

January 23, 2012

Ms. Kimberly D. Bose
Secretary
Federal Energy Regulatory Commission
888 First Street, NE
Washington, D.C. 20426

Re: *North American Electric Reliability Corporation*, Docket No. NP12-8-000.

Dear Secretary Bose:

On December 30, 2011, the North American Electric Reliability Corporation (“NERC”) submitted a full notice of penalty (NOP) in the above docket regarding the Sacramento Municipal Utility District. NERC hereby revises and supplements the NOP in order to provide clarity and ensure a complete record.

As indicated in the NOP, load was shed as a result of a battery failure and subsequent actions during the event. Specifically, as described in the NOP, after reviewing the situation and potential options, SMUD determined that interim modification of relay settings at the Elverta substation would allow it to keep ORV energized so that it could maintain local station service during the battery charger replacement. This would also allow SMUD to keep the Foothill substation, then radially-connected to ORV, in service to continue supplying customer load usually served by Foothill plus additional load that SMUD could transfer to Foothill from ORV. SMUD made the relay setting changes at the Elverta substation, completing them at 11:54 a.m. SMUD successfully transferred some ORV load to the Foothill substation, but approximately 110 MW of ORV load was still shed, affecting approximately 58,700 customers for about 31 minutes.

The NOP also describes local system conditions as follows: “The local Balancing Authority (BA) Area was otherwise in a normal operations state prior to the Event, and the system was operating nominally. The BPS area known as “North of Path 15” (NP15), which includes the SMUD BA Area, did not have any unusual weather or system conditions prior to the Event.”

In addition, in the NOP, NERC describes its conclusions regarding the TOP-001-1 R1 violation as it related to the load shedding:

NCEA determined that this violation posed a moderate risk but not serious or substantial risk to the reliability of the BPS. Specifically, leaving ORV connected to the BPS during the Operating Emergency left the BPS in the vicinity of ORV in an unknown

1325 G Street, N.W.
Suite 600
Washington, DC 20005
202-400-3000

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

operating state during the Event because it was not clear what would happen on the BPS at or around ORV if a fault occurred that would have required a response from ORV's BPS protection systems. The BPS elements involved in the Event (the transmission lines and other BPS equipment at and interconnecting the Orangevale, Elverta and Foothill substations) are of relatively lesser significance to the reliability of the BPS in the area. None of them are listed as elements of a WECC Path or Nomogram. Nevertheless, ORV is a networked substation on the system, and the MVA loading on the subject 230 kV lines and other relevant equipment at ORV (capacitors on the 69 kV bus): (i) provide MW and/or MVAr to other SMUD 230 kV substations and plants, (ii) are SMUD's interconnections to others' adjacent portions of the BPS, and (iii) serve the 69 kV distribution feeder lines fed from the substation.

If a fault had occurred at ORV during the Event, it is unlikely that BPS impacts would have been widespread throughout the Western Interconnection, but outages or cascading losses may have occurred beyond the local vicinity of SMUD's system. The load shedding associated with this Event was unavoidable; accordingly, during the Event there was no actual impact to the BPS attributable to this violation. (footnote omitted)

In preparing the NOP, NERC consulted with NCEA staff involved in the settlement negotiations and confirmed that NCEA considered the loss of load as a factor in the determination of the penalty in this case. In addition, NERC took both the loss of load and penalty amount into consideration in approving the settlement. Specifically, NERC considered the loss of load to increase the severity of the underlying violations in this case and, in conjunction with the other factors of this matter, described in the NOP, resulted in the penalty amount of \$100,000 which resulted from the settlement. However, NERC inadvertently omitted discussion of this factor in the penalty discussion section of the NOP, although the loss of load was discussed elsewhere as noted above. This filing is being made to remedy this oversight.

With the above supplement, NERC respectfully requests that the Commission accept this notice of penalty as compliant with its rules, regulations and orders.

Respectfully submitted,

/s/ Rebecca J. Michael

Rebecca J. Michael

Associate General Counsel

Corporate and Regulatory Matters

cc: Official service list

CERTIFICATE OF SERVICE

I hereby certify that I have served a copy of the foregoing document upon all parties listed on the official service list compiled by the Secretary in this proceeding.

Dated at Washington, D.C. this 23rd day of January, 2012.

/s/ Sonia Mendonca

Sonia Mendonca

Attorney

North American Electric Reliability Corporation

1325 G Street, N.W.; Suite 600

Washington, DC 20005

(202) 400-3000

sonia.mendonca@nerc.net