



NORTH AMERICAN ELECTRIC
RELIABILITY CORPORATION

July 30, 2010

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

**Re: NERC Notice of Penalty,
FERC Docket No. NP10-_-000**

Dear Ms. Bose:

The North American Electric Reliability Corporation (NERC) hereby provides this Notice of Penalty,¹ which includes one (1) Non-Public Exhibit pertaining to a NERC Registered Entity. The Notice of Penalty set forth in the Non-Public Exhibit contains, in whole or in part, violations of the CIP-002 through CIP-009 Reliability Standards that were resolved by Settlement Agreement. The Registered Entity neither admits nor denies the violation and agrees to the penalty. This filing is submitted 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

The Non-Public Exhibit identifies the Reliability Standards at issue, the basis for the violation and the impact to reliability, and the ultimate disposition. A summary is set forth below:

NERC Violation ID*	Reliability Std.	Req. (R)	Approved VRF	Basis for Violation	Total Penalty (\$)
WECC200810372	FAC-009-1	1	Medium	See the Statement of Findings Underlying the Violations and Status of the Mitigation Plans sections below.	\$109,000
WECC200800856	PER-002-0	3	High	See the Statement of Findings Underlying	

¹ 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 (2008). 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).

² See 18 C.F.R § 39.7(c)(2).

NERC Violation ID*	Reliability Std.	Req. (R)	Approved VRF	Basis for Violation	Total Penalty (\$)
				the Violations and Status of the Mitigation Plans sections below.	
WECC200800857	PRC-005-1	1	High	See the Statement of Findings Underlying the Violations and Status of the Mitigation Plans sections below.	
WECC200800858	PRC-005-1	2	Lower	See the Statement of Findings Underlying the Violations and Status of the Mitigation Plans sections below.	
WECC200800859	PRC-STD-005-1	WR1	N/A	See the Statement of Findings Underlying the Violations and Status of the Mitigation Plans sections below.	
WECC200810373	TPL-001-0	1	High	See the Statement of Findings Underlying the Violations and Status of the Mitigation Plans sections below.	
WECC200800860	TPL-001-0	3	Lower	See the Statement of Findings Underlying the Violations and Status of the Mitigation Plans sections below.	
WECC200800861	TPL-002-0	1	High	See the Statement of Findings Underlying the Violations and Status of the Mitigation Plans sections below.	
WECC200800862	TPL-002-0	2	Medium	See the Statement of Findings Underlying the Violations and Status of the Mitigation Plans sections below.	
WECC200800863	TPL-002-0	3	Lower	See the Statement of Findings Underlying the Violations and Status of the Mitigation Plans sections below.	
WECC200800864	TPL-003-0	1	High	See the Statement of Findings Underlying the Violations and Status of the Mitigation Plans sections below.	
WECC200800864	TPL-003-0	2	Medium	See the Statement of Findings Underlying the Violations and Status of the Mitigation Plans sections below.	
WECC200800864	TPL-003-0	3	Lower	See the Statement of Findings Underlying the Violations and Status of the Mitigation Plans sections below.	
WECC200800864	TPL-004-0	1	Medium	See the Statement of Findings Underlying the Violations and Status of the Mitigation Plans sections below.	

NERC Violation ID*	Reliability Std.	Req. (R)	Approved VRF	Basis for Violation	Total Penalty (\$)
WECC200800864	TPL-004-0	2	Lower	See the Statement of Findings Underlying the Violations and Status of the Mitigation Plans sections below.	
WECC200801165	CIP-002-1	3	High	<p>On November 4, 2008, the Registered Entity (RE) self-reported a possible violation of CIP-002-1 R3 because it had not updated its list of Critical Cyber Assets to include new equipment associated with its new Energy Management System (EMS). RE completed cutover of its operations to its new EMS on July 10, 2008, and the new EMS was fully commissioned on August 26, 2008. On October 8, 2008, RE reviewed its compliance with the CIP Reliability Standards as related to the new EMS and discovered that it had not updated its list of Critical Cyber Assets to include new equipment associated with its new EMS as required by this Standard. On November 4, 2008, WECC subject matter experts (WECC SMEs) reviewed RE's Self-Report and determined that RE had a possible violation of CIP-002-1 R3.</p> <p>Enforcement reviewed RE's Self-Report and the findings of the WECC SMEs and determined that RE had an alleged violation of CIP-002-1 R3 because it had not updated its list of associated Critical Cyber Assets essential to the operation of its new EMS as required by the Standard.</p> <p>WECC determined the duration of the alleged violation to be from August 26, 2008, the date the Standard became enforceable, through December 9, 2008, when RE completed its Mitigation Plan.</p> <p>RE's Mitigation Plan to address its alleged violation of CIP-002-1 R3 was submitted to WECC on November 4, 2008 with a proposed completion date of December 15, 2008. The Mitigation Plan was accepted by WECC on November 11, 2008 and approved by NERC on December 31, 2008. The Mitigation Plan for this alleged violation is designated as MIT-08-1202 and was submitted as non-public information to FERC on December 31, 2008 in accordance with FERC orders.</p>	

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				<p>RE's Mitigation Plan required it to develop and finalize a list of Critical Cyber Assets to incorporate all assets related to the new EMS.</p> <p>RE certified on December 9, 2008 that the above Mitigation Plan requirements were completed on that same day. As evidence of completion of its Mitigation Plan, RE submitted its list of Critical Cyber Assets dated December 3, 2008.</p> <p>On December 18, 2008, after WECC's review of RE's submitted evidence, WECC verified that RE's Mitigation Plan was completed on December 9, 2008 and notified RE in a letter dated January 23, 2009 that it was in compliance with CIP-002-1 R3.</p>	
WECC200901309	CIP-003-1	3	Lower	<p>On January 15, 2009, RE self-reported a possible violation of CIP-003-1 R3 because RE identified certain aspects of the procedures related to its new EMS that were not fully compatible with RE's Cyber Security Policy. RE's Cyber Security Policy applies broadly to all of RE's information technology assets. RE determined that it was not technically feasible for its EMS to conform in all instances to its Cyber Security Policy. RE stated that it had violated this Standard because it did not have a documented exception for each instance in which its EMS could not conform to its Cyber Security Policy. Even though RE had a senior manager with overall responsibility for leading CIP implementation in accordance with CIP-003-1 R2, and this senior manager had the authority to authorize and document exceptions to the Cyber Security Policy, RE had not documented the exceptions as required by this Standard as of January 12, 2009. On February 25, 2009, WECC SMEs reviewed RE's Self-Report and determined that RE had a possible violation of CIP-003-1 R3.</p> <p>Enforcement reviewed RE's Self-Report and the findings of the WECC SMEs and determined that RE had an alleged violation of CIP-003-1 R3 because it had not</p>	

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				<p>authorized and did not have a documented exception for each instance in which its EMS could not conform to its Cyber Security Policy.</p> <p>WECC determined the duration of the alleged violation to be from August 26, 2008, the date the Standard became enforceable, through January 29, 2009, when RE completed its Mitigation Plan.</p> <p>RE's Mitigation Plan to address its violation of CIP-003-1 R3 was submitted to WECC on January 15, 2009 with a proposed completion date of January 29, 2009.³ The Mitigation Plan was accepted by WECC on September 2, 2009 and approved by NERC on October 20, 2009. The Mitigation Plan for this violation is designated as MIT-09-1958 and was submitted as non-public information to FERC on October 20, 2009 in accordance with FERC orders.</p> <p>RE's Mitigation Plan required it to list and formally authorize exceptions to its Cyber Security Policy.</p> <p>RE certified on January 29, 2009⁴ that the above Mitigation Plan requirements were completed on that same day.</p>	
WECC200901310	CIP-004-1	4	Lower	<p>On January 15, 2009, RE self-reported a violation of CIP-004-1 R4 because although RE had a rigorous authorization process for access to Critical Cyber Assets and had the information it needed to generate a list of individuals who have authorized access to different Critical Cyber Assets, it did not generate a list of personnel with access to Critical Cyber Assets, as required by CIP-004-1 R4. In addition, RE stated that it had not performed a quarterly review of its lists as required by CIP-004-1 R4.1. On March 4, 2009, WECC SMEs reviewed RE's Self-Report and determined that RE had a violation of CIP-004-1 R4.</p> <p>Enforcement reviewed RE's Self-Report and determined that RE had a violation of</p>	

³ The Settlement Agreement incorrectly states the proposed completion date as January 30, 2009.

⁴ The Verification of Completion incorrectly states that WECC received the Certification of Completion on August 21, 2009.

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

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				<p>CIP-004-1 R4 because its lists did not delineate specific electronic access rights as required by the Standard and RE had not performed a quarterly review of its lists.</p> <p>WECC determined the duration of the violation to be from July 1, 2008, the date the Standard became enforceable, through February 27, 2009, when RE completed its Mitigation Plan.</p> <p>RE's Mitigation Plan to address its violation of CIP-004-1 R4 was submitted to WECC on January 15, 2009 with a proposed completion date of February 27, 2009. The Mitigation Plan was accepted by WECC on October 6, 2009 and approved by NERC on October 13, 2009. The Mitigation Plan for this violation is designated as MIT-09-2027 and was submitted as non-public information to FERC on October 13, 2009 in accordance with FERC orders.</p> <p>RE's Mitigation Plan required it to generate a list of individuals who have electronic access to each Critical Cyber Asset and specify each individual's level of rights. The Mitigation Plan also required RE to develop a procedure to generate this list as necessary for quarterly review.</p> <p>RE certified on February 27, 2009 that the above Mitigation Plan requirements were completed on that same day. As evidence of completion of its Mitigation Plan, RE submitted its <i>Hash Keys for Files Containing Electronic Access Lists</i> dated February 27, 2009, an e-mail dated February 27, 2009 regarding RE's confirmation of its review of electronic access lists, and <i>Procedures for the Generation, Maintenance, and Review of Logical Access Control Lists</i> dated February 26, 2009.</p> <p>On October 9, 2009, after WECC's review of RE's submitted evidence, WECC verified that RE's Mitigation Plan was completed on February 27, 2009 and notified RE in a letter dated November 9, 2009 that it was in compliance with CIP-004-1 R4.</p>	

NERC Violation ID*	Reliability Std.	Req. (R)	Approved VRF	Basis for Violation	Total Penalty (\$)
WECC200800922	CIP-008-1	1	Lower	<p>On June 25, 2008, after being notified of an upcoming self-certification, RE self-reported a possible violation of CIP-008-1 R1 because RE's <i>Cyber Security Incident Response Plan</i> did not include all of the processes appropriate for satisfying each of the sub-requirements of CIP-008-1 R1.</p> <p>Enforcement reviewed RE's Self-Report and determined that RE had an alleged violation of CIP-008-1 R1 because although RE had a <i>Cyber Security Incident Response Plan</i>, RE's <i>Cyber Security Incident Response Plan</i> failed to address all of the processes outlined in sub-requirements in the Standard.</p> <p>WECC determined the duration of the alleged violation to be from July 1, 2008, the date the Standard became enforceable, through September 19, 2008, when RE completed its Mitigation Plan.</p> <p>RE's Mitigation Plan to address its violation of CIP-008-1 R1 was submitted to WECC on June 25, 2008 with a proposed completion date of September 25, 2008. The Mitigation Plan was accepted by WECC on July 30, 2008 and approved by NERC on September 17, 2008. The Mitigation Plan for this violation is designated as MIT-08-0902 and was submitted as non-public information to FERC on September 17, 2008 in accordance with FERC orders.</p> <p>RE's Mitigation Plan required it to revise its <i>Cyber Security Incident Response Plan</i> to include all of the elements listed in the sub-requirements of CIP-008-1 R1 for its Control Center. The plan would be revised by RE's IT Policy Audit and Compliance Group in conjunction with RE's IT Security group. The revised plan would be reviewed and approved by RE's IT application and operations managers.</p> <p>RE certified on September 19, 2008⁵ that the above Mitigation Plan requirements</p>	

⁵ The source document and Verification of Completion incorrectly state that the Certification of Completion was submitted on September 18, 2008.

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				<p>were completed on that same day. As evidence of completion of its Mitigation Plan, RE submitted its <i>Cyber Security Incident Handling and Response Plan</i> dated September 19, 2008, which WECC confirmed that it included all of the element required by the Standard, and a document titled <i>IT Security, Incident Report for Table-top Exercise</i>, showing that RE conducted a paper drill test on September 16, 2008, for its Cyber-Security Incident Response Team.</p> <p>On July 28, 2009, WECC reviewed RE's submitted evidence and verified that RE's Mitigation Plan was completed on September 19, 2008 and notified RE in a letter dated August 28, 2009 that it was in compliance with CIP-008-1 R1.</p>	
WECC200901311	CIP-009-1	1	Medium	<p>On January 15, 2009, RE self-reported a violation of CIP-009-1 R1 because although RE had a recovery plan for its new EMS, this recovery plan did not specify the required actions in response to events or conditions of varying duration and severity in sufficient detail to comply with the requirements of CIP-009-1 R1. On March 3, 2009, WECC SMEs reviewed RE's Self-Report and determined that RE had a violation of CIP-009-1 R1.</p> <p>Enforcement reviewed RE's Self-Report and the WECC SMEs' findings and determined that RE had a violation of CIP-009-1 R1 because RE's recovery plan did not adequately incorporate a recovery plan for its new EMS application.</p> <p>WECC determined the duration of the violation to be from August 26, 2008, when RE's new EMS was fully commissioned, to April 10, 2009, when RE completed its Mitigation Plan.</p> <p>RE's Mitigation Plan to address its alleged violation of CIP-009-1 R1 was submitted to WECC on January 15, 2009 with a proposed completion date of April 10, 2009. The Mitigation Plan was accepted by WECC on September 10, 2009 and approved by NERC on September 23, 2009. The Mitigation Plan for this alleged</p>	

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				<p>violation is designated as MIT-09-1989 and was submitted as non-public information to FERC on September 23, 2009 in accordance with FERC orders.</p> <p>RE's Mitigation Plan to address its violation of CIP-009-1 R1 was submitted to WECC on January 15, 2009 with a proposed completion date of April 10, 2009. The Mitigation Plan was accepted by WECC on September 10, 2009 and approved by NERC on September 23, 2009. The Mitigation Plan for this violation is designated as MIT-09-1989 and was submitted as non-public information to FERC on September 23, 2009 in accordance with FERC orders.</p> <p>RE's Mitigation Plan required it to revise its EMS Disaster Recovery Plan to address events or conditions of varying severity.</p> <p>RE certified on April 10, 2009 that the above Mitigation Plan requirements were completed on that same day.⁶ As evidence of completion of its Mitigation Plan, RE submitted its <i>List of Recovery Plans and Associated Hash Keys</i>.</p> <p>On October 6, 2009, after WECC's review of RE's submitted evidence, WECC verified that RE's Mitigation Plan was completed on April 9, 2009 and notified RE in a letter dated November 6, 2009 that it was in compliance with CIP-009-1 R1.</p>	
WECC200700565	EOP-008-0	1	High	See the Statement of Findings Underlying the Violations and Status of the Mitigation Plans sections below.	
WECC200700566	VAR-001-1	3	Lower	See the Statement of Findings Underlying the Violations and Status of the Mitigation Plans sections below.	
WECC200700567	VAR-001-1	4	Medium	See the Statement of Findings Underlying the Violations and Status of the Mitigation Plans sections below.	

⁶ The Certification of Completion is dated April 9, 2009.

*Due to the confidential nature of the CIP-002 through CIP-009 violations, the Registered Entity's name is not identified.

Statement of Findings Underlying the Violations

FAC-009-1

The purpose of FAC-009-1 is to ensure that Facility Ratings used in the reliable planning and operation of the bulk power system (BPS) are determined based on an established methodology or methodologies.

FAC-009-1 R1 – 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. FAC-009-1 R1 has a “Medium” Violation Risk Factor (VRF).

On May 18, 2007, prior to the date that FAC-009-1 R1 became mandatory, RE filed a proposed Mitigation Plan for its Generator Owner function indicating that it did not have procedures for establishing and reporting facility ratings in accordance with RE's Facility Ratings Methodology. During the Audit, the WECC Audit Team (Audit Team) found that the evidence RE submitted to demonstrate its generator ratings were determined using RE's Facility Ratings Methodology was insufficient. The Audit Team determined that RE did not have a violation of FAC-009-1 R1 as a Transmission Owner, but determined that RE's Mitigation Plan for the pre-June 18, 2007 violation relating to its function as a Generator Owner was not complete. Therefore, the Audit Team determined that RE had a post-June 18, 2007 violation of FAC-009-1 R1.

The WECC Enforcement Department (Enforcement) reviewed the Audit Team's findings and RE's submittals and determined that the facts and evidence supported a finding that RE had a violation of FAC-009-1 R1 because RE did not demonstrate it had established Facility Ratings for its generator facilities in a manner consistent with an associated Facility Ratings Methodology.

WECC determined the duration of the violation to be from June 18, 2007, when the Standard became mandatory, to December 16, 2008, when the approved Mitigation Plan was completed.

WECC determined that the violation of FAC-009-1 R1 did not pose a serious or substantial risk to the reliability of the BPS because WECC determined that this violation was a documentation issue because RE had facility ratings but could not demonstrate that they were consistent with RE's Facility Ratings Methodology. RE did not make any changes to its Facility Ratings Methodology. The changes documented in the Mitigation Plan represented changes in the way RE organized and presented its data, thus making such data (i.e., facility ratings) consistent with RE's Facility Ratings Methodology..

PER-002-0

The purpose of Reliability Standard PER-002-0 is to require each Transmission Operator and Balancing Authority to provide their personnel with a coordinated training program that will ensure reliable system operation.

PER-002-0 R3 – For personnel identified in Requirement R2,⁷ the Transmission Operator and Balancing Authority shall provide a training program meeting the following criteria:

- R3.1. A set of training program objectives must be defined, based on NERC and Regional [Entity] standards, entity operating procedures, and applicable regulatory requirements. These objectives shall reference the knowledge and competencies needed to apply those standards, procedures, and requirements to normal, emergency, and restoration conditions for the Transmission Operator and Balancing Authority operating positions.
- R3.2. The training program must include a plan for the initial and continuing training of Transmission Operator and Balancing Authority operating personnel. That plan shall address knowledge and competencies required for reliable system operations.

PER-002-0 R3 has a “High” VRF and R3.1 and R3.2 each have a “Medium” VRF.

During the Audit, the Audit Team determined that the RE operator training program failed to include clearly defined training objectives and did not define a continuing training program. Thus, the Audit Team determined that RE had a violation of PER-002-0 R3. Specifically, the Audit Team determined the training program failed to identify training objectives for regulatory requirements and did not document the knowledge and competencies needed to apply those standards, procedures, and requirements to normal, emergency, and restoration conditions for the Transmission Operator and Balancing Authority operating positions as required by PER-002-0 R3.1. In addition, while RE defined an initial training program for both the Transmission Operator and Balancing Authority operating positions, the Audit Team found that a continuing training program had not been defined outside of the NERC Continuing Education program as required by PER-002-0 R3.2.

Enforcement reviewed the Audit Team’s findings and RE’s submittals and determined that the facts and evidence did not support a finding that RE had a violation of NERC Reliability Standard PER-002-0 R3.1 because RE demonstrated its training program addressed defined objectives required to reference the knowledge and competencies needed to apply those practices to normal, emergency, and restoration conditions for RE’s operating positions.

In regards to PER-002-0 R3.2, Enforcement confirmed the Audit Team’s findings that RE’s general requirement of NERC Continuing Education did not qualify as a plan for the continuing training of operating personnel. Therefore, Enforcement determined RE, as a Transmission Operator, had a violation of PER-002-0 R3.2 because RE did not have a training program that included a proper provision for continuing training.

⁷ These personnel include those in positions that have the primary responsibility, either directly or through communications with others, for the real-time operation of the interconnected BPS and those that are directly responsible for complying with NERC Standards.

WECC determined the duration of the violation of PER-002-0 R3.2 to be from June 18, 2007, when the Standard became mandatory, to January 29, 2009, when the approved Mitigation Plan was completed.

WECC determined that the violation posed a moderate risk to the reliability of the BPS because if RE personnel responded improperly to BPS disturbances due to a lack of training, this could exacerbate the problem for the interconnected system. But, it did not pose a serious or substantial risk to the reliability of the BPS because RE is a medium sized entity completely embedded within a much larger balancing authority.

PRC-005-1

The purpose of Reliability Standard PRC-005-1 is to ensure all transmission and generation Protection Systems⁸ affecting the reliability of the BPS are maintained and tested.

PRC-005-1 R1 – Each Transmission Owner and any Distribution Provider that owns a transmission Protection System and each Generator Owner that owns a generation Protection System shall have a Protection System maintenance and testing program for Protection Systems that affect the reliability of the BPS. The program shall include:

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

PRC-005-1 R1 and its sub-requirements each have a “High” VRF.

During the Audit, the Audit Team determined that RE had a violation of PRC-005-1 R1 because RE failed to demonstrate that its maintenance and testing program included maintenance and testing for its associated communication systems.

Enforcement reviewed the Audit Team’s findings and RE’s submittals and determined that the facts and evidence supported a finding that RE had a violation of PRC-005-1 R1 because its Protection System maintenance and testing program did not provide the intervals and their basis for testing of relevant associated communication systems.

WECC determined the duration of the violation to be from June 18, 2007, when the Standard became mandatory, to August 20, 2009, when the approved Mitigation Plan was completed.

WECC determined that the violation of PRC-005-1 R1 posed a moderate risk to the reliability of the BPS because failure of the protection system due to communication problems could mean the protection system would fail to isolate a disturbance, allowing it to extend to RE’s neighboring entities. However, the violation did not pose a serious or substantial risk to the reliability of the

⁸ *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.”

BPS because RE is a medium sized entity completely embedded within a much larger balancing authority.⁹

PRC-005-1 R2 – Each Transmission Owner and any Distribution Provider that owns a transmission Protection System and each Generator Owner that owns a generation Protection System shall provide documentation of its Protection System maintenance and testing program and the implementation of that program to its Regional [Entity] on request (within 30 calendar days). The documentation of the program implementation shall include:

- R2.1 Evidence Protection System devices were maintained and tested within the defined intervals.
- R2.2 Date each Protection System device was last tested/maintained.

PRC-005-1 R2 has a “Lower” VRF and R2.1 and R2.2 each have a “High” VRF.

During the Audit, the Audit Team determined that RE did not provide documentation that maintenance and testing had been done on bus protection, bank protection and breaker failure Protection System devices within the defined intervals. In addition, the Audit Team determined that RE’s evidence was incomplete regarding the date each Protection System device was last tested. Therefore, the Audit Team determined that RE had a violation of PRC-005-1 R2.

Enforcement reviewed the Audit Team’s findings and RE’s submittals and determined that RE had a violation of PRC-005-1 R2 because RE did not demonstrate that RE had followed its Protective System maintenance and testing program with respect to the maintenance and testing of its bus protection, bank protection and breaker failure devices.

WECC determined the duration of the violation to be from June 18, 2007, when the Standard became mandatory, to July 16, 2009, when the approved Mitigation Plan was completed.¹⁰

WECC determined that the violation of PRC-005-1 R2 posed a moderate risk to the reliability of the BPS because failure of the protection system due to a lack of testing and maintenance could mean the protection system would fail to isolate a disturbance, allowing it to extend to RE’s neighboring entities. WECC determined that the violation was a documentation issue after review of RE’s newly installed software program enabled RE to provide the necessary evidence of maintenance and testing. Additionally, the violation did not pose a serious or substantial risk to the reliability of the BPS because RE is a medium sized entity completely embedded within a much larger balancing authority.¹¹

⁹ WECC originally determined that the risk to the reliability of the BPS was severe; however after subsequent review WECC determined that there was a moderate risk to the BPS, instead of a severe risk.

¹⁰ The Settlement Agreement incorrectly states that the violation period until the Mitigation plan was completed on March 30, 2009.

¹¹ WECC originally determined that the risk to the reliability of the BPS was severe; however after subsequent review WECC determined that there was a moderate risk to the BPS, instead of a severe risk.

PRC-STD-005-1

The purpose of PRC-STD-005-1 is to ensure the Transmission Operator or Owner of a transmission path identified in Attachment A perform maintenance and inspection on identified paths as described by its transmission maintenance plan.

PRC-STD-005-1 WR1 – All bulk power transmission elements (i.e. lines, stations and rights of way) to be included as part of the transmission facilities (or required to maintain transfer capability) impacting each of the transmission paths listed in Attachment A – WECC Table 2 shall be inspected and maintained in accordance with the criterion described in the Standard, taking into consideration diverse environmental and climatic conditions, terrain, equipment, maintenance philosophies, and design practices.

A VRF is not assigned as sanctions for violations of this Regional Reliability Standard are defined by the Sanction Table included as part of the Standard.

During the Audit, the Audit Team determined that RE had a violation of PRC-STD-005-1 WR1. Prior to the Audit, RE did not believe that it was subject to PRC-STD-005-1 WR1 because RE is not listed as an owner of the path in Attachment A of the Standard. The Audit Team informed RE that because RE is the owner of the line, which is part of a WECC Path, RE was responsible for adhering to PRC-STD-005-1 WR1. During the Audit, RE provided documentation pertaining to its inspection and maintenance activities on this path. However, the Audit Team determined that the evidence provided for the line was deficient and therefore, the Audit Team determined that RE had a violation of PRC-STD-005-1 WR1.

Enforcement reviewed the Audit Team's findings and RE's submittals and confirmed that RE had a violation of PRC-STD-005-1 WR1 because it is responsible for the line and had failed to demonstrate it had inspected and maintained the line in accordance with PRC-STD-005-1 WR1.

WECC determined the duration of the violation to be from June 18, 2007, when the Standard became mandatory, to September 25, 2008, when the Mitigation Plan was completed.

WECC evaluated the risk that the violation of PRC-STD-005-1 WR1 posed to the reliability of the BPS. WECC noted the critical system condition for this path is when the Northwest region experiences an "extra heavy" winter load condition. These unusual "Arctic storm" conditions have occurred in the past. Consequently, the loss of this line due to lack of maintenance and inspections could reduce the capacity of this essential path at a time when full capacity is most needed. As a result, WECC has determined that the violation of PRC-STD-005-1 WR1 posed a moderate risk to the reliability of the BPS. WECC determined the violation did not pose a serious or substantial risk to the reliability of the BPS because RE's portion of the capacity of this path is small and although the described conditions have occurred in the past; their occurrences are infrequent and only occur with the concurrent extreme conditions of wind and load.

TPL-001-0, TPL-002-0, TPL-003-0 and TPL-004-0

RE is subject to these Standards because it was included on the NERC compliance registry as a Planning Authority and a Transmission Planner. Based on the facts outlined below, WECC

determined these violations are the result of a “single act or common incidence of noncompliance.”

TPL-001-0

The purpose of Reliability Standard TPL-001-0 is that system simulations and associated assessments are needed periodically to ensure that reliable systems are developed that meet specified performance requirements with sufficient lead time, and to continue to be modified or upgraded as necessary to meet present and future system needs (System Performance Under Normal (No Contingency) Conditions Category A).

TPL-001-0 R1 – The Planning Authority and Transmission Planner shall demonstrate through a valid assessment that its portion of the interconnected transmission system is planned such that, with all transmission facilities in service and with normal (pre-contingency) operating procedures in effect, the Network can be operated to supply projected customer demands and projected Firm (non-recallable reserved) Transmission Services at all Demand levels over the range of forecast system demands as defined in Category A of Table I. To be considered valid, the Planning Authority and Transmission Planner assessments shall:

- R1.1. Be made annually.
- R1.2. Be conducted for near-term (years one through five) and longer-term (years six through ten) planning horizons.
- R1.3. Be supported by a current or past study and/or system simulation testing that addresses each of the following categories, showing system performance following Category A of Table 1 (no contingencies). The specific elements selected (from each of the following categories) shall be acceptable to the associated Regional [Entity(ies)]. Specifically:
 - R1.3.6. Be performed for selected demand levels over the range of forecast system demands.
- R1.4. Address any planned upgrades needed to meet the performance requirements of Category A.

TPL-001-0 R1 has a “High” VRF. All of the sub-requirements have a “Medium” VRF.

On June 15, 2007, prior to the date that TPL-001-0 R1 became mandatory, RE filed a proposed Mitigation Plan for its non-compliance with the Standard. During the Audit, the Audit Team determined that RE did not have a written assessment meeting the requirements of TPL-001-0 R1. At the Audit, RE presented the Audit Team with a study of Summer 2008 which was originally prepared in May 2005 and updated several times thereafter, most recently in April 2008; and in addition RE provided the Audit Team with a study performed for the Winter 2008-2009 Peak Load. Further to the Summer 2008 study, RE had also completed a Summer 2010 study, but did not produce this study during the Audit. Therefore, the Audit Team concluded that the evidence provided did not adequately show that RE had conducted current or past studies over the range of forecast system demands as required by the Standard.

Enforcement reviewed the Audit Team's findings and RE's submittals and determined that the facts and evidence supported a finding that RE had a violation of TPL-001-0 R1 because RE did not provide evidence at the Audit that its assessment included a near-term summer study as required by the Standard and did not provide evidence that RE had conducted current or past studies over the range of forecast system demands as required by the Standard.

WECC determined the duration of the violation to be from June 18, 2007, when the Standard became mandatory, to March 30, 2009, when the Mitigation Plan was completed.

WECC determined that the violation of TPL-001-0 R1 did not pose a serious or substantial risk to the reliability of the BPS because a summer study was conducted, albeit outside of the requirements of the Standard for Category A contingencies and because RE is a medium sized entity within a Balancing Authority.

TPL-001-0 R3 – The Planning Authority and Transmission Planner shall each document the results of these reliability assessments and corrective plans and shall annually provide these to its respective NERC Regional [Entity(ies)], as required by the Regional [Entity].

TPL-001-0 R3 has a "Lower" VRF.

During the Audit, the Audit Team determined that because RE did not provide evidence at the Audit that its assessment included a near-term summer study, it therefore did not document results of a valid assessment or provide those results to WECC.

Enforcement reviewed the Audit Team's findings and determined that because RE did not provide evidence at the Audit that its assessment included a near-term summer study, it did not document results of a valid assessment or provide those results to WECC as required by TPL-001-0 R3. Therefore, Enforcement determined that RE had a violation of TPL-001-0 R3.

WECC determined the duration of the violation to be from June 18, 2007, when the Standard became mandatory, to March 30, 2009, when the Mitigation Plan was completed.

WECC determined that the violation of TPL-001-0 R3 did not pose a serious or substantial risk to the reliability of the BPS because this is primarily a documentation issue. Studies have been performed but a written assessment was not provided to the Audit Team during the Audit.

TPL-002-0

The purpose of Reliability Standard TPL-002-0 is that system simulations and associated assessments are needed periodically to ensure that reliable systems are developed that meet specified performance requirements with sufficient lead time, and continue to be modified or upgraded as necessary to meet present and future system needs (System Performance Following Loss of a Single Bulk Power System Element Category B).

TPL-002-0 R1 – The Planning Authority and Transmission Planner shall each demonstrate through a valid assessment that its portion of the interconnected transmission system is planned such that the Network can be operated to supply projected customer demands and projected Firm (non-recallable reserved)

Transmission Services, at all demand levels over the range of forecast system demands, under the contingency conditions as defined in Category B of Table I. To be valid, the Planning Authority and Transmission Planner assessments shall:

- R1.1. Be made annually.
- R1.2. Be conducted for near-term (years one through five) and longer-term (years six through ten) planning horizons.
- R1.3. Be supported by a current or past study and/or system simulation testing that addresses each of the following categories, showing system performance following Category B of Table 1 (single contingencies). The specific elements selected (from each of the following categories) for inclusion in these studies and simulations shall be acceptable to the associated Regional [Entity(ies)].
 - R1.3.1 Be performed and evaluated only for those Category B contingencies that would produce the more severe System results or impacts. The rationale for the contingencies selected for evaluation shall be available as supporting information. An explanation of why the remaining simulations would produce less severe system results shall be available as supporting information.
 - R1.3.2. Cover critical system conditions and study years as deemed appropriate by the responsible entity.
 - R1.3.3. Be conducted annually unless changes to system conditions do not warrant such analyses.
 - R1.3.4. Be conducted beyond the five-year horizon only as needed to address identified marginal conditions that may have longer lead-time solutions.
 - R1.3.5. Have all projected firm transfers modeled.
 - R1.3.6. Be performed and evaluated for selected demand levels over the range of forecast system Demands.
 - R1.3.7. Demonstrate that system performance meets Category B contingencies.
 - R1.3.8. Include existing and planned facilities.
 - R1.3.9. Include Reactive Power resources to ensure that adequate reactive resources are available to meet system performance.
 - R1.3.10. Include the effects of existing and planned protection systems, including any backup or redundant systems.
 - R1.3.11. Include the effects of existing and planned control devices.
 - R1.3.12. Include the planned (including maintenance) outage of any bulk electric equipment (including protection systems or their components) at those demand levels for which planned (including maintenance) outages are performed.
- R1.4. Address any planned upgrades needed to meet the performance requirements of Category B of Table I.
- R1.5. Consider all contingencies applicable to Category B.

TPL-002-0 R1 has a “High” VRF. All of the sub-requirements have a “Medium” VRF.

Enforcement reviewed the Audit Team's findings and RE's submittals and determined that the facts and evidence supported a finding that RE had a violation of TPL-002-0 R1 because RE did not provide evidence at the Audit that its assessment included a near-term summer study as required by the Standard and did not provide evidence that RE had conducted current or past studies over the range of forecast system demands as required by the Standard. Although, it was determined that RE completed the Power Flow Studies, no written assessment of these studies were prepared and therefore RE could not document stability studies to demonstrate that its system performance met Category B contingencies as required by the Standard.

WECC determined the duration of the violation to be from June 18, 2007, when the Standard became mandatory, to March 30, 2009, when the Mitigation Plan was completed.

WECC determined that the violation of TPL-002-0 R1 did not pose a serious or substantial risk to the reliability of the BPS because a Summer study was conducted, albeit outside of the requirements of the Standard for Category B contingencies and because RE is a medium sized entity within a Balancing Authority.

TPL-002-0 R2 – When system simulations indicate an inability of the systems to respond as prescribed in Reliability Standard TPL-002-0 R1, the Planning Authority and Transmission Planner shall each:

R2.1. Provide a written summary of its plans to achieve the required system performance as described above throughout the planning horizon.

R2.1.1. Including a schedule for implementation.

R2.1.2. Including a discussion of expected required in-service dates of facilities.

R2.1.3. Consider lead times necessary to implement plans.

R2.2. Review, in subsequent annual assessments, (where sufficient lead time exists), the continuing need for identified system facilities. Detailed implementation plans are not needed.

TPL-002-0 R2 and all of its sub-requirements have a "Medium" VRF.

At the Audit, the Audit Team found that RE did not have an adequate written summary of plans to achieve the required system performance throughout the planning horizon as required by the Standard. While RE provided references in its assessment documentation to its plans to achieve the required system performance, the Audit Team found that this did not constitute a written summary.

Enforcement reviewed the Audit Team's findings and RE's submittals and determined that the facts and evidence supported a finding that RE had a violation of TPL-002-0 R2 because it did not have a written summary of its plans to achieve required system performance.

WECC determined the duration of the violation to be from June 18, 2007, when the Standard became mandatory, to March 30, 2009, when the Mitigation Plan was completed.

WECC determined that the violation of TPL-002-0 R2 did not pose a serious or substantial risk to the reliability of the BPS because RE is a medium-sized entity in a Balancing Authority and therefore, the assessment required by TPL-002-0 R1 has minimal impact to the reliability of the BPS outside RE's service territory and the system plans based on this assessment also have minimal impact.

TPL-002-0 R3 – The Planning Authority and Transmission Planner shall each document the results of its Reliability Assessments and corrective plans and shall annually provide the results to its respective NERC Regional [Entity(ies)], as required by the Regional [Entity]. TPL-002-0 R3 has a “Lower” VRF

During the Audit, the Audit Team determined that because RE did not provide evidence at the Audit that its assessment included a near-term summer study, it did not document results of a valid assessment or provide those results to WECC as required by TPL-002-0 R3.

Enforcement reviewed the Audit Team's findings and RE's submittals and determined that because RE did not provide evidence at the Audit that its assessment included a near-term summer study, it did not document results of a valid assessment as required by TPL-002-0 R3. Therefore, Enforcement determined that RE had a violation of TPL-002-0 R3.

WECC determined the duration of the violation to be from June 18, 2007, when the Standard became mandatory, to March 30, 2009, when the Mitigation Plan was completed.

WECC determined that the violation of TPL-002-0 R3 did not pose a serious or substantial risk to the reliability of the BPS because this is primarily a documentation issue. Studies have been performed but a written assessment was not provided to the Audit Team during the Audit

TPL-003-0

The purpose of Reliability Standard TPL-003-0 is that system simulations and associated assessments are needed periodically to ensure that reliable systems are developed that meet specified performance requirements, with sufficient lead time and to continue to be modified or upgraded as necessary to meet present and future system needs (System Performance Following Loss of Two or More Bulk Electric System Elements Category C).

TPL-003-0 R1 – The Planning Authority and Transmission Planner shall each demonstrate through a valid assessment that its portion of the interconnected transmission systems is planned such that the network can be operated to supply projected customer demands and projected Firm (non-recallable reserved) Transmission Services, at all demand Levels over the range of forecast system demands, under the contingency conditions as defined in Category C of Table I [to the Standard]. The controlled interruption of customer Demand, the planned removal of generators, or the Curtailment of firm (non-recallable reserved) power transfers may be necessary to meet this Standard.

The sub-requirements state what should be included in the assessments to be considered valid. TPL-003-0 R1 has a “High” VRF. All of the sub-requirements have a “Medium” VRF.

Enforcement reviewed the Audit Team's findings and RE's submittals and determined that the facts and evidence supported a finding that RE had a violation of TPL-003-0 R1 because RE did not provide evidence at the Audit that its assessment included a near-term summer study as required by R1.2 and did not provide evidence that RE had conducted current or past studies over the range of forecast system demands as required by the Standard. Although, it was determined that RE completed the Power Flow Studies, no written assessment of these studies were prepared and therefore RE could not document stability studies to demonstrate that its system performance met Category C contingencies as required by the Standard.

WECC determined the duration of the violation to be from June 18, 2007, when the Standard became mandatory, to March 30, 2009, when the Mitigation Plan was completed.

WECC determined that the violation of TPL-003-0 R1 did not pose a serious or substantial risk to the reliability of the BPS because a summer study was conducted, albeit outside of the requirements of the Standard for Category C contingencies and because RE is a medium sized entity within a Balancing Authority

TPL-003-0 R2 – When system simulations indicate an inability of the systems to respond as prescribed in Reliability Standard TPL-003-0-R1, the Planning Authority and Transmission Planner shall each:

R2.1. Provide a written summary of its plans to achieve the required system performance as described above throughout the planning horizon:

R2.1.1. Including a schedule for implementation.

R2.1.2. Including a discussion of expected required in-service dates of facilities.

R2.1.3. Consider lead times necessary to implement plans.

R2.2. Review, in subsequent annual assessments, (where sufficient lead time exists), the continuing need for identified system facilities. Detailed implementation plans are not needed.

TPL-003-0 R2 and its sub-requirements each have a "Medium" VRF.

At the Audit, the Audit Team found that RE did not have an adequate written summary of plans to achieve the required system performance throughout the planning horizon as required by the Standard. While RE provided references in its assessment documentation to its plans to achieve the required system performance, the Audit Team found that this did not constitute a written summary.

Enforcement reviewed the Audit Team's findings and RE's submittals and determined that the facts and evidence supported a finding that RE had a violation of TPL-003-0 R2 because it did not have a written summary of its plans to achieve required system performance.

WECC determined the duration of the violation to be from June 18, 2007, when the Standard became mandatory, to March 30, 2009, when the Mitigation Plan was completed.

WECC determined that the violation of TPL-003-0 R2 did not pose a serious or substantial risk to the reliability of the BPS because RE is a medium-sized entity completely embedded in another, much-larger Balancing Authority and therefore has minimal impact to the reliability of the BPS outside RE's service territory. Also, the system plans based on this assessment have minimal impact to the reliability of the BPS.

TPL-003-0 R3 – The Planning Authority and Transmission Planner shall each document the results of these Reliability Assessments and corrective plans and to annually provide these to its respective NERC Regional [Entity(ies)], as required by the Regional [Entity]. TPL-003-0 R3 has a “Lower” VRF.

During the Audit, the Audit Team determined that because RE did not provide evidence at the Audit that its assessment included a near-term summer study, it did not document results of a valid assessment or provide those results to WECC as required by TPL-003-0 R3.

Enforcement reviewed the Audit Team's findings and RE's submittals and determined that because RE did not provide evidence at the Audit that its assessment included a near-term summer study, it did not document results of a valid assessment as required by TPL-003-0 R3. Therefore, Enforcement determined that RE had a violation of TPL-003-0 R3.

WECC determined the duration of the violation to be from June 18, 2007, when the Standard became mandatory, to March 30, 2009, when the Mitigation Plan was completed.

WECC determined that the violation of TPL-003-0 R3 did not pose a serious or substantial risk to the reliability of the BPS because this is primarily a documentation issue. Studies have been performed but a written assessment was not provided to the Audit Team during the Audit

TPL-004-0

The purpose of Reliability Standard TPL-004-0 is that system simulations and associated assessments are needed periodically to ensure that reliable systems are developed that meet specified performance requirements, with sufficient lead time and to continue to be modified or upgraded as necessary to meet present and future System needs.

TPL-004-0 R1 – The Planning Authority and Transmission Planner shall each demonstrate through a valid assessment that its portion of the interconnected transmission system is evaluated for the risks and consequences of a number of each of the extreme contingencies that are listed under Category D of Table I to the Standard.

The sub-requirements state what should be included in the assessments to be considered valid. TPL-004-0 R1 and all of its sub-requirements have a “Medium” VRF.

Enforcement reviewed the Audit Team's findings and RE's submittals and determined that the facts and evidence supported a finding that RE had a violation of TPL-004-0 R1 because RE did not provide evidence at the Audit that its assessment included a near-term summer study as required by the Standard and did not provide evidence that RE had conducted current or past studies over the range of forecast system demands as required by the Standard. Additionally, RE failed to provide documentation it performed or evaluated stability studies for Category D contingencies and did not have an assessment that considered all contingencies applicable to Category D. Therefore, RE did not have a comprehensive set of stability studies upon which to base an assessment to evaluate the risks and consequences of extreme contingencies.

WECC determined the duration of the violation to be from June 18, 2007, when the Standard became mandatory, to November 26, 2008, when the Mitigation Plan was completed.¹²

WECC determined that the violation of TPL-004-0 R1 did not pose a serious or substantial risk to the reliability of the BPS because a summer study was conducted, albeit outside of the requirements of the Standard for Category D contingencies and because RE is a medium sized entity within a Balancing Authority

TPL-004-0 R2 – The Planning Authority and Transmission Planner shall each document the results of its reliability assessments and shall annually provide the results to its entities' respective NERC Regional [Entity(ies)], as required by the Regional [Entity]. TPL-004-0 R2 has a "Lower" VRF.

During the Audit, the Audit Team determined that because RE did not provide evidence at the Audit that its assessment included a near-term summer study, it did not document results of a valid assessment as required by TPL-004-0 R2.

Enforcement reviewed the Audit Team's findings and RE's submittals and determined that the facts and evidence supported a finding that RE had a violation of TPL-004-0 R2 because RE did not document the results of a valid reliability assessment.

WECC determined the duration of the violation to be from June 18, 2007, when the Standard became mandatory, to November 26, 2008, when the Mitigation Plan was completed.¹³

WECC determined that the violation of TPL-004-0 R2 did not pose a serious or substantial risk to the reliability of the BPS because RE had conducted the summer study.

EOP-008-0

The purpose of Reliability Standard EOP-008-0 is to ensure that each reliability entity has a plan to continue reliability operations in the event its control center becomes inoperable.

¹² The Settlement Agreement incorrectly states that the duration of this alleged violation ended on December 1, 2008.

¹³ The Settlement Agreement incorrectly states that the duration of this alleged violation ended on December 1, 2008.

EOP-008-0 R1 – Each Reliability Coordinator, Transmission Operator and Balancing Authority shall have a plan to continue reliability operations in the event its control center becomes inoperable.

The sub-requirements define the specific contents required of the contingency plan. EOP-008-0 R1 has a “High” VRF.

On December 28, 2007, RE self-reported a violation of EOP-008-0 R1 because although RE conducted annual tests of its backup control center, including the necessary personnel training to continue reliability operations in the event that its control center became inoperable, RE did not have a written procedure for the annual review and update of its contingency plan as required by R1.7.

Enforcement reviewed RE’s Self-Report and determined that RE had a violation of EOP-008-0 R1 because RE did not have a written procedure for the annual review and update of its contingency plan.

WECC determined the duration of the violation to be from June 18, 2007, when the Standard became mandatory, to February 1, 2008, when RE completed its Mitigation Plan.

WECC determined that the violation of EOP-008-0 R1 did not pose a serious or substantial risk to the reliability of the BPS because, although it did not meet all requirements of the Reliability Standard, RE was conducting annual tests of its backup control center and revised its plan accordingly and was conducting training of operating personnel to ensure that they could continue reliable operations in the event that RE’s control center became inoperable.

VAR-001-1 R3 and R4

The purpose of Reliability Standard VAR-001-1 is to ensure that voltage levels, reactive flows and reactive resources are monitored, controlled, and maintained within limits in real time to protect equipment and the reliable operation of the Interconnection.

VAR-001-1 R3 – The Transmission Operator shall specify criteria that exempt generators from compliance with the requirements defined in Requirement 4, and Requirement 6.1.

R3.1. Each Transmission Operator shall maintain a list of generators in its area that are exempt from following a voltage or Reactive Power schedule.

R3.2. For each generator that is on the exemption list, the Transmission Operator shall notify the associate Generator Owner. VAR-001-1 R3 and its sub-requirements each have a “Lower” VRF.

VAR-001-1 R4 –Each Transmission Operator shall specify a voltage or Reactive Power schedule¹⁴ at the interconnection between the generator facility and the Transmission Owner’s facilities to be maintained by each generator. The Transmission Operator shall provide the voltage or Reactive Power schedule to the associated Generator Operator and direct the Generator Operator to comply

¹⁴ The voltage schedule is a target voltage to be maintained within a tolerance band during a specified period.

with the schedule in automatic voltage control mode (AVR in service and controlling voltage). VAR-001-1 R4 has a “Medium” VRF.

On December 28, 2007, RE self-reported violations of VAR-001-1 R3 and R4, specifically because RE did not have written criteria exempting generators from following voltage or Reactive Power schedules and did not have a written list of exempt generators as required by R3. RE also had not (1) provided a voltage or Reactive Power schedule to all of its Generator Operators and could not document that it had directed the Generator Operators and (2) specified a voltage or Reactive Power schedule at the interconnection between the generator facility and the Transmission Owner’s facilities to be maintained by each generator to comply with a schedule as required by R4.

Enforcement reviewed RE’s Self-Report and determined that RE had a violation of VAR-001-1 R3 because RE did not have written criteria exempting generators from following voltage or Reactive Power schedules. Enforcement also determined that RE had a violation of VAR-001-1 R4 because RE did not specify a voltage or Reactive Power schedule at the interconnection between the generator facility and the Transmission Owner’s facilities to be maintained by each generator.

WECC determined the duration of each of these violations to be from June 18, 2007, when the Standard became mandatory, to February 1, 2008, when RE completed its Mitigation Plan.

WECC determined that the violations of VAR-001-1 R3 and R4 did not pose a serious or substantial risk to the reliability of the BPS, because RE has few generators connected to its system and the fact that they maintain a unity power has minimal impact on the performance of the interconnected system. In practice, RE has exempted from voltage schedule requirements only those units that are incapable of maintaining voltage schedules (induction units) and generators that are so small that they do not constitute part of the BPS (that is, unit and plant sizes below the thresholds established in NERC’s Statement of Compliance Registry Criteria). Similarly, though not formally documented, there is a clear and long-standing practice for all company-owned generating assets connected to RE’s transmission system to maintain unity power factor at the bus, and this is also a requirement applicable to independently owned generation connected to RE’s system in accordance with generator interconnection agreements.

Regional Entity’s Basis for Penalty

According to the Settlement Agreement, WECC has assessed a penalty of one hundred and nine thousand dollars (\$109,000) for the above-referenced violations. In reaching this determination, WECC considered the following factors:

1. The violations stipulated herein are RE’s first violations of the applicable NERC Reliability Standards;
2. A single act or common incidence of noncompliance resulted in the PRC and TPL alleged violations;
3. RE self-reported several of the violations;
4. WECC reported that RE was cooperative throughout the Audit and compliance enforcement process;

5. There was no evidence of any attempt to conceal a violation or that any of the alleged violations were intentional; and
6. WECC determined that the violations did not pose a serious or substantial risk to the reliability of the BPS, as discussed above.

Finally, WECC has determined that RE has a strong Internal Compliance Program (ICP) that has the support and participation of senior management. RE has named and staffed an ICP oversight position, supervised by the VP, General Counsel and Corporate Compliance Officer. The ICP is operated and managed independently of those responsible for compliance with the Reliability Standards. RE has sufficient staff and budget for its ICP. RE regularly reviews and modifies its ICP. RE's ICP includes formal, internal self-auditing for compliance with all applicable Reliability Standards on a set periodic basis, and includes disciplinary action for employees involved in violations of the Reliability Standards. RE's ICP has internal controls including self-assessment and self-enforcement to prevent reoccurrence of Reliability Standard violations.

After consideration of the above factors, WECC determined that, in this instance, the penalty amount of one hundred and nine thousand dollars (\$109,000) is appropriate and bears a reasonable relation to the seriousness and duration of the violations.

Status of Mitigation Plans¹⁵

FAC-009-1 R1

RE's Mitigation Plan to address its violation of FAC-009-1 R1 was submitted to WECC on December 16, 2008 stating it had been completed on that same day. The Mitigation Plan was accepted by WECC on December 23, 2008 and approved by NERC on February 3, 2009. The Mitigation Plan for this violation is designated as MIT-07-1328 and was submitted as non-public information to FERC on February 9, 2009 in accordance with FERC orders.

RE's Mitigation Plan stated that RE modified its Facility Ratings procedures for solely and jointly owned Facilities to make them consistent with the associated Facility Ratings Methodology. RE did not make any changes to its Facility Ratings Methodology. The changes made in this Mitigation Plan represented changes in which the data was organized and presented pursuant to the Methodology.

RE certified on December 16, 2008 that the above Mitigation Plan requirements were completed on that same day. As evidence of completion of its Mitigation Plan, on February 16, 2008, RE submitted its *Generation Facility Ratings Methodology*, which showed that RE consistently used its Facility Ratings Methodology to rate its generating facilities to be in compliance with FAC-009-1 R1.

On December 23, 2008, after WECC's review of RE's submitted evidence, WECC verified that RE's Mitigation Plan was completed on December 16, 2008 and notified RE in a letter dated January 23, 2009, that RE was in compliance with FAC-009-1 R1.

¹⁵ See 18 C.F.R § 39.7(d)(7).

PER-002-0 R3.2

RE's Mitigation Plan to address its violation of PER-002-0 R3.2 was submitted to WECC on October 15, 2008 with a proposed completion date of January 31, 2009. The Mitigation Plan was accepted by WECC on November 6, 2008 and approved by NERC on December 31, 2008. The Mitigation Plan for this violation is designated as MIT-08-1178 and was submitted as non-public information to FERC on December 31, 2008 in accordance with FERC orders.

RE's Mitigation Plan required it to utilize an expert from within RE's Employee Learning and Development Group to: (1) Revise the Administrative Training Plan, *RE Control Center Procedure*, to make the training objectives more explicit, including references to the knowledge and competencies required to apply standards, procedures and requirements to normal, emergency and restoration conditions; (2) Revise the Administrative Training Plan to more accurately capture RE's Continuing Training Program for Balancing Authority Operators and Transmission & Distribution Dispatchers; and (3) Write a process for the annual development of Individual Training Plans for Balancing Authority Operators and Transmission & Distribution Dispatchers and incorporate that process into the Administrative Training Plan.

RE certified on January 29, 2009 that the above Mitigation Plan requirements were completed on January 29, 2009. As evidence of completion of its Mitigation Plan, RE submitted RE System Control Center's *Administrative Training Plan* revised on January 27, 2009.

On March 16, 2009, after WECC's review of RE's submitted evidence, WECC verified that RE's Mitigation Plan was completed on January 29, 2009 and notified RE in a letter dated April 8, 2009 that RE was in compliance with PER-002-0 R3.2.

PRC-005-1 R1

RE's Mitigation Plan to address its violation of PRC-005-1 R1 was submitted to WECC on December 17, 2008 with a proposed completion date of September 15, 2009. The Mitigation Plan was accepted by WECC on December 18, 2008 and approved by NERC on January 21, 2009. The Mitigation Plan for this violation is designated as MIT-08-1302 and was submitted as non-public information to FERC on January 21, 2009 in accordance with FERC orders. During a second review of the December 17, 2008 Mitigation Plan, WECC rejected it on January 19, 2009, because PRC-005-1 R1 calls for defined intervals for maintenance and testing and the basis for the establishment of those intervals, but the Mitigation Plan submitted by RE and previously approved by WECC did not contain those provisions. A revised Mitigation Plan was submitted on March 3, 2009 with a proposed completion date of August 21, 2009.¹⁶ The Mitigation Plan was accepted by WECC on March 9, 2009 and approved by NERC on March 3, 2010. The Mitigation Plan was submitted as non-public information to FERC on March 3, 2010 in accordance with FERC orders.

RE's Mitigation Plan required RE to develop a procedure for a test that validates functionality of an entire Transmission Line Protection Scheme which incorporates a discrete communication module. Prior to implementing broad use of the test procedure, RE stated it would use the procedure during a scheduled transmission line outage and modify the procedure as necessary;

¹⁶ The Regional Determination of Alleged Violation Summary document states that the Mitigation Plan was submitted on February 23, 2009; however, the February Mitigation Plan was only a draft.

upon successful completion of the test, RE would incorporate the procedure into its testing procedures to be performed on commissioning or on any physical scheme change. Therefore, RE's Protective Relay Maintenance Program document would include maintenance and testing intervals for each of the required Protection System elements and their basis. Additionally, RE stated it would revise and expand its current Protective Relay Maintenance Program to address each of the five elements contained in the definition of the Protection System definition: protective relays; associated communication systems; voltage and current sensing devices; station batteries; and DC control circuitry. The Protective System Maintenance and Testing Program would also include the maintenance and testing intervals and their basis and the summary of maintenance and testing practices.

RE certified on August 20, 2009 that the above Mitigation Plan requirements were completed on August 20, 2009. As evidence of completion of its Mitigation Plan, RE submitted its revised *Protection System Maintenance and Testing Program* dated August 14, 2009 and several specific maintenance procedures that are referenced in the program.

On September 8, 2009, after WECC's review of RE's submitted evidence, WECC verified that RE's Mitigation Plan was completed on August 20, 2009 and notified RE in a letter dated September 22, 2009 that RE was in compliance with PRC-005-1 R1.

PRC-005-1 R2

RE's Mitigation Plan to address its violation of PRC-005-1 R2 was submitted to WECC on June 30, 2008 with a proposed completion date of September 26, 2008. The Mitigation Plan was accepted by WECC on August 2, 2008 and approved by NERC on September 17, 2008. The Mitigation Plan for this violation is designated as MIT-08-0889 and was submitted as non-public information to FERC on September 17, 2008 in accordance with FERC orders.

RE's Mitigation Plan required it to produce a complete report identifying all of RE's protection devices that are part of the BPS, including the dates the devices were last tested. RE would then test the report to ensure that it is complete.

On September 19, 2008, RE submitted a revised Mitigation Plan to WECC to include an additional action requiring RE to purchase and install software to track relay maintenance history and archive relay settings. Due to the specific actions added to the revised Mitigation Plan, RE requested in the revised Mitigation Plan that the completion date be extended to May 30, 2009. WECC accepted the revised Mitigation Plan and extension request therein on September 29, 2008.

On May 29, 2009, RE submitted another revised Mitigation Plan to WECC requesting that the proposed Mitigation Plan completion date be extended a second time, to July 17, 2009, to allow for additional verification that RE had properly identified all of the elements of the BPS in its new software. WECC accepted the second revised Mitigation Plan on June 11, 2009. The second revised Mitigation Plan updated the status of three intermediate milestones as follows:

- RE tested its software and set up a Purchase Order to obtain the software by December 12, 2008;¹⁷

¹⁷ The Mitigation Plan incorrectly states that RE completed this action by December 15, 2008.

- RE installed the software and trained its employees on proper use of the software by January 15, 2009; and
- RE integrated its current databases into its software by March 30, 2009.

RE certified on July 16, 2009 that the above Mitigation Plan requirements were completed on that same day. As evidence of completion of its Mitigation Plan, RE submitted a report electronically in an Excel spreadsheet listing all of RE's relays that are part of the BPS and the dates the relays were last tested. In addition, RE submitted a memo summarizing the results of a test performed, wherein RE compared the spreadsheet to one-line diagrams of all of its substations and generating plants.

On September 8, 2009, after WECC's review of RE's submitted evidence, WECC verified that RE's Mitigation Plan was completed on July 16, 2009 and notified RE in a letter dated September 22, 2009 that RE was in compliance with PRC-005-1 R2.

PRC-STD-005-1 WR1

RE's Mitigation Plan to address the violation of PRC-STD-005-1 WR1 was submitted to WECC on June 30, 2008 with a proposed completion date of September 26, 2008. The Mitigation Plan was accepted by WECC on August 4, 2008 and approved by NERC on September 17, 2008. The Mitigation Plan for this violation is designated as MIT-08-0890 and was submitted as non-public information to FERC on September 17, 2008 in accordance with FERC orders.

RE's Mitigation Plan required it to identify all of the facilities that comprise its path and update its Transmission Maintenance and Inspection Plan to address each of the elements listed in the Standard and establish processes for gathering and retaining the pertinent maintenance records.

RE certified on September 25, 2008 that the above Mitigation Plan requirements were completed on that same day. As evidence of completion of its Mitigation Plan, RE submitted its records from the implementation of its *Transmission Maintenance and Inspection Plan* dated September 22, 2008 and RE's associated maintenance records for its path.

On February 10, 2009, after WECC's review of RE's submitted evidence, WECC verified that RE's Mitigation Plan was completed on September 25, 2008 and notified RE in a letter dated February 20, 2009 that RE was in compliance with PRC-STD-005-1 WR1.

TPL-001-0 R1 and R3

RE's Mitigation Plan to address its violations of TPL-001-0 R1 and R3 was submitted to WECC on August 12, 2008¹⁸ with a proposed completion date of March 30, 2009.¹⁹ The Mitigation Plan was accepted by WECC on August 29, 2008 and approved by NERC on October 27, 2008. The Mitigation Plan for this violation is designated as MIT-07-1061 and was submitted as non-public information to FERC on October 27, 2008 in accordance with FERC orders.

RE's Mitigation Plan required it to provide the appropriate studies, Near-Term Studies for Summer 2012 and Winter 2012/2013 and Longer-Term Studies for Summer 2018 and Winter

¹⁸ The Mitigation Plan was signed on August 11, 2008, but submitted to WECC on August 12, 2008.

¹⁹ Section D.2 in the Mitigation Plan states that it would be fully completed by March 31, 2009.

2016/2017, to demonstrate RE's system performance would meet the necessary contingencies outlined in each of the TPL Standards, and to provide the results to the Regional Entity as required. RE would also develop an annual Transmission Study Report based on the results of these studies which mean all requirements of the Standard.

RE certified on March 30, 2009 that the above Mitigation Plan requirements were completed on that same day. As evidence of completion of its Mitigation Plan, RE submitted its *10-Year Transmission Assessment* which contained the assessment required by the Standard and reports from the underlying studies on which the assessment was based.

After WECC's review of RE's submitted evidence, WECC verified that RE's Mitigation Plan was completed on March 30, 2009 and notified RE in a letter dated April 30, 2009 that RE was in compliance with TPL-001-0 R1 and R3.

TPL-002-0 R1, R2 and R3

RE's Mitigation Plan to address its violations of TPL-002-0 R1, R2 and R3 was submitted to WECC on August 12, 2008²⁰ with a proposed completion date of March 30, 2009.²¹ The Mitigation Plan was accepted by WECC on September 3, 2008 and approved by NERC on October 27, 2008. The Mitigation Plan for this violation is designated as MIT-07-1031 and was submitted as non-public information to FERC on October 27, 2008 in accordance with FERC orders.

RE's Mitigation Plan required it to provide the appropriate studies, Near-Term Studies for Summer 2012 and Winter 2012/2013 and Longer-Term Studies for Summer 2018 and Winter 2016/2017, to demonstrate RE's system performance would meet the necessary contingencies outlined in each of the TPL Standards, and to provide the results to the Regional Entity as required. RE would also perform Transient Stability Studies on its system as necessary to demonstrate that system performance meets Category B contingencies pursuant to the Standard. Additionally, RE would develop an Annual Transmission Study Report based on the results of the studies which meets all the requirements of the Standard. In each case where facility additions were required to meet system performance, RE would provide a written summary including the schedule for implementation, the discussion of required in-service dates and the consideration of necessary lead time, either in the Annual Transmission Study Report or in a project profile for the construction project.

RE certified on March 30, 2009 that the above Mitigation Plan requirements were completed on that same day. As evidence of completion of its Mitigation Plan, RE submitted its *10-Year Transmission Assessment* which contained the assessment required by the Standard and reports from the underlying studies on which the assessment was based.

After WECC's review of RE's submitted evidence, WECC verified that RE's Mitigation Plan was completed on March 30, 2009 and notified RE in a letter dated April 30, 2009 that it was in compliance with TPL-002-0 R1, R2 and R3.

²⁰ The Mitigation Plan was signed on August 11, 2008, but submitted to WECC on August 12, 2008.

²¹ Section D.2 in the Mitigation Plan states that it would be fully completed by March 31, 2009.

TPL-003-0 R1, R2 and R3

RE's Mitigation Plan to address its violations of TPL-003-0 R1, R2 and R3 was submitted to WECC on August 12, 2008²² with a proposed completion date of March 30, 2009. The Mitigation Plan was accepted by WECC on September 3, 2008 and approved by NERC on October 27, 2008. The Mitigation Plan for this violation is designated as MIT-08-1032 and was submitted as non-public information to FERC on October 27, 2008 in accordance with FERC orders.

RE's Mitigation Plan required it to provide the appropriate studies, Near-Term Studies for Summer 2012 and Winter 2012/2013 and Longer-Term Studies for Summer 2018 and Winter 2016/2017, to demonstrate RE's system performance would meet the necessary contingencies outlined in each of the TPL Standards, and to provide the results to the Regional Entity as required. RE would also perform Transient Stability Studies on its system as necessary to demonstrate that system performance meets Category C contingencies pursuant to the Standard. Additionally, RE would develop an Annual Transmission Study Report based on the results of the studies which meets all the requirements of the Standard. In each case where facility additions were required to meet system performance, RE would provide a written summary including the schedule for implementation, the discussion of required in-service dates and the consideration of necessary lead time, either in the Annual Transmission Study Report or in a project profile for the construction project.

RE certified on March 30, 2009 that the above Mitigation Plan requirements were completed on that same day. As evidence of completion of its Mitigation Plan, RE submitted its *10-Year Transmission Assessment* which contained the assessment required by the Standard and reports from the underlying studies on which the assessment was based.

After WECC's review of RE's submitted evidence, WECC verified that RE's Mitigation Plan was completed on March 30, 2009 and notified RE in a letter dated April 30, 2009 that it was in compliance with TPL-003-0 R1, R2 and R3.

TPL-004-0 R1 and R2

RE's Mitigation Plan to address its violations of TPL-004-0 R1 and R2 was submitted to WECC on August 11, 2008 with a proposed completion date of March 30, 2009. WECC requested that RE modify the Mitigation Plan to be completed no later than November 28, 2008.²³ The Mitigation Plan was accepted by WECC on September 29, 2008 and approved by NERC on October 27, 2008. The Mitigation Plan for this violation is designated as MIT-08-1033 and was submitted as non-public information to FERC on October 27, 2008 in accordance with FERC orders.

RE's Mitigation Plan required it to provide the appropriate studies, Near-Term Studies for Summer 2012 and Winter 2012/2013 and Longer-Term Studies for Summer 2018 and Winter 2016/2017, to demonstrate RE's system performance would meet the necessary contingencies

²² The Mitigation Plan was signed on August 11, 2008, but submitted to WECC on August 12, 2008.

²³ RE corrected the Mitigation Plan so that it showed the completion date to be no later than November 28, 2008; however, RE did not modify Section D.2.

outlined in each of the TPL Standards, and to provide the results to the Regional Entity as required. RE would also perform Transient Stability Studies on its system as necessary to demonstrate that system performance meets Category D contingencies pursuant to the Standard. Additionally, RE would develop an Annual Transmission Study Report based on the results of the studies which meets all the requirements of the Standard. The Annual Transmission Study Report would include a written evaluation of the risks and consequences of extreme contingencies.

RE certified on December 1, 2008 that the above Mitigation Plan requirements were completed on November 26, 2008 when it completed assessments based on near-term studies for Summer 2012 and Winter 2012 to 2013 that address each element of Requirement 1. As evidence of completion of its Mitigation Plan, RE submitted a document which described the contingencies evaluated for each Category of study, including Category D for TPL-004-0.

On December 24, 2008, after WECC's review of RE's submitted evidence, WECC verified that RE's Mitigation Plan was completed on November 26, 2008 and notified RE in a letter dated February 18, 2009 that it was in compliance with TPL-004-0 R1 and R2.

EOP-008-0 R1

RE's Mitigation Plan to address its violation of EOP-008-0 R1 was submitted to WECC on December 28, 2007 with a proposed completion date of February 1, 2008. The Mitigation Plan was accepted by WECC on January 21, 2008 and approved by NERC on September 15, 2008. The Mitigation Plan for this violation is designated as MIT-07-0766 and was submitted as non-public information to FERC on September 15, 2008 in accordance with FERC orders.

RE's Mitigation Plan required RE to supplement its contingency plan to address all of the specific elements included in R1.5, R1.6 and R1.7. The updated contingency plan would be approved by RE's manager of its Control Center.

RE certified on February 1, 2008 that the above Mitigation Plan requirements were completed on that same day. As evidence of completion of its Mitigation Plan, RE submitted its Control Center Procedure dated February 1, 2008. Specifically, RE's Control Center Procedure outlined RE's procedures and responsibilities for conducting periodic tests, at least annually, to ensure viability of its contingency plan, including procedures providing annual training to ensure that operating personnel are able to implement the contingency plan.

On February 29, 2008, after WECC's review of RE's submitted evidence, WECC verified that RE's Mitigation Plan was completed on February 1, 2008 and notified RE in a letter dated October 1, 2008 that it was in compliance with EOP-008-0 R1.

VAR-001-1 R3 and R4

RE's Mitigation Plan to address its violation of VAR-001-1 R3 and R4 was submitted to WECC on December 28, 2007 with a proposed completion date of February 1, 2008. The Mitigation Plan was accepted by WECC on January 21, 2008 and approved by NERC on September 15, 2008. The Mitigation Plan for this violation is designated as MIT-07-0767 and was submitted as non-public information to FERC on September 15, 2008 in accordance with FERC orders.

RE's Mitigation Plan required RE to: (1) specify criteria to exempt generators from following a voltage or Reactive Power schedule and use these criteria to develop a list of generators that are exempt; (2) notify all exempt generators; (3) provide a voltage or Reactive Power schedule to all non-exempt generators; and (4) direct the Generator Operator to comply with the schedule in automatic voltage control mode.

RE certified on February 1, 2008 that the above Mitigation Plan requirements were completed on that same day. As evidence of completion of its Mitigation Plan, RE submitted RE's Control Center Procedure dated February 1, 2008.

On February 29, 2008, after WECC's review of RE's submitted evidence, WECC verified that RE's Mitigation Plan was completed on February 1, 2008 and notified RE in a letter dated October 1, 2008 that it was in compliance with VAR-001-1 R3 and R4.

Request for Confidential Treatment

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

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

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

Notices and Communications

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

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Conclusion

NERC respectfully requests that the Commission accept this Notice of Penalty as compliant with its rules, regulations and orders.

Respectfully submitted,

/s/ Rebecca J. Michael

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