



NORTH AMERICAN ELECTRIC
RELIABILITY CORPORATION

PRIVILEGED AND CONFIDENTIAL INFORMATION
HAS BEEN REMOVED FROM THIS PUBLIC VERSION

May 26, 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 enforceable violations of: CIP-004-1 Requirement (R) 4; PRC-005-1 R2.1; FAC-008-1 R1; FAC-009-1 R1; CIP-003-1 R1; CIP-004-1 R3.2; and BAL-003-0.1b R2. According to the Settlement Agreement, URE neither admits nor denies the violations, but has agreed to the assessed penalty of sixteen thousand eight hundred sixty dollars (\$16,860), 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: SPP200900086, SPP200900162, SPP200900163, SPP200900164, SPP200900165,

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).

SPP200900166 and SPP201000260 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 May 19, 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-571	SPP200900086	CIP-004-1	4/4.2	Medium ³	7/1/08-11/3/09	16,860
	SPP200900162	PRC-005-1	2.1	High ⁴	12/1/08-8/25/10	
	SPP200900163	FAC-008-1	1	Medium ⁵	6/18/07-3/23/10	
	SPP200900164	FAC-009-1	1	Medium	6/18/07-3/28/11	
	SPP200900165	CIP-003-1	1	Medium ⁶	7/1/08-6/30/10	

³ CIP-004-1 R4 and R4.1 each have a “Lower” Violation Risk Factor (VRF); R4.2 has a “Medium” VRF. When NERC filed VRFs, it originally assigned CIP-004-1 R4.2 a Lower VRF. The Commission approved the VRF as filed; however, it directed NERC to submit modifications. NERC submitted the modified “Medium” VRF and on January 27, 2009, the Commission approved the modified “Medium” VRF. Therefore, the “Lower” VRF for CIP-004-1 R4.2 was in effect from June 18, 2007 until January 27, 2009 when the “Medium” VRF became effective.

⁴ PRC-005-1 R2 has a “Lower” 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. In the context of this case, SPP RE determined that the violation related to R2.1, and therefore a “High” VRF is appropriate.

⁵ FAC-008-1 R1, R1.3 and R1.3.5 each have a “Lower” VRF; R1.1, R1.2, R1.2.1, R1.2.2, R1.3.1-4 each have a “Medium” VRF. When NERC filed VRFs it originally assigned FAC-008-1 R1.1, R1.2, R1.2.1 and R1.2.2 “Lower” VRFs. The Commission approved the VRFs as filed; however, it directed NERC to submit modifications. NERC submitted the modified “Medium” VRFs and on February 6, 2008, the Commission approved the modified “Medium” VRFs. Therefore, the “Lower” VRFs for FAC-008-1 R1.1, R1.2, R1.2.1 and R1.2.2 were in effect from June 18, 2007 until February 6, 2008 when the “Medium” VRFs became effective.

⁶ CIP-003-1 R1 has a “Medium” VRF; R1.1, R1.2 and R1.3 each have a “Lower” VRF. When NERC filed VRFs it originally assigned CIP-003-1 R1 a “Lower” VRF. The Commission approved the VRF as filed; however, it directed NERC to submit modifications. NERC submitted the modified “Medium” VRF and on January 27, 2009, the Commission approved the modified “Medium” VRF. Therefore, the “Lower” VRF for CIP-003-1 R1 was in effect from June 18, 2007 until January 27, 2009, when the “Medium” VRF became effective.

	SPP200900166	CIP-004-1	3.2	Lower ⁷	7/1/08-1/1/10	
	SPP201000260	BAL-003-0.1b ⁸	2	Medium	1/1/09-5/31/10	

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

CIP-004-1 R4 - OVERVIEW

The violation was discovered when a compliance investigation was initiated by URE. The investigation was concluded and URE self-reported this violation. SPP RE determined that URE failed to revoke the Critical Cyber Asset access of forty-four (44) personnel within seven calendar days following their termination of employment.

PRC-005-1 R2.1 - OVERVIEW

URE self-reported this violation. SPP RE determined that URE did not perform its two-month battery inspections for 100% of its station batteries. This failure to inspect the station batteries within the required interval implicated 2% of URE’s total Protection System⁹ devices.

FAC-008-1 R1 - OVERVIEW

This violation was discovered during a Compliance Audit. SPP RE determined that URE did not have a documented generator Facility Ratings Methodology prior to 2009 and URE’s generator Facility Ratings Methodology did not address relay protective devices and terminal equipment.

FAC-009-1 R1 - OVERVIEW

This violation was discovered during a Compliance Audit. SPP RE determined that URE did not establish ratings for its terminal equipment in its transmission in accordance with its Facility Ratings Methodology.

CIP-003-1 R1 - OVERVIEW

This violation was discovered during a Spot-Check. SPP RE determined that URE did not have a Cyber Security Policy which addressed all the requirements of CIP-002 through CIP-009. URE also did not make all of the Cyber Security Policy documents available to all personnel with authorized electronic or authorized unescorted physical access to Critical Cyber Assets. Finally, URE’s Cyber Security Policy was not approved in the method required by the Standard.

⁷ CIP-004-1 R3 has a “Medium” VRF; R3.1, R3.2 and R3.3 each have a “Lower” VRF. When NERC filed VRFs it originally assigned CIP-004-1 R3 a “Lower” VRF. The Commission approved the VRF as filed; however, it directed NERC to submit modifications. NERC submitted the modified “Medium” VRF and on January 27, 2009, the Commission approved the modified “Medium” VRF. Therefore, the “Lower” VRF for CIP-004-1 R3 was in effect from June 18, 2007 until January 27, 2009, when the “Medium” VRF became effective.

⁸ BAL-003-0 was enforceable from June 18, 2007 through August 27, 2008. BAL-003-0a was approved by the Commission and became enforceable on August 28, 2008. BAL-003-0.1b is the current enforceable Standard as of May 13, 2009. The subsequent interpretations provide clarity regarding the responsibilities of a registered entity and do not change the meaning or language of the original NERC Reliability Standard and its requirements. For consistency in this filing, the current version of the Standard, BAL-003-0.1b, is used throughout.

⁹ *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.”

CIP-004-1 R3.2 - OVERVIEW

This violation was discovered during a Spot-Check. SPP RE determined that URE did not update risk assessments for two individuals with authorized access to Critical Cyber Assets within seven years.

BAL-003-0.1b R2 - OVERVIEW

This violation was discovered during a Spot-Check. SPP RE determined that URE did not perform the calculations to determine the frequency response to its system using either of the two calculation methods outlined in R2.1 or R2.2.

Statement Describing the Assessed Penalty, Sanction or Enforcement Action Imposed¹⁰

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,¹¹ the NERC BOTCC reviewed the Settlement Agreement and supporting documentation on March 11, 2011. The NERC BOTCC approved the Settlement Agreement, including SPP RE's assessment of a sixteen thousand eight hundred sixty dollar (\$16,860) financial penalty against URE and other actions to facilitate future compliance required under the terms and conditions of the Settlement Agreement. In approving the Settlement Agreement, the NERC BOTCC reviewed the applicable requirements of the Commission-approved Reliability Standards and the underlying facts and circumstances of the violations at issue.

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

1. the violations constituted URE's first occurrence of violations of the subject NERC Reliability Standards;
2. URE self-reported the CIP-004-1 R4 and PRC-005-1 R2.1 violations. The Violation of CIP-004-1 R4 (SPP200900086) was self-reported after a Compliance Investigation was initiated and therefore did not receive any self-reporting credit;
3. SPP RE reported that URE was cooperative throughout the compliance enforcement process;
4. URE had a compliance program at the time of the violation which SPP RE considered a mitigating factor, as discussed in the Disposition Documents;
5. there was no evidence of any attempt to conceal a violation nor evidence of intent to do so;

¹⁰ See 18 C.F.R. § 39.7(d)(4).

¹¹ *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).

6. 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
7. 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 sixteen thousand eight hundred sixty dollars (\$16,860) 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 parts of this NOP are the following documents:

- a) Settlement Agreement by and between SPP RE and URE executed May 19, 2011, included as Attachment a;
 - i. Disposition for Common Information, included as Attachment 1 to the Settlement Agreement;
 - ii. Disposition Document for CIP-004-1 R4 and R3.2, included as Attachment 1a to the Settlement Agreement;
 - iii. Disposition Document for PRC-005-1 R2.1, included as Attachment 1b to the Settlement Agreement.
 - iv. Disposition Document for FAC-008-1 R1 and FAC-009-1 R1, included as Attachment 1c to the Settlement Agreement;
 - v. Disposition Document for CIP-003-1 R1, included as Attachment 1d to the Settlement Agreement; and
 - vi. Disposition Document for BAL-003-0.1b R2, included as Attachment 1e to the Settlement Agreement.
- b) Record Documents for CIP-004-1 R4 (SPP200900086):
 - i. URE's Self-Report for CIP-004-1 R4, included as Attachment b-1;
 - ii. URE's Mitigation Plan MIT-08-2645, included as Attachment b-2;
 - iii. URE's Certification of Mitigation Plan Completion, included as Attachment b-3; and
 - iv. SPP RE's Verification of Mitigation Plan Completion, included as Attachment b-4.
- c) Record Documents for CIP-004-1 R3.2 (SPP200900166):
 - i. SPP RE's Summary of the Audit/Spot Check Findings for CIP-004-1 R3.2, included as Attachment c-1;
 - ii. URE's Mitigation Plan MIT-08-2649, 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 PRC-005-1 R2.1 (SPP200900162):
 - i. URE's Self-Report for PRC-005-1 R2.1, included as Attachment d-1;
 - ii. URE's Mitigation Plan MIT-09-2646, 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, included as Attachment d-4.
- e) Record Documents for FAC-008-1 R1 (SPP200900163):
 - i. SPP RE's Summary of the Audit/Spot Check Findings for FAC-008-1 R1, *see* Attachmentc-1;
 - ii. URE's Mitigation Plan MIT-07-2647, included as Attachment e-2;
 - iii. URE's Certification of Mitigation Plan Completion, included as Attachment e-3; and
 - iv. SPP RE's Verification of Mitigation Plan Completion, included as Attachment e-4.
- f) Record Documents for FAC-009-1 R1 (SPP200900164):
 - i. SPP RE's Summary of the Audit/Spot Check Findings for FAC-009-1 R1, *see* Attachment c-1;
 - ii. URE's Mitigation Plan MIT-07-2684, included as Attachment f-1;
 - iii. URE's Certification of Mitigation Plan Completion, included as Attachment f-2; and
 - iv. SPP RE's Verification of Mitigation Plan Completion, included as Attachment f-3.
- g) Record Documents for CIP-003-1 R1 (SPP200900165):
 - i. SPP RE's Summary of the Audit/Spot Check Findings for CIP-003-1 R1, *see* Attachment c-1;
 - ii. URE's Mitigation Plan MIT-08-2648, included as Attachment g-1;
 - iii. URE's Certification of Mitigation Plan Completion, included as Attachment g-2; and
 - iv. SPP RE's Verification of Mitigation Plan Completion, *see* Attachment c-4.
- h) Record Documents for BAL-003-0.1b R2 (SPP201000260):
 - i. SPP RE's Spot Check Report for BAL-003-0.1b R2, included as Attachment h-1;
 - ii. URE's Mitigation Plan MIT-09-2664, included as Attachment h-2;
 - iii. URE's Certification of Mitigation Plan Completion, included as Attachment h-3; and
 - iv. SPP RE's Verification of Mitigation Plan Completion, included as Attachment h-4.

A Form of Notice Suitable for Publication¹²

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

¹² *See* 18 C.F.R. § 39.7(d)(6).

NERC Notice of Penalty
Unidentified Registered Entity
May 26, 2011
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**PRIVILEGED AND CONFIDENTIAL INFORMATION
HAS BEEN REMOVED FROM THIS PUBLIC VERSION**

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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NERC Notice of Penalty

Unidentified Registered Entity

May 26, 2011

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PRIVILEGED AND CONFIDENTIAL INFORMATION

HAS BEEN REMOVED FROM THIS PUBLIC VERSION

Conclusion

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

Respectfully submitted,

Gerald W. Cauley
President and Chief Executive Officer
David N. Cook
Sr. Vice President and General Counsel
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/s/ Rebecca J. Michael
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sonia.mendonca@nerc.net

cc: Unidentified Registered Entity
Southwest Power Pool Regional Entity

Attachments

Disposition for Common Information

**CONFIDENTIAL – NON PUBLIC INFORMATION
HAS BEEN REMOVED FROM THIS PUBLIC VERSION**

**DISPOSITION OF VIOLATION¹
INFORMATION COMMON TO INSTANT VIOLATIONS
Dated May 19, 2011**

REGISTERED ENTITY	NERC REGISTRY ID	NOC#
Unidentified Registered Entity (URE)	NCRXXXXX	NOC-0571

REGIONAL ENTITY
Southwest Power Pool Regional Entity (SPP RE)

IS THERE A SETTLEMENT AGREEMENT YES NO

WITH RESPECT TO THE VIOLATION(S), REGISTERED ENTITY

NEITHER ADMITS NOR DENIES IT (SETTLEMENT ONLY)	YES	<input checked="" type="checkbox"/>
ADMITS TO IT	YES	<input type="checkbox"/>
DOES NOT CONTEST IT (INCLUDING WITHIN 30 DAYS)	YES	<input type="checkbox"/>

WITH RESPECT TO THE PROPOSED PENALTY OR SANCTION, REGISTERED ENTITY

ACCEPTS IT/ DOES NOT CONTEST IT	YES	<input checked="" type="checkbox"/>
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II. PENALTY INFORMATION

TOTAL ASSESSED PENALTY OR SANCTION OF \$16,860 FOR SEVEN (7) VIOLATIONS OF RELIABILITY STANDARDS.

(1) REGISTERED ENTITY’S COMPLIANCE HISTORY

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

LIST VIOLATIONS AND STATUS

ADDITIONAL COMMENTS

NERC is concurrently filing a Notice of Penalty for an affiliated entity.

¹For purposes of this document and attachments hereto, the violations at issue are described as “violations,” regardless of their procedural posture and whether they were possible, alleged, or confirmed violations.

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**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 reviewed URE’s compliance program, in effect at the time of the violations, and considered it a mitigating factor in determining the penalty.

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

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

**YES NO
IF YES, EXPLAIN**

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(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

OTHER RELEVANT INFORMATION:

NOTICE OF ALLEGED VIOLATION AND PROPOSED PENALTY OR SANCTION ISSUED

SPP200900086	DATE: OR N/A <input checked="" type="checkbox"/>
SPP200900162	DATE: OR N/A <input checked="" type="checkbox"/>
SPP200900163	DATE: OR N/A <input checked="" type="checkbox"/>
SPP200900164	DATE: OR N/A <input checked="" type="checkbox"/>
SPP200900165	DATE: OR N/A <input checked="" type="checkbox"/>
SPP200900166	DATE: OR N/A <input checked="" type="checkbox"/>
SPP201000260	DATE: OR N/A <input checked="" type="checkbox"/>

SETTLEMENT DISCUSSIONS COMMENCED

SPP200900086	DATE: 5/21/2010
SPP200900162	DATE: 5/21/2010
SPP200900163	DATE: 5/21/2010
SPP200900164	DATE: 5/21/2010
SPP200900165	DATE: 5/21/2010
SPP200900166	DATE: 5/21/2010
SPP201000260	DATE: 5/21/2010

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HAS BEEN REMOVED FROM THIS PUBLIC VERSION**

NOTICE OF CONFIRMED VIOLATION ISSUED

SPP200900086	DATE: OR N/A <input checked="" type="checkbox"/>
SPP200900162	DATE: OR N/A <input checked="" type="checkbox"/>
SPP200900163	DATE: OR N/A <input checked="" type="checkbox"/>
SPP200900164	DATE: OR N/A <input checked="" type="checkbox"/>
SPP200900165	DATE: OR N/A <input checked="" type="checkbox"/>
SPP200900166	DATE: OR N/A <input checked="" type="checkbox"/>
SPP201000260	DATE: OR N/A <input checked="" type="checkbox"/>

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 CIP-004-1 R4 and R3.2

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DISPOSITION OF VIOLATION

Dated May 19, 2011

NERC TRACKING NO.	REGIONAL ENTITY TRACKING NO.
SPP200900086	2009-016
SPP200900166	2009-096

I. VIOLATION INFORMATION

RELIABILITY STANDARD	REQUIREMENT(S)	SUB-REQUIREMENT(S)	VRF(S)	VSL(S)
CIP-004-1	4	4.2	Medium ¹	N/A ²
CIP-004-1	3.2	3.2	Lower ³	N/A

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

The purpose of CIP-004-1 provides in pertinent part: “Standard CIP-004 requires that personnel having authorized cyber or authorized unescorted physical access to Critical Cyber Assets, including contractors and service vendors, have an appropriate level of personnel risk assessment, training, and security awareness. Standard CIP-004 should be read as part of a group of standards numbered Standards CIP-002 through CIP-009...”

CIP-004-1 R3.2 provides in pertinent part:

R3. Personnel Risk Assessment —The Responsible Entity^[4] shall have a documented personnel risk assessment program, in accordance with

¹ CIP-004-1 R4 and R4.1 each have a “Lower” Violation Risk Factor (VRF); R4.2 has a “Medium” VRF. When NERC filed VRFs, it originally assigned CIP-004-1 R4.2 a “Lower” VRF. The Commission approved the VRF as filed; however, it directed NERC to submit modifications. NERC submitted the modified “Medium” VRF and on January 27, 2009, the Commission approved the modified “Medium” VRF. Therefore, the “Lower” VRF for CIP-004-1 R4.2 was in effect from June 18, 2007 until January 27, 2009 when the “Medium” VRF became effective.

² At the time of the violations, no VSLs were in effect for CIP-004-1. 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 CIP-004-1 R3 has a “Medium” VRF; R3.1, R3.2 and R3.3 each have a “Lower” VRF. When NERC filed VRFs it originally assigned CIP-004-1 R3 a “Lower” VRF. The Commission approved the VRF as filed; however, it directed NERC to submit modifications. NERC submitted the modified “Medium” VRF and on January 27, 2009, the Commission approved the modified “Medium” VRF. Therefore, the “Lower” VRF for CIP-004-1 R3 was in effect from June 18, 2007 until January 27, 2009, when the “Medium” VRF became effective.

⁴ Within the text of Standard CIP-004, “Responsible Entity” shall mean Reliability Coordinator, Balancing Authority, Interchange Authority, Transmission Service Provider, Transmission Owner, Transmission

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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:

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

CIP-004-1 R4 provides in pertinent part:

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

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

(Footnote added)

VIOLATION DESCRIPTION

CIP-004-1 R4 (SPP200900086): The violation was discovered when a compliance investigation was initiated. URE also submitted a Self-Report stating that it had failed to revoke the Critical Cyber Asset access of forty-four (44) personnel within seven calendar days following their termination of employment. The employee terminations were “not for cause” but were required due to a post-merger reduction in staff. The access revocations were subject to the seven calendar day requirement of CIP-004-1 R4.2. Of the 44 employees terminated, 18 had only been granted monitoring access capability, 6 had only physical access, 3 were administrators on EMS servers, 2 had limited remote configuration access for distribution voltage reduction devices, 11 had monitoring and control capabilities of generation or transmission systems,⁵ and 4 had monitoring and control capabilities in regards to distribution facilities.⁶

Operator, Generator Owner, Generator Operator, Load Serving Entity, NERC, and Regional Reliability Organizations.

⁵ Maximum access duration after termination was 13 months.

⁶ Maximum access duration after termination was 23 months.

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CIP-004-1 R3.2 (SPP200900166): During a Spot-Check, SPP RE determined that URE was not compliant with CIP-004-1 R3.2 because the personnel risk assessments for two individuals with authorized access to Critical Cyber Assets had not been updated within seven years as required by CIP-004-1 R3.2. The assessment was completed within 6 months from the required deadline for one employee and seven months from the required deadline for the other employee.

RELIABILITY IMPACT STATEMENT- POTENTIAL AND ACTUAL

CIP-004-1 R4 (SPP200900086): SPP RE determined the actual risk to the bulk power system (BPS) to be minimal and not serious or substantial. Following internal investigations by URE, SPP RE determined that the personnel at issue were not terminated for cause, had no physical access privileges to Cyber Assets, had no remote access privileges beyond two individuals having remote voltage reduction device control in Remote Terminal Units,⁷ and only three individuals had cyber administrative privileges.⁸

CIP-004-1 R3.2 (SPP200900166): SPP RE determined the actual risk to the BPS to be minimal and not serious or substantial because in this instance, the personnel were long-term employees, and they did complete the assessments after the required seven-year time frame, one within six months from the required deadline and the second within seven months.

II. DISCOVERY INFORMATION

METHOD OF DISCOVERY

SELF-REPORT	CIP-004-1 R4	<input checked="" type="checkbox"/>
SELF-CERTIFICATION		<input type="checkbox"/>
COMPLIANCE AUDIT		<input type="checkbox"/>
COMPLIANCE VIOLATION INVESTIGATION		<input type="checkbox"/>
SPOT CHECK	CIP-004-1 R3.2	<input checked="" type="checkbox"/>
COMPLAINT		<input type="checkbox"/>
PERIODIC DATA SUBMITTAL		<input type="checkbox"/>
EXCEPTION REPORTING		<input type="checkbox"/>

DURATION DATE(S)

CIP-004-1 R4 (SPP200900086): 7/1/08 (when URE was required to be compliant with CIP-004-1 R4 as a Table 1 entity)⁹ through 11/3/09 (Mitigation Plan completion)

⁷ Maximum access duration after termination was 3 months.

⁸ Maximum access duration after termination was 13 months.

⁹ Three individuals were terminated prior to July 1, 2008 and did not have access revoked until August 2009. Therefore, the duration begins when URE was required to be compliant with CIP-004-1 R4.

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CIP-004-1 R3.2 (SPP200900166): 7/1/08 (when the Standard became mandatory and enforceable) through 1/1/10 (Mitigation Plan completion)

DATE DISCOVERED BY OR REPORTED TO REGIONAL ENTITY

CIP-004-1 R4 (SPP200900086): Self-Report

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**

DATE DISCOVERED BY OR REPORTED TO REGIONAL ENTITY

CIP-004-1 R3.2 (SPP200900166): 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: CIP-004-1 R4 (SPP200900086)

MITIGATION PLAN NO. MIT-08-2645

DATE SUBMITTED TO REGIONAL ENTITY 6/30/10
DATE ACCEPTED BY REGIONAL ENTITY 7/12/10
DATE APPROVED BY NERC 8/11/10
DATE PROVIDED TO FERC 8/12/10

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

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

EXPECTED COMPLETION DATE Submitted as complete
EXTENSIONS GRANTED N/A
ACTUAL COMPLETION DATE 11/3/09

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DATE OF CERTIFICATION LETTER	7/26/10
CERTIFIED COMPLETE BY REGISTERED ENTITY AS OF	11/3/09 ¹⁰
DATE OF VERIFICATION LETTER	8/25/10
VERIFIED COMPLETE BY REGIONAL ENTITY AS OF	11/3/09

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

CIP-004-1 R4 (SPP200900086): URE identified gaps in its prior processes and procedures, which allowed for the original failure to revoke access privileges within the specified time frame. SPP RE coordinated with URE during its internal investigation and was able to determine based on information provided by URE that these 44 individuals encompassed the scope of the violation. URE then implemented the necessary corrections by establishing a monitoring process to ensure compliance with CIP-004-1 R4 as it relates to personnel access changes required within seven calendar days. In addition, URE will maintain its documentation and procedures to ensure compliance with CIP-004-1 R4 and its access revocation requirements.

**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)**

CIP-004-1 R4 (SPP200900086):

SPP RE determined that URE established and implemented a monitoring process to ensure compliance with personnel access changes within seven calendar days as required by the Standard. Additionally, URE identified gaps in the implicated process and procedures and implemented corrections. SPP RE finds that URE successfully completed its Mitigation Plan.

IV. MITIGATION INFORMATION

FOR FINAL ACCEPTED MITIGATION PLAN: CIP-004-1 R3.2 (SPP200900166)

MITIGATION PLAN NO.	MIT-08-2649
DATE SUBMITTED TO REGIONAL ENTITY	6/30/10
DATE ACCEPTED BY REGIONAL ENTITY	7/12/10
DATE APPROVED BY NERC	8/11/10
DATE PROVIDED TO FERC	8/12/10

¹⁰The completed Mitigation Plan for CIP-004-1 R4 states a completion date of November 3, 2009. The Certification document for CIP-004-1 R4 contains a typographical error and states the violation was mitigated on January 1, 2010.

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

MITIGATION PLAN COMPLETED YES NO

EXPECTED COMPLETION DATE Submitted as complete
EXTENSIONS GRANTED N/A
ACTUAL COMPLETION DATE 1/1/10

DATE OF CERTIFICATION LETTER 7/26/10
CERTIFIED COMPLETE BY REGISTERED ENTITY AS OF 1/1/10
DATE OF VERIFICATION LETTER 8/16/10
VERIFIED COMPLETE BY REGIONAL ENTITY AS OF 1/1/10

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

CIP-004-1 R3.2 (SPP200900166): URE made corrective changes, modified, and clarified processes to obtain updated background checks no later than seven years after the last background check. Additionally, URE specifically detailed how the process for background checks is to be carried out and how to update background screens.

**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)**

CIP-004-1 R3.2 (SPP200900166):

SPP RE determined that URE has modified its processes to obtain updated background checks no later than seven years after the last background check. SPP RE finds that URE successfully completed its Mitigation Plan.

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EXHIBITS:

- a) Source Document
 - Self-Report for CIP-004-1 R4 (SPP200900086)
 - Summary of the Audit/Spot Check Findings for CIP-004-1 R3.2 (SPP200900166)

- b) Mitigation Plan
 - Mitigation Plan MIT-08-2645 for CIP-004-1 R4 (SPP200900086)
 - Mitigation Plan MIT-08-2649 for CIP-004-1 R3.2 (SPP200900166)

- c) Certification by Registered Entity
 - Mitigation Plan Certification of Completion for CIP-004-1 R4 (SPP200900086)
 - Mitigation Plan Certification of Completion for CIP-004-1 R3.2 (SPP200900166)

- d) Verification by Regional Entity
 - Mitigation Plan Completion Notice for CIP-004-1 R4 (SPP200900086)
 - Mitigation Plan Completion Notice for CIP-004-1 R3.2 (SPP200900166)

Disposition Document for PRC-005-1 R2.1

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DISPOSITION OF VIOLATION

Dated May 19, 2011

NERC TRACKING NO.
SPP200900162

REGIONAL ENTITY TRACKING NO.
2009-092

I. VIOLATION INFORMATION

RELIABILITY STANDARD	REQUIREMENT(S)	SUB-REQUIREMENT(S)	VRF(S)	VSL(S)
PRC-005-1	2	2.1	High ¹	Lower

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

The purpose of **PRC-005-1** provides: “To ensure all transmission and generation Protection Systems affecting the reliability of the Bulk Electric System (BES) are maintained and tested.”

PRC-005-1 R2.1 provides:

R2. Each Transmission Owner and any Distribution Provider that owns a transmission Protection System^[2] 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^[3] 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.

(Footnotes added.)

¹ 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. In the context of this case, SPP RE determined that the violation related to R2.1, and therefore a “High” VRF is appropriate.

² *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.”

³ Consistent with applicable FERC precedent, the term “Regional Reliability Organization” in this context refers to SPP RE.

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VIOLATION DESCRIPTION

In Self-Report, URE indicated that from December 2008 through September 2009, it failed to perform all of its two-month battery inspections for 100% of its station batteries. This failure to inspect the station batteries within the required interval implicated 2% of URE's total Protection System devices.

RELIABILITY IMPACT STATEMENT- POTENTIAL AND ACTUAL

SPP RE found the risk to the bulk power system (BPS) was minimal and not serious or substantial because although URE failed to conduct its two-month battery inspections during the duration of this violation, the four-month and six-month maintenance and testing cycles continued to be conducted and no Misoperations occurred. Normal visual inspection intervals for batteries can range from monthly to quarterly. The four and six month inspection intervals required measuring of internal resistance and are more thorough tests than the missing two-month inspections. This is because the four and six month inspections would actually involve placing a load on the battery for the purposes of evaluating internal resistance. This gives a more complete estimation of how the battery would actually respond under loaded conditions as opposed to the primarily physical inspection done under the two month inspection. Additionally, URE's station batteries are continuously alarm monitored for voltage drop and loss of direct current.

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) 12/1/08 (when the first two-month battery inspection was not performed) through 8/25/10 (Mitigation Plan completion)

DATE DISCOVERED BY OR REPORTED TO REGIONAL ENTITY Self-Report

IS THE VIOLATION STILL OCCURRING

YES **NO**

IF YES, EXPLAIN

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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-09-2646
DATE SUBMITTED TO REGIONAL ENTITY 6/30/10
DATE ACCEPTED BY REGIONAL ENTITY 7/12/10
DATE APPROVED BY NERC 8/11/10
DATE PROVIDED TO FERC 8/12/10

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

MITIGATION PLAN COMPLETED YES NO

EXPECTED COMPLETION DATE Submitted as complete
EXTENSIONS GRANTED N/A
ACTUAL COMPLETION DATE 8/25/10

DATE OF CERTIFICATION LETTER 7/26/10
CERTIFIED COMPLETE BY REGISTERED ENTITY AS OF 9/1/09

DATE OF VERIFICATION LETTER 9/3/10
VERIFIED COMPLETE BY REGIONAL ENTITY AS OF 8/25/2010⁴

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

URE: reviewed its current battery maintenance cycles with industry standards and practices; evaluated resources to meet established battery maintenance and testing practices; and adjusted resources as required; and completed all required battery inspection and maintenance.

⁴ SPP RE determined the actual completion date to be when URE had supplied all the required testing records to support completion.

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**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 provided evidence demonstrating that it tested its station batteries within its required intervals. SPP RE verified URE's Mitigation Plan as complete.

EXHIBITS:

- a) Source Document
 - Self-Report for PRC-005-1 R2.1 (SPP200900162)
- b) Mitigation Plan
 - Mitigation Plan MIT-09-2646 for PRC-005-1 R2.1 (SPP200900162)
- c) Certification by Registered Entity
 - Mitigation Plan Certification of Completion for PRC-005-1 R2.1 (SPP200900162)
- d) Verification by Regional Entity
 - Mitigation Plan Completion Notice for PRC-005-1 R2.1 (SPP200900162)

Disposition Document for FAC-008-1 R1 and FAC-009-1 R1

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DISPOSITION OF VIOLATION

Dated May 19, 2011

NERC TRACKING NO.
SPP200900163
SPP200900164

REGIONAL ENTITY TRACKING NO.
2009-093
2009-094

I. VIOLATION INFORMATION

RELIABILITY STANDARD	REQUIREMENT(S)	SUB-REQUIREMENT(S)	VRF(S)	VSL(S)
FAC-008-1	1	1.1, 1.2.1	Medium ¹	Severe
FAC-009-1	1		Medium	High

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

The purpose of **FAC-008-1** and **FAC-009-1** provides: “To ensure that Facility Ratings used in the reliable planning and operation of the Bulk Electric System (BES) are determined based on an established methodology or methodologies.”

FAC-008-1 R1 provides in pertinent part:

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.

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

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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.

...

FAC-009-1 R1 provides: “The Transmission Owner and Generator Owner shall each establish Facility Ratings for its solely and jointly owned Facilities that are consistent with the associated Facility Ratings Methodology.”

VIOLATION DESCRIPTION

FAC-008-1 R1 (SPP200900163): During a Compliance Audit (Audit), SPP RE discovered that URE’s generator Facility Ratings Methodology did not address relay protective devices, current and potential transformers, and terminal equipment. Additionally, URE did not have a documented generator Facility Ratings Methodology prior to 2009.

FAC-009-1 R1 (SPP200900164): During the Audit, SPP RE discovered that URE’s transmission Facility Ratings did not include the ratings for terminal equipment as required by its Facility Ratings Methodology.

RELIABILITY IMPACT STATEMENT- POTENTIAL AND ACTUAL

FAC-008-1 R1 (SPP200900163): SPP RE determined that the violation of FAC-008-1 R1 posed a minimal risk and did not create a serious or substantial risk to the bulk power system (BPS) because although URE had not documented a generating Facility Ratings Methodology, it had utilized the Southwest Power Pool Criteria for establishing a rating for its generation facilities. In accordance with the criteria, URE conducted capacity tests on its generating units that provided an accurate capacity rating for planning purposes.

FAC-009-1 R1 (SPP200900164): SPP RE determined that the violation of FAC-009-1 R1 posed a minimal risk and did not create a serious or substantial risk to the BPS because, although URE failed to include the ratings for its terminal equipment, URE determined that it had in fact accurately identified the most limiting element of its facilities at the time of the Audit.²

² URE has completed the evaluation of its transmission facilities including equipment component ratings for ring-bus and breaker-and-a-half substation configurations. The evaluation did not result in any changes to established ratings for the transmission facilities involved.

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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)

FAC-008-1 R1 (SPP200900163): 6/18/07 (when the Standard became mandatory and enforceable) through 3/23/10 (Mitigation Plan completion)

FAC-009-1 R1 (SPP200900164): 6/18/07 (when the Standard became mandatory and enforceable) through 03/28/11 (Mitigation Plan completion)

DATE DISCOVERED BY OR REPORTED TO REGIONAL ENTITY

FAC-008-1 R1 (SPP200900163): 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

DATE DISCOVERED BY OR REPORTED TO REGIONAL ENTITY

FAC-009-1 R1 (SPP200900164): 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

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III. MITIGATION INFORMATION

FOR FINAL ACCEPTED MITIGATION PLAN: FAC-008-1 R1 (SPP200900163)

MITIGATION PLAN NO.	MIT-07-2647
DATE SUBMITTED TO REGIONAL ENTITY	6/30/10
DATE ACCEPTED BY REGIONAL ENTITY	7/12/10
DATE APPROVED BY NERC	8/11/10
DATE PROVIDED TO FERC	8/12/10

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

MITIGATION PLAN COMPLETED YES NO

EXPECTED COMPLETION DATE	Submitted as complete
EXTENSIONS GRANTED	N/A
ACTUAL COMPLETION DATE	3/23/10

DATE OF CERTIFICATION LETTER	7/26/10
CERTIFIED COMPLETE BY REGISTERED ENTITY AS OF	3/23/10

DATE OF VERIFICATION LETTER	8/30/10
VERIFIED COMPLETE BY REGIONAL ENTITY AS OF	3/23/10

ACTIONS TAKEN TO MITIGATE THE ISSUE AND PREVENT RECURRENCE

FAC-008-1 R1 (SPP200900163): To mitigate its violation of FAC-008-1 R1, URE modified the generator Ratings Methodology to include relaying components, potential transformers and current transformers, and all components in series between the generator step up transformer and the transmission interface.

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)

FAC-008-1 R1 (SPP200900163):
SPP RE determined that URE's Facility Ratings Methodology meets the requirements of FAC-008-1 R1. SPP RE finds that URE has completed its Mitigation Plan.

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IV. MITIGATION INFORMATION

FOR FINAL ACCEPTED MITIGATION PLAN: FAC-009-1 R1 (SPP200900164)

MITIGATION PLAN NO. MIT-07-2684

DATE SUBMITTED TO REGIONAL ENTITY	7/15/10
DATE ACCEPTED BY REGIONAL ENTITY	7/21/10
DATE APPROVED BY NERC	8/19/10
DATE PROVIDED TO FERC	8/20/10

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

MITIGATION PLAN COMPLETED YES NO

EXPECTED COMPLETION DATE	12/31/10
EXTENSIONS GRANTED	N/A
ACTUAL COMPLETION DATE	03/28/11 ³

DATE OF CERTIFICATION LETTER	11/23/10
CERTIFIED COMPLETE BY REGISTERED ENTITY AS OF	10/29/10

DATE OF VERIFICATION LETTER	03/29/11
VERIFIED COMPLETE BY REGIONAL ENTITY AS OF	03/28/11

ACTIONS TAKEN TO MITIGATE THE ISSUE AND PREVENT RECURRENCE

FAC-009-1 R1 (SPP200900164): To mitigate its violation of FAC-009-1 R1, URE established a Facility Rating for its solely and jointly owned facilities that are consistent with its Facilities Rating Methodology.

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)

FAC-009-1 R1 (SPP200900164):

SPP RE determined that URE's Facility Ratings have been established in accordance with its Facility Ratings Methodology satisfying the requirements of FAC-009-1 R1. SPP RE finds that URE has completed its Mitigation Plan.

³ This is the date by which URE had supplied adequate evidence for the SPP RE to verify completion of the mitigation plan.

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HAS BEEN REMOVED FROM THIS PUBLIC VERSION**

EXHIBITS:

- a) Source Document
 - Summary of the Audit/Spot Check Findings for FAC-008-1 R1 (SPP200900163) and FAC-009-1 R1 (SPP200900164)
- b) Mitigation Plan
 - Mitigation Plan MIT-07-2647 for FAC-008-1 R1 (SPP200900163)
 - Mitigation Plan MIT-07-2684 for FAC-009-1 R1 (SPP200900164)
- c) Certification by Registered Entity
 - Mitigation Plan Certification of Completion for FAC-008-1 R1 (SPP200900163)
 - Mitigation Plan Certification of Completion for FAC-009-1 R1 (SPP200900164)
- d) Verification by Regional Entity
 - Mitigation Plan Completion Notice for FAC-008-1 R1 (SPP200900163)
 - Mitigation Plan Completion Notice for FAC-009-1 R1 (SPP200900164)

Disposition Document for CIP-003-1 R1

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DISPOSITION OF VIOLATION

Dated May 19, 2011

NERC TRACKING NO.
SPP200900165

REGIONAL ENTITY TRACKING NO.
2009-095

I. VIOLATION INFORMATION

RELIABILITY STANDARD	REQUIREMENT(S)	SUB-REQUIREMENT(S)	VRF(S)	VSL(S)
CIP-003-1	1	1.1, R1.2, R1.3	Medium ¹	N/A ²

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

The purpose of CIP-003-1 provides in pertinent part: “Standard CIP-003 requires that Responsible Entities^[3] have minimum security management controls in place to protect Critical Cyber Assets. Standard CIP-003 should be read as part of a group of standards numbered Standards CIP-002 through CIP-009. Standard CIP-003 should be read as part of a group of standards numbered Standards CIP-002 through CIP-009...”

(Footnote added.)

CIP-003-1 R1 provides:

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:

¹ CIP-003-1 R1 has a “Medium” Violation Risk Factor (VRF); R1.1, R1.2 and R1.3 each have a “Lower” VRF. When NERC filed VRFs it originally assigned CIP-003-1 R1 a “Lower” VRF. The Commission approved the VRF as filed; however, it directed NERC to submit modifications. NERC submitted the modified “Medium” VRF and on January 27, 2009, the Commission approved the modified “Medium” VRF. Therefore, the “Lower” VRF for CIP-003-1 R1 was in effect from June 18, 2007 until January 27, 2009, when the “Medium” VRF became effective.

² At the time of the violations, 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-003, “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.

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

R1.2. The cyber security policy is readily available to all personnel who have access to, or are responsible for, Critical Cyber Assets.

R1.3. Annual review and approval of the cyber security policy by the senior manager assigned pursuant to R2.

VIOLATION DESCRIPTION

During a Spot-Check, SPP RE determined that URE's Cyber Security Policy did not comply with CIP-003-1 R1, R1.1, R1.2, or R1.3. Specifically, URE's policy did not meet the requirements of R1.1 because the policy did not address all the requirements of CIP-002 through CIP-009. Instead URE relied on a blanket statement in its code of ethics.

In regards to R1.2, URE did not make all of the Cyber Security Policy documents available to all personnel with authorized electronic or authorized unescorted physical access to Critical Cyber Assets. The personnel without access to the company intranet received hard copies of only selected policy documents that URE deemed were appropriate to those individuals' roles and responsibilities.

Finally, in reference to R1.3, prior to June 16, 2009, URE's Cyber Security Policy was approved as part of the overall set of company policies and procedures by the CEO/Chairman of the Board. The CEO/Chairman of the Board was not the senior manager appointed as required in CIP-003-1 R2. Instead, the Executive Vice President of Human Resources, who reported directly to the CEO, was designated as the senior manager at the time. Consequently, the Policy was not approved in the method that is required by CIP-003-1 R1.3.

RELIABILITY IMPACT STATEMENT- POTENTIAL AND ACTUAL

SPP RE determined that the violation of CIP-003-1 R1 did not create a serious or substantial risk to the bulk power system (BPS) because URE, in its Cyber Security Policy, had clearly expressed its intent to comply with the cyber security policies, and had based its security policies on ISO 17799, the same standards upon which the CIP cyber security standards were originally based. Additionally, in reference to R1.2, those individuals without access to the company intranet did receive hard copies of Cyber Security Policy documents that were specific to their roles and responsibilities. Finally, the Cyber Security Policy was approved by the CEO/Chairman of the Board, to which the senior manager reported, even though the policy was not approved by the authorized senior manager as required by the standard.

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Therefore, URE’s failure to address the requirements of CIP-002 through CIP-009, its failure to provide all personnel implicated by R1.2 with the all the Cyber Security Policy documents, and the failure of the designated senior manager as appointed to approve the Cyber Security Policy as required by R1.3 created only a minimal risk to the BPS.

II. DISCOVERY INFORMATION

METHOD OF DISCOVERY

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

DURATION DATE(S) 7/01/08 (when the Standard became mandatory and enforceable for “Table 1” entities) through 6/30/10 (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-08-2648
DATE SUBMITTED TO REGIONAL ENTITY 6/30/10
DATE ACCEPTED BY REGIONAL ENTITY 7/12/10
DATE APPROVED BY NERC 8/11/10
DATE PROVIDED TO FERC 8/12/10

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

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

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HAS BEEN REMOVED FROM THIS PUBLIC VERSION**

EXPECTED COMPLETION DATE	Submitted as complete
EXTENSIONS GRANTED	N/A
ACTUAL COMPLETION DATE	6/30/10
DATE OF CERTIFICATION LETTER	7/26/10
CERTIFIED COMPLETE BY REGISTERED ENTITY AS OF	6/30/10
DATE OF VERIFICATION LETTER	8/16/10
VERIFIED COMPLETE BY REGIONAL ENTITY AS OF	6/30/10

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

To mitigate its violation of CIP-003-1 R1, URE took the following actions:

- It implemented a process to have the senior manager appointed in CIP-003-1 R2, review and approve the Cyber Security Policy.
- It updated its policy to include a statement that personnel having access to Critical Cyber Assets must have knowledge of the NERC CIP Standards and follow them.
- It provided an electronic or hardcopy of the CIP standards to those personnel having Critical Cyber Asset access.
- It ensured the availability of cyber policy for personnel without URE intranet access by creating an information security handbook that includes the code of ethics, other internal policies, and all NERC CIP Standards which was provided to people who did not have access to the intranet, and it provided online access to the Handbook to those personnel with intranet access.

**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)**

SPP RE determined that URE completed its Mitigation Plan by designating the required senior manager, producing an information security handbook and providing it to the required personnel, and properly updating its policy.

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EXHIBITS:

- a) Source Document
 - Summary of the Audit/Spot Check Findings for CIP-003-1 R1 (SPP200900165)
- b) Mitigation Plan
 - Mitigation Plan MIT-08-2648 for CIP-003-1 R1 (SPP200900165)
- c) Certification by Registered Entity
 - Mitigation Plan Certification of Completion for CIP-003-1 R1 (SPP200900165)
- d) Verification by Regional Entity
 - Mitigation Plan Completion Notice for CIP-003-1 R1 (SPP200900165)

Disposition Document for BAL-003-0.1b R2

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DISPOSITION OF VIOLATION

Dated May 19, 2011

NERC TRACKING NO.
SPP201000260

REGIONAL ENTITY TRACKING NO.
2010-066

I. VIOLATION INFORMATION

RELIABILITY STANDARD	REQUIREMENT(S)	SUB-REQUIREMENT(S)	VRF(S)	VSL(S)
BAL-003-0.1b	2	2.1, R2.2	Medium	Severe

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

The purpose of BAL-003-0.1b provides: “This standard provides a consistent method for calculating the Frequency Bias component of ACE.”¹

BAL-003-0.1b R2 provides:

R2. Each Balancing Authority shall establish and maintain a Frequency Bias Setting that is as close as practical to, or greater than, the Balancing Authority’s Frequency Response. Frequency Bias may be calculated several ways:

R2.1. The Balancing Authority may use a fixed Frequency Bias value which is based on a fixed, straight-line function of Tie Line deviation versus Frequency Deviation. The Balancing Authority shall determine the fixed value by observing and averaging the Frequency Response for several Disturbances during on-peak hours.

R2.2. The Balancing Authority may use a variable (linear or non-linear) bias value, which is based on a variable function of Tie Line deviation to Frequency Deviation. The Balancing Authority shall determine the variable frequency bias value by analyzing Frequency Response as it varies with factors such as load, generation, governor characteristics, and frequency.

¹ NERC defines “Area Control Error” (ACE) as the instantaneous difference between a Balancing Authority’s net actual and scheduled interchange, taking into account the effects of Frequency Bias and correction for meter error. *Glossary of Terms Used in NERC Reliability Standards* (April 20, 2010). (Approved by FERC March 16, 2007).

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VIOLATION DESCRIPTION

During a Spot-Check conducted to review BAL-003-0.1b, Frequency Response and Bias, the SPP RE discovered that URE violated BAL-003-0.1b R2 because it did not perform the calculations to determine the frequency response to its system using either of the two calculation methods outlined in R2.1 or R2.2 for 2009. In lieu of the prescribed calculations URE estimated its frequency response at the 1% of peak load based upon BAL-003-0.1b R5, which states, “Balancing Authorities that serve native load shall have a monthly average Frequency Bias Setting that is at least 1% of the Balancing Authority’s estimated yearly peak demand per 0.1 Hz change.” In 2008, URE did not perform any calculations to determine the frequency response of their system as is required under both R2.1 and R2.2.

RELIABILITY IMPACT STATEMENT- POTENTIAL AND ACTUAL

SPP RE determined that the violation of BAL-003-0.1b R2 did not create a serious or substantial risk to the bulk power system (BPS) because although URE did not calculate its system’s frequency bias following either of the methods prescribed in BAL-003-0.1b R2, the frequency bias established by URE based upon 1% of its load was greater than the frequency bias determined by the either of the methods prescribed in BAL-003-1.1b R2 and resulted in a greater response by URE to frequency excursions. Therefore, the risk to the BPS was minimal.

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) 1/1/09 (the date URE was required to review its Frequency Bias Settings) through 5/31/10 (Mitigation Plan completion)

DATE DISCOVERED BY OR REPORTED TO REGIONAL ENTITY Spot Check

IS THE VIOLATION STILL OCCURRING

YES **NO**

IF YES, EXPLAIN

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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-09-2664
DATE SUBMITTED TO REGIONAL ENTITY 6/30/10
DATE ACCEPTED BY REGIONAL ENTITY 7/12/10
DATE APPROVED BY NERC 8/11/10
DATE PROVIDED TO FERC 8/12/10

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

MITIGATION PLAN COMPLETED YES NO

EXPECTED COMPLETION DATE Submitted as complete
EXTENSIONS GRANTED N/A
ACTUAL COMPLETION DATE 5/31/10

DATE OF CERTIFICATION LETTER 7/26/10
CERTIFIED COMPLETE BY REGISTERED ENTITY AS OF 5/31/10

DATE OF VERIFICATION LETTER 9/8/10
VERIFIED COMPLETE BY REGIONAL ENTITY AS OF 5/31/10

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

URE calculated its frequency bias using the method outlined in BAL-003-0.1b R2.1. URE also created revised policies which require the annual calculation and reporting of frequency response using real time frequency events and frequency bias. Finally, URE created a policy which made the recalculation of the frequency bias a responsibility of a manager of System 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,
LIST EVIDENCE REVIEWED FOR COMPLETED MILESTONES)**

SPP RE determined that URE has successfully completed its Mitigation Plan by providing calculations of its frequency bias using the methodology outlined in BAL-003-0.1b Requirement 2.1.

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HAS BEEN REMOVED FROM THIS PUBLIC VERSION**

EXHIBITS:

- a) Source Document
 - Spot Check Report for BAL-003-0.1b R2 (SPP201000260)
- b) Mitigation Plan
 - Mitigation Plan MIT-09-2664 for BAL-003-0.1b R2 (SPP201000260)
- c) Certification by Registered Entity
 - Mitigation Plan Certification of Completion for BAL-003-0.1b R2 (SPP201000260)
- d) Verification by Regional Entity
 - Mitigation Completion Notice for BAL-003-0.1b R2 (SPP201000260)