



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: PRC-005-1 R2.1; FAC-008-1 R1; FAC-009-1 R1; CIP-003-1 R1; CIP-004-1 R4.2; CIP-007-1 R1; 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 seventeen thousand eight hundred sixty dollars (\$17,860), 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:

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).

SPP200900168, SPP200900169, SPP200900170, SPP200900178, SPP200900180, SPP200900181 and SPP201000253 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-572 | SPP200900168 | PRC-005-1 | 2.1 | High ³ | 12/1/08-8/25/10 | 17,860 |
| | SPP200900169 | FAC-008-1 | 1 | Medium ⁴ | 6/18/07-3/23/10 | |
| | SPP200900170 | FAC-009-1 | 1 | Medium | 6/18/07-3/28/11 | |
| | SPP200900178 | CIP-003-1 | 1 | Medium ⁵ | 7/1/08-6/30/10 | |
| | SPP200900180 | CIP-004-1 | 4/4.2 | Medium ⁶ | 7/1/08-11/3/09 | |

³ 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.

⁴ 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.

⁵ 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.

⁶ CIP-004-1 R4 and R4.1 each have a “Lower” 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.

| | | | | | | |
|--|--------------|---------------------------|---|---------------------|----------------|--|
| | SPP200900181 | CIP-007-1 | 1 | Medium ⁷ | 7/1/08-5/15/09 | |
| | SPP201000253 | 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.

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 affected 1.7% 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 Facility Ratings Methodology prior to 2009, and URE’s Facility Ratings Methodology did not address relay protective devices, current and potential transformers, 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 accordance with its Transmission Facility Ratings.

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.

CIP-004-1 R4.2 - OVERVIEW

This violation was discovered during the Spot Check. 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.

CIP-007-1 R1 - OVERVIEW

This violation was discovered during the Spot Check. SPP RE determined that URE did not perform specific testing of security controls until after implementation of at least one update on the production system.

⁷ CIP-007-1 R1 and R1.1 each have a “Medium” VRF; R1.2 and R1.3 each have a “Lower” VRF.

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.”

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 seventeen thousand eight hundred sixty dollar (\$17,860) 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 violation of PRC-005-1 R2.1;
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;
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 seventeen thousand eight hundred sixty dollars (\$17,860) is

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).

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 PRC-005-1 R2.1, included as Attachment 1a to the Settlement Agreement;
 - iii. Disposition Document for FAC-008-1 R1 and FAC-009-1 R1, included as Attachment 1b to the Settlement Agreement;
 - iv. Disposition Document for CIP-003-1 R1, included as Attachment 1c to the Settlement Agreement;
 - v. Disposition Document for CIP-004-1 R4.2, included as Attachment 1d to the Settlement Agreement;
 - vi. Disposition Document for CIP-007-1 R1, included as Attachment 1e to the Settlement Agreement; and
 - vii. Disposition Document for BAL-003-0.1b R2, included as Attachment 1f to the Settlement Agreement.
- b) Record Documents for PRC-005-1 R2.1 (SPP200900168):
 - i. URE's Self-Report for PRC-005-1 R2.1, included as Attachment b-1;
 - ii. URE's Mitigation Plan MIT-09-2650, 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 FAC-008-1 R1 (SPP200900169):
 - i. SPP RE's Summary of the Audit/Spot Check Findings for FAC-008-1 R1, included as Attachment c-1;
 - ii. URE's Mitigation Plan MIT-07-2651, 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 FAC-009-1 R1 (SPP200900170):
 - 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-07-2685, included as Attachment d-1;
 - iii. URE's Certification of Mitigation Plan Completion, included as Attachment d-2;
and
 - iv. SPP RE's Verification of Mitigation Plan Completion, included as Attachment d-3.
- e) Record Documents for CIP-003-1 R1 (SPP200900178):
- 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-08-2659 , 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 CIP-004-1 R4.2 (SPP200900180):
- i. SPP RE's Summary of the Audit/Spot Check Findings for CIP-004-1 R4.2, *see* Attachment c-1;
 - ii. URE's Mitigation Plan MIT-08-2660, 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 Completion⁰, *see* Attachment e-4.
- g) Record Documents for CIP-007-1 R1 (SPP200900181):
- i. SPP RE's S Summary of the Audit/Spot Check Findings for CIP-007-1 R1, *see* Attachment c-1;
 - ii. URE's Mitigation Plan MIT-08-2661, 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, included as Attachment g-3.
- h) Record Documents for BAL-003-0.1b R2 (SPP201000253):
- i. SPP RE's Spot Check Report for BAL-003-0.1b R2, included as Attachment h-1;
 - ii. URE's Mitigation Plan MIT-09-2663, 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, *see* Attachment g-3.

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).

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> |
|---|--|

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
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David N. Cook
Sr. Vice President and General Counsel
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/s/ Rebecca J. Michael
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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**

**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

| | |
|--------------|--|
| SPP200900168 | DATE: OR N/A <input checked="" type="checkbox"/> |
| SPP200900169 | DATE: OR N/A <input checked="" type="checkbox"/> |
| SPP200900170 | DATE: OR N/A <input checked="" type="checkbox"/> |
| SPP200900178 | DATE: OR N/A <input checked="" type="checkbox"/> |
| SPP200900180 | DATE: OR N/A <input checked="" type="checkbox"/> |
| SPP200900181 | DATE: OR N/A <input checked="" type="checkbox"/> |
| SPP201000253 | DATE: OR N/A <input checked="" type="checkbox"/> |

SETTLEMENT DISCUSSIONS COMMENCED

| | |
|--------------|-----------------|
| SPP200900168 | DATE: 5/21/2010 |
| SPP200900169 | DATE: 5/21/2010 |
| SPP200900170 | DATE: 5/21/2010 |
| SPP200900178 | DATE: 5/21/2010 |
| SPP200900180 | DATE: 5/21/2010 |
| SPP200900181 | DATE: 5/21/2010 |
| SPP200900253 | DATE: 5/21/2010 |

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NOTICE OF CONFIRMED VIOLATION ISSUED

| | |
|--------------|--|
| SPP200900168 | DATE: OR N/A <input checked="" type="checkbox"/> |
| SPP200900169 | DATE: OR N/A <input checked="" type="checkbox"/> |
| SPP200900170 | DATE: OR N/A <input checked="" type="checkbox"/> |
| SPP200900178 | DATE: OR N/A <input checked="" type="checkbox"/> |
| SPP200900180 | DATE: OR N/A <input checked="" type="checkbox"/> |
| SPP200900181 | DATE: OR N/A <input checked="" type="checkbox"/> |
| SPP201000253 | 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 PRC-005-1 R2.1

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DISPOSITION OF VIOLATION

Dated May 19, 2011

NERC TRACKING NO.
SPP200900168

REGIONAL ENTITY TRACKING NO.
2009-098

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 and each Generator Owner that owns a generation Protection System^[2] 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

Following a Self-Report, URE indicated that it failed to adhere to all of its two-month battery inspection cycle for its 100% of its station batteries. This failure to inspect the station batteries within the required interval implicated 1.7% 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 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-09-2650
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 VERSIONS THAT WERE 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 9/01/09

DATE OF VERIFICATION LETTER 9/3/10
VERIFIED COMPLETE BY REGIONAL ENTITY AS OF 8/25/10⁴

**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 (SPP200900168)
- b) Mitigation Plan
 - Mitigation Plan MIT-09-2650 for PRC-005-1 R2.1 (SPP200900168)
- c) Certification by Registered Entity
 - Mitigation Plan Certification of Completion for PRC-005-1 R2.1 (SPP200900168)
- d) Verification by Regional Entity
 - Mitigation Plan Completion Notice for PRC-005-1 R2.1 (SPP200900168)

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.
SPP200900169
SPP200900170

REGIONAL ENTITY TRACKING NO.
2009-099
2009-100

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 operations 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.

R1.2.1. The scope of equipment addressed shall include, but not be limited to, generators, transmission conductors,

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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*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 (SPP200900169): During a Compliance Audit (Audit), SPP RE discovered that URE’s Facility Ratings Methodology did not address relay protective devices, current and potential transformers, and terminal equipment with regards to its facilities as required by the Standard. Additionally, URE acknowledged that it did not have a Facility Ratings Methodology document prior to 2009.

FAC-009-1 R1 (SPP200900170): 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-009-1 R1 (SPP200900169): 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 Facility Ratings Methodology, it had utilized the Southwest Power Pool Criteria for establishing a rating for its facilities. In accordance with the criteria, URE conducted capacity tests on its units that provided an accurate capacity rating for planning purposes.

FAC-009-1 R1 (SPP200900170): 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 (SPP200900169): 6/18/07 (when the Standard became mandatory and enforceable) through 3/23/10(Mitigation Plan completion)

FAC-009-1 R1 (SPP200900170): 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 (SPP200900169): 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 (SPP200900170): 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 (SPP200900169)

| | |
|--|-------------|
| MITIGATION PLAN NO. | MIT-07-2651 |
| 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 (SPP200900169): URE improved and strengthened its Facilities Rating Methodology by modifying the Ratings Methodology to include relaying components, which includes potential transformers and current transformers to support the relaying, and all components between the generator step up 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 (SPP200900169):
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 (SPP200900170)

MITIGATION PLAN NO. MIT-07-2685

| | |
|--|---------|
| 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 | 3/29/11 |
| VERIFIED COMPLETE BY REGIONAL ENTITY AS OF | 3/28/11 |

ACTIONS TAKEN TO MITIGATE THE ISSUE AND PREVENT RECURRENCE

FAC-009-1 R1 (SPP200900170): 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 (SPP200900170):

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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EXHIBITS:

- (a) Source Document
Summary of the Audit/Spot Check Findings for FAC-008-1 R1 (SPP200900169)
and FAC-009-1 R1 (SPP200900170)

- (b) Mitigation Plan
 - Mitigation Plan MIT-07-2651 for FAC-008-1 R1 (SPP200900169)
 - Mitigation Plan MIT-07-2685 for FAC-009-1 R1 (SPP200900170)

- (c) Certification by Registered Entity
 - Mitigation Plan Certification of Completion for FAC-008-1 R1 (SPP200900169)
 - Mitigation Plan Certification of Completion for FAC-009-1 R1

- (d) Verification by Regional Entity
 - Mitigation Plan Completion Notice for FAC-008-1 R1 (SPP200900169)
 - Mitigation Plan Completion Notice for FAC-009-1 R1 (SPP200900170)

Disposition Document for CIP-003-1 R1

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DISPOSITION OF VIOLATION

Dated May 19, 2011

NERC TRACKING NO.
SPP200900178

REGIONAL ENTITY TRACKING NO.
2009-108

I. VIOLATION INFORMATION

| RELIABILITY STANDARD | REQUIREMENT(S) | SUB-REQUIREMENT(S) | VRF(S) | VSL(S) |
|-----------------------------|-----------------------|---------------------------|---------------------|------------------|
| CIP-003-1 | 1 | 1.1, 1.2, and 1.3 | 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....”

(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:

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

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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R1.2. 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 posed a minimal risk and 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.

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 posed a minimal risk to the BPS.

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II. DISCOVERY INFORMATION

METHOD OF DISCOVERY

| | |
|------------------------------------|-------------------------------------|
| SELF-REPORT | <input type="checkbox"/> |
| SELF-CERTIFICATION | <input type="checkbox"/> |
| COMPLIANCE AUDIT | <input type="checkbox"/> |
| COMPLIANCE VIOLATION INVESTIGATION | <input type="checkbox"/> |
| SPOT CHECK | <input checked="" type="checkbox"/> |
| COMPLAINT | <input type="checkbox"/> |
| PERIODIC DATA SUBMITTAL | <input type="checkbox"/> |
| EXCEPTION REPORTING | <input type="checkbox"/> |

DURATION DATE(S) 7/1/08 (when the Standard became mandatory and enforceable for “Table 1” entities) through 6/30/10 (Mitigation Plan completion)

DATE REPORTED TO REGIONAL ENTITY Spot Check

IS THE VIOLATION STILL OCCURRING

YES **NO**

IF YES, EXPLAIN

| | | | | |
|--|------------|--------------------------|-----------|-------------------------------------|
| REMEDIAL ACTION DIRECTIVE ISSUED | YES | <input type="checkbox"/> | NO | <input checked="" type="checkbox"/> |
| PRE TO POST JUNE 18, 2007 VIOLATION | YES | <input type="checkbox"/> | NO | <input checked="" type="checkbox"/> |

III. MITIGATION INFORMATION

FOR FINAL ACCEPTED MITIGATION PLAN

| | |
|--|-------------|
| MITIGATION PLAN NO. | MIT-08-2659 |
| 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 | 6/30/10 |

| | |
|--|---------|
| DATE OF CERTIFICATION LETTER | 7/26/10 |
| CERTIFIED COMPLETE BY REGISTERED ENTITY AS OF | 6/30/10 |

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HAS BEEN REMOVED FROM THIS PUBLIC VERSION**

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 that have access to Critical Cyber Assets must have knowledge of NERC CIP Standards to 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, 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.

EXHIBITS:

- a) Source Document
 - Summary of the Audit/Spot Check Findings for CIP-003-1 R1 (SPP200900178)
- b) Mitigation Plan
 - Mitigation Plan MIT-08-2659 for CIP-003-1 R1 (SPP200900178)
- c) Certification by Registered Entity
 - Mitigation Plan Certification of Completion for CIP-003-1 R1 (SPP200900178)
- d) Verification by Regional Entity
 - Mitigation Plan Completion Review for CIP-003-1 R1 (SPP200900178)

Disposition Document for CIP-004-1 R4.2

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DISPOSITION OF VIOLATION

Dated May 19, 2011

NERC TRACKING NO.
SPP200900180

REGIONAL ENTITY TRACKING NO.
2009-110

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 |

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 R4.2 provides in pertinent part:

R4. Access — The Responsible Entity³ 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

¹ CIP-004-1 R4 and R4.1 each have a “Lower” 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 Within the text of Standard CIP-004, “Responsible Entity” shall mean Reliability Coordinator, Balancing Authority, Interchange Authority, Transmission Service Provider, Transmission Owner, Transmission Operator, Generator Owner, Generator Operator, Load Serving Entity, NERC, and Regional Reliability Organizations.

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*and within seven calendar days for personnel who no longer
require such access to Critical Cyber Assets.*

(Footnote added.)

VIOLATION DESCRIPTION

This violation was discovered during the Spot Check. 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. 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,⁴ and 4 had monitoring and control capabilities in regards to distribution facilities.⁵

RELIABILITY IMPACT STATEMENT- POTENTIAL AND ACTUAL

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,⁶ and only three individuals had cyber administrative privileges.⁷

II. DISCOVERY INFORMATION

METHOD OF DISCOVERY

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

⁴ Maximum access duration after termination was 13 months.

⁵ Maximum access duration after termination was 23 months.

⁶ Maximum access duration after termination was 3 months.

⁷ Maximum access duration after termination was 13 months.

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HAS BEEN REMOVED FROM THIS PUBLIC VERSION**

DURATION DATE(S) 7/1/08 (when URE was required to be compliant with CIP-004-1 R4 as a Table 1 entity)⁸ through 11/3/09 (Mitigation Plan completion)

DATE DISCOVERED BY OR REPORTED TO REGIONAL ENTITY Spot Check

IS THE VIOLATION STILL OCCURRING

YES **NO**

IF YES, EXPLAIN

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

III. MITIGATION INFORMATION

FOR FINAL ACCEPTED MITIGATION PLAN:

MITIGATION PLAN NO. MIT-08-2660
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

DATE OF CERTIFICATION LETTER 7/26/10
CERTIFIED COMPLETE BY REGISTERED ENTITY AS OF 11/3/09

DATE OF VERIFICATION LETTER 8/16/10
VERIFIED COMPLETE BY REGIONAL ENTITY AS OF 11/3/09

ACTIONS TAKEN TO MITIGATE THE ISSUE AND PREVENT RECURRENCE

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

⁸ 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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HAS BEEN REMOVED FROM THIS PUBLIC VERSION**

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. It 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)**

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.

EXHIBITS:

- a) Source Document
 - Summary of the Audit/Spot Check Findings for CIP-004-1 R4.2 (SPP200900180)
- b) Mitigation Plan
 - Mitigation Plan MIT-08-2660 for CIP-004-1 R4.2 (SPP200900180)
- c) Certification by Registered Entity
 - Mitigation Plan Certification of Completion for CIP-004-1 R4.2 (SPP200900180)
- d) Verification by Regional Entity
 - Mitigation Plan Completion Notice for CIP-004-1 R4.2 (SPP200900180)

Disposition Document for CIP-007-1 R1

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DISPOSITION OF VIOLATION

Dated May 19, 2011

NERC TRACKING NO.
SPP200900181

REGIONAL ENTITY TRACKING NO.
2009-111

I. VIOLATION INFORMATION

| RELIABILITY STANDARD | REQUIREMENT(S) | SUB-REQUIREMENT(S) | VRF(S) | VSL(S) |
|-----------------------------|-----------------------|---------------------------|---------------------|------------------|
| CIP-007-1 | 1 | | 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-007-1 provides in pertinent part: “Standard CIP-007 requires Responsible Entities^[3] to define methods, processes, and procedures for securing those systems determined to be Critical Cyber Assets, as well as the non-critical Cyber Assets within the Electronic Security Perimeter(s). Standard CIP-007 should be read as part of a group of standards numbered Standards CIP-002 through CIP-009...”

CIP-007-1 R1 provides:

R1. Test Procedures —the Responsible Entity shall ensure that new Cyber Assets and significant changes to existing Cyber Assets within the Electronic Security Perimeter do not adversely affect existing cyber security controls. For purposes of Standard CIP-007, a significant change shall, at a minimum, include implementation of security patches, cumulative service packs, vendor releases, and version upgrades of operating systems, applications, database platforms, or other third-party software or firmware.

¹ CIP-007-1 R1 and R1.1 each have a “Medium” VRF; R1.2 and R1.3 each have a “Lower” VRF.

² At the time of the violations, no VSLs were in effect for CIP-007-1. 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-007, “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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VIOLATION DESCRIPTION

During the Spot-Check Audit, SPP RE discovered that URE performed functional testing prior to May 15, 2009 to verify that an application continued to operate properly after an update had been applied. There was a test procedure in place outlining that changes would be made in a non-production environment prior to being deployed to production “whenever possible.” Specific testing of security controls was not performed until after implementation of one update on the production system. The Spot-Check Team determined that an update was applied to the production systems on April 20, 2009 and port-scan testing did not occur until May 14, 2009.

RELIABILITY IMPACT STATEMENT- POTENTIAL AND ACTUAL

SPP RE determined the risk to the bulk power system (BPS) to be minimal and not serious or substantial because URE performed functional testing to ensure the critical applications continued to operate as expected and detected no log alerts suggesting issues requiring investigation. Compensating measures, including minimal interaction between the SCADA network and the corporate network and the implementation of firewalls and intrusion detection systems, further reduced the 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) 7/1/08 (when the Standard became mandatory and enforceable) through 5/15/09 (Mitigation Plan completion)

DATE DISCOVERED BY OR REPORTED TO REGIONAL ENTITY Spot Check

IS THE VIOLATION STILL OCCURRING

YES **NO**

IF YES, EXPLAIN

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

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III. MITIGATION INFORMATION

FOR FINAL ACCEPTED MITIGATION PLAN

| | |
|--|-------------|
| MITIGATION PLAN NO. | MIT-08-2661 |
| 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 | 5/15/09 ⁴ |

| | |
|--|---------|
| DATE OF CERTIFICATION LETTER | 7/26/10 |
| CERTIFIED COMPLETE BY REGISTERED ENTITY AS OF | 5/15/09 |

| | |
|---|----------------------|
| DATE OF VERIFICATION LETTER | 8/18/10 |
| VERIFIED COMPLETE BY REGIONAL ENTITY AS OF | 5/15/09 ⁵ |

ACTIONS TAKEN TO MITIGATE THE ISSUE AND PREVENT RECURRENCE

URE:

- changed its policy to document the addition of new Cyber Assets and significant changes to existing Cyber Assets within the Electronic Security Perimeter on a change implementation record and if there is an effect upon a Critical Cyber Asset, Information Security performs a Cyber Security controls test and records the results in the change implementation record with implementation withheld until a controls test is performed; and
- created a testing procedure that documents the cyber security control tests that are performed, ensures testing is done in a manner that minimizes adverse affects on the production system or its operation, and documents the results of the cyber security test.

⁴ The completed Mitigation Plan contains a typographical error denoting May 15, 2010 as the completion date. The Certificate of Mitigation Plan completion contains the same typographical error listing the completed date as May 15, 2010.

⁵ The Verification document contained a typographical error stating a date of March 15, 2009.

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SPP RE finds that the addition of new Cyber Assets and significant changes to existing Cyber Assets within the Electronic Security Perimeter are documented on a change implementation record and if either affects a Critical Cyber Asset, Information Security performs the Cyber Security controls test. The results of that test are recorded in the change implementation record and implementation is not approved until the controls test is done. Therefore, SPP RE finds that URE completed its Mitigation Plan.

EXHIBITS:

- a) Source Document
 - Summary of the Audit/Spot Check Findings for CIP-007-1 R1 (SPP200900181)
- b) Mitigation Plan
 - Mitigation Plan MIT-08-2661 for CIP-007-1 R1 (SPP200900181)
- c) Certification by Registered Entity
 - Mitigation Plan Certification of Completion for CIP-007-1 R1 (SPP200900181)
- d) Verification by Regional Entity
 - Mitigation Plan Completion Notice for CIP-007-1 R1 (SPP200900181)

Disposition Document for BAL-003-0.1b R2

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DISPOSITION OF VIOLATION

Dated May 19, 2011

NERC TRACKING NO.
SPP201000253

REGIONAL ENTITY TRACKING NO.
2010-059

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.

¹NERC 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 for 2009, 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. 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 its system as 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 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-09-2663
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 8/18/10
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.

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SPP RE determined that URE 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 (SPP201000253)
- b) Mitigation Plan
 - Mitigation Plan MIT-09-2663for BAL-003-0.1b R2 (SPP201000253)
- c) Certification by Registered Entity
 - Mitigation Plan Certification of Completion for BAL-003-0.1b R2 (SPP201000253)
- d) Verification by Regional Entity
 - Mitigation Plan Completion Notice for BAL-003-0.1b R2 (SPP201000253)