

132 FERC ¶ 62,093
FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, D.C. 20426

In Reply Refer To:
Office of Enforcement
Docket No. NP10-141-000
August 5, 2010

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

Christopher Luras
Louise McCarren
Steven Goodwill
Constance White
Western Electricity Coordinating Council
155 North 400 West, Suite 200
Salt Lake City, UT 84103

Ladies and Gentlemen:

1. On July 6, 2010, the North American Electric Reliability Corporation (NERC) filed a Notice of Penalty in Docket No. NP10-141-000, regarding a \$225,000 penalty that Western Electricity Coordinating Council (WECC) assessed to Los Angeles Department of Water and Power (LADWP). In the absence of Commission action within thirty (30) days, the penalty would have been affirmed by operation of law.¹
2. Pursuant to authority delegated to me in sections 375.311(u) and (v) of the Commission's regulations,² I am extending the time period for the Commission's

¹ 18 C.F.R. § 39.7(e)(1) (2010).

² *Delegations for Notices of Penalty*, Order No. 724, FERC Stats. & Regs. ¶ 31,298 (2009).

consideration of this Notice of Penalty for the purpose of directing NERC and WECC to provide information they may possess that may bear on this consideration.

3. Therefore, in order to afford additional time for consideration of this Notice of Penalty, as provided for in 18 C.F.R. § 39.7(e)(1), an extended time period until September 20, 2010, is hereby ordered for the limited purpose of further consideration of the Notice of Penalty. If no further action is taken by the Commission by that date, the penalty will be deemed affirmed by operation of law. To facilitate this consideration, I direct NERC and WECC to file responses to the enclosed requests for data and documents by August 19, 2010. As appropriate, NERC and WECC may seek non-public treatment of information in the responses pursuant to sections 388.112 or 388.113 of the Commission's regulations, 18 C.F.R. §§ 388.112, 388.113 (2010).

4. If you have any questions, please contact Roger Morie at (202) 502-8446.

Sincerely,

Norman C. Bay
Director
Office of Enforcement

Enclosure

Enclosure

Data and Document Request to: NERC and WECC

Please answer the following requests related to the Notice of Penalty regarding Los Angeles Department of Water and Power (LADWP), FERC Docket No. NP10-141-000:

Footnote 27 of the Notice of Penalty filed in Docket No. NP10-141-000 on July 6, 2010 states that, "LADWP mistakenly believed that station devices were not subject to the Standard based on its understanding of PRC-005-1 as drafted in 2007, which did not expressly refer to 'station' devices within the scope of the terms 'generation Protection Systems' and 'transmission Protection Systems.'"

1. Define the "station" devices to which footnote 27 refers.
2. Describe the basis for the statement that LADWP was mistaken about the scope of the Requirements.
3. State LADWP's justification for its interpretation that station devices were not subject to PRC-005-1. State whether NERC and WECC find this justification to be reasonable.
4. Provide all plans, procedures, protocols, or policies in place between June 18, 2007, and the April 2008 audit that provide for LADWP's regular maintenance and testing of Protection Systems located in stations.
5. Paragraph 13 of the WECC-LADWP settlement agreement refers to "WECC's interpretation of the equipment to be included in the [PRC-005-1] Standard." Provide WECC's interpretation and describe LADWP's response.
6. WECC's January 22, 2009 letter to Oscar Alvarez of LADWP mentions WECC's receipt on December 31, 2008, of LADWP's certification of completion and supporting evidence for LADWP's alleged violation of PRC-005-1 R1 and R2. Describe the "official review" mentioned in the letter and provide all documents that WECC used in the official review or that describe any results of the official review.

Footnote 30 of the Notice of Penalty filed in Docket No. NP10-141-000 on July 6, 2010 states that, "LADWP's internal compliance program (ICP) is documented and is disseminated throughout its operations. LADWP has ICP oversight staff that is supervised at a high level in the organization and has independent access to the CEO and/or board of directors. LADWP operates the ICP such that it is independent of staff

responsible for compliance with the Reliability Standards. Additionally, LADWP has allocated sufficient resources to its ICP. The ICP has the support and participation of senior management. LADWP reviews and modifies its ICP regularly. LADWP's ICP includes formal, internal self-auditing for compliance with all Reliability Standards and includes disciplinary action for employees involved in violations of the Reliability Standards, when applicable.”

5. Provide a copy of LADWP's ICP, including all amendments since June 18, 2007.
6. Describe how LADWP's ICP is disseminated throughout LADWP's operations. Include any changes in dissemination policy since June 18, 2007. Provide all relevant dissemination procedures.
7. Describe the duties and responsibilities of ICP oversight staff since June 18, 2007. Include a discussion of the relationship between ICP oversight staff and staff responsible for compliance with the Reliability Standards.
8. Describe how the ICP oversight staff has been supervised since June 18, 2007. Provide all relevant organizational charts.
9. Describe ICP oversight staff's independent access to the CEO and/or board of directors since June 18, 2007. Include a description of how and when this access has been utilized since June 18, 2007.
10. Describe how ICP staff is independent of staff responsible for compliance with the Reliability Standards. Include a discussion of how its independence is reflected in the day-to-day functioning of the ICP oversight staff.
11. State whether NERC and WECC find the independence of ICP staff to be effective in fostering meaningful and diligent oversight. Why or why not?
12. Quantify the resources allocated to LADWP's ICP since June 18, 2007, and describe their uses.
13. Explain the basis for NERC and WECC's determination that the resources allocated to LADWP's ICP are sufficient.
14. Identify all LADWP senior management who have actively supported and participated in the ICP before or after June 18, 2007. Describe the extent of their support and participation.
15. State the regularity with which LADWP reviews and modifies its ICP. Describe the procedure for review or modification. Provide all relevant review or

modification procedures.

16. Describe LADWP's procedures for formal, internal self-auditing for compliance with Reliability Standards since June 18, 2007. Provide all relevant procedures.
17. Describe all formal, internal self-auditing functions that took place after June 18, 2007. Include a discussion of all potential violations discovered through this process.
18. State if and to what extent any LADWP employees have been disciplined for their involvement in the alleged violations of Reliability Standards described in Docket No. NP10-140-000.
19. Explain why the ICP was not effective in preventing the large number of alleged violations discussed in Docket No. NP10-141-000.
20. Explain if and why NERC and WECC believe that LADWP's ICP will be effective in preventing future violations of the Reliability Standards.
21. Detail how and to what extent NERC and WECC factored the existence and characteristics of the ICP into the determination of the appropriate penalty amount.
22. State whether NERC and WECC determined LADWP to have a culture of compliance between June 18, 2007, and the initiation of WECC's April 2008 compliance audit of LADWP.
23. State whether NERC and WECC determined LADWP to have a culture of compliance between the conclusion of the April 2008 audit and the signing of the settlement agreement in NP10-141-000.
24. Explain how the nature and number of alleged violations identified in Docket No. NP10-141-000 factor into NERC's and WECC's determination of LADWP's culture of compliance both prior to and after the April 2008 audit.
25. What did NERC and WECC determine to be the cause of LADWP's large number of alleged violations in multiple different Reliability Standard categories (13 violations in 7 different Reliability Standard categories).

Document Content(s)

NP10-141-000 Data Request.DOC.....1-5