record in this proceeding or be used for any other purpose; and,

7. The Agreement shall become null and void as to any of the violations if in the judgment of Texas RE, NERC or FERC; USACE-Tulsa has not fully mitigated the violation by the timely and successful completion of the accepted violation mitigation plan.

Subsequent to delivery of the original Disposition Notice, Texas RE learned that Mr. Burford would no longer represent USACE-Tulsa regarding the alleged violations and that Mr. Keith Frances, Assistant District Counsel, Tulsa District, would be representing USACE-Tulsa in this matter. Based upon an Agreement language objection from Mr. Frances regarding the potential use of the violations as an aggravating factor in determining the monetary penalty for any future violations (paragraph 2), Texas RE approached the North American Electric Reliability Corporation (NERC) on removal of the objectionable language. NERC has agreed to removal of the objectionable language from the Agreement. You are advised, however, that notwithstanding the absence of such language in the Agreement, Texas RE is required, pursuant to the NERC Sanction Guidelines, to consider prior violations in the determination of a monetary penalty for a subsequent violation of the same or related Reliability Standard.

On May 14, 2010, the NERC Board of Trustees Compliance Committee (BOTCC) conditionally approved the Expedited Disposition of the USACE-Tulsa violations with no penalty, subject to execution of an associated Expedited Disposition Agreement by USACE-Tulsa. If USACE-Tulsa wishes to accept this Expedited Disposition of the alleged violations identified in Attachment B, please execute the attached Agreement, in duplicate, and return the copies to Texas RE no later than ten (10) business days from receipt of this notice. Your reply should be directed to the Rashida Caraway at Rashida.Caraway@texasre.org

If you have any questions, please call me at 512-483-4977

Respectfully submitted,

Rashida Caraway
Manager, Compliance Enforcement
Texas Reliability Entity

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cc:

Mr. Rod Shank
Hydro Section
U.S. Army Corps of Engineers, Tulsa District,
1645 South 101st East Avenue
Tulsa, Oklahoma 74128

Mr. Keith S. Francis
Assistant District Counsel
US Army Corps of Engineers
Tulsa District
1645 South 101st East Avenue
Tulsa, Oklahoma 74128-4629

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ATTACHMENT A
EXPEDITED DISPOSITION AGREEMENT

The **US Army Corps of Engineers, Tulsa District** (USACE TULSA) and **Texas Reliability Entity** (Texas RE) (hereinafter referred to singularly as a Party and collectively as the Parties) agree to the following:

1. Acceptance of this Agreement for expedited disposition of the violations listed in Attachment B (Violations) shall result in the assessment of no penalties for such Violations, subject to approval or modification by the North American Electric Reliability Corporation ("NERC") and the Federal Energy Regulatory Commission ("FERC").

2. USACE TULSA attests, to the best of its knowledge, there have been no repeat occurrences of the Violations.

3. The expedited disposition agreed to herein represents a full and final disposition of the Violations, subject to approval or modification by NERC and FERC.

4. USACE TULSA's acceptance of the terms of this agreement shall not be considered a waiver of USACE TULSA's right, as a subdivision of the Federal Government, to contest USACE TULSA's registration in the NERC Compliance Registry and/or jurisdiction of Texas RE, NERC or FERC over the USACE TULSA as to its compliance and/or enforcement of the NERC Reliability Standards.

5. This Agreement and expedited disposition of the Violations shall become effective upon NERC and FERC approval of this Agreement and expedited disposition without modification by order or operation of law as submitted to FERC or as modified in a manner acceptable to both parties. If NERC or FERC reject or modify the Agreement, or in the event NERC or FERC impose a material change or condition unacceptable to a Party or Parties to the Agreement, the Agreement shall be deemed withdrawn as to such objecting Party or Parties, and shall not constitute any part of the record in this proceeding or be used for any other purpose.

6. This Agreement shall become null and void as to any of the Violations if in the judgment of Texas RE, NERC or FERC, USACE-TULSA has not fully mitigated the Violations by successful completion of an accepted violation mitigation plan.

Accepted:

Keith S. Francis — July 9, 2010 Date
Attorney
US Army Corps of Engineers -Tulsa District

Larry D. Grimm — 7/15/10 Date
CEO & ~~Chief Compliance Officer~~ President
Texas Reliability Entity, Inc.

ATTACHMENT B

List of Violations

NERC Violation ID	Registered Entity	Standard	Requirement	Penalty
TRE200700022	USACE –Tulsa District	FAC-008-1	R1	$0
TRE200700023	USACE –Tulsa District	FAC-008-1	R2	$0
TRE200700024	USACE –Tulsa District	FAC-008-1	R3	$0

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Attachment c

Mitigation Plan

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Attachment d

Registered Entity's
Certification of Completion

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Attachment e

Regional Entity's Verification of Completion

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