



NORTH AMERICAN ELECTRIC  
RELIABILITY CORPORATION

PRIVILEGED AND CONFIDENTIAL INFORMATION  
HAS BEEN REMOVED FROM THIS PUBLIC VERSION

December 22, 2010

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

**Re: NERC Abbreviated Notice of Penalty regarding Unidentified Registered Entity,  
FERC Docket No. NP11-\_\_-000**

Dear Ms. Bose:

The North American Electric Reliability Corporation (NERC) hereby provides this Abbreviated Notice of Penalty (NOP) regarding Unidentified Registered Entity (URE), with information and details regarding the nature and resolution of the violation<sup>1</sup> discussed in detail in the Settlement Agreement (Attachment a) and the Disposition Document attached thereto in accordance with the Federal Energy Regulatory Commission's (Commission or FERC) rules, regulations and orders, as well as NERC Rules of Procedure including Appendix 4C (NERC Compliance Monitoring and Enforcement Program (CMEP)).<sup>2</sup>

On October 13, 2008, URE self-reported violations of CIP-001-1 Requirement (R) 1 and R2 to Florida Reliability Coordinating Council, Inc. (FRCC) out of a concern that it had implemented separate procedures for the recognition and reporting of sabotage for each functional area in the company. Although FRCC initially dismissed the R1 violation, after reviewing further evidence in August 2009, FRCC determined that URE's sabotage procedures did not include a procedure for making its operating personnel aware of sabotage events.

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<sup>1</sup> 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.

<sup>2</sup> *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 (2010). *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).

On May 4, 2009, URE self-reported its non-compliance with CIP-004-1 R4 because a contractor had access to Critical Cyber Assets (CCAs) without following the control requirements of CIP-004-1.

On October 13, 2008, URE self-reported its non-compliance with FAC-008-1 R1 because it did not have a Facility Ratings Methodology for one of its division.

On May 22, 2009, URE self-reported its non-compliance with FAC-009-1 R1 because certain Emergency Ratings for transmission lines and certain Normal and Emergency Ratings for autotransformers had not been consistent with their established Facility Ratings Methodology.

On January 23, 2009, URE self-reported its first non-compliance with VAR-002-1a R3/3.1 because it did not notify its Transmission Operator (TOP) within 30 minutes of a change in status of a unit's power system stabilizer. On April 9, 2009, URE self-reported a second instance of non-compliance with VAR-002-1a R3/3.1 when it did not notify its TOP within 30 minutes of a change in an automatic voltage regulator's (AVR) status.

This NOP is being filed with the Commission because FRCC and URE have entered into a Settlement Agreement to resolve all outstanding issues arising from FRCC's determination and findings of the enforceable violations of CIP-001-1 R1 and R2, CIP-004-1 R4, FAC-008-1 R1, FAC-009-1 R1 and two instances of VAR-002-1a R3/3.1. According to the Settlement Agreement, URE neither admits nor denies the violations, but has agreed to the assessed penalty of one hundred thousand dollars (\$100,000), in addition to other remedies and actions to mitigate the instant violations and facilitate future compliance under the terms and conditions of the Settlement Agreement. Accordingly, the violations identified as NERC Violation Tracking Identification Numbers FRCC200800224, FRCC200800094, FRCC200900170, FRCC200800096, FRCC200900180, FRCC200900140 and FRCC200900173 are being filed in accordance with the NERC Rules of Procedure and the CMEP.

### **Statement of Findings Underlying the Violations**

This NOP incorporates the findings and justifications set forth in the Settlement Agreement executed on November 30, 2010, by and between FRCC and URE. The details of the findings and the basis for the penalty are set forth in the Disposition Documents. This NOP 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, NERC provides the following summary table identifying each violation of a Reliability Standard resolved by the Settlement Agreement, as discussed in greater detail below.

Region	Registered Entity	NOC ID	NERC Violation ID	Reliability Std.	Req. (R)	VRF	Total Penalty (\$)
FRCC	Unidentified Registered Entity	NOC-178	FRCC200800224	CIP-001-1	1	Medium	100,000
			FRCC200800094	CIP-001-1	2	Medium	
			FRCC200900170	CIP-004-1	4	Lower	
			FRCC200800096	FAC-008-1	1	Lower <sup>3</sup>	
			FRCC200900180	FAC-009-1	1	Medium	
			FRCC200900140	VAR-002-1a <sup>4</sup>	3/3.1	Medium	
			FRCC200900173	VAR-002-1a <sup>5</sup>	3/3.1	Medium	

The text of the Reliability Standards at issue is set forth in the Disposition Documents.

CIP-001-1 R1 and R2 - OVERVIEW<sup>6</sup>

On October 13, 2008, URE self-reported violations of CIP-001-1 R1, R2 and R3 to FRCC out of a concern that it had implemented separate procedures for the recognition and reporting of sabotage for each functional area in the company. URE did not coordinate the information in the separate procedures, which could have lead to missed reporting steps on certain occasions. Although FRCC initially dismissed the R1 violation, after reviewing further evidence in August 2009, FRCC determined that URE’s sabotage procedures did not include a procedure for making its operating personnel aware of sabotage events. URE self-reported that all of its applicable business units had implemented separate procedures for the recognition and reporting of sabotage. URE’s internal review of these procedures showed that there was a lack of coordination and therefore URE lacked a clear procedure for reporting sabotage, as required by R2.

The duration of the CIP-001-1 R1 and R2 violations was from June 18, 2007, the date the Standards became mandatory and enforceable, through November 20, 2008, the date URE completed its Mitigation Plans.

<sup>3</sup> FAC-008-1 R1, R1.3 and R1.3.5 each have a “Lower” VRF; R1.1, R1.2, R1.2.1, R1.2.2, R1.3.1-4 each have a “Medium” VRF. When NERC filed VRFs it originally assigned FAC-008-1 R1.1, R1.2, R1.2.1 and R1.2.2 “Lower” VRFs. The Commission approved the VRFs as filed; however, it directed NERC to submit modifications. NERC submitted the modified “Medium” VRFs and on February 6, 2008, the Commission approved the modified “Medium” VRFs. Therefore, the “Lower” VRFs for FAC-008-1 R1.1, R1.2, R1.2.1 and R1.2.2 were in effect from June 18, 2007 until February 6, 2008 when the “Medium” VRFs became effective.

<sup>4</sup> VAR-002-1 was enforceable from August 2, 2007 through August 27, 2008. VAR-002-1a was approved by the Commission and became enforceable on August 28, 2008. VAR-002-1.1a is the current enforceable Standard as of May 13, 2009. The subsequent interpretations provide clarity regarding the responsibilities of a registered entity and do not change the meaning or language of the original NERC Reliability Standard and its requirements. For consistency in this filing, the version applicable when the violation was discovered, VAR-002-1a, is used throughout.

<sup>5</sup> *Id.*

<sup>6</sup> Further information on this violation is contained in the Disposition Document included as Attachment B to the Settlement Agreement.

FRCC determined that the violation of CIP-001-1 R1 did not pose a serious or substantial risk to the reliability of the bulk power system (BPS) because URE had created sabotage procedures, including the recognition of sabotage events and communication to appropriate parties in the Interconnection, for all of its applicable registered functions) and the GOP procedure included a procedure for making URE's operating personnel aware of sabotage events. Specifically, while three functions lacked formal procedures for making operating personnel aware of sabotage events, the risk of miscommunication of sabotage events was not serious or substantial because URE operating personnel were trained on how to recognize events and had procedures on how to respond even though the procedures did not include notifying other operating groups within its organization.

FRCC determined that the violation of CIP-001-1 R2 did not pose a serious or substantial risk to the reliability of the BPS because URE had procedures for communicating to appropriate parties in the Interconnection, even though URE did not coordinate the procedures.

#### CIP-004-1 R4 - OVERVIEW<sup>7</sup>

On May 4, 2009, URE self-reported its non-compliance with CIP-004-1 R1, R2, R3 and R4 for its failure to include one contractor on its master list of personnel with access rights to CCAs. FRCC determined that URE did not have a violation of R1 and dismissed the violations of R2 and R3 as discussed in the Disposition Document.

The duration of the CIP-004-1 R4 violation was from July 1, 2008, the date the Standard became mandatory and enforceable for Table 1 entities with respect to their System Control Center assets, through October 30, 2009, the date URE completed its Mitigation Plan.

FRCC finds that the violation did not pose a serious or substantial risk to the reliability of the BPS because the contractor<sup>8</sup> had training related to cyber security, some activities in place to protect its customers' system information, and conducted pre-employment background checks.

#### FAC-008-1 R1 - OVERVIEW<sup>9</sup>

During URE's review of its compliance with FAC-008-1, URE discovered that one of its divisions did not have a written formal Facility Ratings Methodology document. URE self-reported its non-compliance on October 13, 2008.

The duration of the FAC-008-1 R1 violation was from June 18, 2007, the date the Standard became mandatory and enforceable, through September 29, 2008, the date URE completed its Mitigation Plan.

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<sup>7</sup> Further information on this violation is contained in the Disposition Document included as Attachment C to the Settlement Agreement.

<sup>8</sup> The contractor is a large international corporation that is the manufacturer of Disk Storage Area Network (SAN) which is a product that provides disk storage to various servers in a central location. The contractor also supplies the computer storage solutions and maintenance services to state and federal governments, the military, banks, and utilities.

<sup>9</sup> Further information on this violation is contained in the Disposition Document included as Attachment D to the Settlement Agreement.

FRCC determined that the violation did not pose a serious or substantial risk to the reliability of the BPS because URE had established a Facility Ratings using the same basic methodology as is stated in its Generation Facility Ratings Methodology document,<sup>10</sup> even though one of its division did not have a written document that stated this methodology.

#### FAC-009-1 R1 - OVERVIEW<sup>11</sup>

On May 22, 2009, URE self-reported that certain Emergency Ratings for transmission lines and certain Normal and Emergency Ratings for autotransformers had not been consistent with their established Facility Ratings Methodology. Specifically, the Facility Ratings Methodology requires that a facility rating be equal to the most limiting applicable equipment and, in some circumstances, the emergency ratings for transmission lines and the normal and emergency ratings for autotransformers are not equal to the most limiting applicable equipment.

The duration of the FAC-009-1 R1 violation was from June 18, 2007, the date the Standard became mandatory and enforceable, through October 30, 2009, the date URE completed its Mitigation Plan.

FRCC finds that the violation did not pose a serious or substantial risk to the reliability of the BPS because URE had established a Facility Ratings Methodology and had assigned ratings to equipment, even though URE did not always equal ratings to the most limiting element. Running URE's most limiting element above its rating would shorten the life of the element, but it would not trip the generator. In the event that the most limiting element would fail, URE has redundant equipment. This could affect URE's resources, but it would not affect the reliability of the BPS.

#### VAR-002-1a R3/3.1 - OVERVIEW<sup>12</sup>

On January 23, 2009, URE self-reported its first non-compliance with VAR-002-1a R3/3.1 because it did not notify its TOP within 30 minutes of a change in status of a unit's power system stabilizer. On January 3, 2009, in order to perform maintenance and replace a circuit board on the combustion turbine's exciter, the excitation system had to be de-energized (the generator was off-line). De-energizing the excitation system caused the power system stabilizer logic for automatic turn-on to change state.

On April 9, 2009, URE had a second violation of VAR-002-1a R3/3.1 when it did not notify its TOP within 30 minutes of a change in an AVR's status. An alarm provided notification to URE's TOP, but not the expected duration of the change in status as required by URE's procedures. Because URE's GOP did not have the expected duration available, it did not notify its TOP for 76 minutes after the change in status of the AVR.

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<sup>10</sup> In URE's Generation Facility Ratings Methodology, real power is based on historical performance and Reactive Power is based on generator capability curves and excitation limiters, corrected for ambient conditions and/or equipment limitations.

<sup>11</sup> Further information on this violation is contained in the Disposition Document included as Attachment E to the Settlement Agreement.

<sup>12</sup> Further information on this violation is contained in the Disposition Document included as Attachment F to the Settlement Agreement.

The duration of the first violation of VAR-002-1a R3/3.1 violation was from January 3, 2009, the date the power system stabilizer changed state, through May 27, 2009, the date URE completed its Mitigation Plan.

The duration of the second violation of VAR-002-1a R3/3.1 occurred for 76 minutes on March 12, 2009.

FRCC determined that the first violation did not pose a serious or substantial risk to the reliability of the BPS because, even though URE had not contacted the TOP within 30 minutes, at no time had the unit been online without the stabilizer being in service. This event occurred on only one of its CT generators. The other combustion turbine generator power system stabilizers were in service.

FRCC determined that the second violation did not pose a serious or substantial risk to the reliability of the BPS because, even though the GOP had not notified its TOP within 30 minutes, the TOP was aware the AVR was offline due to a Supervisory Control and Data Acquisition (SCADA) alarm and had reviewed the contingency analysis program for any potential issues. By performing the contingency analysis, the TOP was able to verify there were no risks to the BPS in having this AVR offline.

### **Statement Describing the Assessed Penalty, Sanction or Enforcement Action Imposed<sup>13</sup>**

#### **Basis for Determination**

Taking into consideration the Commission's direction in Order No. 693, the NERC Sanction Guidelines, the Commission's July 3, 2008 and October 26, 2009 Guidance Orders,<sup>14</sup> the NERC BOTCC reviewed the Settlement Agreement and supporting documentation on July 12, 2010. The NERC BOTCC approved the Settlement Agreement, including FRCC's assessment of a hundred thousand dollar (\$100,000) financial penalty against URE and other actions to facilitate future compliance required under the terms and conditions of the Settlement Agreement. In approving the Settlement Agreement, the NERC BOTCC reviewed the applicable requirements of the Commission-approved Reliability Standards and the underlying facts and circumstances of the violations at issue.

In reaching this determination, the NERC BOTCC considered the following factors:

1. the violations constituted URE's first occurrence of violations of the subject NERC Reliability Standards with the exception of the VAR-002-1a R3/3.1 violations, which FRCC considered the repeat violation to be an aggravating factor in the penalty determination;
2. URE self-reported the seven violations;

<sup>13</sup> See 18 C.F.R. § 39.7(d)(4).

<sup>14</sup> *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). See also *North American Electric Reliability Corporation*, "Notice of No Further Review and Guidance Order," 132 FERC ¶ 61,182 (2010).

3. FRCC reported that URE was cooperative throughout the compliance enforcement process;
4. URE has a compliance program, as discussed in the Disposition Document;
5. There was no evidence of any attempt to conceal a violation nor evidence of intent to do so;
6. the violations did not pose a serious or substantial risk to the BPS, as discussed above and in the Disposition Documents;
7. URE agreed to resolve these issues via settlement before receiving a Notice of Alleged Violation and Proposed Penalty or Sanction from FRCC; and
8. FRCC reported that there were no other mitigating or aggravating factors or extenuating circumstances that would affect the assessed penalty.

For the foregoing reasons, the NERC BOTCC approves the Settlement Agreement and believes that the assessed penalty of one hundred thousand dollars (\$100,000) is appropriate for the violations 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 NOP with FERC, or, if FERC decides to review the penalty, upon final determination by FERC.

### **Request for Confidential Treatment**

Information in and certain attachments to the instant Notice of Penalty include privileged and confidential information as defined by the Commission's regulations at 18 C.F.R. Part 388 and orders, as well as NERC Rules of Procedure including the NERC CMEP Appendix 4C. Specifically, this includes non-public information related to certain Reliability Standard violations, certain Regional Entity investigative files, Registered Entity sensitive business and confidential information exempt from the mandatory public disclosure requirements of the Freedom of Information Act, 5 U.S.C. 552, and should be withheld from public disclosure.

In accordance with the Commission's Rules of Practice and Procedure, 18 C.F.R. § 388.112, a non-public version of the information redacted from the public filing is being provided under separate cover.

Because certain of the attached documents are deemed "confidential" by NERC, Registered Entities and Regional Entities, NERC requests that the confidential, non-public information be provided special treatment in accordance with the above regulation.

**Attachments to be included as Part of this Notice of Penalty**

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

- a) Settlement Agreement by and between FRCC and URE executed November 30, 2010, included as Attachment a;
  - i. Disposition Document for common information, included as Attachment A to the Settlement Agreement;
  - ii. Disposition Document for the violations of CIP-001-1 R1 and R2, included as Attachment B to the Settlement Agreement;
  - iii. Disposition Document for the violation of CIP-004-1 R4, included as Attachment C to the Settlement Agreement;
  - iv. Disposition Document for the violation of FAC-008-1 R1, included as Attachment D to the Settlement Agreement;
  - v. Disposition Document for the violation of FAC-009-1 R1, included as Attachment E to the Settlement Agreement;
  - vi. Disposition Document for the two violation instances of VAR-002-1a R3/3.1, included as Attachment F to the Settlement Agreement;
- b) Record documents for the violations of CIP-001-1 R1 and R2, included as Attachment b:
  1. URE's Self Report dated October 13, 2008;
  2. URE's Mitigation Plan designated as MIT-07-2046 for the violation of CIP-001-1 R1 submitted September 11, 2009;
  3. URE's Mitigation Plan designated as MIT-08-1101 for the violation of CIP-001-1 R2 submitted October 13, 2008;
  4. URE's Certification of Mitigation Plan Completion for CIP-001-1 R1 dated September 11, 2009;
  5. URE's Certification of Mitigation Plan Completion for CIP-001-1 R2 undated and submitted December 1, 2008;
  6. FRCC's Verification of Mitigation Plan Completion for CIP-001-1 R1 dated October 8, 2009;
  7. FRCC's Verification of Mitigation Plan Completion for CIP-001-1 R2 dated December 22, 2008;
- c) Record documents for the violation of CIP-004-1 R4, included as Attachment c:
  1. URE's Self Report dated May 4, 2009;
  2. URE's Mitigation Plan designated as MIT-08-1720 submitted May 12, 2009;
  3. URE's Certification of Mitigation Plan Completion dated November 2, 2009
  4. FRCC's Verification of Mitigation Plan Completion dated February 12, 2010;



- d) Record documents for the violation of FAC-008-1 R1, included as Attachment d:
  - 1. URE's Self Report dated October 13, 2008;
  - 2. URE's Mitigation Plan designated as MIT-08-1100 and Certification of Completion therein submitted October 13, 2008;
  - 5. FRCC's Verification of Mitigation Plan Completion dated October 31, 2008;
- e) Record documents for the violation of FAC-009-1 R1, included as Attachment e:
  - 1. URE's Self Report dated May 22, 2009;
  - 2. URE's Mitigation Plan designated as MIT-07-1745 submitted May 22, 2009;
  - 3. URE's Certification of Mitigation Plan Completion dated November 2, 2009;
  - 3. FRCC's Verification of Mitigation Plan Completion dated December 21, 2009;
- f) Record documents for the two instances of non-compliance with VAR-002-1a R3/3.1 FRCC200900140 and FRCC200900173, included as Attachment f:
  - 1. URE's Self Report for FRCC200900140 dated January 23, 2009;
  - 2. URE's Self Report for FRCC200900173 dated April 9, 2009;
  - 3. URE's Mitigation Plan designated as MIT-09-1484 for FRCC200900140 submitted February 13, 2009;
  - 4. URE's Mitigation Plan designated as MIT-09-1691 for FRCC200900173 and Certification of Completion submitted April 17, 2009;
  - 5. URE's Certification of Completion for FRCC200900140 dated May 27, 2009;
  - 6. FRCC's Verification of Completion for FRCC200900140 dated June 19, 2009; and
  - 7. FRCC's Verification of Completion for FRCC200900173 dated July 28, 2009.

**A Form of Notice Suitable for Publication<sup>15</sup>**

A copy of a notice suitable for publication is included in Attachment g.

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<sup>15</sup> See 18 C.F.R. § 39.7(d)(6).

**Notices and Communications**

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

<p>Gerald W. Cauley                  President and Chief Executive Officer                  David N. Cook*                  Sr. Vice President and General Counsel                  North American Electric Reliability Corporation                  116-390 Village Boulevard                  Princeton, NJ 08540-5721                  (609) 452-8060                  (609) 452-9550 – facsimile                  david.cook@nerc.net</p> <p>Richard Gilbert*                  Manager of Compliance Enforcement                  Florida Reliability Coordinating Council, Inc.                  3000 Bayport Drive, Suite 690                  Tampa, Florida 33607-4512                  (813) 207-7991                  (813) 289-5648 – facsimile                  rgilbert@frcc.com</p> <p>*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.</p>	<p>Rebecca J. Michael*                  Assistant General Counsel                  Davis Smith*                  Attorney                  North American Electric Reliability Corporation                  1120 G Street, N.W.                  Suite 990                  Washington, DC 20005-3801                  (202) 393-3998                  (202) 393-3955 – facsimile                  rebecca.michael@nerc.net                  davis.smith@nerc.net</p> <p>Sarah Rogers*                  President and Chief Executive Officer                  Florida Reliability Coordinating Council, Inc.                  1408 N. Westshore Blvd., Suite 1002                  Tampa, Florida 33607-4512                  (813) 289-5644                  (813) 289-5646 – facsimile                  srogers@frcc.com</p> <p>Linda Campbell*                  VP and Executive Director Standards &amp; Compliance                  Florida Reliability Coordinating Council, Inc.                  1408 N. Westshore Blvd., Suite 1002                  Tampa, Florida 33607-4512                  (813) 289-5644                  (813) 289-5646 – facsimile                  lcampbell@frcc.com</p> <p>Barry Pagel*                  Director of Compliance                  Florida Reliability Coordinating Council, Inc.                  3000 Bayport Drive, Suite 690                  Tampa, Florida 33607-8402                  (813) 207-7968                  (813) 289-5648 – facsimile                  bpagel@frcc.com</p>
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Unidentified Registered Entity  
December 22, 2010  
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PRIVILEGED AND CONFIDENTIAL INFORMATION  
HAS BEEN REMOVED FROM THIS PUBLIC VERSION

## Conclusion

Accordingly, NERC respectfully requests that the Commission accept this Abbreviated NOP as compliant with its rules, regulations and orders.

Respectfully submitted,

Gerald W. Cauley  
President and Chief Executive Officer  
David N. Cook  
Sr. Vice President and General Counsel  
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/s/ Rebecca J. Michael  
Rebecca J. Michael  
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cc: Unidentified Registered Entity.  
Florida Reliability Coordinating Council, Inc.

Attachments

# **Attachment A to the Settlement Agreement**

## **Disposition Document for Common Information**



LIST ANY PRIOR CONFIRMED OR SETTLED VIOLATIONS AND STATUS

ADDITIONAL COMMENTS

(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  
YES  NO   
EXPLAIN

**FRCC determined that URE has a fully documented Internal Compliance Program (ICP) that has been reviewed and approved by an authorized Entity officer or equivalent.**

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.

(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

**URE agreed to resolve these issues via settlement before receiving a Notice of Alleged Violation and Proposed Penalty or Sanction from FRCC.**

(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: **April 24, 2009** OR N/A

**Additional violations contained herein were added to the settlement discussions on May 22, 2009, July 10, 2009 and November 2, 2009**

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

## **Attachment B to the Settlement Agreement**

### **Disposition Document for the violations of CIP- 001-1 R1 and R2**



**DISPOSITION OF VIOLATION**

**Dated July 12, 2010**

NERC TRACKING  
NO.

**R1 - FRCC200800224**  
**R2 - FRCC200800094**

REGIONAL ENTITY TRACKING  
NO.

**R1 - URE\_2009\_08**  
**R2 - URE\_2008\_01**

**I. VIOLATION INFORMATION**

RELIABILITY STANDARD	REQUIREMENT(S)	SUB-REQUIREMENT(S)	VRP(S)	VSL(S)
<b>CIP-001-1</b>	<b>1</b>		<b>MEDIUM</b>	<b>HIGH</b>
<b>CIP-001-1</b>	<b>2</b>		<b>MEDIUM</b>	<b>HIGH</b>

VIOLATION APPLIES TO THE FOLLOWING FUNCTIONS:

BA	DP	GO	GOP	IA	LSE	PA	PSE	RC	RP	RSG	TO	TOP	TP	TSP
X			X		X							X		

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

**The purpose statement of CIP-001-1 provides: “Disturbances or unusual occurrences, suspected or determined to be caused by sabotage, shall be reported to the appropriate systems, governmental agencies, and regulatory bodies.”**

**CIP-001-1 R1 and R2 provide the following requirements:**

**R1. Each Reliability Coordinator, Balancing Authority, Transmission Operator, Generator Operator, and Load Serving Entity shall have procedures for the recognition of and for making their operating personnel aware of sabotage events on its facilities and multi-site sabotage affecting larger portions of the Interconnection.**

**R2. Each Reliability Coordinator, Balancing Authority, Transmission Operator, Generator Operator, and Load Serving Entity shall have procedures for the communication of information concerning sabotage events to appropriate parties in the Interconnection.**

VIOLATION DESCRIPTION

**On October 13, 2008, URE self-reported violations of CIP-001-1 R1, R2 and R3 because it had implemented separate function procedures for the recognition and reporting of sabotage.**

**CIP-001-1 R1**

**URE's violation of CIP-001-1 R1 was initially dismissed by FRCC on October 20, 2008 because FRCC found that URE had sabotage reporting procedures, even though the procedures were unique to each function. Subsequently, during FRCC Compliance Enforcement's review of the self-reported violations during its preparation for the settlement meeting with URE, FRCC requested additional evidence. FRCC reviewed this evidence in August 2009 and determined that URE was in violation of CIP-001-1 R1 because its procedures for certain Entity functions did not include procedures for making its operating personnel aware of sabotage events on its facilities. FRCC determined that URE had complete sabotage procedures as required by CIP-001-1 R1 for its Generator Operator (GOP).**

**Additionally, the existing procedures had been created separately by each of the business units, and FRCC's review of these procedures showed a lack of coordination between the functional areas.**

#### **CIP-001-1 R2**

**URE self-reported that all of its applicable business units had implemented separate procedures for the recognition and reporting of sabotage. URE's internal review of these procedures showed that there was a lack of coordination and therefore URE lacked a clear procedure for reporting sabotage.**

#### **RELIABILITY IMPACT STATEMENT- POTENTIAL AND ACTUAL**

**FRCC finds that the violation did not pose a serious or substantial risk to the reliability of the bulk power system (BPS) because URE had created procedures for the recognition of sabotage events for all of its applicable registered functions, including notification to appropriate parties in the Interconnection. While three functions lacked formal procedures for making URE operating personnel aware of sabotage events, the risk of miscommunication of sabotage events was not serious or substantial because URE operating personnel were trained on how to recognize events and had procedures on how to respond even though it did not include notifying other operating groups within its organization.**

**FRCC determined that the violation of CIP-001-1 R2 did not pose a serious or substantial risk to the reliability of the BPS because URE had procedures for communicating to appropriate parties in the Interconnection, even though the procedures lacked coordination.**

**II. DISCOVERY INFORMATION**

METHOD OF DISCOVERY

- SELF-REPORT
- SELF-CERTIFICATION
- COMPLIANCE AUDIT
- COMPLIANCE VIOLATION INVESTIGATION
- SPOT CHECK
- COMPLAINT
- PERIODIC DATA SUBMITTAL
- EXCEPTION REPORTING

DURATION DATE(S) **6/18/07, the date the Standard became mandatory and enforceable, to 11/20/08; the date URE completed its Mitigation Plans.**

DATE DISCOVERED BY OR REPORTED TO REGIONAL ENTITY **10/13/08**

IS THE VIOLATION STILL OCCURRING

YES  NO

IF YES, EXPLAIN

REMEDIAL ACTION DIRECTIVE ISSUED YES  NO   
PRE TO POST JUNE 18, 2007 VIOLATION YES  NO

**III. MITIGATION INFORMATION**

FOR FINAL ACCEPTED MITIGATION PLAN:

CIP-001-1 R1:

MITIGATION PLAN NO. **MIT-07-2046**  
DATE SUBMITTED TO REGIONAL ENTITY **9/11/09**  
DATE ACCEPTED BY REGIONAL ENTITY **10/8/09**  
DATE APPROVED BY NERC **10/16/09**  
DATE PROVIDED TO FERC **10/16/09**

CIP-001-1 R2:

MITIGATION PLAN NO. **MIT-08-1101**  
DATE SUBMITTED TO REGIONAL ENTITY **10/13/08**  
DATE ACCEPTED BY REGIONAL ENTITY **10/14/08**  
DATE APPROVED BY NERC **11/6/08**  
DATE PROVIDED TO FERC **11/6/08**



EXHIBITS (See Notice of Penalty Attachments):

SOURCE DOCUMENT

**URE's Self Report for the violations of CIP-001-1 R1 and R2 dated October 13, 2008**

MITIGATION PLAN

**URE's Mitigation Plan for the CIP-001-1 R1 violation submitted September 11, 2009**

**URE's Mitigation Plan for the CIP-001-1 R2 violation submitted October 13, 2008**

CERTIFICATION BY REGISTERED ENTITY

**URE's Certification of Completion the CIP-001-1 R1 violation dated September 11, 2009**

**URE's Certification of Completion the CIP-001-1 R2 violation undated and submitted December 1, 2008**

VERIFICATION BY REGIONAL ENTITY

**FRCC's Verification of Completion the CIP-001-1 R1 violation dated October 8, 2009**

**FRCC's Verification of Completion the CIP-001-1 R2 violation dated December 22, 2008**

## **Attachment C to the Settlement Agreement**

### **Disposition Document for the violation of CIP- 004-1 R4**

## DISPOSITION OF VIOLATION

Dated July 12, 2010

NERC TRACKING  
NO. **FRCC200900170**

REGIONAL ENTITY TRACKING  
NO. **URE\_2009\_04**

### I. VIOLATION INFORMATION

RELIABILITY STANDARD	REQUIREMENT(S)	SUB-REQUIREMENT(S)	VRF(S)	VSL(S)
<b>CIP-004-1</b>	<b>4</b>		<b>LOWER</b>	<b>HIGH</b>

VIOLATION APPLIES TO THE FOLLOWING FUNCTIONS:

BA	DP	GO	GOP	IA	LSE	PA	PSE	RC	RP	RSG	TO	TOP	TP	TSP
X												X		

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

**The purpose statement of CIP-004-1 provides, in pertinent part: “Standard CIP-004 requires that personnel having authorized cyber or authorized unescorted physical access to Critical Cyber Assets, including contractors and service vendors, have an appropriate level of personnel risk assessment, training, and security awareness ....”**

**CIP-004-1 R4 provides:**

**R4. Access – The Responsible Entity<sup>1</sup> shall maintain list(s) of personnel with authorized cyber or authorized unescorted physical access to Critical Cyber Assets, including their specific electronic and physical access rights to Critical Cyber Assets.**

**R4.1. The Responsible Entity shall review the list(s) of its personnel who have such access to Critical Cyber Assets quarterly, and update the list(s) within seven calendar days of any change of personnel with such access to Critical Cyber Assets, or any change in the access rights of such personnel. The Responsible Entity shall ensure access list(s) for contractors and service vendors are properly maintained.**

**R4.2. The Responsible Entity shall revoke such access to Critical Cyber Assets within 24 hours for personnel terminated for cause and within seven calendar days for personnel who no longer require such access to Critical Cyber Assets.**

<sup>1</sup> Within the text of Standard CIP-004, “Responsible Entity” shall mean Reliability Coordinator, Balancing Authority, Interchange Authority, Transmission Service Provider, Transmission Owner, Transmission Operator, Generator Owner, Generator Operator, Load Serving Entity, NERC, and Regional Reliability Organizations.

## VIOLATION DESCRIPTION

As of July 1, 2008, URE's control center was required to be compliant with CIP-004-1. During an internal audit of CIP compliance at the control center, URE determined that one contractor had been permitted access to an URE Critical Cyber Asset (CCAs) since the compliance date of July 1, 2008, without the requirements of CIP-004-1 being applied to the contractor.

The identified contractor is the manufacturer of a Disk Storage Area Network (SAN), which is a product that provides disk storage to various servers in a central location. The product provides each server a reserved set of storage devices; and to each server it looks like the disks are locally connected. URE has a maintenance agreement with the contractor to support the SAN. The product is connected via a dial-up modem to the contractor's central support organization, which will automatically report any problems encountered. The contractor's technicians can dial into the product to diagnose the problem and, as necessary, dispatch a technician with appropriate equipment to URE's facility to correct the problem.

On May 4, 2009, URE self-reported its non-compliance with CIP-004-1 R1, R2, R3 and R4 for its failure to include the SAN contractor on its master list of personnel with access rights to CCAs.

## RELIABILITY IMPACT STATEMENT- POTENTIAL AND ACTUAL

FRCC found that the violation did not pose a serious or substantial risk to the reliability of the bulk power system (BPS) because the SAN contractor had internal training related to (1) cyber security; and (2) the need to protect its customers' system information; and conducted pre-employment background checks, even though the contractor's actions did not meet the specific requirements of CIP-004-1. The contractor is a large international corporation that supplies computer storage solutions and maintenance services to state and federal governments, the military, banks and utilities. Therefore, given the contractor's high quality of training and technical skills, and the contractor's qualifications to work in other highly sensitive areas, FRCC determined that there was minimal risk to the BPS.

## II. 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) **7/1/08, the date the Standard became mandatory and enforceable for Table 1 entities with respect to their control center assets, to 10/30/09, the date URE completed its Mitigation Plan.**

DATE DISCOVERED BY OR REPORTED TO REGIONAL ENTITY **5/4/09**

IS THE VIOLATION STILL OCCURRING

YES  NO

IF YES, EXPLAIN

REMEDIAL ACTION DIRECTIVE ISSUED YES  NO   
PRE TO POST JUNE 18, 2007 VIOLATION YES  NO

### **III. MITIGATION INFORMATION**

FOR FINAL ACCEPTED MITIGATION PLAN:

MITIGATION PLAN NO. **MIT-08-1720**

DATE SUBMITTED TO REGIONAL ENTITY **5/12/09<sup>2</sup>**  
DATE ACCEPTED BY REGIONAL ENTITY **5/15/09**  
DATE APPROVED BY NERC **6/22/09**  
DATE PROVIDED TO FERC **6/25/09**

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

MITIGATION PLAN COMPLETED YES  NO

EXPECTED COMPLETION DATE **10/30/09**  
EXTENSIONS GRANTED **NONE**  
ACTUAL COMPLETION DATE **10/30/09**

DATE OF CERTIFICATION LETTER **11/2/09**  
CERTIFIED COMPLETE BY REGISTERED ENTITY AS OF **10/30/09**

DATE OF VERIFICATION LETTER **2/12/10**  
VERIFIED COMPLETE BY REGIONAL ENTITY AS OF **10/30/09**

ACTIONS TAKEN TO MITIGATE THE ISSUE AND PREVENT RECURRENCE

**URE conducted a comprehensive review of the current processes and procedures related to contractors and CIP-004-1. This review included**

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<sup>2</sup> URE submitted a draft Mitigation Plan on May 4, 2009. This plan was revised to address errors in the plan and to provide additional information to some sections of the plan and resubmitted on May 12, 2009.

**contracts, training, awareness reinforcement and tracking, and termination (all the CIP-004-1 requirements that involve contractors). Based upon this review, the task force developed specific and sustainable processes and procedural improvements to (1) to bring the SAN contractor into compliance with CIP-004-1; and (2) ensure that all other existing and future contractors with authorized cyber or authorized unescorted physical access to URE's CCAs are in sustainable compliance with CIP-004-1. From this review, URE was to implement any recommendations, test the effectiveness of those changes, determine if additional improvements were needed and implement further necessary changes.**

**Specifically, URE made changes to the legal contracts and service agreements with all contractors who had any access to URE's CCAs. As per the new program, URE requires all contractor employees to complete CIP-004 compliant background checks and the URE approved CIP-004 training programs, and to submit the test results to URE. URE verifies the completion of the above requirements and only then will URE initiate access requests for contract employees. To process and approve access requests for contract employees, URE's security controls determine eligibility by verifying that background check and training requirements have been completed. URE security controls also verify the reporting manager's required training for CIP-004 compliance.**

**URE also improved their compliance program by adding CIP-004 supervisor training to address timely revocation of access rights in cases of change of access or termination for cause.**

**During an on-site CIP Spot Check, FRCC verified URE's completion of the Mitigation Plan.**

**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)**

- **URE Mitigation Plan submittal and completion of Mitigation Plan Milestones**
- **PowerPoint presentations regarding the NERC CIP Cyber Security**
- **CIP contractor personnel access to CCA training**
- **CIP annual CCA access training for the employees**
- **CIP-004 training for the supervisors**
- **Checklist for additions and removals of users from the CCA systems**
- **List of contractors with access to the CCAs**

EXHIBITS:

SOURCE DOCUMENT

**URE's Self Report dated May 4, 2009**

MITIGATION PLAN

**URE's Mitigation Plan submitted May 12, 2009**

CERTIFICATION BY REGISTERED ENTITY

**URE's Certification of Completion dated November 2, 2009**

REGIONAL ENTITY'S VERIFICATION OF COMPLETION

**FRCC's Verification of Completion dated February 12, 2010**

## **Attachment D to the Settlement Agreement**

### **Disposition Document for the violation of FAC- 008-1 R1**

## DISPOSITION OF VIOLATION

Dated July 12, 2010

NERC TRACKING  
NO. **FRCC200800096**

REGIONAL ENTITY TRACKING  
NO. **URE\_2008\_03**

### I. VIOLATION INFORMATION

RELIABILITY STANDARD	REQUIREMENT(S)	SUB-REQUIREMENT(S)	VRF(S)	VSL(S)
<b>FAC-008-1</b>	<b>1</b>		<b>LOWER</b>	<b>SEVERE</b>

VIOLATION APPLIES TO THE FOLLOWING FUNCTIONS:

BA	DP	GO	GOP	IA	LSE	PA	PSE	RC	RP	RSG	TO	TOP	TP	TSP
		X												

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

**The purpose statement of FAC-008-1 provide: “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-008-1 R1 provides:**

**The Transmission Owner and Generator Owner shall each document its current methodology used for developing Facility Ratings (Facility Ratings Methodology) of its solely and jointly owned Facilities. The methodology shall include all of the following:**

**R1.1. A statement that a Facility Rating shall equal the most limiting applicable Equipment Rating of the individual equipment that comprises that Facility.**

**R1.2. The method by which the Rating (of major BES equipment that comprises a Facility) is determined.**

**R1.2.1. The scope of equipment addressed shall include, but not be limited to, generators, transmission conductors, transformers, relay protective devices, terminal equipment, and series and shunt compensation devices.**

**R1.2.2. The scope of Ratings addressed shall include, as a minimum, both Normal and Emergency Ratings.**

**R1.3. Consideration of the following:**

**R1.3.1. Ratings provided by equipment manufacturers.**

**R1.3.2. Design criteria (e.g., including applicable references to industry Rating practices such as manufacturer’s warranty, IEEE, ANSI or other standards).**

**R1.3.3. Ambient conditions.**

**R1.3.4. Operating limitations.**

**R1.3.5. Other assumptions.**

**VIOLATION DESCRIPTION**

**During URE’s review of its compliance with FAC-008-1, URE discovered that one of its divisions did not have a written formal Facility Ratings Methodology document. URE self-reported its non-compliance on October 13, 2008.**

**RELIABILITY IMPACT STATEMENT- POTENTIAL AND ACTUAL**

**FRCC determined that the violation did not pose a serious or substantial risk to the reliability of the bulk power system because URE had established Facility Ratings using the same basic methodology as is stated in its generation Facility Ratings Methodology document,<sup>1</sup> even though one of its divisions did not have a written document that stated this methodology.**

**II. DISCOVERY INFORMATION**

**METHOD OF DISCOVERY**

- SELF-REPORT
- SELF-CERTIFICATION
- COMPLIANCE AUDIT
- COMPLIANCE VIOLATION INVESTIGATION
- SPOT CHECK
- COMPLAINT
- PERIODIC DATA SUBMITTAL
- EXCEPTION REPORTING

**DURATION DATE(S) 6/18/07, the date the Standard became mandatory and enforceable, to 9/29/08, the date URE completed its Mitigation Plan.**

**DATE DISCOVERED BY OR REPORTED TO REGIONAL ENTITY 10/13/08**

**IS THE VIOLATION STILL OCCURRING**

**YES  NO**

**IF YES, EXPLAIN**

<sup>1</sup> In URE’s generation Facility Ratings Methodology, real power is based on historical performance, and Reactive Power is based on generator capability curves and excitation limiters, corrected for ambient conditions and/or equipment limitations.

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"/>

**III. MITIGATION INFORMATION**

FOR FINAL ACCEPTED MITIGATION PLAN:

MITIGATION PLAN NO. **MIT-08-1100**  
 DATE SUBMITTED TO REGIONAL ENTITY **10/13/08**  
 DATE ACCEPTED BY REGIONAL ENTITY **10/14/08**  
 DATE APPROVED BY NERC **11/6/08**  
 DATE PROVIDED TO FERC **11/6/08**

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

MITIGATION PLAN COMPLETED YES  NO

EXPECTED COMPLETION DATE **9/29/08**  
 EXTENSIONS GRANTED **NONE**  
 ACTUAL COMPLETION DATE **9/29/08**

DATE OF CERTIFICATION LETTER **10/13/08**  
 CERTIFIED COMPLETE BY REGISTERED ENTITY AS OF **9/29/08**

DATE OF VERIFICATION LETTER **10/31/08**  
 VERIFIED COMPLETE BY REGIONAL ENTITY AS OF **9/29/08**

ACTIONS TAKEN TO MITIGATE THE ISSUE AND PREVENT RECURRENCE

**The URE generation Facility Ratings Methodology document was modified to include one of its divisions and that document was posted on URE’s OASIS.**

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)

**URE’s generator Facility Rating Methodology. This document includes the missing division in the URE’s generation Facility Ratings Methodology.**

EXHIBITS:

SOURCE DOCUMENT

**URE's Self Report dated October 13, 2008**

MITIGATION PLAN

**URE's Mitigation Plan submitted October 13, 2008**

CERTIFICATION BY REGISTERED ENTITY

**URE's Certification of Completion contained within the Mitigation Plan  
submitted October 13, 2008**

REGIONAL ENTITY'S VERIFICATION OF COMPLETION

**FRCC's Verification of Completion dated October 31, 2008**



## **Attachment E to the Settlement Agreement**

### **Disposition Document for the violation of FAC- 009-1 R1**

**DISPOSITION OF VIOLATION**

**Dated July 12, 2010**

NERC TRACKING  
NO. **FRCC200900180**

REGIONAL ENTITY TRACKING  
NO. **URE\_2009\_07**

**I. VIOLATION INFORMATION**

RELIABILITY STANDARD	REQUIREMENT(S)	SUB-REQUIREMENT(S)	VRF(S)	VSL(S)
<b>FAC-009-1</b>	<b>1</b>		<b>MEDIUM</b>	<b>HIGH</b>

VIOLATION APPLIES TO THE FOLLOWING FUNCTIONS:

BA	DP	GO	GOP	IA	LSE	PA	PSE	RC	RP	RSG	TO	TOP	TP	TSP
											X			

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: “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

**During URE’s 2009 first quarter follow-up to its 2008 self-assessment for compliance with FAC-009, URE discovered its non-compliance with the Standard. On May 22, 2009, URE self-reported that certain Emergency Ratings for transmission lines and certain Normal and Emergency Ratings for autotransformers had not been consistent with their established Facility Ratings Methodology. Specifically, URE’s FAC-008 Facility Ratings Methodology requires that a Facility Rating be equal to the most limiting applicable equipment. In some circumstances, the Emergency Ratings for transmission lines, and Normal and Emergency Ratings for autotransformers, were not equal to the most limiting applicable equipment.**

RELIABILITY IMPACT STATEMENT- POTENTIAL AND ACTUAL

**FRCC finds that the violation did not pose a serious or substantial risk to the reliability of the bulk power system (BPS) because URE had established a Facility Ratings Methodology and had assigned ratings to equipment, even though URE did**

not always equal ratings to the most limiting element. Running URE's most limiting element above its rating would shorten the life of the element, but it would not trip the generator. In the event that the most limiting element would fail, URE has redundant equipment. This could affect URE's resources, but it would not affect the reliability of the BPS.

**II. DISCOVERY INFORMATION**

METHOD OF DISCOVERY

- SELF-REPORT
- SELF-CERTIFICATION
- COMPLIANCE AUDIT
- COMPLIANCE VIOLATION INVESTIGATION
- SPOT CHECK
- COMPLAINT
- PERIODIC DATA SUBMITTAL
- EXCEPTION REPORTING

DURATION DATE(S) **6/18/07, the date the Standard became mandatory and enforceable, to 10/30/09, the date URE completed its Mitigation Plan.**

DATE DISCOVERED BY OR REPORTED TO REGIONAL ENTITY **5/22/09**

IS THE VIOLATION STILL OCCURRING

YES  NO

IF YES, EXPLAIN

REMEDIAL ACTION DIRECTIVE ISSUED YES  NO   
PRE TO POST JUNE 18, 2007 VIOLATION YES  NO

**III. MITIGATION INFORMATION**

FOR FINAL ACCEPTED MITIGATION PLAN:

MITIGATION PLAN NO. **MIT-07-1745**  
DATE SUBMITTED TO REGIONAL ENTITY **5/22/09**  
DATE ACCEPTED BY REGIONAL ENTITY **5/26/09**  
DATE APPROVED BY NERC **6/15/09**  
DATE PROVIDED TO FERC **6/15/09**

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

MITIGATION PLAN COMPLETED YES  NO

EXPECTED COMPLETION DATE **10/30/09**  
EXTENSIONS GRANTED **NONE**  
ACTUAL COMPLETION DATE **10/30/09**

DATE OF CERTIFICATION LETTER **11/2/09**  
CERTIFIED COMPLETE BY REGISTERED ENTITY AS OF **10/30/09**

DATE OF VERIFICATION LETTER **12/21/09**  
VERIFIED COMPLETE BY REGIONAL ENTITY AS OF **10/30/09**

ACTIONS TAKEN TO MITIGATE THE ISSUE AND PREVENT  
RECURRENCE

**URE reviewed all of its transmission related facility ratings, which were a part of the BES. URE then reviewed its Facility Ratings Methodology for transmission facilities, made any necessary updates and posted updates on the OASIS. URE also ensured that all transmission related Facility Ratings were at least equal to the ratings of the most limiting applicable equipment. As revised Facility Ratings were developed, URE communicated that to appropriate parties consistent with FAC-009-1 R2.**

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)

- **Mitigation Plan milestone completion documents**
- **Spreadsheets regarding rating changes, de-rated facilities and autotransformer information**

EXHIBITS:

SOURCE DOCUMENT  
**URE's Self-Report dated May 22, 2009**

MITIGATION PLAN  
**URE's Mitigation Plan submitted May 22, 2009**

CERTIFICATION BY REGISTERED ENTITY  
**URE's Certification of Completion dated November 2, 2009**

REGIONAL ENTITY'S VERIFICATION OF COMPLETION  
**FRCC's Verification of Completion dated December 21, 2009**

## **Attachment F to the Settlement Agreement**

### **Disposition Document for the two violation instances of VAR-002-1a R3/3.1**

## DISPOSITION OF VIOLATION

Dated July 12, 2010

NERC TRACKING NO.

**FRCC200900140 (first instance)**

**FRCC200900173 (second instance)**

REGIONAL ENTITY TRACKING NO.

**URE\_2009\_01**

**URE\_2009\_06**

### I. VIOLATION INFORMATION

RELIABILITY STANDARD	REQUIREMENT(S)	SUB-REQUIREMENT(S)	VRF(S)	VSL(S)
<b>VAR-002-1a</b>	<b>3</b>	<b>3.1</b>	<b>MEDIUM</b>	<b>LOWER</b>
<b>VAR-002-1a</b>	<b>3</b>	<b>3.1</b>	<b>MEDIUM</b>	<b>MODERATE</b>

VIOLATION APPLIES TO THE FOLLOWING FUNCTIONS:

BA	DP	GO	GOP	IA	LSE	PA	PSE	RC	RP	RSG	TO	TOP	TP	TSP
			X											

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

**The purpose of Reliability Standard VAR-002-1 is “[t]o ensure generators provide reactive and voltage control necessary to ensure voltage levels, reactive flows, and reactive resources are maintained within applicable Facility Ratings to protect equipment and the reliable operation of the Interconnection.”**

**VAR-002-1 R3 requires in pertinent part:**

**R3. Each Generator Operator shall notify its associated Transmission Operator as soon as practical, but within 30 minutes of any of the following:**

**R3.1. A status or capability change on any generator Reactive Power resource, including the status of each automatic voltage regulator and power system stabilizer and the expected duration of the change in status or capability.**

VIOLATION DESCRIPTION

**First Instance:**

**On January 7, 2009, during preparation for start up of a combustion turbine (CT) B, the control room operator noticed an indication that the power system stabilizer on one generator was not set to automatically turn on at a specified level of generation. The operator immediately enabled the power system stabilizer automatic operation prior to this generator going on line. Management within URE’s generation division was notified and an investigation into why this power system stabilizer was not set to automatically turn “on” was pursued.**

The investigation found that in order to perform maintenance and replace a circuit board on the CT's exciter, the excitation system had to be de-energized (the generator was off-line). De-energizing the excitation system caused the power system stabilizer logic for automatic turn-on to change state. The technician working on the circuit board replacement was not aware that the power system stabilizer automatic turn-on logic had changed state, and did not become aware of it until four days later, when the CT was brought back on line. When the CT was brought back online after the circuit board replacement was completed the power system stabilizer did not automatically turn on. The System Operator (Transmission Operator or TOP) was not notified within the thirty minute threshold required by VAR-002-1a R3.

**Second Instance:**

During startup of a CT unit, an alarm was telemetered from the Generator Operator (GOP) to the System Operator notifying the TOP that the automatic voltage regulator (AVR) for this unit was in the "abnormal" off position instead of the "normal" on position. This alarm is an instantaneous notification from the GOP to the TOP that there is a change in the status of the AVR. While the alarm notifies the TOP of a change in status of the AVR, it does not provide the TOP any indication of the "expected duration" in the change of status of the AVR as required by VAR-002-1 R3. Under URE's procedures, the GOP is required to call the TOP within 30 minutes of any change in status of an AVR and provide an "expected duration" in the change in status if that duration is known or can be estimated. This call did not occur within 30 minutes. It took 76 minutes for the GOP to notify the TOP.

RELIABILITY IMPACT STATEMENT- POTENTIAL AND ACTUAL

**First Instance:**

FRCC determined that the first instance of the violation did not pose a serious or substantial risk to the reliability of the bulk power system (BPS) because, even though URE had not contacted the TOP within 30 minutes, at no time had the unit been online without the stabilizer being in service. This event occurred on only one of the CT generators. The other CT generator power system stabilizers were in service.

**Second Instance:**

FRCC determined that the second instance of the violation did not pose a serious or substantial risk to the reliability of the BPS because, even though GOP had not notified the TOP within 30 minutes, the TOP was aware the AVR was offline due to a Supervisory Control and Data Acquisition (SCADA) alarm and had reviewed the contingency analysis program for any potential issues. By performing the contingency analysis, the TOP was able to verify there were no risks to the bulk power system in having this AVR offline. The essence of this violation is that URE failed to notify the TOP of the expected duration that its AVR would be offline.

**II. DISCOVERY INFORMATION**

METHOD OF DISCOVERY

- SELF-REPORT
- SELF-CERTIFICATION
- COMPLIANCE AUDIT
- COMPLIANCE VIOLATION INVESTIGATION
- SPOT CHECK
- COMPLAINT
- PERIODIC DATA SUBMITTAL
- EXCEPTION REPORTING

DURATION DATE(S)

**First Violation: 1/3/09, the date the power system stabilizer changed state, to 5/27/09, the date URE completed its Mitigation Plan.**

**Second Violation: For 76 minutes on 3/12/09**

DATE DISCOVERED BY OR REPORTED TO REGIONAL ENTITY

**First Violation: 1/23/09**  
**Second Violation: 4/9/09**

IS THE VIOLATION STILL OCCURRING

YES  NO

IF YES, EXPLAIN

REMEDIAL ACTION DIRECTIVE ISSUED YES  NO   
PRE TO POST JUNE 18, 2007 VIOLATION YES  NO

**III. MITIGATION INFORMATION**

FOR FINAL ACCEPTED MITIGATION PLAN:

FIRST VIOLATION MITIGATION PLAN NO. **MIT-09-1484<sup>1</sup>**  
DATE SUBMITTED TO REGIONAL ENTITY **2/13/09**  
DATE ACCEPTED BY REGIONAL ENTITY **2/13/09**  
DATE APPROVED BY NERC **3/16/09**  
DATE PROVIDED TO FERC **3/18/09**

SECOND VIOLATION MITIGATION PLAN NO. **MIT-09-1691**  
DATE SUBMITTED TO REGIONAL ENTITY **4/17/09**  
DATE ACCEPTED BY REGIONAL ENTITY **4/17/09**  
DATE APPROVED BY NERC **5/18/09**  
DATE PROVIDED TO FERC **5/18/09**

<sup>1</sup> Although these violations were two instances of the same action of non-compliance (not reporting to the TOP within 30 minutes), URE submitted two mitigation plans to address each of the instances individually.





**ACTIONS TAKEN TO MITIGATE THE ISSUE AND PREVENT  
RECURRENCE**

**First Violation:**

- 1. For URE's facility: URE implemented an alarm to alert the GOP in the plant control room when the automatic turn-on feature is disabled. Control room personnel will then immediately contact the System Operator (TOP) if the generator will be operated with the power system stabilizer turned off;**
- 2. URE's start-up procedure was modified to include ensuring the power system stabilizer is enabled for automatic turn-on operation prior to going on line; and**
- 3. an automatic notification system has been configured to send an e-mail or text message to the appropriate management personnel when the power system stabilizer automatic turn on feature is disabled.**

**URE also initiated an investigation to determine the need to implement process improvements to all URE generating units with power system stabilizers.**

**For URE's other units:**

- 1. URE installed an alarm to alert the GOP in the plant control room when the power system stabilizer changes state while the unit is on-line; control room personnel would then notify the System Operator (TOP) if the generator will be operated with the power system stabilizer in a state other than its required state (enabled or disabled) and the duration of the outage of the power system stabilizer;**
- 2. Start up procedures will be modified to ensure the power system stabilizer is in its required state prior to the unit going on line; and**
- 3. The installation of an automatic notification system to send an e-mail or text message to the appropriate management personnel when the power system stabilizer changes state and the unit is on-line (as a backup method to the process above).**

**For URE's other units:**

- 1. The power system stabilizer is manually placed in service and verified to be operational during unit startup. Status lights are available in the main control room that allow for continuous monitoring of the power system stabilizer by the unit operator. Inspection of watch procedures will be revised to log the status of the power system stabilizer and require the System Operator (TOP) to be notified**

**within 30 minutes if there is a change in power system stabilizer status.**

**Second Violation:**

**URE committed to reinforcing with plant operators the importance of meeting the requirements of VAR-002-1 R3 consistent with URE written corporate generation procedures and processes.**

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)

**First Violation:**

**A memo, which provides evidence that a power system stabilizer alarm will alert the GOP in the plant control room when the automatic turn on feature is disabled, a messenger alert will send a text message to key management personnel, and start-up procedures have been modified as required.**

**A memo, which provides evidence that start-up procedure language has been modified to ensure the power system stabilizer is in its expected state prior to the generator going on-line, control room alarms were installed to alert the GOP when the power system stabilizer changes state while the generator is online, and automatic email notifications will be sent to appropriate management personnel when the power system stabilizer changes state and the generator is on line.**

**A document, which provides evidence that URE conducted an analysis and investigation after the VAR-002-1a R3 violation and found that operating procedures and operator rounds and logs needed to be revised to verify the status of the power system stabilizer on a regular basis. Six process improvement steps were listed and closed after actions were performed.**

**Second Violation:**

**A document includes notes that URE conducted a meeting and discussed reinforcing VAR-002 procedures (specifically the 30-minute notification). The meeting was conducted again a day later for two sites not in attendance for the first meeting.**

**EXHIBITS:**

**SOURCE DOCUMENT**

**URE's Self Report for FRCC200900140 dated January 23, 2009**

**URE's Self Report for FRCC200900173 dated April 9, 2009**

MITIGATION PLAN

**URE's Mitigation Plan for FRCC200900140 dated February 13, 2009**

**URE's Mitigation Plan for FRCC200900173 dated April 17, 2009**

CERTIFICATION BY REGISTERED ENTITY

**URE's Certification of Completion for FRCC200900140 dated May 27, 2009**

**URE's Certification of Completion for FRCC200900173 dated April 17, 2009**

REGIONAL ENTITY'S VERIFICATION OF COMPLETION

**FRCC's Verification of Completion for FRCC200900140 dated June 19, 2009**

**FRCC's Verification of Completion for FRCC200900173 dated July 28, 2009**