

July 31, 2018

VIA ELECTRONIC FILING

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

**Re: NERC Full Notice of Penalty regarding Gulf Power Company,
FERC Docket No. NP18-_-000**

Dear Ms. Bose:

The North American Electric Reliability Corporation (NERC) hereby provides this Notice of Penalty¹ regarding Gulf Power Company (Gulf), NERC Registry ID# NCR01252,² with information and details regarding the nature and resolution of the violation³ discussed in detail in the Settlement Agreement attached hereto (Attachment A), in accordance with the Federal Energy Regulatory Commission's (Commission or FERC) rules, regulations, and orders, as well as NERC's Rules of Procedure including Appendix 4C (NERC Compliance Monitoring and Enforcement Program (CMEP)).⁴

NERC is filing this Notice of Penalty with the Commission because SERC Reliability Corporation (SERC) and Gulf have entered into a Settlement Agreement to resolve all outstanding issues arising from SERC's determination and findings of a violation of FAC-009-1 R1.

¹ *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 (2017). *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).

² Gulf was included on the NERC Compliance Registry as a Distribution Provider (DP), a Generator Owner (GO), and a Transmission Owner (TO) on May 31, 2007.

³ 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.

⁴ See 18 C.F.R § 39.7(c)(2) and 18 C.F.R § 39.7(d).

3353 Peachtree Road NE
Suite 600, North Tower
Atlanta, GA 30326
404-446-2560 | www.nerc.com

NERC Notice of Penalty
Gulf Power Company
July 31, 2018
Page 2

According to the Settlement Agreement, Gulf admits to the violation and agrees to the assessed penalty of one hundred thousand dollars (\$100,000), 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.

Statement of Findings Underlying the Violation

This Notice of Penalty incorporates the findings and justifications set forth in the Settlement Agreement, by and between SERC and Gulf. 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 (2018), NERC provides the following summary table identifying each violation of a Reliability Standard resolved by the Settlement Agreement. Further information on the subject violation is set forth in the Settlement Agreement and herein.

* Violation(s) Determined and Discovery Method								
*SR = Self-Report / SC = Self-Certification / CA = Compliance Audit / SPC = Spot Check / CI = Compliance Investigation								
NERC Violation ID	Standard	Req.	VRF/VSL	Applicable Function(s)	Discovery Method*	Violation Start-End Date	Risk	Penalty Amount
SERC2015015061	FAC-009-1	R1	Medium / Severe	TO	SR 7/1/2015	6/18/2007 - 4/12/2016	Moderate	\$100,000

SERC2015015061 FAC-009-1 R1 - OVERVIEW

On June 8, 2015, while gathering evidence in response to notice of a SERC Compliance Audit, Gulf discovered that the Facility Rating associated with a single 115 kV transmission line was inconsistent with its Facility Ratings Methodology (FRM). Two years before, Gulf had removed the most limiting element (MLE) of that transmission line. Gulf reviewed the element ratings for the Facility and incorrectly identified a new MLE. Based on the incorrect MLE, Gulf established an incorrect Facility Rating of 289 MVA instead of 260 MVA. In 2015, this 115 kV transmission line operated at 121 percent of the correct Facility Rating for approximately 2 hours and 36 minutes on two separate occasions on a single day.

NERC Notice of Penalty
Gulf Power Company
July 31, 2018
Page 3

In response to a request for information from SERC, Gulf performed an extent of condition review by assessing the Facility Ratings for all 91 of its transmission line Facilities and 16 autotransformer Facilities. Gulf discovered that it had Facility Ratings that were inconsistent with its FRM for 41 of the 91 (45.06 percent) transmission line Facilities. Gulf also found that it had Facility Ratings that were inconsistent with its FRM for one of the 16 (6.25 percent) autotransformer Facilities. On January 8, 2018, Southern Company Services revised its FRM to reflect a more accurate rating method for transmission line jumpers terminating to substation equipment.

The majority of these instances occurred because Gulf did not properly document or communicate modifications to the system made after June 18, 2007. The primary cause of this violation was ineffective change management for Facility Ratings. Specifically, Gulf lacked a single repository for all of the Facility Rating elements and lacked a consistently applied process to communicate field changes to personnel that managed the Facility Ratings. Instead, Gulf relied on various sources of information for Facility Ratings to identify the MLE for each Facility. In the absence of definitive information to the contrary, Gulf used historical Ratings already in the energy management system. In addition, Gulf did not document a process for addressing field changes, which resulted in inconsistent application of an informal process for documenting such changes.

SERC determined that this violation posed a moderate and not serious or substantial risk to the reliability of the bulk power system (BPS). Gulf's planning and operating simulation-based studies depend on accurate ratings to plan construction and to establish operating criteria such that the BPS can withstand a variety of pre-determined contingencies. Gulf used inaccurate Facility Ratings in its planning and operating studies, which compromised the validity of the studies.

Gulf experienced no operational problems due to the exceedance in 2015 or the incorrect Facility Ratings. Gulf determined the majority of the derates required under the revised FRM were 18 MVA or less, and only four of the derates exceeded a threshold of a 10 percent difference from the correct MLE. Gulf typically sets first-level alarms in the energy management system at 90 percent of the Facility Rating. Therefore, operators would have been alerted for loadings before exceeding the Facility Rating for 19 of the 23 (82.61 percent) Facilities derated under the revised FRM.

Gulf's parent company, Southern Company, as the Reliability Coordinator, subsequently analyzed the real-time study for the date of the overload and determined that the incorrect Facility Ratings did not pose a reliability concern in the event the line was lost. Southern Company also determined that no additional actions would be needed to maintain reliability had the line tripped or failed due to the overload condition. Gulf reviewed actual maximum line loadings during 2015 and determined the majority of transmission line Facilities identified with discrepancies did not exceed 50 percent of the

NERC Notice of Penalty
Gulf Power Company
July 31, 2018
Page 4

corrected MLE rating. During 2015, the autobank transformer maximum power flow did not exceed 55 percent of the corrected MLE rating.

Gulf submitted its Mitigation Plan on August 8, 2016, to address the referenced violation. To mitigate and prevent recurrence of this violation, Gulf:

1. Developed a comprehensive listing of transmission line and autobank transformer facility elements;
2. Corrected the discrepancies in transmission line and autobank transformer Facility Ratings;
3. Developed a documented change management process for transmission Facility Ratings;
4. Trained appropriate personnel on that change management process for transmission Facility Ratings; and
5. Utilized Southern Company's Internal Compliance Program (ICP) to reasonably assure the Facility Ratings discrepancies were not affecting other operating companies.

Gulf certified that it had completed all mitigation activities. SERC verified that Gulf had completed all mitigation activities as of November 16, 2016. Attachment B provides specific information on SERC's verification of Gulf's completion of the activities.

Regional Entity's Basis for Penalty

According to the Settlement Agreement, SERC has assessed a penalty of one hundred thousand dollars (\$100,000) for the referenced violation. In reaching this determination, SERC considered the following factors:

1. SERC considered the instant violation as repeat noncompliance with the subject NERC Reliability Standard. For the reasons stated in the Settlement Agreement, SERC determined the compliance history should not serve as an aggravating factor;⁵
2. Gulf had an ICP at the time of the violation, for which SERC did not provide mitigating credit because the controls in place did not detect the inconsistent Facility Ratings;
3. Gulf did not receive mitigating credit for self-reporting the violation because the Self-Report was submitted after receiving notice of an upcoming Compliance Audit;

⁵ Gulf's relevant prior noncompliance with FAC-009-1 R1 includes NERC Violation ID SERC2016015499.

NERC Notice of Penalty
Gulf Power Company
July 31, 2018
Page 5

4. Gulf was cooperative throughout the compliance enforcement process;
5. Gulf admitted to the violation;
6. there was no evidence of any attempt to conceal a violation nor evidence of intent to do so;
7. the violation posed a moderate and not a serious or substantial risk to the reliability of the BPS; and
8. there were no other mitigating or aggravating factors or extenuating circumstances that would affect the assessed penalty.

After consideration of the above factors, SERC determined that, in this instance, the penalty amount of one hundred thousand dollars (\$100,000) is appropriate and bears a reasonable relation to the seriousness and duration of the violation.

Statement Describing the Assessed Penalty, Sanction or Enforcement Action Imposed⁶

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,⁷ the NERC BOTCC reviewed and approved the terms of the Settlement Agreement on July 12, 2018. In approving the resolution, the NERC BOTCC reviewed the applicable requirements of the Commission-approved Reliability Standards and the underlying facts and circumstances of the violation at issue.

For the foregoing reasons, the NERC BOTCC believes that the assessed penalty of one hundred thousand dollars (\$100,000) 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.

⁶ See 18 C.F.R. § 39.7(d)(4).

⁷ *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).

NERC Notice of Penalty
Gulf Power Company
July 31, 2018
Page 6

Attachments to be Included as Part of this Notice of Penalty

The attachments to be included as part of this Notice of Penalty are the following documents:

1. Settlement Agreement by and between SERC and Gulf executed April 3, 2018, included as Attachment A;
2. Disposition of Violation, included as Attachment B;
3. Gulf's Self-Report for FAC-009-1 R1 dated July 1, 2015, included as Attachment C;
4. Gulf's Mitigation Plan designated as SERCMIT012301 for FAC-009-1 R1 submitted August 8, 2016, included as Attachment D; and
5. Gulf's Certification of Mitigation Plan Completion for FAC-009-1 R1 submitted December 5, 2016, included as Attachment E.

NERC Notice of Penalty
Gulf Power Company
July 31, 2018
Page 7

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

<p>Holly A. Hawkins* General Counsel SERC Reliability Corporation 3701 Arco Corporate Drive, Suite 300 Charlotte, NC 28273 (704) 494-7775 (704) 357-7914 – facsimile hhawkins@serc1.org</p> <p>Rebecca A. Poulsen* Legal Counsel SERC Reliability Corporation 3701 Arco Corporate Drive, Suite 300 Charlotte, NC 28273 (704) 414-5230 (704) 357-7914 – facsimile rpoulsen@serc1.org</p> <p>Gary Taylor* President and Chief Executive Officer SERC Reliability Corporation 3701 Arco Corporate Drive, Suite 300 Charlotte, NC 28273 (704) 940-8205 (704) 357-7914 – facsimile gtaylor@serc1.org</p>	<p>Sonia C. Mendonça* Vice President, Deputy 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>Edwin G. Kichline* Senior Counsel and Director of Enforcement Oversight North American Electric Reliability Corporation 1325 G Street N.W. Suite 600 Washington, DC 20005 (202) 400-3000 (202) 644-8099 – facsimile edwin.kichline@nerc.net</p> <p>Alexander Kaplen* Associate Counsel North American Electric Reliability Corporation 1325 G Street N.W. Suite 600 Washington, DC 20005 (202) 400-3000 (202) 644-8099 – facsimile alexander.kaplen@nerc.net</p>
---	---

NERC Notice of Penalty
Gulf Power Company
July 31, 2018
Page 8

Jeff A. Stone*
VP, Gen Counsel, & Corp Sec
Gulf Power Company
One Energy Place
Pensacola, Florida 32520
(850) 444-6550
(850) 444-6744 – facsimile
jastone@southernco.com

Timothy D. Self*
Compliance Director
Southern Company Services
600 North 18th Street
Birmingham, Alabama 35203
(205) 257-6065
(205) 257-5795 – facsimile
tdself@southernco.com

*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.

NERC Notice of Penalty
Gulf Power Company
July 31, 2018
Page 9

Conclusion

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

Respectfully submitted,

/s/ Alexander Kaplen

Sonia C. Mendonça
Vice President, Deputy General Counsel,
and Director of Enforcement
Edwin G. Kichline
Senior Counsel and Director of
Enforcement Oversight
Alexander Kaplen
Associate Counsel
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
edwin.kichline@nerc.net
alexander.kaplen@nerc.net

cc: Gulf Power Company
SERC Reliability Corporation

Attachments

Attachment A

Settlement Agreement by and between SERC and Gulf
Executed April 3, 2018

SETTLEMENT AGREEMENT

OF

SERC RELIABILITY CORPORATION

AND

GULF POWER COMPANY

I. INTRODUCTION

1. SERC Reliability Corporation (SERC) and Gulf Power Company (Gulf) enter into this Settlement Agreement (Settlement Agreement) to resolve all outstanding issues arising from a preliminary and non-public assessment resulting in SERC's determination and findings, pursuant to the North American Electric Reliability Corporation (NERC) Rules of Procedure, of one confirmed violation.

Reliability Standard	Requirement	SERC Tracking No.	NERC Tracking No.
FAC-009-1	R1	SERC2015-402229	SERC2015015061

2. Gulf **admits** the one violation and has agreed to the proposed penalty of **\$100,000** in addition to other remedies and actions to mitigate the instant violation and to ensure future compliance under the terms and conditions of the Settlement Agreement.

II. STIPULATION

3. The facts stipulated herein are stipulated solely for the purpose of resolving, between Gulf and SERC, the matters discussed herein and do not constitute stipulations or admissions for any other purpose. Gulf and SERC hereby stipulate and agree to the following:

Background

4. See Section I of the Disposition document (Attachment A) for a description of Gulf.

Violation of NERC Reliability Standards

5. See Section II of the Disposition document (Attachment A) for the description of the violation.

III. PARTIES' SEPARATE REPRESENTATIONS

Statement of SERC and Summary of Findings

6. SERC determined that Gulf was in violation of FAC-009-1 R1 because Gulf did not establish Facility Ratings consistent with its Facility Rating Methodology (FRM) for 45.06% of its transmission line Facilities and 6.25% of its autobank transformer Facilities. There was one violation included in the Disposition document, Attachment A.
7. SERC agrees that this Settlement Agreement is in the best interest of the parties and in the best interest of bulk power system reliability.

Statement of Gulf

8. Gulf **admits** the facts set forth and agreed to by the parties for purposes of this Settlement Agreement constitute a violation of the Standard and Requirement listed in the table above.
9. Gulf has agreed to enter into this Settlement Agreement with SERC 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. Gulf agrees that this Settlement Agreement is in the best interest of the parties and in the best interest of BPS reliability.

IV. MITIGATING ACTIONS, REMEDIES AND SANCTIONS

10. SERC and Gulf agree that Gulf has completed the mitigating actions and SERC has verified the completion of the mitigating actions set forth in Section IV of the Disposition document (Attachment A). The Mitigating Actions, Remedies and Sanctions are discussed in detail in the Disposition document (Attachments A).
11. SERC staff also considered the specific facts and circumstances of the violation and Gulf's actions in response to the violation in determining a proposed penalty that meets the requirement in Section 215 of the Federal Power Act that "[a]ny penalty imposed under this section shall bear a reasonable relation to the seriousness of the violation and shall take into consideration the efforts of an entity to remedy the violation in a timely manner."¹ The factors considered by SERC staff in the determination of the appropriate penalty are set forth in Section V of the Disposition document.

¹ 16 U.S.C. § 824o(e)(6).

12. Based on the above factors, as well as the mitigation actions and preventative measures taken, Gulf shall pay **\$100,000** to SERC as set forth in this Settlement Agreement. Gulf shall remit the payment to SERC via check, or by wire transfer to an account to be identified by SERC within thirty days after the Agreement is either approved by the Federal Energy Regulatory Commission (Commission) or by operation of law. SERC shall notify NERC, and NERC shall notify the Commission, if the payment is not timely received. If Gulf does not remit the payment by the required date, interest payable to SERC will begin to accrue pursuant to the Commission's regulations at 18 C.F.R. §35.19a(a)(2)(iii) from the date that payment is due, and shall be payable in addition to the payment.
13. 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 violations that initiated this Settlement Agreement and/or additional violations and may subject Gulf to new or additional enforcement, penalty or sanction actions in accordance with the NERC Rules of Procedure. Gulf shall retain all rights to defend against such additional enforcement actions in accordance with NERC Rules of Procedure.

V. ADDITIONAL TERMS

14. The signatories to the Settlement Agreement agree that they enter into the Settlement 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 SERC or Gulf has been made to induce the signatories or any other party to enter into the Settlement Agreement. The signatories agree that the terms and conditions of this Settlement Agreement are consistent with the Commission's regulations and orders, and NERC's Rules of Procedure.
15. SERC 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 SERC and Gulf 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 SERC will attempt to negotiate a revised settlement agreement with Gulf 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 this Settlement Agreement.
16. This Settlement Agreement shall become effective upon the Commission's approval of the Settlement Agreement by order or operation of law as submitted to it or as modified in a manner acceptable to the parties.

17. Gulf agrees that this Settlement Agreement, when approved by NERC and the Commission, shall represent a final settlement of all matters set forth herein and Gulf waives its right to further hearings and appeal, unless and only to the extent that Gulf contends that any NERC or Commission action on the Settlement Agreement contains one or more material modifications to the Settlement Agreement. SERC reserves all rights to initiate enforcement, penalty or sanction actions against Gulf in accordance with the NERC Rules of Procedure in the event that Gulf does not comply with the Mitigation Plans and compliance program agreed to in this Settlement Agreement. In the event Gulf fails to comply with any of the stipulations, remedies, sanctions or additional terms, as set forth in this Settlement Agreement, SERC will initiate enforcement, penalty, or sanction actions against Gulf 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, Gulf shall retain all rights to defend against such enforcement actions, also according to the NERC Rules of Procedure.
18. Gulf consents to the use of SERC's determinations, findings, and conclusions set forth in this Settlement Agreement for the purpose of assessing the factors, including the factor of determining the company's history of violations, in accordance with the NERC Sanction Guidelines and applicable Commission orders and policy statements. Such use may be in any enforcement action or compliance proceeding undertaken by NERC and/or any Regional Entity; provided, however, that Gulf does not consent to the use of the specific acts set forth in this Settlement Agreement as the sole basis for any other action or proceeding brought by NERC and/or SERC, nor does Gulf consent to the use of this Settlement Agreement by any other party in any other action or proceeding.
19. 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.
20. 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, 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 Settlement Agreement.
21. The Settlement Agreement may be signed in counterparts.
22. This Settlement Agreement is executed in duplicate, each of which so executed shall be deemed to be an original.

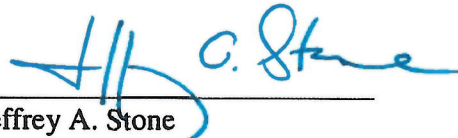
***Remainder of page intentionally blank.
Signatures to be affixed to the following page.***

Agreed to and accepted:



Gary J. Taylor
President and Chief Executive Officer
SERC RELIABILITY CORPORATION

4-3-2018
Date



Jeffrey A. Stone
Vice President, General Counsel, and
Corporate Secretary
Chief Compliance Officer
GULF POWER COMPANY

March 30, 2018
Date

Attachment B
Disposition of Violation

DISPOSITION OF VIOLATION¹

April 3, 2018

NERC TRACKING NO.
SERC2015015061

SERC TRACKING NO.
SERC2015-402229

NOC#

REGISTERED ENTITY
Gulf Power Company

NERC REGISTRY ID
NCR01252

REGIONAL ENTITY
SERC Reliability Corporation (SERC)

I. REGISTRATION INFORMATION

ENTITY IS REGISTERED FOR THE FOLLOWING FUNCTIONS IN THE SERC REGION
(BOTTOM ROW INDICATES REGISTRATION DATE):

BA	DP	GO	GOP	PA	RC	RP	RSG	TO	TOP	TP	TSP
	X	X						X			
	5/31/07	5/31/07						5/31/07			

* VIOLATION(S) APPLIES TO SHADED FUNCTIONS

DESCRIPTION OF THE REGISTERED ENTITY

Gulf is an investor-owned, retail electric service company whose common stock is owned by Atlanta-based Southern Company. Gulf has a total generation capacity of 3,755 MW. Gulf has a total of 1,490 miles of transmission line ranging from 115 kV and 230 kV and nine interconnections with four entities on the Bulk Electric System (BES).

IS THERE A SETTLEMENT AGREEMENT YES ☒ NO ☐

WITH RESPECT TO THE VIOLATION(S), REGISTERED ENTITY

NEITHER ADMITS NOR DENIES IT (SETTLEMENT ONLY) YES ☐
ADMITS TO IT YES ☒
DOES NOT CONTEST IT (INCLUDING WITHIN 30 DAYS) YES ☐

WITH RESPECT TO THE ASSESSED PENALTY OR SANCTION, REGISTERED ENTITY

ACCEPTS IT/ DOES NOT CONTEST IT YES ☒

¹ For purposes of this document and attachments hereto, each violation at issue is described as a "violation" regardless of its procedural posture and whether it was a possible, alleged or confirmed violation.

II. VIOLATION INFORMATION

RELIABILITY STANDARD	REQUIREMENT(S)	SUB-REQUIREMENT(S)	VRF(S)	VSL(S)
FAC-009-1 ²	R1		Medium	Severe ³

PURPOSE OF THE RELIABILITY STANDARD AND TEXT OF RELIABILITY STANDARD AND REQUIREMENT(S)/SUB-REQUIREMENT(S)

The purpose statement of FAC-009-1 provides:

To ensure that Facility Ratings used in the reliable planning and operation of the Bulk Electric System (BES) are determined based on an established methodology or methodologies.

FAC-009-1 R1 provides, in pertinent part:

R1. The Transmission Owner and Generator Owner shall each establish Facility Ratings for its solely and jointly owned Facilities that are consistent with the associated Facility Ratings Methodology.

VIOLATION DESCRIPTION

On April 21, 2015, SERC sent Gulf Power Company (Gulf) an audit detail letter notifying it of a Compliance Audit scheduled for July 20, 2015 through August 7, 2015.

On July 1, 2015, Gulf submitted a Self-Report stating that, as a Transmission Owner, it was in violation of FAC-008-3 R6. Gulf failed to have a Facility Rating for a 115 kV transmission line that was consistent with the associated Facility Ratings methodology (FRM). SERC later determined that the violation extended back to FAC-009-1 R1.

On June 8, 2015, while gathering evidence in response to a SERC data request for the July 2015 Compliance Audit, Gulf discovered that the Facility Rating it used for the Highland City – Smith 115 kV transmission line was not consistent with its FRM. In July 2013, Gulf modified the Highland City substation, removing the most limiting element (MLE) of the Highland City – Smith 115 kV transmission line. Gulf reviewed the element ratings for the Facility and incorrectly identified a new MLE. Gulf established an incorrect Facility Rating of 289 MVA for the line based on the incorrect MLE. Gulf should have established a Facility Rating of 260 MVA for the line based on the actual MLE.

² Gulf's violation spans the effective dates of two Standards. FAC-009-1 was in effect from June 18, 2007 to December 31, 2012. The requirements of FAC-009 were included in FAC-008-3 which became effective on January 1, 2013. In that Standard, R6 requires each "Transmission Owner and Generator Owner shall have Facility Ratings for its solely and jointly owned Facilities that are consistent with the associated Facility Ratings methodology or documentation for determining its Facility Ratings."

³ SERC assessed a Violation Severity Level (VSL) of "Severe" in accordance with the April 27, 2016 VSL Matrix because Gulf failed to establish Facility Ratings consistent with the associated Facility Ratings methodology for more than 15% of its solely or jointly owned Facilities.

In response to a request for information from SERC, Gulf performed an extent of condition review by assessing the Facility Ratings for all of its 91 transmission line Facilities and 16 autotransformer Facilities.

Gulf discovered that it had Facility Ratings that were inconsistent with its FRM for 41 of the 91 (45.06%) transmission line Facilities. For 37 of the lines, Gulf found discrepancies in one or more line segments which changed the MLE of the overall line. Gulf de-rated 36 of those transmission line Facilities, with the derates ranging from 1% to 31% of the prior incorrect ratings and the highest derate being 204 MVA. Gulf re-rated one transmission line Facility higher by approximately 14%. Gulf found that four of the lines had discrepancies in one or more segments that did not require de-rates or re-rates because the MLE for the overall line Facility remained unchanged.

Gulf also found that it had Facility Ratings that were inconsistent with its FRM for one of the 16 (6.25%) autotransformer Facilities. Gulf found a discrepancy that changed the MLE for the Facility and decreased the Facility Rating. Gulf found that it had identified accurate MLEs for the remaining 15 autotransformer Facilities.

The majority of these instances occurred because Gulf did not properly document or communicate modifications to the system made after June 18, 2007. The primary cause of this violation was ineffective change management for Facility Ratings. Specifically, Gulf lacked a single repository for all of the Facility Rating elements and lacked a consistently applied process to communicate field changes to personnel that managed the Facility Ratings. Instead, Gulf relied on various sources of information for Facility Ratings, such as one-line diagrams, nameplate information, field notes, emails, work orders, bills of material, equipment manuals, and other sources to identify the MLE for each Facility. In the absence of definitive information to the contrary, Gulf used historical Ratings already in the energy management system. In addition, Gulf did not document a process for addressing field changes, which resulted in inconsistent application of an informal process for documenting such changes.

RELIABILITY IMPACT STATEMENT- POTENTIAL AND ACTUAL

This violation posed a moderate risk and did not pose a serious or substantial risk to the reliability of the bulk power system (BPS). Gulf's planning and operating simulation-based studies depend on accurate ratings to plan construction and to establish operating criteria such that the BPS can withstand a variety of pre-determined contingencies. Gulf used inaccurate Facility Ratings in its planning and operating studies, which compromised the validity of the studies. In 2015, one 115 kV transmission line operated at 121% of the correct Facility Rating for approximately 2 hours and 36 minutes on two separate occasions on a single day. However, in November 2017, Southern Company Services (SCS) (on behalf of Gulf and the other operating companies) and the Electric Power Research Institute (EPRI) concluded a study investigating the heat transfer properties of transmission line terminations as applicable to substation jumper ratings. SCS and EPRI determined that sufficient heat is dissipated at connections to allow the operating temperature, and therefore the ratings, of jumpers to be increased. Therefore, on January 8, 2018, SCS revised its FRM to reflect a more accurate rating method for transmission line jumpers terminating to substation equipment.

For the one line that experienced an exceedance, the original Facility Rating would be acceptable under the revised FRM and the line did not operate in exceedance of the original Facility Rating. Additionally, before revising its FRM, Gulf de-rated 36 of its transmission line Facilities, with the derates ranging from 1% to 31% of the prior incorrect ratings and the highest derate being 204 MVA. However, only 23 of those Facilities required derating under the revised FRM, with derates ranging from 1.6% to 23.6% of the prior incorrect rating. Under the revised FRM, the highest derate required was still 204 MVA. Gulf determined that the majority of the derates required under the revised FRM were 18 MVA or less and only four of the derates exceeded a threshold of 10% difference from the correct MLE. Gulf typically sets first-level alarms in the energy management system at 90% of the Facility Rating. Therefore, operators would have been alerted for loadings prior to exceeding the Facility Rating for 19 of the 23 (82.61%) Facilities derated under the revised FRM.

Gulf experienced no operational problems due to the exceedance in 2015 or the incorrect Facility Ratings. Gulf's parent company, Southern Company, as the Reliability Coordinator, subsequently analyzed the real-time study for the date of the overload and determined that the incorrect Facility Ratings did not pose a reliability concern in the event the line was lost, and no additional actions would be needed to maintain reliability had the line tripped or failed due to the overload condition. Gulf reviewed actual maximum line loadings over 2015 and determined the majority of transmission line Facilities identified with discrepancies did not exceed 50% of the actual MLE rating. During 2015, the autobank transformer maximum power flow did not exceed 55% of the actual MLE rating.

III. DISCOVERY INFORMATION

METHOD OF DISCOVERY

SELF-REPORT	<input checked="" type="checkbox"/>
SELF-CERTIFICATION	<input type="checkbox"/>
COMPLIANCE AUDIT	<input type="checkbox"/>
COMPLIANCE VIOLATION INVESTIGATION	<input type="checkbox"/>
SPOT CHECK	<input type="checkbox"/>
COMPLAINT	<input type="checkbox"/>
PERIODIC DATA SUBMITTAL	<input type="checkbox"/>
EXCEPTION REPORTING	<input type="checkbox"/>

DURATION DATE(S)

6/18/2007 (when the Standard became mandatory and enforceable on Gulf) through 4/12/2016 (when Gulf corrected all Facility Ratings).

DATE DISCOVERED BY OR REPORTED TO REGIONAL ENTITY 7/1/2015

IS THE VIOLATION STILL OCCURRING	YES	<input type="checkbox"/>	NO	<input checked="" type="checkbox"/>
IF YES, EXPLAIN				
REMEDIAL ACTION DIRECTIVE ISSUED	YES	<input type="checkbox"/>	NO	<input checked="" type="checkbox"/>
PRE TO POST JUNE 18, 2007 VIOLATION	YES	<input type="checkbox"/>	NO	<input checked="" type="checkbox"/>

IV. MITIGATION INFORMATION

FOR FINAL ACCEPTED MITIGATION PLAN:

MITIGATION PLAN NO.	SERCMIT012301
DATE SUBMITTED TO REGIONAL ENTITY	8/8/2016
DATE ACCEPTED BY REGIONAL ENTITY	9/18/2016
DATE APPROVED BY NERC	10/4/2016
DATE PROVIDED TO FERC	10/12/2016

IDENTIFY AND EXPLAIN ALL PRIOR VERSIONS THAT WERE ACCEPTED OR REJECTED, IF APPLICABLE

MITIGATION PLAN COMPLETED YES ☒ NO ☐

EXPECTED COMPLETION DATE	12/1/2016
EXTENSIONS GRANTED	N/A
ACTUAL COMPLETION DATE	11/16/2016
DATE OF CERTIFICATION LETTER	12/5/2016
CERTIFIED COMPLETE BY REGISTERED ENTITY AS OF	11/16/2016
VERIFIED COMPLETE BY REGIONAL ENTITY ON	12/9/2016

ACTIONS TAKEN TO MITIGATE THE ISSUE AND PREVENT RECURRENCE

To mitigate this violation, Gulf:

1. Developed a comprehensive listing of transmission line and autobank transformer facility elements in Gulf;
2. Corrected the discrepancies in transmission line and autobank transformer Facility Ratings in Gulf;
3. Developed a documented change management process for transmission Facility Ratings at Gulf;
4. Trained appropriate personnel in the change management of transmission Facility Ratings at Gulf; and
5. Utilized Southern Company's internal controls monitoring and testing program to obtain reasonable assurance that the issue with discrepancies in Facility Ratings identified in Gulf is not a pervasive issue affecting other operating companies.

LIST OF EVIDENCE REVIEWED BY REGIONAL ENTITY TO EVALUATE COMPLETION OF MITIGATION PLAN OR MILESTONES (FOR CASES IN WHICH MITIGATION IS NOT YET COMPLETED, LIST EVIDENCE REVIEWED FOR COMPLETED MILESTONES)

SERC reviewed the following evidence submitted by Gulf to evaluate completion of its Mitigation Plan:

1. A document showing evidence of a single repository that includes all the transmission line and autobank transformer facilities for Gulf;
2. A spreadsheet of Facilities identifying that Gulf reviewed the rating and whether or not a derate was required, showing that Gulf brought the Facility Ratings for

- transmission lines and autobank transformers into alignment with the MLEs for each Facility;
3. A document showing a documented change management process for transmission Facility Ratings at Gulf. The process includes the use of a transmission element change request form to revise the Facility Rating;
 4. A training sign-in sheet and a presentation used as training, showing Gulf provided training to appropriate personnel on the change management process for transmission Facility Ratings at Gulf; and
 5. Screen captures from Southern Company's internal controls monitoring and testing system showing (a) Southern Company Services performed independent sampling of transmission line and autobank transformer facilities in affiliate entities to determine pervasiveness of errors in Facility Ratings across Southern Company and (b) Southern Company Services validated mostly error-free results with some errors identified and corrected.

V. PENALTY INFORMATION

TOTAL ASSESSED PENALTY OR SANCTION OF ONE HUNDRED THOUSAND DOLLARS (\$100,000) FOR ONE VIOLATION OF RELIABILITY STANDARDS.

(1) REGISTERED ENTITY'S COMPLIANCE HISTORY

PREVIOUSLY FILED VIOLATIONS OF ANY OF THE INSTANT RELIABILITY STANDARD(S) OR REQUIREMENT(S) THEREUNDER IN THE SERC REGION
YES ☒ NO ☐

LIST VIOLATIONS AND STATUS

SERC considered Gulf's and its affiliates' compliance history in determining the penalty. Gulf has no prior filed violations of FAC-009-1 R1. Gulf's affiliate, Alabama Power Company (APC) has one relevant prior noncompliance with FAC-009-1 R1: NERC violation ID SERC2016015499. SERC determined that APC's compliance history should not serve as a basis for aggravating the penalty. In SERC2016015499, after relocating a transmission support structure of a line, APC did not reevaluate the line's Facility Rating and failed to review the line's LiDAR data. To mitigate the violation, APC corrected the line's Facility Rating, reviewed span data for its higher voltage lines, and reinforced its change management process. None of APC's actions to mitigate its prior non-compliance would have identified or prevented the current violation.

ADDITIONAL COMMENTS

Not applicable.

PREVIOUSLY FILED VIOLATIONS OF OTHER RELIABILITY STANDARD(S) OR REQUIREMENTS THEREUNDER IN THE SERC REGION
YES ☒ NO ☐

LIST VIOLATIONS AND STATUS

Gulf had previously filed violations of other NERC Reliability Standards and Requirements in the SERC Region. A Settlement Agreement covering two violations of PRC-005-1 R2/2.1 was filed with FERC under NP10-32-000 on December 30, 2009.⁴ On March 15, 2010, FERC issued an order stating that it would not engage in further review of the Notice of Penalty.

A Find, Fix, Track and Report (FFT) informational filing addressing remediated issues for certain registered entities including noncompliance with PRC-005-1 R2 for Gulf was filed with FERC under RC13-1-000 on October 31, 2012.⁵ The 60 day review period passed on December 30, 2012.

Gulf's affiliates also had previously filed violations of other NERC Reliability Standards and Requirements in the SERC Region.⁶ SERC determined that the prior compliance history of Gulf's affiliates should not serve as a basis for aggravating the penalty. Aside from APC's FAC-009-1 R1 violation discussed above, the prior violations by Gulf's affiliates are unrelated to the FAC-009-1 R1 violation at issue in this enforcement action.

ADDITIONAL COMMENTS

Not applicable.

(2) THE DEGREE AND QUALITY OF COOPERATION BY THE REGISTERED ENTITY (IF THE RESPONSE TO FULL COOPERATION IS "NO," THE ABBREVIATED NOP FORM MAY NOT BE USED.)

FULL COOPERATION YES ☒ NO ☐
IF NO, EXPLAIN

(3) THE PRESENCE AND QUALITY OF THE REGISTERED ENTITY'S COMPLIANCE PROGRAM

IS THERE A DOCUMENTED COMPLIANCE PROGRAM

⁴ NERC Violation IDs SERC200800151 and SERC200800238.

⁵ NERC Violation ID SERC2012009778.

⁶ FERC Docket numbers for previously filed violations:

- a) Alabama Power Company: NP09-37-000 (September 25, 2009), NP10-34-000 (December 30, 2009), NP11-169-000 (April 29, 2011), NP12-27-000 (May 30, 2012), NP13-33-000 (April 30, 2013), and NP17-19-000 (February 28, 2017).
- b) Georgia Power Company: NP09-40-000 (September 25, 2009), NP11-20-000 (November 5, 2010), NP12-27-000 (May 30, 2012), NP12-44-000 (August 31, 2012), and NP14-35-000 (March 31, 2014).
- c) Mississippi Power Company: NP10-33-000 (December 30, 2009), NP12-27-000 (May 30, 2012), NP14-14-000 (December 30, 2013), and NP17-15-000 (February 28, 2017).
- d) Southern Company Services, Inc. – Gen.: NP12-27-000 (May 30, 2012) and NP13-27-000 (February 28, 2013).
- a) Southern Company Services, Inc. – Trans: NP15-7-000 (October 30, 2014) and FFT publicly posted (August 31, 2015).
- b) Southern Power Company: NP10-35-000 (December 30, 2009) and NP12-27-000 (May 31, 2012).

YES ☒ NO ☐

EXPLAIN

Gulf is a retail operating company under its parent holding company, Southern Company. Gulf follows Southern Company's compliance framework manual, which has been in place since January 8, 2001. Details of the internal compliance program (ICP) are available internally through the corporate intranet.

Compliance-related information is regularly communicated through various means including email newsletters, web-based, and/or classroom training sessions. The ICP is approved by the Southern Company ethics and compliance council, which consists of the compliance officers from each Southern Company operating company and major affiliates and the Southern Company compliance officer.

In 2016, Southern Company formally implemented a compliance monitoring and testing (CMAT) program for internal controls. The CMAT program identifies and documents Southern Company's strong internal controls across its business units and functions. The CMAT program includes performing and documenting independent testing of key controls, developing action plans to address any deficiencies identified during testing, and tracking completion of those action plans.

EXPLAIN SENIOR MANAGEMENT'S ROLE AND INVOLVEMENT WITH RESPECT TO THE REGISTERED ENTITY'S COMPLIANCE PROGRAM, INCLUDING WHETHER SENIOR MANAGEMENT TAKES ACTIONS THAT SUPPORT THE COMPLIANCE PROGRAM, SUCH AS TRAINING COMPLIANCE AS A FACTOR IN EMPLOYEE EVALUATIONS, OR OTHERWISE.

Southern Company's ICP is fully supported by company officers and senior management. Southern Company's ICP is regularly reviewed by senior management and is subject to internal and external audits on a periodic basis. The individual performance of employees is evaluated on a regular basis. These evaluations include an assessment of how the employee complied with laws, regulations and company policies.

In 2017, Southern Company restructured its Reliability Steering Committee (RSC), an executive oversight committee, to add members at the general manager level or higher from each business unit across its NERC functional areas. The RSC reviews all Southern Company violations of NERC Reliability Standards and identifies trends that may indicate broader compliance vulnerabilities across business units or operating companies.

(4) ANY ATTEMPT BY THE REGISTERED ENTITY TO CONCEAL THE VIOLATION(S) OR INFORMATION NEEDED TO REVIEW, EVALUATE OR INVESTIGATE THE VIOLATION.

YES ☐ NO ☒

IF YES, EXPLAIN

(5) ANY EVIDENCE THE VIOLATION(S) WERE INTENTIONAL (IF THE RESPONSE IS “YES,” THE ABBREVIATED NOP FORM MAY NOT BE USED.)

YES ☐ NO ☒
IF YES, EXPLAIN

(6) ANY OTHER MITIGATING FACTORS FOR CONSIDERATION

YES ☐ NO ☒
IF YES, EXPLAIN

(7) ANY OTHER AGGRAVATING FACTORS FOR CONSIDERATION

YES ☐ NO ☒
IF YES, EXPLAIN

(8) ANY OTHER EXTENUATING CIRCUMSTANCES

YES ☐ NO ☒
IF YES, EXPLAIN

OTHER RELEVANT INFORMATION:

NOTICE OF ALLEGED VIOLATION AND PROPOSED PENALTY OR SANCTION
ISSUED

DATE: OR N/A ☒

SETTLEMENT DISCUSSIONS COMMENCED

DATE: 1/9/2018 OR N/A ☐

NOTICE OF CONFIRMED VIOLATION ISSUED

DATE: OR N/A ☒

SUPPLEMENTAL RECORD INFORMATION

DATE(S) OR N/A ☒

REGISTERED ENTITY RESPONSE CONTESTED

FINDINGS ☐ PENALTY ☐ BOTH ☐ NO CONTEST ☒

HEARING REQUESTED

YES ☐ NO ☒

DATE

OUTCOME

APPEAL REQUESTED

SETTLEMENT AGREEMENT EXECUTED
DATE: 4/3/2018

EXHIBITS:

SOURCE DOCUMENT
Gulf Self-Report dated July 1, 2015

MITIGATION PLAN
Gulf Mitigation Plan submitted on August 8, 2016


CERTIFICATION BY REGISTERED ENTITY
Gulf Certification of Completed Mitigation Plan dated December 5, 2016

VERIFICATION BY REGIONAL ENTITY
This Disposition document serves as SERC's Verification of Mitigation Plan Completion.

Attachment C

Gulf's Self-Report for FAC-009-1 R1
Dated July 1, 2015

 This item was submitted by Mark Pratt (mapratt@southernco.com) on 7/1/2015

 Please note that the circumstances under which an Entity would submit a Scope Expansion form are different from what would require a new Self-Report. Please review the material in [this link](#) to see clarifying information and examples of these differences before continuing with this form.

FORM INFORMATION

Registered Entity: Gulf Power Company

NERC Registry ID: NCR01252

JRO ID:

CFR ID:

Entity Contact Information: Mark Pratt

REPORTING INFORMATION

Applicable Standard: FAC-008-3

Applicable Requirement: R6.

Applicable Sub Requirement(s):

Applicable Functions: TO

Has a Possible violation of this standard and requirement previously been reported or discovered: No

Has this Possible Violation previously been reported to other Regions: No

Date Possible Violation was discovered: 6/8/2015

Beginning Date of Possible Violation: 1/1/2013

End or Expected End Date of Possible Violation: 6/8/2015

Is the violation still occurring? No

Provide detailed description and cause of Possible Violation:

On June 8, 2015, as part of an effort to gather supporting evidence in response to a SERC data request, Gulf Power Company (Gulf) discovered that the Facility Rating used by Operations for the Highland City – Smith 115kV transmission line was not consistent with Gulf's Facility Ratings methodology. Specifically, Gulf had been operating with the rating of 289 MVA in the EMS system based on switches on the Smith end as the limiting elements, but the actual limiting elements are the jumpers at Smith with a rating of 260 MVA.

The previous rating for this line was based on the limiting elements being jumpers at the Highland City end of this line. When the Highland City substation was modified in July 2013 and the limiting jumpers were removed as part of the modification, Gulf power conducted a review of the element ratings and determined the new limiting elements for this Facility to be 1200A Johnson switches at the Smith substation. On June 8, 2015 it was discovered that the ratings for jumpers associated with the breaker at the Smith end of the line had not been identified as more limiting than the 1200A Johnson switches during the review performed in 2013. The jumpers in question are 1272 AAC 90 degrees C, rated at 260 MVA.

Are Mitigating Activities in progress or completed? Yes

If Yes, Provide description of Mitigating Activities:

Re-rate of the Highland City – Smith 115kV transmission line in EMS to the correct Facility Rating on 6/8/2015.

Provide details to prevent recurrence:

Mitigating activities to prevent reoccurrence are being developed, and details on these activities will be provided in the Mitigation Plan.

Date Mitigating Activities (including activities to prevent recurrence) are expected to be completed or were completed:

12/31/2016

Potential Impact to the Bulk Power System: Minimal

Actual Impact to the Bulk Power System: Minimal

Provide detailed description of Potential Risk to Bulk Power System:

Gulf asserts that the possible violation for operating to the incorrect Facility Rating on the Highland City – Smith 115kV transmission line had minimal potential impact on the reliability of the Bulk Power System (BPS) based on the following facts and circumstances:

- N-1 Analyses performed by SCS Transmission Planning using the highest actual loading conditions observed on this line during the 2009 – 2014 time period indicate that the jumpers were not exposed to loadings (nor would have been exposed to loadings under a N-1 contingency) that would have endangered the BES.
- The typical load pattern for Gulf Power is cyclical. Any damage caused by an approximate 10% overload (operational rating versus actual rating of jumpers) would have progressed very slowly. The rating of the jumpers is based on a 40 degrees C (104F) ambient temperature assumption. None of the peak loading days occurred during the July – August summer heat timeframe for the previous six years. Thus, the lower ambient temperatures experienced during actual peak loading days would have allowed for a higher rating on the jumpers under a dynamic rating scenario.
- A review of the alarm values for this Facility during the time that the 1200A Johnson switches were considered to be the limiting elements revealed the alarm level in the EMS was set at 1381 Amps (lower than the 1450 Amp rating of the switches but higher than the 1305 Amp rating of the jumpers). Thus, the jumpers would never have experienced loading higher than approximately 5.8% above rating during the worst case load and weather conditions. At that point, System Operators would have taken actions to eliminate the alarm condition.

Provide detailed description of Actual Risk to Bulk Power System:

Gulf asserts that the possible violation for operating to the incorrect Facility Rating on the Highland City – Smith 115kV transmission line had no actual impact on the reliability of the Bulk Power System (BPS) based on the following facts and circumstances:

- The loading on the Highland City – Smith 115kV transmission line never exceeded the rating of the jumpers at Smith. Therefore, the issue did not result in any unplanned outages or BES events.
- A review of the peak loadings on this Facility from the previous six years, as observed in EMS, indicate that these loads remained below 75% of the actual limiting element rating (i.e., the rating of the jumpers at Smith).

Additional Comments:

None.

NOTE: While submittal of a mitigation plan is not required until after a determination of a violation is confirmed, early submittal of a mitigation plan to address and remedy an identified deficiency is encouraged. Submittal of a mitigation plan shall not be deemed an admission of a violation. (See NERC Rules of Procedure, Appendix 4C, Section 6.4.)

Attachment D

Gulf's Mitigation Plan designated as SERCMIT012301 for FAC-009-1 R1
Submitted August 8, 2016


VIEW MITIGATION PLAN: FAC-009-1 (REGION REVIEWING MITIGATION PLAN)

 A [previous version](#) of the this Mitigation Plan exists



 This item was signed by Adrienne Collins (acollins@southernco.com) on 8/8/2016



 This item was marked ready for signature by Mark Pratt (mapratt@southernco.com) on 8/4/2016



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](#)" to this form.

[Yes] A.2 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:

Gulf Power Company

Company Address:

One Energy Place

Pensacola, Florida 32520-0001

Compliance Registry ID:

NCR01252

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

Name:

Mark Pratt

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 Reliability Standard listed below.

Standard:

FAC-009-1

Requirement	Regional ID	NERC Violation ID	Date Issue Reported
R1.	SERC2015-402229	SERC2015015061	7/1/2015

C.2 Identify the cause of the Alleged or Confirmed violation(s) identified above:

On June 8, 2015, as part of an effort to gather supporting evidence in response to a SERC data request, Gulf Power Company (Gulf) discovered that the Facility Rating used by Operations for the Highland City – Smith 115kV transmission line was not consistent with Gulf's Facility Ratings methodology. Specifically, Gulf had been operating with the rating of 289 MVA in the EMS system based on switches on the Smith end as the limiting elements, but the actual limiting elements were the jumpers at Smith with a rating of 260 MVA.

In an effort to determine whether the issue with Facility Ratings at Gulf went beyond just the single discrepancy identified on the Highland City - Smith 115kV transmission line, SCS Operations Compliance, in conjunction with Gulf Power management, conducted an Extent of Condition review of Gulf's transmission line facilities and autobank transformer facilities which ultimately resulted in a 100% review due to additional findings. In all, thirty-seven transmission line facilities and one autobank transformer facility were found to have discrepancies in one or more segments which changed the most limiting element (MLE) of the overall facility.

The primary cause of this violation is ineffective change management for Facility Ratings. Two main contributors are as follows:

- The lack of a single repository for all of the facility rating elements in Gulf Power
- The lack of a consistently applied process to communicate field changes to personnel that manage the Facility Ratings

[Attachments \(\)](#)

C.3 Provide any additional relevant information regarding the Alleged or Confirmed violations associated with this MitigationPlan:

No additional information.

[Attachments \(\)](#)

SECTION D: DETAILS OF PROPOSED MITIGATION PLAN

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:

Gulf Power will complete the following mitigating actions to correct the alleged violation identified in Section C.1:

1. Develop a comprehensive listing of transmission line and autobank transformer facility elements in Gulf Power Company.
2. Correct the discrepancies in transmission line and autobank transformer Facility Ratings in Gulf Power Company.
3. Develop a documented change management process for transmission Facility Ratings at Gulf Power Company.
4. Train appropriate personnel in the change management of transmission Facility Ratings at Gulf Power Company.
5. Utilize Southern Company's internal controls monitoring and testing program to obtain reasonable assurance that the issue with discrepancies in Facility Ratings identified in Gulf is not a pervasive issue affecting other operating companies. [Sampling details provided in Milestone Activity #4]

Attachments ()

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:

12/1/2016

D.3 Enter Milestone Activities, with due dates, that your organization is proposing, or has completed, for this Mitigation Plan:

2. Correct the discrepancies in transmission line and autobank transformer Facility Ratings in Gulf Power Company

Milestone Completed (Due: 5/4/2016 and Completed 5/4/2016)

Bring the Facility Ratings for transmission lines and autobank transformers into alignment with the Most Limiting Elements for each Facility.

This MP milestone ensures that Gulf Power is brought back into compliance with FAC-008-3.

1. Develop a comprehensive listing of transmission line and autobank transformer facility elements in Gulf Power Company.

Milestone Completed (Due: 7/1/2016 and Completed 4/8/2016)

Develop a spreadsheet that includes all the transmission line and autobank transformer facilities for Gulf Power Company. The spreadsheet will itemize the elements and their individual ratings so that the Most Limiting Element for each Facility can be readily identified.

This MP milestone addresses the lack of a single repository for all of the transmission facility rating elements in Gulf Power.

3. Develop a documented change management process for transmission Facility Ratings at Gulf Power Company.

Milestone Pending (Due: 10/1/2016)

Develop a documented change management process for transmission Facility Ratings at Gulf Power Company.

This MP milestone addresses the root cause of the violations by ensuring that a change management process is developed and documented that defines expectations and identifies accountable roles to ensure field changes that impact transmission Facility Ratings are identified, communicated and factored into the Facility Ratings values.

5. Utilize Southern Company's internal controls monitoring and testing program to obtain reasonable assurance that the issue with discrepancies in Facility Ratings identified in Gulf is not a pervasive issue affecting other operating companies.

Milestone Pending (Due: 11/1/2016)

SCS Operations Compliance to perform independent sampling of transmission line and autobank transformer facilities in affiliate entities to determine pervasiveness of errors in Facility Ratings across Southern. This will be accomplished by the following steps:

- Sample transmission and autobank transformer facilities from a listing of the full population of such facilities (Target is 10%±)
- Request the ratings information from the affiliate for all sampled facilities
- Request the information needed to show how the ratings are determined for the facility/elements selected, including the Most Limiting Element
- Verify agreement between Facility Ratings and Most Limiting Element
- Record the results of testing in the B Wise application and provide results to SERC [Note: Mitigating actions will be developed and tracked separately for deficiencies identified through this expanded review.]

4. Train appropriate personnel in the change management of transmission Facility Ratings at Gulf Power Company.

Milestone Pending (Due: 12/1/2016)

Train appropriate personnel in the change management of transmission Facility Ratings at Gulf Power Company.

This MP milestone addresses the root cause of the violations by ensuring that personnel responsible for maintaining accurate transmission Facility Ratings information understand the process and management's expectations.

SECTION E: INTERIM AND FUTURE RELIABILITY RISK

E.1 Abatement of Interim BPS Reliability Risk: While your organization is implementing this Mitigation Plan the reliability of the Bulk Power Supply (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):

(i) Gulf asserts that the reliability of the Bulk Power Supply (BPS) does not remain at higher risk and will not be negatively impacted prior to full completion of the action items in this Mitigation Plan based on the following:

1. Because management's review included 100% of the transmission line and autobank transformer facilities in Gulf Power Company and because corrections to Facility Rating discrepancies were initiated as they were identified, there remains no reliability risk to operations from inaccurate Facility Ratings.

(ii) Therefore, Gulf Power Company does not plan or propose to implement any additional interim mitigating actions.

Attachments ()

E.2 Prevention of Future BPS Reliability Risk: Describe how successful completion of this Mitigation Plan will prevent or minimize the probability that your organization incurs further risk of Alleged violations of the same or similar reliability standards requirements in the future. (Additional detailed information may be provided as an attachment):

Successful completion of this Mitigation Plan will minimize the probability that Gulf Power Company incurs further violations of FAC-008-3 by ensuring a process is in place to effectively manage changes to transmission line and autobank transformer facilities to ensure ongoing accuracy of Facility Ratings.

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 SERC 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:
 - I am Adrienne Collins of Gulf Power Company
 - I am qualified to sign this Mitigation Plan on behalf of Gulf Power Company
 - I understand Gulf Power Company's obligations to comply with Mitigation Plan requirements and ERO remedial action directives as well as ERO documents, including, but not limited to, the NERC Rules of Procedure, including Appendix 4 (Compliance Monitoring and Enforcement Program of the North American Electric Reliability Corporation (NERC CMEP))
 - I have read and am familiar with the contents of this Mitigation Plan
 - Gulf Power Company agrees to comply with, this Mitigation Plan, including the timetable completion date, as accepted by SERC and approved by NERC

SECTION G: REGIONAL ENTITY CONTACT

SERC Single Point of Contact (SPOC)

Attachment E

Gulf's Certification of Mitigation Plan Completion for FAC-009-1 R1
Submitted December 5, 2016

VIEW MITIGATION PLAN CLOSURE: FAC-009-1 (MITIGATION PLAN CLOSURE COMPLETED)

This item was signed by Adrienne Collins (acollins@southernco.com) on 12/5/2016

This item was marked ready for signature by Marsha Morgan (mdtucker@southernco.com) on 12/5/2016

MEMBER MITIGATION PLAN CLOSURE

All Mitigation Plan Completion Certification submittals shall include data or information sufficient for SERC to verify completion of the Mitigation Plan. SERC may request such additional data or information and conduct follow-up assessments, on-site or other Spot Checking, or Compliance Audits as it deems necessary to verify that all required actions in the Mitigation Plan have been completed and the Registered Entity is in compliance with the subject Reliability Standard. (CMEP Section 6.6) Data or information submitted may become part of a public record upon final disposition of the possible violation, therefore any confidential information contained therein should be marked as such in accordance with the provisions of Section 1500 of the NERC Rules of Procedure.

Name of Registered Entity submitting certification:

Gulf Power Company

Name of Standard of mitigation violation(s):

FAC-009-1

Requirement	Tracking Number	NERC Violation ID
R1.	SERC2015-402229	SERC2015015061

Date of completion of the Mitigation Plan:

11/16/2016

[2. Correct the discrepancies in transmission line and autobank transformer Facility Ratings in Gulf Power Company](#)

Milestone Completed (Due: 5/4/2016 and Completed 3/29/2016)

[Attachments \(1\)](#)

Bring the Facility Ratings for transmission lines and autobank transformers into alignment with the Most Limiting Elements for each Facility.

This MP milestone ensures that Gulf Power is brought back into compliance with FAC-008-3.

[1. Develop a comprehensive listing of transmission line and autobank transformer facility elements in Gulf Power Company.](#)

Milestone Completed (Due: 7/1/2016 and Completed 4/8/2016)

[Attachments \(1\)](#)

Develop a spreadsheet that includes all the transmission line and autobank transformer facilities for Gulf Power Company. The spreadsheet will itemize the elements and their individual ratings so that the Most Limiting Element for each Facility can be readily identified.

This MP milestone addresses the lack of a single repository for all of the transmission facility rating elements in Gulf Power.

[3. Develop a documented change management process for transmission Facility Ratings at Gulf Power Company.](#)

Milestone Completed (Due: 10/1/2016 and Completed 9/13/2016)

[Attachments \(1\)](#)

Develop a documented change management process for transmission Facility Ratings at Gulf Power Company.

This MP milestone addresses the root cause of the violations by ensuring that a change management process is developed and documented that defines expectations and identifies accountable roles to ensure field changes that impact transmission Facility Ratings are identified, communicated and factored into the Facility Ratings values.

[5. Utilize Southern Company's internal controls monitoring and testing program to obtain reasonable assurance that the issue with discrepancies in Facility Ratings identified in Gulf is not a pervasive issue affecting other operating companies.](#)

Milestone Completed (Due: 11/1/2016 and Completed 11/1/2016)

[Attachments \(1\)](#)

SCS Operations Compliance to perform independent sampling of transmission line and autobank transformer facilities in affiliate entities to determine pervasiveness of errors in Facility Ratings across Southern. This will be accomplished by the following steps:

- Sample transmission and autobank transformer facilities from a listing of the full population of such facilities (Target is 10%±)
- Request the ratings information from the affiliate for all sampled facilities
- Request the information needed to show how the ratings are determined for the facility/elements selected, including the Most Limiting Element
- Verify agreement between Facility Ratings and Most Limiting Element
- Record the results of testing in the BWISE application and provide results to SERC [Note: Mitigating actions will be developed and tracked separately for deficiencies identified through this expanded review.]

[4. Train appropriate personnel in the change management of transmission Facility Ratings at Gulf Power Company.](#)

Milestone Completed (Due: 12/1/2016 and Completed 11/16/2016)

[Attachments \(1\)](#)

Train appropriate personnel in the change management of transmission Facility Ratings at Gulf Power Company.

This MP milestone addresses the root cause of the violations by ensuring that personnel responsible for maintaining accurate transmission Facility Ratings information understand the process and management's expectations.

Summary of all actions described in Part D of the relevant mitigation plan:

Gulf Power completed the following mitigating actions to correct the alleged violation identified in Section C.1:

1. Developed a comprehensive listing of transmission line and autobank transformer facility elements in Gulf Power Company.
2. Corrected the discrepancies in transmission line and autobank transformer Facility Ratings in Gulf Power Company.
3. Developed a documented change management process for transmission Facility Ratings at Gulf Power Company.
4. Trained appropriate personnel in the change management of transmission Facility Ratings at Gulf Power Company.
5. Utilized Southern Company's internal controls monitoring and testing program to obtain reasonable assurance that the issue with discrepancies in Facility Ratings identified in Gulf is not a pervasive issue affecting other operating companies.

Description of the information provided to SERC for their evaluation *

A description of the information provided to SERC as evidence for each mitigating activity is noted below:

1. The attachment (Item 1) shows evidence of a single repository that includes all the transmission line and autobank transformer facilities for Gulf Power Company.
2. The attachment (Item 2) shows evidence that Gulf Power Company brought the Facility Ratings for transmission lines and autobank transformers into alignment with the Most Limiting Elements for each Facility.
3. The attachment (Item 3) shows evidence of a documented change management process for transmission Facility Ratings at Gulf Power Company.
4. The attachment (Item 4) shows evidence of the training of appropriate personnel in the change management of transmission Facility Ratings at Gulf Power Company.
5. The attachment (Item 5) shows evidence of SCS Operations Compliance independent sampling of transmission line and autobank transformer facilities in affiliate entities to determine pervasiveness of errors in Facility Ratings across Southern.

I certify that the Mitigation Plan for the above-named violation has been completed on the date shown above. In doing so, I certify that all required Mitigation Plan actions described in Part D of the relevant Mitigation Plan have been completed, compliance has been restored, the above-named entity is currently compliant with all of the requirements of the referenced standard, and that all information submitted is complete, true and correct to the best of my knowledge.