



July 7, 2014

News Media Contact

Craig Cano | 202-502-8680

Docket Nos. IN14-6-000

FERC Approves First Settlement in 2011 Southwest Blackout Case

The Federal Energy Regulatory Commission (FERC) today approved a stipulation and consent agreement between FERC's Office of Enforcement and the North American Electric Reliability Corporation (NERC) and Arizona Public Service Company (APS) that includes a \$3.25 million civil penalty and a number of compliance requirements. The agreement resolves FERC Enforcement staff's and NERC's investigation into APS's involvement in the Sept. 8, 2011 Southwest blackout.

The agreement marks the first settlement stemming from the FERC-NERC joint investigation into the outage, which left more than 5 million people in Southern California, Arizona and Baja California, Mexico without power for up to 12 hours. Enforcement staff and NERC found APS' violations of the mandatory Reliability Standards to be serious deficiencies undermining reliable operation of the Bulk Power System. However, since the blackout, APS has worked cooperatively with Enforcement staff and NERC, as well as on its own, to improve reliability. APS stipulated to the facts in the agreement and will pay a civil penalty of \$3.25 million; \$2 million will be evenly split between the U.S. Treasury and NERC and \$1.25 million will be invested in reliability enhancement measures that go beyond mitigation of the violations and the requirements of the mandatory Reliability Standards.

"APS' reliability enhancements will improve the reliability of the Western Interconnection and are valued at substantially more than the \$1.25 million credit granted," Acting FERC Chairman Cheryl LaFleur said. "This settlement exemplifies how having FERC staff and NERC working together can improve the operation and reliability of the grid."

These reliability enhancements include new Phasor Measurement Units, which provide continuous, high-speed monitoring of system conditions; funds to help APS' neighbor Western Area Power Administration-Desert Southwest purchase a capacitor bank for supporting voltage in an area affected on September 8; and a new geo-spatial visualization tool to help system operators better understand potential reliability risks. In addition, APS is taking multiple steps to mitigate the Reliability Standards violations identified by FERC Enforcement staff and NERC.

R-14-26

(30)