



NORTH AMERICAN ELECTRIC
RELIABILITY CORPORATION

PRIVILEGED AND CONFIDENTIAL INFORMATION
HAS BEEN REMOVED FROM THIS PUBLIC VERSION

June 29, 2011

Ms. Kimberly D. 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 violations¹ discussed in detail in the Settlement Agreement (Attachment a) and the Disposition Documents 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)).²

This NOP is being filed with the Commission because Southwest Power Pool Regional Entity (SPP RE) and URE have entered into a Settlement Agreement to resolve all outstanding issues arising from SPP RE's determination and findings of the violations of FAC-003-1 Requirement (R) 2, FAC-008-1 R1 and CIP-003-1 R1. According to the Settlement Agreement, URE neither admits nor denies the violations and has agreed to the assessed penalty of thirty thousand dollars (\$30,000), 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.

¹ 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.

² *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 (2011). *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).

Accordingly, the violations identified as NERC Violation Tracking Identification Numbers SPP200700001, SPP200800062 and SPP200900149 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 April 27, 2011, by and between SPP RE 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.

NOC ID	NERC Violation ID	Reliability Std.	Req. (R)	VRF	Duration	Total Penalty (\$)
NOC-096	SPP200700001	FAC-003-1	2	High ³	6/27/07-6/27/07	30,000
NOC-096	SPP200800062	FAC-008-1	1	Medium	6/18/07-10/15/10	
NOC-096	SPP200900149	CIP-003-1	1	Lower ⁴	7/1/09-11/13/09	

The text of the Reliability Standards at issue and further information on the subject violations are set forth in the Disposition Documents.

FAC-003-1 R2 - OVERVIEW

URE identified and removed vegetation that contacted its 161 kV transmission line⁵ and reported it to SPP RE in a periodic data submittal on August 1, 2007. SPP RE determined that URE did not effectively implement its annual Transmission Vegetation Management Plan (TVMP). Specifically, URE did not ensure that its vegetation management work was completed according to its work specifications, which resulted in a six-minute outage of its transmission line.

FAC-008-1 R1 - OVERVIEW

During a Compliance Audit of URE, SPP RE determined that URE did not have a generation Facility Ratings Methodology meeting all the sub-requirements of FAC-008-1 R1. Specifically, URE did not: (1) include a statement that the Facility Rating for its generating Facilities shall

³ At the time of the violation, the Standard had Levels of Non-Compliance (LNCs) instead of VSLs. SPP RE determined a “Level 3” LNC because the instant transmission vegetation-related outage, described below, was the single Category 1 transmission vegetation-related outage reported by URE in 2007. SPP RE equated the applicable LNC to a “High” VSL for sanctioning pursuant to the NERC Sanction Guidelines. NERC subsequently filed proposed VSLs for several standards, including FAC-003-1, that was approved by FERC in an Order dated June 19, 2008.

⁴ CIP-003-1 R1 has a “Medium” Violation Risk Factor (VRF); R1.1, R1.2 and R1.3 each have a “Lower” VRF. In the context of this case, SPP RE determined the violation related to R1.1, and therefore a “Lower” VRF is appropriate.

⁵ At the time of the violation, the 161 kV transmission line was designated a critical facility for the purposes of compliance with FAC-003-1.

equal the most limiting applicable Equipment Rating of the individual equipment that comprises the generating Facility; (2) include the scope of the equipment addressed in determining the generator Facility Rating, including the Rating of such equipment; (3) address Normal and Emergency Ratings; nor (4) consider Ratings provided by equipment manufacturers and design criteria.

CIP-003-1 R1 - OVERVIEW

During a Spot Check of URE, SPP RE determined that URE did not document and implement a cyber security policy that addressed all the requirements in Standards CIP-002 through CIP-009. Specifically, URE's cyber security policy did not conform to the password complexity defined in CIP-007-1 R5.3.2.⁶

Statement Describing the Assessed Penalty, Sanction or Enforcement Action Imposed⁷

Basis for Determination

Taking into consideration the Commission's direction in Order No. 693, the NERC Sanction Guidelines, the Commission's July 3, 2008, October 26, 2009 and August 27, 2010 Guidance Orders,⁸ the NERC BOTCC reviewed the Settlement Agreement and supporting documentation on April 11, 2011. The NERC BOTCC approved the Settlement Agreement, including SPP RE's assessment of a thirty thousand dollar (\$30,000) 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:⁹

1. The violations constituted URE's first occurrence of violation of the subject NERC Reliability Standards;
2. SPP RE reported that URE was cooperative throughout the compliance enforcement process;
3. there was no evidence of any attempt to conceal a violation nor evidence of intent to do so;
4. SPP RE determined that the violations posed a minimal risk and did not pose a serious or substantial risk to the reliability of the bulk power system (BPS), as discussed in the Disposition Documents; and

⁶ SPP RE will evaluate URE's compliance with the password requirements of CIP-007-1 R5.3.2 outside of this proceeding.

⁷ See 18 C.F.R. § 39.7(d)(4).

⁸ *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).

⁹ SPP RE considered URE's compliance program a neutral factor in determining the penalty, as discussed in the Disposition Documents.

5. SPP RE 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 approved the Settlement Agreement and believes that the assessed penalty of thirty thousand dollars (\$30,000) 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 NOP include 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 to the Rules of Procedure. This includes non-public information related to certain Reliability Standard violations, certain Regional Entity investigative files, Registered Entity sensitive business information and confidential information regarding critical energy infrastructure.

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 SPP RE and URE executed April 27, 2011, included as Attachment a;
 - i. Disposition Document for Common Information, included as Attachment 1 to the Settlement Agreement;
 - ii. Disposition Document for FAC-003-1 R2, included as Attachment 1.a to the Settlement Agreement;
 - iii. Disposition Document for FAC-008-1 R1, included as Attachment 1.b to the Settlement Agreement; and
 - iv. Disposition Document for CIP-003-1 R1, included as Attachment 1.c to the Settlement Agreement.
- b) Record Documents for FAC-003-1 R2, included as Attachment b;

- i. URE's NERC Quarterly Vegetation Outage Report for 2nd Quarter of 2007 for FAC-003-1 R2, included as Attachment b-1;
 - ii. URE's Mitigation Plan MIT-07-0528, included as Attachment b-2; and
 - iii. URE's Certification of Mitigation Plan Completion, included as Attachment b-3.
- c) Record Documents for FAC-008-1 R1, included as Attachment c;
 - i. SPP RE's Compliance Audit Report for URE, included as Attachment c-1;
 - ii. URE's Mitigation Plan MIT-07-2254, included as Attachment c-2;
 - iii. URE's Certification of Mitigation Plan Completion, included as Attachment c-3; and
 - iv. SPP RE's Verification of Mitigation Plan Completion, included as Attachment c-4.
- d) Record Documents for CIP-003-1 R1, included as Attachment d.
 - i. SPP RE's Spot Check Report for URE, included as Attachment d-1;
 - ii. URE's Mitigation Plan MIT-08-2188, included as Attachment d-2;
 - iii. URE's Certification of Mitigation Plan Completion, included as Attachment d-3; and
 - iv. SPP RE's Verification of Mitigation Plan Completion dated April 16, 2010, included as Attachment d-4.

A Form of Notice Suitable for Publication¹⁰

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

¹⁰ 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>Stacy Dochoda* General Manager Southwest Power Pool Regional Entity 16101 La Grande, Ste 103 Little Rock, AR 72223 (501) 688-1730 (501) 821-8726 – facsimile sdochoda@spp.org</p> <p>Joe Gertsch* Manager of Enforcement Southwest Power Pool Regional Entity 16101 La Grande, Ste 103 Little Rock, AR 72223 (501) 688-1672 (501) 821-8726 – facsimile jgertsch@spp.org</p> <p>Machelle Smith* Regional Entity Clerk Southwest Power Pool Regional Entity 16101 La Grande, Ste 103 Little Rock, AR 72223 (501) 688-1681 (501) 821-8726 – facsimile spprefileclerk@spp.org</p>	<p>Rebecca J. Michael* Associate General Counsel for Corporate and Regulatory Matters Sonia C. Mendonça* 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 sonia.mendonca@nerc.net</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>
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Conclusion

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

Respectfully submitted,

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cc: Unidentified Registered Entity
Southwest Power Pool Regional Entity

Attachments

Disposition Document for Common Information

**PREVIOUSLY FILED VIOLATIONS OF OTHER RELIABILITY
STANDARD(S) OR REQUIREMENTS THEREUNDER**

YES NO

LIST 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 **UNDETERMINED**

EXPLAIN

SPP RE determined that URE had elements of a compliance program in place at the time of the violations, but did not consider it a factor in the determination of the penalty.

**DOES SENIOR MANAGEMENT TAKE ACTIONS THAT
SUPPORT THE COMPLIANCE PROGRAM, SUCH AS
TRAINING, COMPLIANCE AS A FACTOR IN EMPLOYEE
EVALUATIONS, OR OTHERWISE**

YES NO

EXPLAIN

**EXPLAIN SENIOR MANAGEMENT'S ROLE AND
INVOLVEMENT WITH RESPECT TO THE REGISTERED
ENTITY'S COMPLIANCE PROGRAM**

(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

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Attachment 1

OTHER RELEVANT INFORMATION:

**NOTICE OF ALLEGED VIOLATION AND PROPOSED PENALTY OR
SANCTION ISSUED**

SPP200700001 DATE: December 18, 2007
SPP200800062 DATE: December 2, 2009
SPP200900149 DATE: December 9, 2009

SETTLEMENT REQUEST DATE

SPP200700001 DATE: February 8, 2008
SPP200800062 DATE: December 21, 2009
SPP200900149 DATE: January 8, 2010

NOTICE OF CONFIRMED VIOLATION ISSUED

SPP200700001 N/A
SPP200800062 N/A
SPP200900149 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

Disposition Document for FAC-003-1 R2

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Attachment 1.a

DISPOSITION OF VIOLATION

Dated April 13, 2011

NERC TRACKING NO.
SPP20070001

REGIONAL ENTITY TRACKING NO.
2007-001

I. VIOLATION INFORMATION

RELIABILITY STANDARD	REQUIREMENT(S)	SUB-REQUIREMENT(S)	VRF(S)	VSL(S)
FAC-003-1	2		High	High ¹

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

The purpose statement of FAC-003-1 provides:

To improve the reliability of the electric transmission systems by preventing outages from vegetation located on transmission rights-of-way (ROW) and minimizing outages from vegetation located adjacent to ROW, maintaining clearances between transmission lines and vegetation on and along transmission ROW, and reporting vegetation related outages of the transmission systems to the respective Regional Reliability Organizations (RRO) and the North American Electric Reliability Council (NERC).

FAC-003-1 R2 provides:

R2. The Transmission Owner shall create and implement an annual plan for vegetation management work to ensure the reliability of the system. The plan shall describe the methods used, such as manual clearing, mechanical clearing, herbicide treatment, or other actions. The plan should be flexible enough to adjust to changing conditions, taking into consideration anticipated growth of vegetation and all other environmental factors that may have an impact on the reliability of the transmission systems. Adjustments to the plan shall be documented as they occur. The plan should take into consideration the time required to obtain permissions or permits from landowners or regulatory authorities. Each Transmission Owner shall have systems and procedures for documenting and tracking the planned vegetation management work and ensuring that the vegetation management work was completed according to work specifications.

¹ See Compliance Filing of the North American Electric Reliability Corporation in Response to FERC Order, 118 FERC ¶ 61,030, January 17, 2008, at P 92 providing that “until such time as Violation Severity Levels are assigned individually for each requirement of each Reliability Standard, the existing Levels of Non-Compliance will serve as the basis of or, where warranted, be used “as is” as, Violation Severity Levels for sanctioning pursuant to the Sanctions Guidelines.”

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Attachment 1.a

FAC-003-1 applies to all transmission lines operated at 200 kV and above and to any lower voltage lines designated by the RRO, which in this case is SPP RE, as critical to the reliability of the electric system in the region.

VIOLATION DESCRIPTION

URE submitted a quarterly vegetation contact report to SPP RE. Therein, URE identified a vegetation contact on a 161 kV transmission line. The vegetation contact caused an outage of the transmission line lasting for approximately six (6) minutes. No URE load was interrupted by the outage. The vegetation contact was caused by a willow tree that had grown inside the ROW, next to the transmission line. The vegetation contact was confirmed by URE via an aerial inspection performed later the same day. The tree was removed by a ground crew immediately thereafter. Removal of the tree did not require the 161 kV transmission line to be de-energized.

URE's 2007 2nd Quarter vegetation contact report classified the outage as a Category 1 outage to the transmission line. A Category 1 outage is an outage caused by vegetation growing in the ROW that contacts the transmission line. The vegetation may be located in the sides of the ROW or on the ground area below or alongside the transmission line.

At the time of the vegetation contact, the 161 kV transmission line was four (4) years into an eight-year clear-cut cycle. The last encroachment clear-cut was performed in 2004. The ROW floor of the 161 kV transmission line was mowed in 2005 and spot treated with herbicide in 2005. Prior to the vegetation contact, URE had conducted an aerial inspection of the 161 kV transmission line on June 15, 2007. The aerial inspection was conducted in accordance with the schedule established in URE's Transmission Vegetation Management Plan (TVMP). The tree that was the cause of the outage was not reported during the June 15, 2007 aerial inspection. The inspector performing the post-outage aerial inspection of the 161 kV transmission line on the day of the outage, noted that the standing water in the ROW created the illusion that the tree was not as close to the line as it actually was, and that but for the burned sections of the tree, he might not have reported it as a danger tree.² In addition to the aerial inspection performed June 15, 2007, a ground spot inspection of the 161 kV transmission line was performed on March 9, 2007 by an URE Transmission Line Coordinator. The Coordinator did not identify any vegetation that posed an imminent threat to the transmission line.

Because the 161 kV transmission line operates below 200 kV, SPP RE confirmed the 161 kV transmission line was on the *Southwest Power Pool (SPP) OPSI* listing of 'critical

² The URE *Vegetation Management Transmission Outage Incident Summary* indicated the willow tree was located mid-span between two structures. The conductor was between 24 and 25 feet from the ground. The tree was 20.5 feet tall and standing in about 5 feet of water. The surrounding weeds and water created the illusion the tree was 15 feet tall.

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Attachment 1.a

facilities,³ and, therefore, subject to compliance with FAC-003-1. SPP RE staff reviewed the URE internal reports of the incident, photographs of the area and the ROW, reviewed the log of the last aerial patrol for the 161 kV transmission line, checked the meteorological data for the area, reviewed the URE 2004 through 2007 historical reports of reportable outages in the SPP RE footprint and finally, checked the encroachment and ground clearing schedules for the 161 kV transmission line to determine if the maintenance of the 161 kV transmission line was on-schedule.

Through its investigation SPP RE staff determined that:

- (a) The vegetation contact was caused by a willow tree that grew in the established ROW and was not the result of a fall-in or storm activity;
- (b) URE acted within the same day to remove the tree from the 161 kV ROW by cutting it down within hours of the outage;
- (c) URE's TVMP operates on an encroachment trimming cycle of 8 years and a ground clearance cycle of 3 years;
- (d) The maintenance of the 161 kV transmission line was on-schedule and within the intervals established in the URE TVMP;
- (e) URE's annual ROW inspection program was being performed on schedule and all critical transmission facilities were being inspected on a quarterly basis;
- (f) URE's records indicate a ground inspection of the 161 kV transmission line was performed on March 9, 2007;
- (g) Greater than normal rainfall in the months preceding the contact contributed to standing water in the 161 kV transmission line ROW creating an ideal growing environment for the willow tree that caused the outage;
- (h) Willow trees thrive in wet conditions and can grow 5 to 8 feet in a growing season;

³ On July 1, 2004, the Southwest Power Pool Operating Reliability Working Group approved a revised procedure for reporting vegetation contacts. Therein, the term "critical facility" for purposes of identifying those facilities requiring the reporting of vegetation contacts was given the same definition of "critical facilities" used in other SPP programs, i.e., those facilities requiring SPP approval prior to removal from service for a maintenance outage. Prior to July 1, 2005, the 161 kV transmission line was identified as a critical transmission facility. Subsequent to implementation of the SPP vegetation reporting procedure in 2004, all previously identified SPP critical transmission facilities, including the 161 kV transmission line, were designated critical transmission facilities for the purpose of compliance with FAC-003-1.

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(i) The aerial patrol of the 161 kV transmission line conducted June 15, 2007, failed to spot the contact willow tree. Consequently, URE ground crews were not previously notified of a potential danger tree in the 161 kV ROW;

(j) Standing water in the 161 kV ROW was a contributing factor in the line inspector's failure to identify the danger tree during the June 15, 2007 aerial patrol; and

(k) Prior to the vegetation contact, URE had not experienced a reportable vegetation contact outage since the reporting of such incidents began in the 1st Quarter 2004.

URE took the following proactive steps following the vegetation contact to ensure similar conditions did not exist in the URE system and to improve the effectiveness of the URE vegetation management program:

(a) An emergency inspection of all critical transmission facilities was performed to determine if there were similar potential vegetation contact problems;

(b) URE added the 161 kV transmission line to the database of transmission lines that receive a ground inspection every year;

(c) URE added an aerial inspection by helicopter of critical transmission facilities to compliment the four (4) fixed aerial patrols that are performed every year;

(d) Training was provided to aerial patrol personnel to improve the quality of inspections; and

(e) URE reviewed the overall maintenance cycle for both side and ground trimming and treatments. The Vegetation Management specialists at URE evaluated the types of herbicide used in the program to determine if a problem existed with the effectiveness against willow trees.

SPP RE determined that because URE's inspectors did not discover the offending tree during the March 9, 2007 ground inspection or during the June 15, 2007 aerial inspection, URE did not effectively implement its annual TVMP, and did not ensure that its vegetation management work was completed according to its work specifications, in violation of FAC-003-1 R2.

SPP RE assigned URE's violation of FAC-003-1 R2 a Violation Severity Level (VSL) of "High." Because the violation occurred on June 27, 2007, and FERC had not approved the VSLs proposed by NERC (approved June 19, 2008), SPP RE established the VSL consistent with the Levels of Non-Compliance (LNC) in the FAC-003-1 Reliability Standard. In the Standard, a Level 3 LNC is appropriate under the following conditions:

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Attachment 1.a

Level 3:

2.3.1. The Transmission Owner reported one Category 1 or multiple Category 2 transmission vegetation-related outages in a calendar year, or;

2.3.2. The Transmission Owner did not maintain a set of clearances (Clearance 2), as defined in Requirement 1.2.2, to prevent flashover between vegetation and overhead ungrounded supply conductors, or;

2.3.3. The TVMP was incomplete in three of the requirements specified in any subpart of Requirement 1.

The instant transmission vegetation-related outage described above was the only Category 1 transmission vegetation-related outage reported by URE in 2007. Accordingly, SPP RE assigned the violation a Level 3 LNC, which equates to a “High” VSL for sanctioning pursuant to the NERC Sanction Guidelines.

RELIABILITY IMPACT STATEMENT- POTENTIAL AND ACTUAL

SPP RE determined that the violation did not pose a serious or substantial risk to the reliability of the bulk power system (BPS). Although the 161 kV transmission line was on the *SPP OPSI* critical transmission facilities list in 2007, the SPP Reliability Coordinator has since determined an outage on the 161 kV line does not pose the risk of a cascading outage on the BPS, and has removed the 161 kV transmission line from the *SPP OPSI* list of critical transmission facilities. On July 1, 2004, SPP adopted the same definition of critical transmission facilities utilized in SPP operating procedures (those facilities which required notification of SPP prior to removal from service for a maintenance outage) to also designate critical facilities for the purpose of compliance with FAC-003-1. Accordingly, by operation of the SPP Operating Reliability Working Group, the 161 kV transmission line was identified as a critical transmission facility for purposes of compliance with FAC-003-1. Because the 2004 definition was too expansive and inconsistent with the purpose of FAC-003-1, in April 2009, the SPP Markets and Operations Policy Committee (MOPC), approved a change to the SPP Criteria⁴ and the designation of critical transmission facilities applicable to FAC-003-1. For the purpose of compliance with FAC-003-1, the SPP MOPC defined critical transmission facilities as all transmission facilities greater than 200 kV and all those less than 200 kV that comprise an element of an Interconnection Reliability Operating Limit (IROL) flowgate, as published in the SPP IROL Relief Guides. The 161 kV transmission line operates at 161 kV and is not presently, nor was it in 2007, an element of an SPP IROL flowgate. Accordingly, the 161 kV transmission line is no longer considered a critical transmission facility, and a similar vegetation contact today would not result in a violation of FAC-003-1 R2. SPP RE has determined that notwithstanding SPP’s designation of the 161 kV

⁴ The Southwest Power Pool Criteria provides detail policies and standards of conduct for SPP members governing the coordinated planning and operation of the members interconnected electric systems. Section 5, Reliability Coordination was amended to include Section 5.2.1.2 Vegetation Management and the designation of transmission facilities subject to compliance with FAC-003-1.

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Attachment 1.a

(g) URE reviewed the overall maintenance cycle for both side and ground trimming and treatments; the effectiveness of helicopter and fixed wing video documentation; the aerial patrol schedule, quantity and method (fixed v. helicopter); and the transmission line maintenance manpower and contract resources.

**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 submitted the following as evidence of completion of its Mitigation Plan:

- (a) URE Mitigation Plan with attachments documenting removal of the tree and the actions taken by URE;
- (b) URE line clearing report – documenting the aerial patrol and actions taken to remove the tree from the 161 kV ROW;
- (c) URE 2008 Transmission Line Aerial Inspection data – documenting the additional aerial inspections of critical transmission facilities;
- (d) URE Transmission Vegetation Management Report – documenting the URE TVMP program and inclusive of the changes identified in the URE Mitigation Plan;
- (e) URE Compliance Audit Report, documenting both the review, by the SPP RE Audit Team, and the additional aerial inspections and changes to the URE TVMP;
- (f) URE Internal e-mail attesting to the modification of the URE vegetation management database to incorporate a ground inspection of the 161 kV transmission line;
- (g) Screen shot from the URE vegetation management database illustrating the schedule of maintenance activities for the 161 kV transmission line;
- (h) URE e-mail in response to SPP RE’s request for information providing excerpt from 2008 ground patrol log showing inclusion of 161 kV transmission line; and,
- (i) URE Internal e-mail identifying the training and communications between the URE transmission coordinator and the aerial inspector.

EXHIBITS:

URE's NERC Quarterly Vegetation Outage Report for 2nd Quarter of 2007

URE's Mitigation Plan

URE Certification of Mitigation Plan Completion

Disposition Document for FAC-008-1 R1

DISPOSITION OF VIOLATION

Dated April 13, 2011

NERC TRACKING NO.
SPP200800062

REGIONAL ENTITY TRACKING NO.
2008-012

I. VIOLATION INFORMATION

RELIABILITY STANDARD	REQUIREMENT(S)	SUB-REQUIREMENT(S)	VRF(S)	VSL(S)
FAC-008-1	1	1.1,1.2,1.3	Medium	Severe

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

The purpose statement of FAC-008-1 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-008-1 R1 provides:

R1. 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.

**PRIVILEGED AND CONFIDENTIAL INFORMATION
HAS BEEN REMOVED FROM THIS PUBLIC VERSION**

Attachment 1.b

VIOLATION DESCRIPTION

During a Compliance Audit of URE, SPP RE found URE to be in violation of FAC-008-1 R1. SPP RE determined the URE procedure, *Facility Ratings Methodology*, did not meet the requirements of FAC-008-1 R1. Specifically, the URE policy references to the Southwest Power Pool (SPP) Criteria¹ and the URE Compliance data management tool did not meet the requirements in R1 to document URE's current methodology used for developing Facility Ratings of its facilities. With regard to generating facilities, the SPP Criteria did not: (1) include a statement that the Facility Rating for a generating Facility shall equal the most limiting applicable Equipment Rating of the individual equipment that comprises the generating Facility; (2) include the scope of the equipment addressed in determining the generator Facility Rating, including the Rating of such equipment; (3) address Normal and Emergency Ratings; nor (4) consider Ratings provided by equipment manufacturers and design criteria².

RELIABILITY IMPACT STATEMENT- POTENTIAL AND ACTUAL

SPP RE determined that the violation did not pose a serious or substantial risk to the reliability of the bulk power system (BPS) because URE established its Facility Ratings in accordance with SPP Criteria. SPP Criteria required the development of a net capability rating for generating facilities by requiring the performance of a capability test under specific parameters, including but not limited to test duration and specific ambient conditions. The generator facility capacity tests performed by URE achieved a Facility Rating consistent with the spirit of FAC-008-1. The results of these tests were communicated to SPP, and were utilized to establish the Ratings of OGE's generator facilities. Accordingly, URE's failure to fulfill the administrative requirements of FAC-008-1 R1 had minimal potential and actual impact on 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**

¹ The Southwest Power Pool Criteria provides detailed policies and standards of conduct for SPP members governing the coordinated planning and operation of the members interconnected electric systems. Section 12, Electrical Facility Ratings, addresses the rating of generation and transmission facilities.

² While the SPP Criteria did not originally fulfill all of the requirements of FAC-008, it has since been revised to follow the requirements of FAC-008-1.

**PRIVILEGED AND CONFIDENTIAL INFORMATION
HAS BEEN REMOVED FROM THIS PUBLIC VERSION**

Attachment 1.b

DURATION DATE(S): June 18, 2007 (when the Standard became enforceable) through October 15, 2010 (Mitigation Plan completion).

DATE DISCOVERED BY OR REPORTED TO REGIONAL ENTITY

Audit

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-07-2254
DATE SUBMITTED TO REGIONAL ENTITY 12/21/09
DATE ACCEPTED BY REGIONAL ENTITY 1/7/10
DATE APPROVED BY NERC 1/12/10
DATE PROVIDED TO FERC 1/12/10

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

MITIGATION PLAN COMPLETED **YES** **NO**

EXPECTED COMPLETION DATE Submitted as complete

EXTENSIONS GRANTED

ACTUAL COMPLETION DATE 10/15/10

DATE OF CERTIFICATION LETTER 3/17/10

CERTIFIED COMPLETE BY REGISTERED ENTITY AS OF 4/17/09

DATE OF VERIFICATION LETTER 10/19/10

VERIFIED COMPLETE BY REGIONAL ENTITY AS OF 10/15/10

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

URE documented its generator Facility Rating Methodology by creating and adopting *Facility Ratings Testing Methodology*. The testing and annual review

**PRIVILEGED AND CONFIDENTIAL INFORMATION
HAS BEEN REMOVED FROM THIS PUBLIC VERSION**

Attachment 1.b

required by the procedure is tracked in URE's plant maintenance management system.

**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)**

(a) URE Facility Rating Methodology procedure

EXHIBITS:

SPP RE's Compliance Audit Report for URE

URE's Mitigation Plan

URE's Certification of Mitigation Plan Completion

SPP RE's Verification of Mitigation Plan Completion

Disposition Document for CIP-003-1 R1

DISPOSITION OF VIOLATION

Dated April 13, 2011

NERC TRACKING NO.
SPP200900149

REGIONAL ENTITY TRACKING NO.
2009-079

I. VIOLATION INFORMATION

RELIABILITY STANDARD	REQUIREMENT(S)	SUB-REQUIREMENT(S)	VRF(S)	VSL(S)
CIP-003-1	1	1.1	Lower ¹	N/A ²

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

The purpose statement of CIP-003-1 provides in pertinent part: “Standard CIP-003 requires that that Responsible Entities^[3] have minimum security management controls in place to protect Critical Cyber Assets....”

CIP-003-1 R1 provides, in pertinent part:

R1. Cyber Security Policy — The Responsible Entity shall document and implement a cyber security policy that represents management’s commitment and ability to secure its Critical Cyber Assets. The Responsible Entity shall, at minimum, ensure the following:

R1.1. The cyber security policy addresses the requirements in Standards CIP-002 through CIP-009, including provision for emergency situations.

(Footnote added.)

The purpose statement of CIP-007-1 provides in pertinent part: “Standard CIP-007-1 requires Responsible Entities to define methods, processes, and procedures for securing

¹ CIP-003-1 R1 has a “Medium” Violation Risk Factor (VRF); R1.1, R1.2 and R1.3 each have a “Lower” VRF. In the context of this case, SPP RE determined the violation related to R1.1, and therefore a “Lower” VRF is appropriate.

² At the time of the violation, no VSLs were in effect for CIP-003-1. On June 30, 2009, NERC submitted VSLs for the CIP-002-1 through CIP-009-1 Reliability Standards. On March 18, 2010, the Commission approved the VSLs as filed, but directed NERC to submit modifications.

³ Within the text of Standard CIP-002 through CIP-009, “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.

**PRIVILEGED AND CONFIDENTIAL INFORMATION
HAS BEEN REMOVED FROM THIS PUBLIC VERSION**

Attachment 1.c

those systems determined to be Critical Cyber Assets, as well as the non-critical Cyber Assets within the Electronic Security Perimeter(s)....”

R5.3 provides:

R5.3. At a minimum, the Responsible Entity shall require and use passwords, subject to the following, as technically feasible:

R5.3.1. Each password shall be a minimum of six characters.

R5.3.2. Each password shall consist of a combination of alpha, numeric, and “special” characters.

R5.3.3. Each password shall be changed at least annually, or more frequently based on risk.

VIOLATION DESCRIPTION

During a Spot Check of URE, SPP RE found URE to be in violation of CIP-003-1 R1.1. Specifically, URE’s cyber security policy did not conform to the password complexity defined in CIP-007-1 R5.3.2. CIP-003-1 R1.1 requires that each Registered Entity’s cyber security policy addresses all the requirements in Reliability Standards CIP-002 through CIP-009. CIP-007-1 R5.3.2 required that each password used by the Responsible Entity, shall consist of a combination of alpha, numeric, and “special” characters.

URE’s *NERC CIP Handbook for the Corporate Cyber Security Policy* in the Password Construction section stated: “Create passwords which contain at least three of the four following characteristics: (1) At least one numeric character; (2) At least one special character; (3) At least one lower case character; and (4) At least one upper case character.” The URE policy was a violation of CIP-007-1 R5.3.2 because it allowed URE employees to choose three of the four characteristics, meaning employees could choose a password combination that would not contain a special character or a numeric character as required by the Standard.⁴

RELIABILITY IMPACT STATEMENT- POTENTIAL AND ACTUAL

SPP RE determined that the violation did not pose a serious or substantial risk to the reliability of the Bulk Electric System because although the password construction policy originally established by URE was less prescriptive than the password construction requirements of CIP-007-1 R5.3.2, URE’s policies provided for strong passwords and met the spirit of the requirements.

⁴ SPP RE will evaluate URE’s compliance with the password requirements of CIP-007-1 R5.3.2 outside of this proceeding.

**PRIVILEGED AND CONFIDENTIAL INFORMATION
HAS BEEN REMOVED FROM THIS PUBLIC VERSION**

Attachment 1.c

The password construction policy established by URE allowed the use of upper case alpha, lower case alpha, numeric and special characters. An employee in the course of creating a password was required to utilize three of the four character sets in establishing a password of at least six characters. Additionally, URE's *NERC CIP Handbook for the Corporate Cyber Security Policy* provided that employees were not to construct a password utilizing:

- (a) an individual word found in a dictionary;
- (b) the company name or any other affiliate company name;
- (c) organization name or abbreviation
- (d) product names
- (e) user's name, UserID, or Username
- (f) sports teams or locale specific information; or
- (g) months/days of the week.

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) 7/1/09 (when the Standard became mandatory and enforceable for URE) through 11/13/09 (Mitigation Plan completion)

DATE DISCOVERED BY OR REPORTED TO REGIONAL ENTITY Spot Check

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-08-2188
DATE SUBMITTED TO REGIONAL ENTITY	11/20/09
DATE ACCEPTED BY REGIONAL ENTITY	12/18/09
DATE APPROVED BY NERC	12/21/09
DATE PROVIDED TO FERC	12/21/09

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

MITIGATION PLAN COMPLETED YES NO

EXPECTED COMPLETION DATE Submitted as complete

EXTENSIONS GRANTED

ACTUAL COMPLETION DATE 11/13/09

DATE OF CERTIFICATION LETTER 3/17/10

CERTIFIED COMPLETE BY REGISTERED ENTITY AS OF 11/13/09

DATE OF VERIFICATION LETTER 4/16/10

VERIFIED COMPLETE BY REGIONAL ENTITY AS OF 11/13/09

ACTIONS TAKEN TO MITIGATE THE ISSUE AND PREVENT RECURRENCE

URE modified its password construction requirements for employee access to its Critical Cyber Assets to comply with the requirements of CIP-007-1 R5.3.2. URE notified its employees of the change and required them to change their password configuration to comply. URE's *NERC CIP Handbook for the Corporate Cyber Security Policy* was revised to reflect the requirements of CIP-007-1 R5.3.2.

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)

(a) Screen shot of password notice on SCADA/EMS system notifying users of the password construction requirements.

(b) E-mail to SCADA/EMS system users notifying them of changes to the password construction requirements and requiring them to change their passwords.

(c) E-mail to cyber system users notifying them of changes to the password construction requirements and requiring them to change their passwords.

(d) URE's *NERC CIP Handbook for the Corporate Cyber Security Policy*.

EXHIBITS:

SPP RE's Spot Check Report for URE

URE's Mitigation Plan

URE's Certification of Mitigation Plan Completion

SPP RE's Verification of Mitigation Plan Completion