



NORTH AMERICAN ELECTRIC  
RELIABILITY CORPORATION

PRIVILEGED AND CONFIDENTIAL INFORMATION  
HAS BEEN REMOVED FROM THIS PUBLIC VERSION

February 23, 2011

Ms. Kimberly Bose  
Secretary  
Federal Energy Regulatory Commission  
888 First Street, N.E.  
Washington, D.C. 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 and the Disposition Document attached hereto (Attachments e and f, respectively), 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>

URE self-reported to Florida Reliability Coordinating Council (FRCC): (1) on August 18, 2008, a violation of PRC-005-1 Requirement (R) 2.1; (2) on August 22, 2008, a violation of PER-002-0 R4; and (3) on September 23, 2008, a violation of CIP-004-1 R3. During an FRCC Compliance Audit, FRCC determined URE had violations of (1) EOP-005-1 R4; (2) FAC-008-1 R1; and (3) PRC-005-1 R1.

This Notice of Penalty is being filed with the Commission because FRCC and URE have entered into a Settlement Agreement to resolve all outstanding issues arising from a preliminary and non-public assessment resulting in FRCC's determination and findings of the enforceable violations of PRC-005-1, PER-002-0, CIP-004-1, EOP-005-1 and FAC-008-1. According to the Settlement

<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).

Agreement, URE neither admits nor denies the violation, but has agreed to the proposed penalty of seventy-five thousand dollars (\$75,000) to be assessed to URE, 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 FRCC200800087, FRCC200800092, FRCC200800093, FRCC200800103, FRCC200800104, and FRCC200800105 are being filed in accordance with the NERC Rules of Procedure and the CMEP.

**Statement of Findings Underlying the Violations**

This Notice of Penalty incorporates the findings and justifications set forth in the Settlement Agreement executed on January 17, 2011, 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 Notice of Penalty filing contains the basis for approval of the Settlement Agreement by the NERC Board of Trustees Compliance Committee (NERC BOTCC). In accordance with Section 39.7 of the Commission’s regulations, 18 C.F.R. § 39.7, 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	URE	144	FRCC200800087	PRC-005-1	2.1	High <sup>3</sup>	75,000
			FRCC200800092	PER-002-0	4	High	
			FRCC200800093	CIP-004-1	3	Medium	
			FRCC200800103	EOP-005-1	4	Medium	
			FRCC200800104	FAC-008-1	1	Lower <sup>4</sup>	

<sup>3</sup> PRC-005-1 R2 has a Lower Violation Risk Factor (VRF); R2.1 and R2.2 each have a High VRF. During a final review of the standards subsequent to the March 23, 2007 filing of the Version 1 VRFs, NERC identified that some standards requirements were missing VRFs; one of these include PRC-005-1 R2.1. On May 4, 2007, NERC assigned PRC-005 R2.1 a High VRF. In the Commission’s June 26, 2007 Order on Violation Risk Factors, the Commission approved the PRC-005-1 R2.1 High VRF as filed. Therefore, the High VRF was in effect from June 26, 2007.

<sup>4</sup> 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. FAC-008-1 R1, R1.3 and R1.3.5 have Lower VRFs and FAC-008-1 R1.3.1, R1.3.2, R1.3.3 and R1.3.4 have Medium VRFs.

			FRCC200800105	PRC-005-1	1	High <sup>5</sup>	
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The text of the Reliability Standards at issue is set forth in the Disposition Documents.

PRC-005-1 R2.1- OVERVIEW<sup>6</sup>

FRCC determined that URE did not test certain relays and plant batteries within the time interval established in its program, and was missing testing data for one percent (1.0%) of its protective relays and thirteen and six tenths percent (13.6%) of its total number of batteries. URE self-reported that there were 1,952 relays covered by the NERC Standards and 22 were not tested within the stated interval in the program. URE also reported that at the time of the Self-Report, there were 833 plant battery tests covered by NERC Reliability Standard PRC-005 and 119 tests were not completed within the stated interval in the program.

The duration of the PRC-005-1 R2.1 violation was from June 18, 2007, when the Standard became mandatory and enforceable, through August 18, 2008, the date URE completed its Mitigation Plan.

FRCC concluded that this violation did not pose a serious or substantial risk to the reliability of the bulk power system (BPS) because the relays were tested within the NERC recommended intervals, even though not as specified and required by URE’s Protection System Maintenance and Testing Program. URE has a four-year testing and maintenance interval for generator protection systems. The actual testing and maintenance for the relays in the Self-Report were 1 to 3 years beyond URE’s defined interval. The *NERC Protections System Maintenance Technical Reference*, dated September 13, 2007, indicates that the recommended maximum verification interval for un-monitored and partial monitored protective relays is 5 to 7 years. The actual testing interval of URE’s generator protective relays that were out of interval was 5 to 7 years. Therefore, the relays were tested within the NERC recommended intervals. Additionally, FRCC determined that 99% of relays and approximately 85% of batteries within URE’s system were correctly tested and maintained according to the interval defined by URE. Also, no known disturbances occurred from this violation.

PER-002-0- OVERVIEW<sup>7</sup>

FRCC determined that URE did not provide one of its System Operators the required five days of training in emergency operations.

<sup>5</sup> When NERC filed VRFs for PRC-005-1, NERC originally assigned a Medium VRF to PRC-005-1 R1. The Commission approved the VRF as filed but directed modifications. On June 1, 2007, NERC filed a modified High VRF for PRC-005 R1 for approval. On August 9, 2007, the Commission issued an Order approving the modified VRF. Therefore, the Medium VRF was in effect from June 18, 2007 until August 9, 2007 and the High VRF has been in effect since August 9, 2007.

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

<sup>7</sup> *Id.*

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The duration of the PER-002-0\_R4 violation was from January 1, 2008, the date by which training should have been conducted, through January 30, 2008, the date of the subject employee's retirement.

FRCC concluded that this violation did not pose a serious or substantial risk to the reliability of the BPS because the operator in question had met over 75% of the training hours requirement and had over 23 years of System Operations experience.

#### CIP-004-1- OVERVIEW<sup>8</sup>

FRCC determined that URE allowed three employees, who were on the list of personnel with authorized unescorted physical access to Critical Cyber Assets, to have physical cardkey access to URE's Physical Security Perimeter without having personnel background checks within the required seven-year time frame.<sup>9</sup>

The duration of the CIP-004-1 R3 violation was from July 1, 2008, when the Standard became mandatory and enforceable, through August 25, 2008, the date URE completed its Mitigation Plan.<sup>10</sup>

FRCC concluded that this violation did not pose a serious or substantial risk to the reliability of the BPS because URE verified that the personnel had Personnel Risk Assessments performed previously, although they were not within the seven-year timeframe as specified in CIP-004 R3.2. Also, the personnel were long-term employees with access to the physical security perimeter prior to the enforceable date of the Standard.

#### EOP-005-1- OVERVIEW<sup>11</sup>

FRCC determined that evidence presented was insufficient to demonstrate that URE coordinated its restoration plans with non-URE Generator Owners within its area.

The duration of the EOP-005-1 R4 violation was from June 18, 2007, when the Standard became mandatory and enforceable, through December 17, 2008, the date URE completed its Mitigation Plan.

FRCC concluded that this violation did not pose a serious or substantial risk to the reliability of the bulk power system (BPS) because URE had developed a System Restoration Plan and had coordinated it with generation facilities within the URE corporate organization, the Balancing Authorities, the neighboring Transmission Operators and its Reliability Coordinator. URE had operating and/or interconnection agreements with independent power producer (IPP) generators that provided guidance on normal daily operations. In the event of the need to implement the System Restoration Plan, there would have been coordination between URE and the IPP generators, although not to a level of compliance as required by the Reliability Standard.

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<sup>8</sup> *Id.*

<sup>9</sup> The Critical Cyber Assets were within the defined Physical Security Perimeter at URE's Control Center.

<sup>10</sup> The Settlement Agreement incorrectly states that the violation began on July 30, 2008.

<sup>11</sup> Further information on this violation is contained in the Disposition Document included as Attachment 1 to the Settlement Agreement.

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#### FAC-008-1- OVERVIEW<sup>12</sup>

FRCC determined that URE's facility rating methodology: (a) did not include a statement that a Facility Rating shall equal the most limiting applicable Equipment Rating of the individual equipment that comprises URE's Facilities prior to August 1, 2008 for all facilities listed in R1.2.1 (specifically generators, transformers, relay protective devices and shunt compensation devices); (b) was insufficient to demonstrate a facility rating methodology that included a scope of equipment addressed as listed in R1.2.1 prior to August 1, 2008 for all facilities listed in R1.2.1 (specifically relay protective devices), and generators were not included prior to December 3, 2007; (c) was insufficient to demonstrate a facility rating methodology that included as a minimum the normal and emergency ratings per R1.2.2 prior to August 1, 2008 for all facilities listed in R1.2.1 (specifically generators, relay protective devices and shunt compensation devices); and (d) was insufficient to demonstrate a facility rating methodology that considered all the items in R1.3 prior to August 1, 2008 for all facilities listed in R1.2.1 (specifically relay protective devices). Generators were not included prior to December 3, 2007.

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

FRCC concluded that this violation did not pose a serious or substantial risk to the reliability of the BPS because URE had developed equipment ratings based on manufacturer's criteria, including considering the most limiting element. URE was operating the system in accordance with its equipment ratings.

#### PRC-005-1 R1- OVERVIEW<sup>13</sup>

FRCC determined that URE did not provide evidence to demonstrate its: (1) Protection System maintenance and testing program included a basis of maintenance and testing intervals for associated communication systems, DC control circuitry, and voltage and current sensing devices for the entire audit period; (2) basis of maintenance and testing interval for station batteries for the audit period prior to July 26, 2008; (3) maintenance and testing program for Protection Systems included maintenance and testing intervals for associated communication systems, DC control circuitry, station batteries, and voltage and current sensing devices for the audit period prior to July 26, 2008; and (4) maintenance and testing program for Protection Systems included a summary of maintenance and testing procedures for associated communication systems, DC control circuitry, station batteries, and voltage and current sensing devices for the audit period prior to July 26, 2008.

The duration of the PRC-005-1 R1 violation was from June 18, 2007, when the Standard became mandatory and enforceable, through December 19, 2008, the date URE completed its Mitigation Plan.

FRCC concluded that this violation did not pose a serious or substantial risk to the reliability of the bulk power system (BPS) because although URE had not developed a formal Protection

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<sup>12</sup> *Id.*

<sup>13</sup> *Id.*

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System Maintenance and Testing Program that incorporated all of the requirements in the Standard, URE had been performing maintenance and testing of approximately 85% of its PRC-005 components.

#### Regional Entity's Basis for Penalty

According to the Settlement Agreement, FRCC has assessed a penalty of seventy-five thousand dollars (\$75,000) for the referenced violations. In reaching this determination, FRCC considered the following factors:

1. the violations constituted URE's first occurrence of violations of the subject NERC Reliability Standards;
2. URE self-reported the violations;
3. FRCC reported that URE was cooperative throughout the compliance enforcement process;
4. URE had a compliance program;<sup>14</sup>
5. there was no evidence of any attempt to conceal a violation nor evidence of intent to do so;
6. FRCC determined that the violations did not pose a serious or substantial risk to the reliability of the BPS, as discussed above and in the Disposition Documents; and
7. FRCC reported that there were no other mitigating or aggravating factors or extenuating circumstances that would affect the assessed penalty.

After consideration of the above factors, FRCC determined that, in this instance, the penalty amount of seventy-five thousand dollars (\$75,000) is appropriate and bears a reasonable relation to the seriousness and duration of the violations.

#### **Statement Describing the Proposed Penalty, Sanction or Enforcement Action Imposed<sup>15</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>16</sup> the NERC BOTCC reviewed the Settlement Agreement and supporting documentation on May 14, 2010. The NERC BOTCC approved the Settlement Agreement, including FRCC's imposition of a financial penalty, assessing a penalty of seventy-five thousand dollars (\$75,000) 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

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<sup>14</sup> FRCC considered the internal compliance program to be a neutral factor in the penalty determination.

<sup>15</sup> See 18 C.F.R. § 39.7(d)(4).

<sup>16</sup> "North American Electric Reliability Corporation, "Guidance Order on Reliability Notices of Penalty," 124 FERC ¶ 61,015 (2008); North American Electric Reliability Corporation, "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).



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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 of constituted URE's first occurrence of violations of the subject NERC Reliability Standards;
2. URE self-reported the violations;
3. FRCC reported that URE was cooperative throughout the compliance enforcement process;
4. URE had a compliance program;
5. there was no evidence of any attempt to conceal a violation nor evidence of intent to do so;
6. FRCC determined that the violations did not pose a serious or substantial risk to the reliability of the BPS, as discussed above and in the Disposition Documents; and
7. 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 seventy-five thousand dollars (\$75,000) is appropriate for the violation and circumstances in question, and is consistent with NERC's goal to promote and ensure reliability of the BPS.

Pursuant to 18 C.F.R. §39.7(e), the penalty will be effective upon expiration of the 30 day period following the filing of this Notice of Penalty with FERC, or, if FERC decides to review the penalty, upon final determination by FERC.

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### **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 Notice of Penalty are the following documents:

- a) URE's Self-Report for CIP-004-1 R3 dated August 18, 2008, included as Attachment a;
- b) URE's Self-Report for PRC-005-1 R2.1 dated August 22, 2008 and December 19, 2008, included as Attachment b;
- c) URE's Self-Report for PER-002-1 R4 dated September 23, 2008, included as Attachment c;
- d) FRCC Summary of Audit Findings, included as Attachment d;
- e) Settlement Agreement by and between FRCC and URE executed January 17, 2011, included as Attachment e;
- f) Record documents for the violation of PRC-005-1 R2.1, included as Attachment f:<sup>17</sup>
  - i. URE's Mitigation Plan dated August 25, 2008 and December 19, 2008;
  - ii. URE's Certification of Completion dated November 26, 2008 and December 19, 2008; and
  - iii. FRCC's Verification of Completion dated February 16, 2010.
- g) Record documents for the violation of PER-002-1 R4, included as Attachment g:
  - i. URE's Mitigation Plan dated August 22, 2008;
  - ii. URE's Certification of Completion dated October 1, 2008; and
  - iii. FRCC's Verification of Completion dated October 27, 2008.
- h) Record documents for the violation of CIP-004-1 R3, included as Attachment h:
  - i. URE's Mitigation Plan dated September 19, 2008;
  - ii. URE's Certification of Completion dated October 27, 2008; and
  - iii. FRCC's Verification of Completion dated November 21, 2008.
- i) Record documents for the violation of EOP-005-1 R4, included as Attachment i:
  - i. URE's Mitigation Plan dated December 19, 2008;
  - ii. URE's Certification of Completion dated December 19, 2008; and
  - iii. FRCC's Verification of Completion dated January 26, 2009.
- j) Record documents for the violation of FAC-008-1 R1, included as Attachment j:
  - i. URE's Mitigation Plan dated December 19, 2008;
  - ii. URE's Certification of Completion dated December 19, 2008; and

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<sup>17</sup> During FRCC's compliance audit, the FRCC verified URE's completion of steps in its August 25, 2008 revised mitigation plan certified to be complete on November 26, 2008. As a follow-up item, URE was to make corrections to its previously submitted mitigation plan. Errors were identified in the text on battery count and in the attached relay and battery data sheets. One correction to the text of the mitigation plan for the battery count has been made and correct versions of the battery and relay data sheets are attached.

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- iii. FRCC's Verification of Completion dated January 26, 2009.
- k) Record documents for the violation of PRC-005-1 R1, included as Attachment k:
  - i. URE's Mitigation Plan dated December 19, 2008;
  - ii. URE's Certification of Completion dated December 19, 2008; and
  - iii. FRCC's Verification of Completion dated January 26, 2009.
- l) Disposition Document for Common Information, included as Attachment l:
  - i. Disposition Document for PRC-005-1 R2.1, included as Attachment l-1;
  - ii. Disposition Document for PER-002-0 R4, included as Attachment l-2;
  - iii. Disposition Document for CIP-004-1 R3, included as Attachment l-3;
  - iv. Disposition Document for EOP-005-1 R4, included as Attachment l-4;
  - v. Disposition Document for FAC-008-1 R1, included as Attachment l-5; and
  - vi. Disposition Document for PRC-005-1 R1, included as Attachment l-6.

#### **A Form of Notice Suitable for Publication<sup>18</sup>**

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

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

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**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*                  Senior Vice President and General Counsel                  North American Electric Reliability Corporation                  116-390 Village Boulevard                  Princeton, New Jersey 08540-5721                  (609)452-8060                  (609) 452-9550 – facsimile                  david.cook@nerc.net</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> <p>Richard Gilbert*                  Manager of Compliance Enforcement                  Florida Reliability Coordinating Council, Inc.                  3000 Bayport Drive, Suite 690                  Tampa, Florida 33607-8402                  (813) 207-7991                  (813) 289-5648 – facsimile                  rgilbert@frcc.com</p>	<p>Rebecca J. Michael*                  Assistant General Counsel                  Davis Smith*                  Attorney                  North American Electric Reliability Corporation                  1120 G Street, N.W.                  Suite 990                  Washington, D.C. 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>*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,

Gerald W. Cauley  
President and Chief Executive Officer  
David N. Cook  
Senior Vice President and General Counsel  
North American Electric Reliability Corporation  
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/s/ Rebecca J. Michael  
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cc: Unidentified Registered Entity  
Florida Reliability Coordinating Council

Attachments

## **Attachment I**

### **Disposition Document for Common Information**

**DISPOSITION OF VIOLATION<sup>1</sup>**  
**INFORMATION COMMON TO INSTANT VIOLATIONS**

REGISTERED ENTITY                      NERC REGISTRY ID                      NOC#  
**Unidentified Registered Entity**      **NCRXXXXX**                              **NOC-144**  
(URE)

REGIONAL ENTITY  
**Florida Reliability Coordinating Council (FRCC)**

IS THERE A SETTLEMENT AGREEMENT      YES       NO

WITH RESPECT TO THE VIOLATION(S), REGISTERED ENTITY

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

WITH RESPECT TO THE PROPOSED PENALTY OR SANCTION, REGISTERED ENTITY

ACCEPTS IT/ DOES NOT CONTEST IT    YES

**I. PENALTY INFORMATION**

TOTAL PROPOSED PENALTY OR SANCTION OF **SEVENTY FIVE THOUSAND DOLLARS** (\$75,000) FOR **SIX** VIOLATIONS.

(1) REGISTERED ENTITY’S COMPLIANCE HISTORY

PRIOR VIOLATIONS OF ANY OF THE INSTANT RELIABILITY STANDARD(S) OR REQUIREMENT(S) THEREUNDER  
YES       NO

LIST ANY CONFIRMED OR SETTLED VIOLATIONS AND STATUS

ADDITIONAL COMMENTS

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

PRIOR VIOLATIONS OF OTHER RELIABILITY STANDARD(S) OR REQUIREMENTS THEREUNDER

YES  NO

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<sup>2</sup>

YES  NO

EXPLAIN

**URE has an established compliance program.**

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

<sup>2</sup> FRCC considered the internal compliance program to be a neutral factor in the penalty determination.



(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 (IF THE RESPONSE IS "YES," THE ABBREVIATED NOP FORM MAY NOT BE USED.)

YES  NO   
IF YES, EXPLAIN

(8) ANY OTHER EXTENUATING CIRCUMSTANCES

YES  NO   
IF YES, EXPLAIN

(9) ADDITIONAL SUPPORT FOR PROPOSED PENALTY OR SANCTION

OTHER RELEVANT INFORMATION:

NOTICE OF ALLEGED VIOLATION AND PROPOSED PENALTY OR SANCTION ISSUED

DATE: OR N/A

SETTLEMENT DISCUSSIONS COMMENCED

DATE: **12/19/08** OR N/A

NOTICE OF CONFIRMED VIOLATION ISSUED

DATE: OR N/A

SUPPLEMENTAL RECORD INFORMATION

DATE(S) **3/04/10** OR N/A

REGISTERED ENTITY RESPONSE CONTESTED

FINDINGS  PENALTY  BOTH  NO CONTEST

HEARING REQUESTED  
YES  NO   
DATE  
OUTCOME  
APPEAL REQUESTED

## **Disposition Document for PRC-005-1 R2.1**

**DISPOSITION OF VIOLATION**

NERC TRACKING NO. **FRCC200800087** REGIONAL ENTITY TRACKING NO. **URE\_2008\_01**

**I. VIOLATION INFORMATION**

RELIABILITY STANDARD	REQUIREMENT(S)	SUB-REQUIREMENT(S)	VRF(S)	VSL(S)
<b>PRC-005-1</b>	<b>2</b>	<b>2.1</b>	<b>High<sup>1</sup></b>	<b>Lower</b>

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

**Purpose: To ensure all transmission and generation Protection Systems<sup>[2]</sup> affecting the reliability of the Bulk Electric System (BES) are maintained and tested.**

**PRC-005-1 R2 requires that:**

**Each Transmission Owner and any Distribution Provider that owns a transmission Protection System and each Generator Owner, that owns a generation Protection System shall provide documentation of its Protection System maintenance and testing program and the implementation of that program to its Regional Reliability Organization on request (within 30 calendar days). The documentation of the program implementation shall include:**

**R2.1 Evidence Protection System devices were maintained and tested within the defined intervals.**

**R2.2 Date each Protection System device was last tested/maintained.**

VIOLATION DESCRIPTION

**FRCC determined that Unidentified Registered Entity (URE) did not test within the time interval established in its program or were missing testing data for one percent (1.0%) of its protective relays and thirteen and six tenths percent (13.6%) of its total number of batteries. URE self-reported that there were 1,952 relays covered by the NERC Standards and 22 were not tested within the stated interval in the program from June 18, 2007 until the Self-Report dated August 18, 2008. URE also reported**

<sup>1</sup> PRC-005-1 R2 has a Lower Violation Risk Factor (VRF); R2.1 and R2.2 each have a High VRF. During a final review of the standards subsequent to the March 23, 2007 filing of the Version 1 VRFs, NERC identified that some standards requirements were missing VRFs; one of these include PRC-005-1 R2.1. On May 4, 2007, NERC assigned PRC-005 R2.1 a High VRF. In the Commission’s June 26, 2007 Order on Violation Risk Factors, the Commission approved the PRC-005-1 R2.1 High VRF as filed. Therefore, the High VRF was in effect from June 26, 2007.

<sup>2</sup> *The NERC Glossary of Terms Used in Reliability Standards* defines Protection System as “Protective relays, associated communication systems, voltage and current sensing devices, station batteries and DC control circuitry.”

that there were 833 plant battery tests covered by NERC Reliability Standard PRC-005 and 119 tests were not completed within the stated interval in the program.

RELIABILITY IMPACT STATEMENT- POTENTIAL AND ACTUAL

FRCC concluded that the violation of PRC-005-1 R2.1 did not pose a serious or substantial risk to the reliability of the bulk power system (BPS) because the relays were tested within the intervals discussed in ‘NERC Protections System Maintenance Technical Reference’. URE’s testing and maintenance interval for generator protection systems are on a four (4) year interval. The actual testing and maintenance for the relays that are part of the Self-Report were 1 to 3 years beyond URE’s defined interval. The ‘NERC Protections System Maintenance Technical Reference’ dated September 13, 2007 discusses a 5 to 7 year interval for un-monitored and partial-monitored protective relays. Additionally, FRCC determined that 99% of relays and approximately 85% of batteries within URE’s system were correctly tested and maintained according to the interval defined by URE. Also, no known disturbances occurred from this violation.

**III. 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 through 8/18/08**

DATE DISCOVERED BY OR REPORTED TO REGIONAL ENTITY **8/18/08**

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

**IV. MITIGATION INFORMATION**

MITIGATION PLAN NO. **MIT-07-1671<sup>3</sup>**

DATE SUBMITTED TO REGIONAL ENTITY **12/19/08**  
 DATE ACCEPTED BY REGIONAL ENTITY **1/26/09**  
 DATE APPROVED BY NERC **5/07/09**  
 DATE PROVIDED TO FERC **5/07/09**

IDENTIFY AND EXPLAIN VERSIONS THAT WERE REJECTED, IF APPLICABLE

**On August 18, 2008, URE submitted a Mitigation Plan which was rejected by the FRCC on August 19, 2008. The rejection letter states the Mitigation Plan was not signed and had an unclear milestone which needed clarification. On August 25, 2008, URE submitted a revised Mitigation Plan which was accepted by the FRCC on September 5, 2008. The Mitigation Plan was again revised to correct the number of battery tests completed and submitted to the FRCC on December 19, 2008.**

MITIGATION PLAN COMPLETED YES  NO

EXPECTED COMPLETION DATE **11/30/08**  
 EXTENSIONS GRANTED **None**  
 ACTUAL COMPLETION DATE **11/25/08**

DATE OF CERTIFICATION LETTER **12/19/08**  
 CERTIFIED COMPLETE BY REGISTERED ENTITY AS OF **11/25/08**

DATE OF VERIFICATION LETTER **2/16/10**  
 VERIFIED COMPLETE BY REGIONAL ENTITY AS OF **11/25/08**

ACTIONS TAKEN TO MITIGATE THE ISSUE AND PREVENT RECURRENCE:

- a) Make an organizational change such that the person responsible for the relay testing and schedule is responsible/accountable for the reporting.**
- b) Provide additional training concerning NERC Standards and compliance to all parties involved with System Protection Maintenance and Testing.**

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<sup>3</sup> During FRCC's compliance audit of URE, the FRCC verified URE's completion of steps in its August 25, 2008 revised mitigation plan certified to be complete on November 26, 2008. As a follow-up item, URE was to make corrections to its previously submitted mitigation plan. Errors were identified in the text on battery count and in the attached relay and battery data sheets. One correction to the text of the mitigation plan for the battery count has been made and correct versions of the battery and relay data sheets are attached.

- c) **Update relay test data in database.**
- d) **Every November, a list of relays requiring tests for each generating unit will be developed with an estimated time needed to complete. This task will be added to the plant outage schedule.**
- e) **Additional battery systems testing review and training.**
- f) **Creation of a new staff position with principal assignment on FERC Standards Compliance reporting to the Vice President of Operations.**

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

- a. **Attestation letter from URE management asserting an organizational change was made for reporting compliance to PRC-005 and PRC-008.**
- b. **Two (2) internal URE memos documenting discussions/training with employees on compliance with NERC Reliability Standards.**
- c. **NERC Training slideshow on general NERC history and governance and PRC-005 and PRC-008 Standards.**
- d. **Internal URE memo attesting that all NERC transmission, generation and under-frequency relay testing information has been updated in the database.**
- e. **Internal URE memo attesting that URE has reviewed the proposed 2009 protective relay testing plan and has incorporated it into the 2009 planned maintenance outage schedule.**
- f. **Five (5) Battery Preventative Maintenance Training attendance sign off sheets.**
- g. **NERC Training slideshow on general NERC history and governance and PRC-005 Standard.**

## V. ADDITIONAL ACTIONS

- (1) **URE will purchase and implement a database Protection System software and hardware. URE expects this database to improve performance of its protection system maintenance and testing program. According to URE, this database application will enhance management of protective relay settings and relay protection system test results. The estimated cost to purchase and install the Database Protection System is \$150,000.**



**EXHIBITS** (ATTACHED TO THE NOTICE OF PENALTY):

SOURCE DOCUMENT

**URE Self Report dated 8/18/08**

MITIGATION PLAN

**URE Mitigation Plan dated 8/25/08 and 12/19/08**

CERTIFICATION BY REGISTERED ENTITY

**URE's Certification of Completion dated 11/26/08 and 12/19/08**

## **Disposition Document for PER-002-0 R4**

**DISPOSITION OF VIOLATION**

NERC TRACKING NO. **FRCC200800092** REGIONAL ENTITY TRACKING NO. **URE\_2008\_02**

**I. VIOLATION INFORMATION**

RELIABILITY STANDARD	REQUIREMENT(S)	SUB-REQUIREMENT(S)	VRF(S)	VSL(S)
<b>PER-002-0</b>	<b>4</b>		<b>High</b>	<b>Lower</b>

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

**Purpose: Each Transmission Operator and Balancing Authority must provide their personnel with a coordinated training program that will ensure reliable system operation.**

**PER-002-0 R4 requires that:**

**For personnel identified in Requirement R2, each Transmission Operator and Balancing Authority shall provide its personnel at least five days per year of training and drills using realistic simulations of system emergencies, in addition to other training required to maintain qualified operating personnel.**

VIOLATION DESCRIPTION

**One of URE’s System Operators did not receive five days of required training. The System Operator was scheduled to retire at the end of 2007 and did attend the final day of his training in December 2007. The employee eventually retired after working 20 days on shift in 2008 without having the required training.**

RELIABILITY IMPACT STATEMENT- POTENTIAL AND ACTUAL

**The FRCC Enforcement Compliance Staff determined the impact of this violation did not constitute a serious or substantial risk to the bulk power system because the operator in question had met over 75% of the training-hours requirement and had over 23 years of System Operations experience.**

**III. 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) **1/01/08 through 1/30/08**

DATE DISCOVERED BY OR REPORTED TO REGIONAL ENTITY **8/22/08**

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

**IV. MITIGATION INFORMATION**

MITIGATION PLAN NO. **MIT-07-1079**

DATE SUBMITTED TO REGIONAL ENTITY **8/22/08**  
 DATE ACCEPTED BY REGIONAL ENTITY **9/26/08**  
 DATE APPROVED BY NERC **11/04/08**  
 DATE PROVIDED TO FERC **11/04/08**

IDENTIFY AND EXPLAIN VERSIONS THAT WERE REJECTED, IF APPLICABLE

**None**

MITIGATION PLAN COMPLETED YES  NO

EXPECTED COMPLETION DATE **8/4/08**

EXTENSIONS GRANTED **NA**

ACTUAL COMPLETION DATE **8/01/08**

DATE OF CERTIFICATION LETTER **10/01/08<sup>1</sup>**

CERTIFIED COMPLETE BY REGISTERED ENTITY AS OF **8/01/08**

<sup>1</sup> The Settlement Agreement incorrectly states that the Certification of Completion was submitted on October 2, 2008.

DATE OF VERIFICATION LETTER **10/27/08**  
VERIFIED COMPLETE BY REGIONAL ENTITY AS OF **8/01/08**

ACTIONS TAKEN TO MITIGATE THE ISSUE AND PREVENT  
RECURRENCE

- a) **Create separate training spreadsheet for training to monitor the progress of each System Operator.**
- b) **The training spreadsheet will be reviewed by July 1 of each year to ensure each System Operator is on track to receive the required training for the year.**
- c) **The training spreadsheet will then be reviewed again by November 1 to ensure the training hours have been completed.**
- d) **Each System Operator will be accountable for receiving the appropriate number of training hours each year to remain in compliance. This requirement will be a component of the System Operator's annual performance evaluation done by the System Operator's supervisor in the 4<sup>th</sup> quarter of each year.**

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

- a) **Evidence that URE has logged training hours February through September 2008.**
- b) **Evidence that URE attests that all of their System Operators have met the required training hours by September 26, 2008 and completion of training hours will also be a part of their annual performance evaluations. The letter also attests that by November 1, 2008, URE will review the training spreadsheet to verify that all required hours have been completed.**

EXHIBITS (ATTACHED TO THE NOTICE OF PENALTY):

SOURCE DOCUMENT:

**URE Self-Report dated 8/22/08**

MITIGATION PLAN:

**URE's Mitigation Plan dated 8/22/08**

CERTIFICATION BY REGISTERED ENTITY

**URE's Certification of Completion dated 10/01/08**

## **Disposition Document for CIP-004-1 R3**

**DISPOSITION OF VIOLATION**

NERC TRACKING NO. **FRCC200800093** REGIONAL ENTITY TRACKING NO. **URE\_2008\_03**

**I. VIOLATION INFORMATION**

RELIABILITY STANDARD	REQUIREMENT(S)	SUB-REQUIREMENT(S)	VRF(S)	VSL(S)
<b>CIP-004-1</b>	<b>3</b>		<b>Medium</b>	<b>Moderate</b>

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

**Purpose, provides in pertinent part: Standard CIP-004-1 [Personnel & Training] 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. Standard CIP-004 should be read as part of a group of standards numbered CIP-002 through CIP-009.**

**CIP-004-1 R3 provides as follows:**

**Personnel Risk Assessment -- The Responsible Entity<sup>1</sup> shall have a documented personnel risk assessment program, in accordance with federal, state, provincial, and local laws, and subject to existing collective bargaining unit agreements, for personnel having authorized cyber or authorized unescorted physical access. A personnel risk assessment shall be conducted pursuant to that program within thirty days of such personnel being granted such access. Such program shall at a minimum include:**

**R3.1. The Responsible Entity shall ensure that each assessment conducted include, at least, identity verification (e.g., Social Security Number verification in the U.S.) and seven-year criminal check. The Responsible Entity may conduct more detailed reviews, as permitted by law and subject to existing collective bargaining unit agreements, depending upon the criticality of the position.**

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<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, or Regional Reliability Organizations.



**R3.2. The Responsible Entity shall update each personnel risk assessment at least every seven years after the initial personnel risk assessment or for cause.**

**R3.3. The Responsible Entity shall document the results of personnel risk assessments of its personnel having authorized cyber or authorized unescorted physical access to Critical Cyber Assets, and that personnel risk assessments of contractor and service vendor personnel with such access are conducted pursuant to Standard CIP-004.**

VIOLATION DESCRIPTION

**Three Unidentified Registered Entity (URE) employees, who were on the list of personnel with authorized unescorted physical access to Critical Cyber Assets, had physical cardkey access to URE’s Physical Security Perimeter without having personnel background checks within the required seven year time frame.**

RELIABILITY IMPACT STATEMENT- POTENTIAL AND ACTUAL

**FRCC determined the risk to the reliability of the BPS was not serious or substantial because URE verified that the three URE employees had Personnel Risk Assessments performed previously, however not within the allowed seven-year timeframe as specified in CIP-004 R3.2, and they were long-term employees with access prior to the enforceable date of the Standard.**

**III. 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) **7/1/08 through 8/25/08<sup>2</sup>**

DATE DISCOVERED BY OR REPORTED TO REGIONAL ENTITY **9/23/08**

IS THE VIOLATION STILL OCCURRING

YES  NO

IF YES, EXPLAIN

<sup>2</sup> The Settlement Agreement incorrectly states that the violation began on July 30, 2008.

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

**IV. MITIGATION INFORMATION**

MITIGATION PLAN NO. **MIT-08-1080**

DATE SUBMITTED TO REGIONAL ENTITY **9/19/08<sup>3</sup>**  
 DATE ACCEPTED BY REGIONAL ENTITY **10/03/08**  
 DATE APPROVED BY NERC **11/04/08**  
 DATE PROVIDED TO FERC **11/04/08**

IDENTIFY AND EXPLAIN VERSIONS THAT WERE REJECTED, IF APPLICABLE  
**None**

MITIGATION PLAN COMPLETED YES  NO

EXPECTED COMPLETION DATE **10/27/08**  
 EXTENSIONS GRANTED **NA**  
 ACTUAL COMPLETION DATE **10/27/08**

DATE OF CERTIFICATION LETTER **10/27/08**  
 CERTIFIED COMPLETE BY REGISTERED ENTITY AS OF **10/27/08**

DATE OF VERIFICATION LETTER **11/21/08**  
 VERIFIED COMPLETE BY REGIONAL ENTITY AS OF **10/27/08**

ACTIONS TAKEN TO MITIGATE THE ISSUE AND PREVENT RECURRENCE

**URE committed to increasing the frequency of the existing reconciliation process for identifying all personnel with cyber and/or unescorted physical access to identified assets subject to NERC CIP Standards. Under this process, URE would compare the list of individuals with background screenings to ensure that URE is compliant with CIP-004, R3. Other functions will be developed to allow “ad hoc” reporting for compliance reviews or to assist in daily processing of access requests to NERC CIP designated assets.**

**To accomplish this, URE was required to:**

- a) Review users with access to cyber resources bimonthly.**

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<sup>3</sup> The Settlement Agreement incorrectly states that the Mitigation Plan was submitted on September 23, 2008.

- b) Meet with programming staff to identify application and reporting requirements.**
- c) Begin testing of application and report validation.**
- d) Train access request staff on revised processes and report review frequencies**

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

- a) Evidence that URE has developed a procedure within its database system to run a match between those users with NERC access to corresponding training and background check dates.**
- b) Evidence that URE began bimonthly reviews of its database system.**
- c) Evidence a meeting was scheduled between URE staffers.**
- d) URE email showing a record of the migration of code to an environment for testing of developed code.**
- e) Evidence that staffers were trained on revised processes and report review frequencies.**
- f) URE screenshots showing a record of a change request of the tasks to move code and files to the production environment.**

EXHIBITS (ATTACHED TO THE NOTICE OF PENALTY:

SOURCE DOCUMENT  
**URE Self Report dated 9/23/08**

MITIGATION PLAN  
**URE's Mitigation Plan dated 9/19/08**

CERTIFICATION BY REGISTERED ENTITY  
**URE's Certification of Completion dated 11/21/08**

## **Disposition Document for EOP-005-1 R4**

**DISPOSITION OF VIOLATION**

NERC TRACKING NO. **FRCC200800103** REGIONAL ENTITY TRACKING NO. **URE\_2008\_04**

**I. VIOLATION INFORMATION**

RELIABILITY STANDARD	REQUIREMENT(S)	SUB-REQUIREMENT(S)	VRF(S)	VSL(S)
<b>EOP-005-1</b>	<b>4</b>		<b>Medium</b>	<b>Lower</b>

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

**Purpose: To ensure plans, procedures, and resources are available to restore the electric system to a normal condition in the event of a partial or total shut down of the system.**

**R4. Each Transmission Operator shall coordinate its restoration plans with the Generator Owners and Balancing Authorities within its area, its Reliability Coordinator, and neighboring Transmission Operators and Balancing Authorities.**

VIOLATION DESCRIPTION

**At the compliance audit conducted by FRCC, FRCC audit staff found that the evidence presented was insufficient to demonstrate that URE coordinated its restoration plans with non-URE Generator Owners within its area.**

RELIABILITY IMPACT STATEMENT- POTENTIAL AND ACTUAL

**FRCC determined the risk to the reliability of the BPS was not serious or substantial because URE had developed a System Restoration Plan and had coordinated it with generation facilities within the URE corporate organization, the Balancing Authorities, the neighboring Transmission Operators and its Reliability Coordinator. URE had operating and/or interconnection agreements with the independent power producer (IPP) generators that provided guidance on normal daily operations. In the event of the need to implement the System Restoration Plan, there would have been coordination between URE and the IPP generators, although not to the level as required by the Reliability Standard.**

**III. 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 through 12/18/08**

DATE DISCOVERED BY OR REPORTED TO REGIONAL ENTITY

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

**IV. MITIGATION INFORMATION**

MITIGATION PLAN NO. **MIT-08-1390**

DATE SUBMITTED TO REGIONAL ENTITY **12/19/08<sup>1</sup>**  
 DATE ACCEPTED BY REGIONAL ENTITY **1/24/09**  
 DATE APPROVED BY NERC **3/03/09**  
 DATE PROVIDED TO FERC **3/09/09**

IDENTIFY AND EXPLAIN VERSIONS THAT WERE REJECTED, IF APPLICABLE

**None**

MITIGATION PLAN COMPLETED YES  NO

EXPECTED COMPLETION DATE **12/19/08**

EXTENSIONS GRANTED **NA**

ACTUAL COMPLETION DATE **12/19/09**

DATE OF CERTIFICATION LETTER **12/19/08**

CERTIFIED COMPLETE BY REGISTERED ENTITY AS OF **12/19/08**

<sup>1</sup> The Settlement Agreement incorrectly states that Mitigation Plan was submitted on January 19, 2009. The Mitigation Plan was signed on December 18, 2008.

DATE OF VERIFICATION LETTER **1/26/09**  
VERIFIED COMPLETE BY REGIONAL ENTITY AS OF **12/19/08**

ACTIONS TAKEN TO MITIGATE THE ISSUE AND PREVENT  
RECURRENCE

**URE was required to:**

- a) **Contact all non-URE owned Generator Owners (GO) within URE's area and given the opportunity to offer any information about their facilities that they feel would impact, or require changes to, URE's Restoration Plan.**
- b) **Modify its restoration plan to reflect the coordination with all Generator Owners.**

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

- a) **Email notifications to interconnected Generator Owners. These documents are evidence that URE has given interconnected Generation Owners the opportunity to offer any information about their facilities that they feel would impact, or require changes to, URE's Restoration Plan.**
- b) **One (1) internal email notification to URE management outlining that a change was made to URE's Restoration Plan to reflect the coordination with Generator Owners.**

EXHIBITS:

SOURCE DOCUMENT:  
**FRCC Summary of Audit Findings**

MITIGATION PLAN:  
**URE's Mitigation Plan MIT-08-1390 dated 12/19/08**

CERTIFICATION BY REGISTERED ENTITY  
**URE's Certification of Completion dated 12/19/08**

## **Disposition Document for FAC-008-1 R1**



## DISPOSITION OF VIOLATION

NERC TRACKING NO.	REGIONAL ENTITY TRACKING NO.
FRCC200800104	URE_2008_05

### I. VIOLATION INFORMATION

RELIABILITY STANDARD	REQUIREMENT(S)	SUB-REQUIREMENT(S)	VRF(S)	VSL(S)
<b>FAC-008-1</b>	<b>1</b>		<b>Lower<sup>1</sup></b>	<b>Severe</b>

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

**Purpose: 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 requires that:**

**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).**

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<sup>1</sup> 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. FAC-008-1 R1, R1.3 and R1.3.5 have Lower VRFs and FAC-008-1 R1.3.1, R1.3.2, R1.3.3 and R1.3.4 have Medium VRFs.

- R1.3.3. Ambient conditions.**
- R1.3.4. Operating limitations.**
- R1.3.5. Other assumptions.**

VIOLATION DESCRIPTION

**URE’s Facility Rating Methodology:**

**(a) did not include a statement that a Facility Rating shall equal the most limiting applicable Equipment Rating of the individual equipment that comprises URE’s Facilities prior to August 1, 2008 for all facilities listed in R1.2.1 (specifically generators, transformers, relay protective devices and shunt compensation devices); (b) was insufficient to demonstrate a facility rating methodology that included a scope of equipment addressed as listed in R1.2.1 prior to August 1, 2008 for all facilities listed in R1.2.1 (specifically relay protective devices), and generators were not included prior to December 3, 2007; (c) was insufficient to demonstrate a facility rating methodology that included as a minimum the normal and emergency ratings per R1.2.2 prior to August 1, 2008 for all facilities listed in R1.2.1 (specifically generators, relay protective devices and shunt compensation devices); and (d) was insufficient to demonstrate a facility rating methodology that considered all the items in R1.3 prior to August 1, 2008 for all facilities listed in R1.2.1 (specifically relay protective devices). Generators were not included prior to December 3, 2007.**

RELIABILITY IMPACT STATEMENT- POTENTIAL AND ACTUAL

**FRCC concluded that this violation did not pose a serious or substantial risk to the reliability of the BPS because URE had developed equipment ratings based on manufacturer’s criteria, including considering the most limiting element, and were operating the system in that manner.**

**III. 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 through 8/01/08**

DATE DISCOVERED BY OR REPORTED TO REGIONAL ENTITY

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

**IV. MITIGATION INFORMATION**

MITIGATION PLAN NO. **MIT-08-1391**

DATE SUBMITTED TO REGIONAL ENTITY **12/19/08<sup>2</sup>**  
 DATE ACCEPTED BY REGIONAL ENTITY **1/24/09**  
 DATE APPROVED BY NERC **3/03/09**  
 DATE PROVIDED TO FERC **3/09/09**

IDENTIFY AND EXPLAIN VERSIONS THAT WERE REJECTED, IF APPLICABLE

**None**

MITIGATION PLAN COMPLETED YES  NO

EXPECTED COMPLETION DATE **12/19/08**  
 EXTENSIONS GRANTED **NA**  
 ACTUAL COMPLETION DATE **12/19/08**

DATE OF CERTIFICATION LETTER **12/19/08**  
 CERTIFIED COMPLETE BY REGISTERED ENTITY AS OF **12/19/08**

DATE OF VERIFICATION LETTER **1/26/09**  
 VERIFIED COMPLETE BY REGIONAL ENTITY AS OF **12/19/08**

ACTIONS TAKEN TO MITIGATE THE ISSUE AND PREVENT RECURRENCE

**URE was required to:**

- a) Provide evidence the Facilities Rating Methodology includes a statement the most limiting element in a facility determines the rating for the facility.**
- b) Provide evidence the scope of equipment addressed includes generators, transmission conductors, transformers, relay protective devices, terminal equipment, and series and shunt compensation devices.**

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<sup>2</sup> The Mitigation Plan was signed on December 18, 2008.

- c) **Provide evidence normal and emergency ratings are included where applicable for generators, relay protective devices and shunt compensation devices.**
- d) **Provide evidence the items to consider listed in R1.3 addressed generators and relay protective devices.**

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

- a) **URE's Generating Procedure**
- b) **URE's Transmission Rating Guide**

**EXHIBITS:**

**SOURCE DOCUMENT:**  
**FRCC Summary of Audit Findings**

**MITIGATION PLAN:**  
**URE's Mitigation Plan MIT-08-1391 dated 12/19/08**

**CERTIFICATION BY REGISTERED ENTITY**  
**URE's Certification of Completion dated 12/19/08**

## **Disposition Document for PRC-005-1 R1**

## DISPOSITION OF VIOLATION

NERC TRACKING NO. **FRCC200800105** REGIONAL ENTITY TRACKING NO. **URE\_2008\_06**

### I. VIOLATION INFORMATION

RELIABILITY STANDARD	REQUIREMENT(S)	SUB-REQUIREMENT(S)	VRF(S)	VSL(S)
<b>PRC-005-1</b>	<b>1</b>		<b>High<sup>1</sup></b>	<b>Moderate</b>

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

**Purpose: To ensure all transmission and generation Protection Systems<sup>[2]</sup> affecting the reliability of the bulk power system (BPS) are maintained and tested.**

**R1. Each Transmission Owner and any Distribution Provider that owns a transmission Protection System and each Generator Owner that owns a generation Protection System shall have a Protection System maintenance and testing program for Protection Systems that affect the reliability of the BES. The program shall include:**

- R1.1. Maintenance and testing intervals and their basis.**
- R1.2. Summary of maintenance and testing procedures.**

#### VIOLATION DESCRIPTION

**FRCC audit staff determined that URE did not provide evidence to demonstrate its (1) Protection System maintenance and testing program included a basis of maintenance and testing intervals for associated communication systems, DC control circuitry, and voltage and current sensing devices for the entire audit period; (2) basis of maintenance and testing interval for station batteries for the audit period prior to July 26, 2008; (3) maintenance and testing program for Protection Systems included maintenance and testing intervals for associated communication systems, DC control circuitry, station batteries, and voltage and current sensing devices for the audit period prior to July 26, 2008; and (4) maintenance and testing program for Protection Systems included a summary of**

<sup>1</sup> When NERC filed VRFs for PRC-005-1, NERC originally assigned a Medium VRF to PRC-005-1 R1. The Commission approved the VRF as filed but directed modifications. On June 1, 2007, NERC filed a modified High VRF for PRC-005 R1 for approval. On August 9, 2007, the Commission issued an Order approving the modified VRF. Therefore, the Medium VRF was in effect from June 18, 2007 until August 9, 2007 and the High VRF has been in effect since August 9, 2007.

<sup>2</sup> *The NERC Glossary of Terms Used in Reliability Standards* defines Protection System as “Protective relays, associated communication systems, voltage and current sensing devices, station batteries and DC control circuitry.”

**maintenance and testing procedures for associated communication systems, DC control circuitry, station batteries, and voltage and current sensing devices for the audit period prior to July 26, 2008.**

RELIABILITY IMPACT STATEMENT- POTENTIAL AND ACTUAL

**FRCC determined that violation did not constitute a serious or substantial risk to the bulk power system because URE had not developed a formal Protection Systems Maintenance and Testing Program that incorporated all of the requirements in the Standard, although URE had been performing maintenance and testing of approximately 85% of its PRC-005 components. Also, no known disturbances occurred from this violation.**

**III. 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) 6/18/2007 (when the Standard became mandatory and enforceable) through 12/19/2008 (the date URE completed its Mitigation Plan)**

DATE DISCOVERED BY OR REPORTED TO REGIONAL ENTITY

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

**IV. MITIGATION INFORMATION**

MITIGATION PLAN NO. **MIT-08-1392**

DATE SUBMITTED TO REGIONAL ENTITY **12/19/2008**  
 DATE ACCEPTED BY REGIONAL ENTITY **1/24/2009**  
 DATE APPROVED BY NERC **3/3/2009**  
 DATE PROVIDED TO FERC **3/9/2009**

IDENTIFY AND EXPLAIN VERSIONS THAT WERE REJECTED, IF APPLICABLE  
N/A

MITIGATION PLAN COMPLETED      YES       NO

EXPECTED COMPLETION DATE **12/19/2008**  
EXTENSIONS GRANTED      **N/A**  
ACTUAL COMPLETION DATE      **12/19/2008**

DATE OF CERTIFICATION LETTER **12/19/2008**  
CERTIFIED COMPLETE BY REGISTERED ENTITY AS OF **12/19/2008**

DATE OF VERIFICATION LETTER **1/26/2009**  
VERIFIED COMPLETE BY REGIONAL ENTITY AS OF **12/19/2008**

ACTIONS TAKEN TO MITIGATE THE ISSUE AND PREVENT RECURRENCE

- 1. Include basis for maintenance and testing for associated communication systems, DC control circuitry, and voltage and current sensing devices in Protection System Program documentation.**
- 2. Provide evidence that the basis for maintenance and testing for station batteries is included in the current URE Protection System Program documentation.**
- 3. Provide evidence that the maintenance and testing intervals for associated communication systems, DC control circuitry, station batteries, and voltage and current sensing devices is included in the current URE Protection System Program documentation.**
- 4. Provide evidence that a summary of maintenance and testing procedures for associated communication systems, DC control circuitry, station batteries, and voltage current sensing devices is included in the current URE Protections System Program documentation.**

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

**URE's evidence regarding its Transmission Protection System testing**  
**URE's evidence regarding its Generation Protection System testing**



EXHIBITS:

SOURCE DOCUMENT

**FRCC Summary of Audit Findings dated 1/11/11**

MITIGATION PLAN

**URE's Mitigation Plan dated 12/19/2008**

CERTIFICATION BY REGISTERED ENTITY

**URE's Certification of Completion dated 12/19/2008**