



NORTH AMERICAN ELECTRIC
RELIABILITY CORPORATION

December 30, 2009

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

Re: NERC Notice of Penalty regarding Alabama Power Company, FERC Docket No. NP10-_-000

Dear Ms. Bose:

The North American Electric Reliability Corporation (NERC) hereby provides this Notice of Penalty¹ regarding Alabama Power Company (Alabama Power), NERC Registry ID NCR01166,² 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)).³

On November 21, 2008, Alabama Power self-reported non-compliance with PRC-005-1 Requirement (R) 2, specifically R2.1, for its failure to have documentation that its batteries were inspected and tested within the intervals identified in its maintenance and testing program. This Notice of Penalty is being filed with the Commission because, based on information from SERC Reliability Corporation (SERC), SERC and Alabama Power have entered into a Settlement Agreement to resolve all outstanding issues arising from a preliminary and non-public assessment resulting in SERC's determination and findings of the enforceable alleged violation of PRC-005-1 R2, specifically R2.1. Pursuant to the Settlement Agreement, Alabama Power neither admits nor denies the alleged violation of PRC-005-1 R2, and specifically R2.1, but Alabama Power has agreed to the proposed penalty of seven thousand five hundred dollars

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 SERC Reliability Corporation confirmed that Alabama Power was included on the NERC Compliance Registry as a Transmission Owner, Load Serving Entity, Generator Owner (GO) and Distribution Provider on May 31, 2007. As a GO, Alabama Power was subject to the requirements of NERC Reliability Standard PRC-005-1. On September 25, 2009, NERC filed a Notice of Penalty at FERC regarding Alabama Power Company's alleged violation of FAC-003-1 R2, which was designated as Docket No. NP09-37-000. FERC issued a Notice stating it would not further review that Notice of Penalty on October 23, 2009. Three Notices of Penalty related to other Southern Company operating companies also are being concurrently filed with the instant Notice of Penalty.

³ See 18 C.F.R. § 39.7(c)(2).

(\$7,500) to be assessed to Alabama Power, in addition to other remedies and mitigation actions to mitigate the instant alleged violation and ensure future compliance under the terms and conditions of the Settlement Agreement. Accordingly, the alleged violation identified as NERC Violation Tracking Identification Number SERC200800237 is being filed in accordance with the NERC Rules of Procedure and the CMEP.

Statement of Findings Underlying the Alleged Violation

This Notice of Penalty incorporates the findings and justifications set forth in the Settlement Agreement executed on July 7, 2009 by and between SERC and Alabama Power, included as Attachment b. The details of the findings and basis for the penalty are set forth in the Settlement Agreement and herein. This Notice of Penalty filing contains the basis for approval of the Settlement Agreement by the NERC Board of Trustees Compliance Committee (NERC BOTCC). In accordance with Section 39.7 of the Commission’s regulations, 18 C.F.R. § 39.7 (2007), NERC provides the following summary table identifying each alleged violation of a Reliability Standard resolved by the Settlement Agreement, as discussed in greater detail below.

Region	Registered Entity	NOC ID	NERC Violation ID	Reliability Std.	Req. (R)	VRF	Total Penalty (\$)
SERC	Alabama Power Company	225	SERC200800237	PRC-005-1	2/2.1	High ⁴	7,500

The purpose of Reliability Standard PRC-005-1 is to ensure all transmission and generation Protection Systems⁵ affecting the reliability of the Bulk Power System (BPS) are maintained and tested.

PRC-005-1 R2 requires each Transmission Owner and any Distribution Provider that owns a transmission Protection System and each Generator Owner, such as Alabama Power, that owns a generation Protection System to 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). Specifically, PRC-005-1 R2.1 requires the documentation of the program implementation to include evidence that Protection System devices were maintained and tested within the defined intervals. PRC-005-1 R2 has a “Lower” VRF and R2.1 has a “High” VRF.

⁴ PRC-005-1 R2 has a “Lower” Violation Risk Factor (VRF); R2.1 has 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.

⁵ The NERC Glossary of Terms Used in Reliability Standards, updated April 20, 2009, defines Protection System as “Protective relays, associated communication systems, voltage and current sensing devices, station batteries and DC control circuitry.”

In November 2008, Alabama Power discovered deficiencies in its documentation regarding monthly testing of 37 of 60 Protection System device batteries at 13 of its 23 generating plants; specifically, records were missing for 84 of 1,000 monthly interval tests that were to have been conducted on these batteries over the seventeen-month period of June 2007 through October 2008. There were 23 Protection System device batteries at the 13 affected generating plants that had documentation for all intervals and all batteries at its other 10 generating facilities had documentation for all intervals.

Due to the documentation deficiency, Alabama Power could not confirm, pursuant to NERC Reliability Standard PRC-005-1, Requirement 1, whether the 37 batteries involved at 13 plants were inspected within the time intervals established in Alabama Power's Protection System device maintenance and testing program.

On November 21, 2008, Alabama Power self-reported the deficiencies to SERC concurrent with beginning an investigation into the lack of documentation for these battery inspection activities. The self-report was unsolicited and not in response to any SERC request.

In response to Alabama Power's self-report, SERC Staff reviewed Alabama Power's battery maintenance records, held discussions with Alabama Power representatives, and reviewed Alabama Power's Protection System maintenance and testing program. On March 10, 2009, SERC Staff advised Alabama Power of its findings of an alleged violation due to a lack of documentation. Alabama Power could not confirm whether the station batteries at several of its plants were inspected or tested within the time intervals detailed in its maintenance and testing program established pursuant to NERC Reliability Standard PRC-005-1 R1, resulting in an alleged violation of PRC-005-1 R2.1.

Alabama Power has a documented Protection System maintenance and testing program for its Protection System devices that affect the reliability of the bulk power system. The program is common to all of the operating companies of Alabama Power's parent company, Southern Company. Pursuant to this program, station batteries are scheduled to be inspected and tested on a monthly basis to ensure the integrity of the batteries. Based upon its review of Alabama Power's maintenance and testing program, the battery testing records provided by Alabama Power, and discussions with Alabama Power, SERC Staff determined that the underlying cause of the referenced alleged violation was an error in the implementation of the program through the failure of the technical services supervisors to clearly communicate to plant personnel responsible for the maintenance and testing that: (1) station batteries must be inspected monthly as required by the Protection System maintenance and testing program; and (2) station battery inspections must be properly documented.

SERC Staff further concluded that there was no serious or substantial risk to the reliability of the bulk power system because based on a review of battery maintenance records: (1) testing and maintenance was being performed for all battery systems, albeit less frequently than required under Alabama Power's Protection System maintenance and testing program; (2) no batteries were missing documentation of testing and maintenance for all intervals; (3) 23 of 60 batteries had documentation for all intervals and the gaps in documentation for the others were random,

indicating there was no systematic program deficiency; and (4) all batteries at ten of Alabama Power's generating facilities had documentation for all monthly intervals.

SERC determined the duration of the PRC-005-1 R2.1 alleged violation to be from June 18, 2007, when the Reliability Standard became effective, until February 28, 2009, when Alabama Power completed its Mitigation Plan.

SERC has assessed a penalty of seven thousand five hundred dollars (\$7,500) for the referenced alleged violation. In reaching this determination, SERC considered the following factors:

1. Alabama Power self-reported the alleged violation;
2. Alabama Power cooperated with SERC Staff during the investigation. Alabama Power provided prompt responses to all of SERC Staff's questions and satisfactorily cooperated with SERC Staff during meetings between the parties to discuss these events. Furthermore, Alabama Power proactively initiated its own internal investigation and voluntarily provided supporting information to SERC Staff to assist in SERC Staff's review of the facts and circumstances. This included having representatives travel to SERC's office to provide detailed information on the investigation and to comprehensively respond to SERC Staff questions. This enabled SERC Staff to conduct a thorough investigation in an efficient manner;
3. Alabama Power possessed a clear lack of intent to commit or to conceal the alleged violation, as is supported by its self-report and by the existence of maintenance and testing records for all of its station batteries;
4. Alabama Power has adopted a maintenance and testing program - the Southern Company's (its parent corporation) maintenance and testing program. This program is common to all Southern Company's operating companies and has been previously reviewed by SERC staff;
5. Alabama Power agreed to expeditiously resolve this issue via settlement and promptly initiated various mitigation actions and preventative measures before receiving a Notice of Alleged Violation and Proposed Penalty or Sanction from SERC;
6. Alabama Power has implemented preventative measures that include the implementation of a formal compliance goal for all plants in 2009; and
7. Alabama Power has implemented a wide range of additional measures agreed to during settlement agreement discussions to protect against future violations of the same or similar requirements (discussed below).

After consideration of these and the above factors, SERC determined that, in this instance, the penalty amount of seven thousand five hundred dollars (\$7,500) is appropriate and bears a reasonable relation to the seriousness and duration of the alleged violation.

Status of Mitigation Plan and Settlement Agreement Actions⁶

Mitigation Plan Actions

Alabama Power's Mitigation Plan to address its self-reported alleged violation of PRC-005-1 R2.1 was submitted to SERC on December 19, 2008. The Mitigation Plan was accepted by SERC on January 15, 2009 and approved by NERC on February 17, 2009. The Mitigation Plan for this alleged violation is designated as MIT-07-1372 and was submitted as non-public information to FERC on February 24, 2009 in accordance with FERC orders.

Alabama Power's Mitigation Plan included the following actions to fully mitigate the alleged PRC-005-1 R2.1 violation and prevent future non-compliance:

To mitigate the instant alleged violation (section D of the Mitigation Plan):

1. Where testing documentation was not available, responsive action was taken to ensure the batteries were inspected and tested with confirmation that they are in good working condition and documentation was retained - completed on November 30, 2008;
2. Technical experts, who are independent of plant management, confirmed the integrity of all batteries - completed on January 30, 2009;
3. Plant managers confirmed in writing that they understand the required monthly inspection, testing and documentation associated with station batteries, and they communicated these requirements to appropriate plant maintenance personnel - completed on January 30, 2009; and
4. Revised procedures were established for the centralized retention and real-time sharing of documentation associated with battery inspection, testing and maintenance - completed on February 28, 2009.

To prevent future non-compliance (section E of the Mitigation Plan):

5. Implementation of compliance monitoring procedures whereby inspection and testing documentation will be reviewed on a monthly basis to ensure that the required maintenance has been performed; and
6. Establishment of a formal Plant Goal for 2009 associated with compliance with PRC-005-1 pursuant to which a failure to comply will be considered in personnel evaluation and could affect overall compensation.

Alabama Power certified on March 12, 2009 to SERC that its Mitigation Plan was completed on February 28, 2009. Alabama Power also certified that its required actions to prevent future compliance had been completed by February 28, 2009. To support its certification of completion, Alabama Power submitted the following evidence:

⁶ See 18 C.F.R § 39.7(d)(7).

Action Item #1:

- Spreadsheet documenting dates of battery inspections for each applicable plant battery; and
- Sample battery inspections sheets documenting the inspections for selected plants where battery information was missing.

Action Item #2

- Affidavit of Technical Expert documenting review confirming the integrity of the batteries that were not inspected according to the Preventative Maintenance Procedure.

Action Item #3

- E-mails from the Plant Manager of each plant documenting his or her understanding of the Preventative Maintenance Procedure and communication of the Procedure to appropriate Plant Personnel.

Action Item #4

- Procedure developed to allow plant personnel to download battery inspection sheets to a central database for retention and real-time sharing of documentation.

Action Items #5 and 6

- Compliance monitoring procedures have been implemented through the website documented in Action Item #4 whereby inspection documentation will be reviewed on a monthly basis to ensure that the required maintenance has been performed; and
- A formal Plant Goal for 2009 associated with compliance with PRC-005-1 has been established pursuant to which a failure to comply will be considered in personnel evaluation and could affect overall compensation.

On March 27, 2009, SERC completed its review of the evidence submitted by Alabama Power and verified that Alabama Power's Mitigation Plan was completed on February 28, 2009. With the completion of the Mitigation Plan, SERC determined that Alabama Power was in compliance with PRC-005-1 R2.1.

Additional Settlement Agreement Actions

In addition to the actions required by its Mitigation Plan, Alabama Power agreed to conduct further actions during its Settlement Agreement discussions with SERC, incurring an initial cost of \$33,600 and an annual recurring cost of \$130,700. These actions include:

1. Development of Interactive Web-based Application for Generation-Related ERO Compliance Activities - completed on January 9, 2009;
2. Implementation of Weekly Compliance Meetings - completed on January 7, 2009;
3. Implementation of New Training on Reliability Standards - completed on January 12, 2009;
4. Hiring a full-time Compliance Coordinator to monitor compliance with generation-related reliability standards - completed on January 5, 2009;

5. Dedication of engineering subject matter expert to provide technical leadership and guidance - completed on January 1, 2009;
6. Establishment of formal compliance goal for all plants in 2009 - completed on January 1, 2009; and
7. Implementation of quarterly certification requirement to confirm plant compliance with NERC Reliability Standard PRC-005-1 - completed on April 30, 2009.

Alabama Power completed its Settlement Agreement actions on April 30, 2009. Alabama Power submitted the following documentation to support its completion of the above actions:

1. Screenshots showing the ERO Compliance website;
2. A charter formalizing the weekly Compliance Committee meetings;
3. A screenshot of the meeting notice sent to training participants initiating the first of twelve training sessions for its generating plant personnel;
4. A personnel report documenting Compliance Coordinator hire date;
5. An April 6, 2009 memo from the Electrical Systems and Field Support Manager detailing organizational changes resulting in full time technical support position;
6. A description of current plant goal regarding reliability standards compliance that was rolled out for 2009 and was distributed to employees and implemented; and
7. The Certification Form Template.

SERC reviewed this documentation and determined that it sufficiently supports a finding that Alabama Power has completed these additional preventative measures.

Statement Describing the Proposed Penalty, Sanction or Enforcement Action Imposed⁷

Basis for Determination

Taking into consideration the Commission's direction in Order No. 693, the NERC Sanction Guidelines and the Commission's July 3, 2008 Guidance Order,⁸ the NERC BOTCC reviewed the Settlement Agreement and supporting documentation on September 11, 2009. The NERC BOTCC approved the Settlement Agreement, including SERC's imposition of a financial penalty of seven thousand five hundred dollars (\$7,500) against Alabama Power and other actions to promote prospective 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 alleged violation at issue.

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

⁷ See 18 C.F.R § 39.7(d)(4).

⁸ *North American Electric Reliability Corporation*, "Guidance Order on Reliability Notices of Penalty," 124 FERC ¶ 61,015 (2008).

- (1) Alabama Power self-reported the alleged violation during a self-initiated review of its maintenance and testing activities;
- (2) Alabama Power had a maintenance and testing program, and was conducting and documenting testing, but failed to inspect and test at the monthly intervals prescribed by its program;
- (3) There was no serious or substantial risk to the bulk power system for the reasons stated above;
- (4) SERC reported that Alabama Power cooperated with SERC Staff; and
- (5) As described above, Alabama Power has implemented a wide-range of measures to address the alleged violation and to protect against future violations of the same or similar requirements.

For the foregoing reasons, the NERC BOTCC approves the Settlement Agreement and believes that the proposed seven thousand five hundred dollar (\$7,500) penalty is appropriate for the alleged violation and circumstances in question, and consistent with NERC's goal to promote and ensure reliability of the bulk power system.

Pursuant to Order No. 693, the penalty will be effective upon expiration of the 30 day period following the filing of this Notice of Penalty with FERC, or, if FERC decides to review the penalty, upon final determination by FERC.

Attachments to be included as Part of this Notice of Penalty

The attachments to be included as part of this Notice of Penalty are the following documents:

- a) Alabama Power's Self-report dated November 21, 2008, included as Attachment a;
- b) Settlement Agreement by and between Alabama Power and SERC executed July 7, 2009, included as Attachment b;
 - i) Mitigation Plan designated as MIT-07-1372 submitted December 19, 2008, included in the Settlement Agreement as Appendix A-1;
 - ii) Alabama Power's Certification of Completion of the Mitigation Plan dated March 12, 2009, included in the Settlement Agreement as Appendix A-2; and
 - iii) SERC's Verification of Completion of the Mitigation Plan designated as MIT-07-1372 dated March 27, 2009, included in the Settlement Agreement as Appendix A-3.

A Form of Notice Suitable for Publication⁹

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

⁹ 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>David N. Cook* Vice President and General Counsel North American Electric Reliability Corporation 116-390 Village Boulevard Princeton, New Jersey 08540-5721 (609)452-8060 (609) 452-9550 – facsimile david.cook@nerc.net</p> <p>Gordon G. Martin* Senior Vice President and General Counsel Alabama Power Company 600 N. 18th Street Birmingham, Al 35203 (205) 257-0522 (205) 257-3951 – facsimile ggmartin@southernco.com</p> <p>Helen R. Nalley* Compliance Director Southern Company Generation 600 N. 18th Street Birmingham, Al 35203 (205) 257-2055 (205) 257-7605 – facsimile hrnalley@southernco.com</p> <p>David L. McPhail* Counsel Balch & Bingham LLP 1710 Sixth Ave North Birmingham, Al 35203 (205) 226-8778 (205) 488-5875 – facsimile dmcphail@balch.com</p> <p>Kenneth B. Keels, Jr.* Manager of Compliance Enforcement SERC Reliability Corporation 2815 Coliseum Centre Drive Charlotte, NC 28217 (704) 940-8214 (704) 357-7914 – facsimile kkeels@serc1.org</p>	<p>Rebecca J. Michael* Assistant General Counsel Holly A. Hawkins* Attorney North American Electric Reliability Corporation 1120 G Street, N.W. Suite 990 Washington, D.C. 20005-3801 (202) 393-3998 (202) 393-3955 – facsimile rebecca.michael@nerc.net holly.hawkins@nerc.net</p> <p>President and Chief Executive Officer SERC Reliability Corporation 2815 Coliseum Centre Drive Charlotte, NC 28217 (704) 940-8202 (704) 357-7914 – facsimile</p> <p>Thomas J. Galloway* Vice President and Director of Compliance SERC Reliability Corporation 2815 Coliseum Centre Drive Charlotte, NC 28217 (704) 940-8205 (704) 357-7914 – facsimile tgalloway@serc1.org</p> <p>Marisa A. Sifontes* Compliance Legal Counsel SERC Reliability Corporation 2815 Coliseum Centre Drive, Suite 500 Charlotte, NC 28217 (704) 494-7775 (704) 357-7914 – facsimile msifontes@serc1.org</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>
--	--

Conclusion

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

Respectfully submitted,

David N. Cook
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

/s/ Rebecca J. Michael
Rebecca J. Michael
Assistant General Counsel
Holly A. Hawkins
Attorney
North American Electric Reliability
Corporation
1120 G Street, N.W.
Suite 990
Washington, D.C. 20005-3801
(202) 393-3998
(202) 393-3955 – facsimile
rebecca.michael@nerc.net
holly.hawkins@nerc.net

cc: Alabama Power Company
SERC Reliability Corporation

Attachments

Attachment a

Alabama Power's Self-Report dated November 21, 2008



**SERC Reliability Corporation
Self-Reporting / Complaint Form Template
Revision 1 (10-25-07)**

Report Type (please check): Self-Report Complaint

Date of Report: November 21, 2008

NAME OF PERSON REPORTING POSSIBLE STANDARD VIOLATION(S)		
CONTACT NAME Helen Nalley	CONTACT TELEPHONE NUMBER 205-257-2055	
CONTACT E-MAIL hrnalley@southernco.com	CONTACT FAX 205-257-7605	
REPORTING COMPANY NAME Alabama Power Company	ANONYMOUS? (Y/N) N	
NERC OR REGIONAL STANDARD(S) AND SPECIFIC REQUIREMENT(S) POSSIBLY VIOLATED		
NAME OF COMPANY POSSIBLY VIOLATING STANDARD(S) Alabama Power Company	ENTITY FUNCTION TYPE(S) GO	
STANDARD # AND VERSION PRC-005-1	MEASURE / REQUIREMENT R2.1	DATE OF POSSIBLE VIOLATION(S) 6/18/2007
POSSIBLE VIOLATION DESCRIPTION, REASON FOR COMPLAINT, OR QUESTION		
<p>NERC Reliability Standard PRC-005-1 requires that a Generator Owner define the intervals by which it maintains and tests its Protection System devices. Consistent with this requirement, the established testing interval by which Alabama Power maintains and tests its station batteries requires that inspections be performed on a monthly basis. During November, a review of Alabama Power's maintenance and testing activities, Alabama Power discovered a lack of documentation for the monthly testing of batteries at several of its plants. Due to this lack of documentation, Alabama Power is unable to confirm whether the station batteries at these plants were tested within the time interval established by current procedures.</p> <p>SERC has not requested that Alabama Power provide documentation that it has correctly implemented its maintenance plan for testing Protection System devices. However, if a request is made for such documentation, Alabama Power would not, at this time, be able to provide evidence that the batteries at these plants had been tested in accordance with the established testing interval in all cases.</p>		



RELIABILITY IMPACT (IF KNOWN)

The discovered lack of documentation for station battery testing (and possible failure to test station batteries) for these plants resulted in no impact to the reliable operation of the bulk-power system. In response to Alabama Power's discovery of this situation, Alabama Power has made the testing of the batteries at all of its plants a priority. All of the batteries at these plants have been scheduled for testing in November and many such tests have already been completed.

SERC Staff will contact the person providing the report as soon as possible.

If you do not receive a response from SERC Staff within 2 business days please contact the SERC office (704-357-7372).

Please complete the form as completely as possible and email to serccomply@serc1.org.

Attachment b

Settlement Agreement by and between Alabama Power and SERC executed July 7, 2009

**SETTLEMENT AGREEMENT
OF
SERC RELIABILITY CORPORATION
AND
ALABAMA POWER COMPANY**

I. INTRODUCTION

1. SERC Reliability Corporation (“SERC”) and Alabama Power Company (“Alabama Power”) enter into this Settlement Agreement (“Settlement Agreement”) to resolve all outstanding issues arising from a preliminary and non-public assessment resulting in SERC’s determination and findings, pursuant to the North American Electric Reliability Corporation (“NERC”) Rules of Procedure, of an alleged violation by Alabama Power of NERC Reliability Standard PRC-005-1 (Transmission and Generation Protection System Maintenance and Testing), Requirement 2.1 (SERC Issue Tracking No. 08-160; NERC Violation ID No. SERC200800237).

II. STIPULATION

2. The facts stipulated herein are stipulated solely for the purpose of resolving, between Alabama Power and SERC, the matters discussed herein and do not constitute stipulations or admissions for any other purpose. Alabama Power and SERC hereby stipulate and agree to the following:

Background

3. Alabama Power is a regulated public utility providing service to approximately 1.4 million electric customers in Alabama. In the SERC region, Alabama Power owns, or jointly owns, twenty-four generating facilities with a total nameplate capacity of 12,739 megawatts. Alabama Power is responsible for complying with the NERC Reliability Standards applicable to Generator Owners for twenty-three facilities. The other facility owned by Alabama Power is operated by an affiliate that is responsible for compliance with NERC Reliability Standards for that facility. Its corporate headquarters is located in Birmingham, Alabama. Alabama Power is registered as a Generator Owner (NCR01166) and Alabama Power is therefore subject to the requirements of NERC Reliability Standard PRC-005-1.

Alleged Violation(s)

4. NERC Reliability Standard PRC-005-1, Requirement 2 requires that “[each] Generator Owner...that owns a generation Protection System shall provide documentation of its Protection System maintenance and testing program and the

implementation of that program to its Regional Reliability Organization on request.” Requirement 2.1 requires that the documentation provided to the Regional Reliability Organization pursuant to Requirement 2 include “[e]vidence Protection System devices were maintained and tested within the defined intervals.”

5. As self-reported by Alabama Power on November 21, 2008, during a November 2008 review of Alabama Power’s maintenance and testing activities, Alabama Power discovered a lack of documentation for the monthly inspection of batteries at several of its generating plants. For the seventeen-month period covered by the self-report (June 2007 through October 2008), records were missing for 84 of the 1000 monthly intervals affecting 37 of the 60 batteries at thirteen of Alabama Power’s generating facilities. Twenty-three batteries at the affected plants had documentation for all intervals and all batteries at Alabama Power’s other ten generating facilities had documentation for all intervals. Due to this lack of documentation, Alabama Power could not confirm whether the station batteries at these plants were inspected within the time intervals established pursuant to NERC Reliability Standard PRC-005-1, Requirement 1. Following the discovery of this lack of evidence, Alabama Power self-reported the possible violation and immediately began an investigation into the lack of documentation for these battery inspection activities. At the time Alabama Power self-reported the potential violation, SERC had not requested documentation showing Alabama Power’s compliance with its maintenance plan for testing Protection System devices.
6. Consistent with its corporate compliance program and normal operating procedures, Alabama Power’s operational and compliance managers were informed of the investigation as well as the self-report. Alabama Power’s Senior Vice President and Counsel, Southern Company Generation’s Executive Vice President and Chief Production Officer, and other compliance officials were immediately notified of the situation. In addition, senior executives, including the President of Alabama Power, were briefed on the matter.
7. Following its receipt and review of Alabama Power’s self-report, SERC Staff confirmed Alabama Power’s NERC Registration Status as a Generator Owner and that Alabama Power was subject to Requirement 2.1 of NERC Reliability Standard PRC-005-1.
8. After confirming Alabama Power’s NERC Registration Status, SERC Staff commenced its detailed compliance assessment. On December 10, 2008, SERC Staff issued to Alabama Power a Compliance Assessment Notice advising Alabama Power of the initiation of a formal assessment to determine its compliance relative to NERC Reliability Standard PRC-005-1 and directing Alabama Power to preserve all relevant records and information. SERC Staff promptly established direct contact with representatives of Alabama Power to begin the process of gathering information and documentation for the detailed compliance assessment. SERC Staff also reported the possible violation to NERC which, in turn, reported the possible

violation to the Federal Energy Regulatory Commission (“Commission”) in accordance with the Compliance Monitoring and Enforcement Program (CMEP) of the NERC Rules of Procedure. The investigation conducted by SERC Staff included a review of battery maintenance records, discussions with Alabama Power representatives, and a review of Alabama Power’s Protection System maintenance and testing program. On February 3, 2009, Alabama Power representatives participated in a conference call with SERC Staff to discuss SERC Staff’s initial evaluation of the alleged violation. Subsequently, on March 10, 2009, SERC Staff convened a Webex-based meeting with Alabama Power’s representatives. During that meeting SERC Staff advised Alabama Power of its findings of an alleged violation of Requirement 2.1 of NERC Reliability Standard PRC-005-1, the factual basis upon which the determination was based, and the proposed daily penalty to which Alabama Power was exposed by virtue of the alleged violation including the factors considered by SERC Staff in determining the proposed penalty. SERC Staff also discussed with Alabama Power the next steps in the enforcement process. On April 8, 2009, SERC Staff met with Alabama Power representatives to discuss possible settlement of the alleged violation.

9. As a result of its investigation, SERC Staff concluded that the facts and evidence supported a finding that Alabama Power violated Requirement 2.1 of NERC Reliability Standard PRC-005-1 because evidence showed that due to a lack of documentation, Alabama Power could not confirm whether the station batteries at several of its plants were inspected within the time intervals detailed in its maintenance and testing program established pursuant to NERC Reliability Standard PRC-005-1, Requirement 1. NERC Reliability Standard PRC-005-1, Requirement 2.1, is assigned a “High” Violation Risk Factor (“VRF”) consistent with the VRF approved by the Commission on June 26, 2007. SERC Staff further concluded that there was minimal actual or foreseeable impact on the reliability of the bulk-power system because based on a review of battery maintenance records: (1) the testing and maintenance required by NERC Reliability Standard PRC-005-1, Requirement 2.1 was being performed for all battery systems, albeit less frequently than required under Alabama Power’s Protection System maintenance and testing program; (2) no batteries were missing documentation of testing and maintenance for all intervals; (3) 23 of 60 batteries had documentation for all intervals and the gaps in documentation for the others were random, indicating there was no systematic program deficiency; and (4) all batteries at ten of Alabama Power’s generating facilities had documentation for all monthly intervals.

III. PARTIES’ SEPARATE REPRESENTATIONS

Statement of SERC and Summary of Findings

10. As a Generator Owner, Alabama Power was required by NERC Reliability Standard PRC-005-1, Requirement 2.1 to retain documentation that it maintained and inspected its station batteries within the defined intervals in its Protection System

maintenance and testing program . A failure to be able to provide such documentation upon request is considered by SERC to be a violation of NERC Reliability Standard PRC-005-1, Requirement 2.1. SERC Staff finds that beginning on June 18, 2007 and continuing until February 28, 2009, Alabama Power did not have evidence that it maintained and inspected its station batteries in accordance with its Protection System maintenance and testing program.

11. Alabama Power has a documented Protection System maintenance and testing program for its Protection System devices that affect the reliability of the bulk-power system. The program is common to all of the operating companies of Southern Company and was reviewed by SERC Staff as part of a Spot Check Audit of Georgia Power Company, Alabama Power's affiliate, to determine compliance with NERC Reliability Standard PRC-005-1. Pursuant to this program, station batteries are scheduled to be inspected on a monthly basis to ensure the integrity of the batteries. Based upon its review of Alabama Power's maintenance and testing program, the battery testing records provided by Alabama Power, and discussions with Alabama Power and its representatives, SERC Staff determined that the underlying cause of this alleged violation was an error in the implementation of the program through the failure to clearly communicate to plant personnel that: (1) station batteries must be inspected monthly as required by the Protection System maintenance and testing program; and (2) station battery inspections must be properly documented.
12. SERC considered a number of factors in determining the penalty for this violation including:
 - (i) Alabama Power has no prior violation of this standard or any closely-related standard.
 - (ii) Alabama Power self-reported the alleged violation. Once Alabama Power became aware of the possible violation and confirmed the surrounding information, it filed a self-report with SERC on November 21, 2008. Alabama Power's diligence in investigating the possible violation and in self-reporting the events to SERC are commendable and a significant factor in a reduction of the penalty.¹
 - (iii) Alabama Power cooperated in both a timely and exemplary manner with SERC Staff during the investigation.² Alabama Power provided prompt responses to all of SERC Staff's questions and satisfactorily cooperated with SERC Staff during meetings between the parties to discuss the events.

¹ Policy Statement on Compliance, 125 FERC ¶ 61,058, P 19 (October 16, 2008).

² Revised Policy Statement on Enforcement, 123 FERC ¶ 61,156, P 65 (May 15, 2008).

Furthermore, Alabama Power proactively initiated its own internal investigation and voluntarily provided supporting information to SERC Staff to assist in SERC Staff's review of the facts and circumstances. This included having representatives travel to SERC's office to provide detailed information on the investigation and to comprehensively respond to SERC Staff questions. This enabled SERC Staff to conduct a thorough investigation in an efficient manner.

- (iv) Alabama Power possessed a clear lack of intent to commit or to conceal the alleged violation. Alabama Power did not attempt to conceal the alleged violation which is evident by its prompt self-report of the alleged violation. Furthermore, Alabama Power did not intend to commit such violation, as was supported by the existence of certain maintenance and testing records for all of its station batteries and the random nature of the gaps in those maintenance records.
- (v) Alabama Power has a high quality comprehensive compliance program that was developed using Commission guidance.³ Alabama Power has participated in voluntary compliance programs prior to the effective date of the mandatory and enforceable reliability standards. This comprehensive program includes substantial, high-level support and dedicated compliance personnel who are responsible for its implementation.
- (vi) Alabama Power agreed to expeditiously resolve this issue via settlement and promptly initiated various mitigation actions and preventative measures before receiving a Notice of Alleged Violation from SERC.
- (vii) Alabama Power is implementing preventative measures that include the implementation of a formal compliance goal for all plants in 2009.⁴
- (viii) Alabama Power is implementing a wide range of additional measures set forth in Paragraph 21 to protect against future violations of the same or similar requirements.⁵ Among the measures proposed by Alabama Power, is the implementation of an internally developed interactive web-based application to assist Alabama Power in managing generation-related reliability compliance activities. In addition, Alabama Power now requires every plant manager to submit a quarterly certification form confirming compliance with generation-related reliability standards, including compliance with NERC Reliability Standard PRC-005-1.

³ Policy Statement on Compliance, 125 FERC ¶ 61,058, PP 6, 13-15 (October 16, 2008).

⁴ Policy Statement on Compliance, 125 FERC ¶ 61,058, P 21 (October 16, 2008).

⁵ Policy Statement on Compliance, 125 FERC ¶ 61,058 (October 16, 2008).

13. SERC Staff concluded that the alleged violation resulted in minimal actual or foreseeable impact on the reliability of the bulk-power system because: (1) the testing and maintenance required by NERC Reliability Standard PRC-005-1, Requirement 2.1 was being performed for all battery systems, albeit less frequently than required under Alabama Power's Protection System maintenance and testing program; (2) no batteries were missing documentation of testing and maintenance for all intervals; (3) 23 of 60 batteries had documentation for all intervals and the gaps in documentation for the others were random, indicating there was no systematic program deficiency; and (4) all batteries at ten of Alabama Power's generating facilities had documentation for all monthly intervals.
14. SERC agrees that this Settlement Agreement is in the best interest of the parties and in the best interest of bulk-power system reliability.

Statement of Alabama Power

15. Alabama Power neither admits nor denies that the facts set forth and agreed to by the parties for purposes of this Settlement Agreement constitute a violation of NERC Reliability Standard PRC-005-1, Requirement 2.1. Although Alabama Power does not admit to, nor does it deny, the alleged violation, Alabama Power has agreed to enter into this Settlement Agreement with SERC to avoid extended litigation with respect to the matters described or referred to herein, to avoid uncertainty, and to effectuate a complete and final resolution of the issues set forth herein. Alabama Power agrees that this Settlement Agreement is in the best interest of the parties and in the best interest of bulk-power system reliability.
16. Alabama Power has a strong compliance program that is centralized with substantial senior executive support, consistent funding, and highly qualified and experienced personnel. As part of that compliance program, Alabama Power has implemented a sound Protection System maintenance and testing program that ensures all Protection System devices are maintained and tested as necessary to ensure the reliable operation of the bulk-power system. This program requires that plant personnel inspect station batteries on a monthly basis. Despite Alabama Power's confidence in this established program, the monthly inspection of station batteries was not properly performed or documented as required by NERC Reliability Standard PRC-005-1, Requirement 2.1.
17. In furtherance of its commitment to bulk-power system reliability, Alabama Power has taken steps to mitigate any potential violations and prevent recurrences. The mitigation actions and preventative measures include the following:
 - (i) Where inspection documentation was not available, Alabama Power immediately took responsive action to ensure that: (a) all station batteries

were inspected; (b) that they were in good working condition; and (c) that documentation for each station battery was retained.

- (ii) Technical experts from SCS Technical Services, a shared support services organization that provides technical support to Alabama Power's generating facilities, confirmed the integrity of all station batteries. SCS Technical Services is not a part of the generating plant management reporting structure; therefore, due to their independence from plant management, their review of the station batteries provided an additional quality assurance measure.
- (iii) Plant managers were required to confirm in writing that they understood the monthly inspection and documentation requirements associated with station batteries and that they would communicate the requirements to appropriate plant maintenance personnel.
- (iv) Alabama Power implemented revised procedures for the centralized retention and real-time sharing of documentation associated with battery inspection and testing.
- (v) An interactive web-based application was developed to assist Alabama Power in managing generation-related reliability compliance activities.
- (vi) Alabama Power implemented new compliance monitoring procedures to review battery inspection documentation on a monthly basis to ensure that the required maintenance has been performed and properly documented.
- (vii) Alabama Power established a formal compliance goal for all plants in 2009. Non-compliance with this goal will be a consideration in personnel evaluation and could affect overall compensation for these personnel.
- (viii) Alabama Power established a requirement that plant managers submit a quarterly certification form confirming compliance with generation-related reliability standards, including compliance with NERC Reliability Standard PRC-005-1.
- (ix) SCS Generation Compliance, a shared support services organization of Alabama Power, hired a full-time Compliance Coordinator whose primary job responsibility is to monitor compliance, provide guidance, and improve quality assurance with regard to generation-related reliability standards.
- (x) SCS Technical Services, a shared support services organization of Alabama Power, dedicated an engineering subject matter expert to ensure technical leadership and direction, provide technical guidance, and improve technical program consistency with regard to generation-related reliability standards.

- (xi) A new ERO generation compliance governance committee was established for Alabama Power and its affiliates that is comprised of both technical and compliance personnel. This committee meets once a week to discuss compliance activities to ensure there is consistent understanding and application of procedures for generation-related reliability standards compliance. This committee oversees the maintenance methodology document and is responsible for confirming any procedural and/or documentation revisions.

The wide range of measures being implemented by Alabama Power to protect against future violations of the same or similar requirements are described more fully in Paragraph 21.

IV. MITIGATING ACTIONS, REMEDIES AND SANCTIONS

- 18. For purposes of settling any and all disputes arising from SERC's assessment into the matters reported by Alabama Power in its self-report, SERC and Alabama Power agree that the following actions have been or shall be completed by Alabama Power:
 - a. On March 12, 2009, Alabama Power provided SERC a letter, attached hereto as Appendix A-2, certifying that it had completed implementation of the Mitigation Plan accepted by SERC and approved by NERC, attached hereto as Appendix A-1;
 - b. Alabama Power will also implement the preventive measures outlined in Paragraph 21 of this Settlement Agreement; and,
 - c. In addition to the actions completed by Alabama Power pursuant to the Mitigation Plan and the preventive measures implemented pursuant to Paragraph 21 of this Settlement Agreement, Alabama Power shall pay to SERC a monetary penalty of \$7,500.
- 19. Alabama Power's Mitigation Plan, dated December 19, 2008, was accepted by SERC on January 15, 2009, and approved by NERC on February 17, 2009. Alabama Power certified on March 12, 2009 that the Mitigation Plan was completed on February 28, 2009. The Mitigation Plan is identified as MIT-07-137 2 and was submitted as non-public information to the Commission on February 24, 2009, in accordance with Commission orders. Alabama Power's Mitigation Plan, its Certification of Mitigation Plan Completion and the Statement of SERC Reliability Corporation Compliance Staff Regarding Completion of Mitigation Plan are attached hereto as Appendices A-1, A-2, and A-3, respectively.
- 20. Actions implemented by Alabama Power in its Mitigation Plan (see Appendix A-1) eliminated the possible violation and will help to prevent a recurrence of any similar

violation. Where inspection documentation was not available, responsive action was immediately taken to ensure the batteries were inspected and confirm that they were in good working condition. Subsequently, technical experts from SCS Technical Services confirmed the integrity of all batteries with missing documentation. In addition, plant managers were required to confirm in writing that they understood the monthly inspection and documentation requirements associated with station batteries and that they would communicate these requirements to all appropriate plant maintenance personnel. To confirm its completion of these actions, Alabama Power provided SERC with the following evidence: (1) spreadsheet documenting the dates of battery inspections for each plant battery; (2) sample battery inspection sheets documenting the inspections for selected plants where battery documentation was missing; (3) an affidavit of an engineer expert confirming the integrity of the inspected batteries; (4) emails from the Plant Manager of each plant documenting their understanding of the Protection System maintenance and testing program and communication of the program to appropriate plant personnel; and (5) documentation of the procedure developed for the centralized retention of all battery inspection documentation. SERC has reviewed the evidence provided by Mississippi Power and determined that the actions set forth in the Mitigation Plan are effective for restoring compliance.

21. In addition to the actions to restore compliance set forth in the Mitigation Plan, SERC and Alabama Power agree that Alabama Power has implemented the following measures to help prevent a recurrence of a similar violation:
 - (i) Development of Interactive Web-based Application for ERO Compliance Activities. An interactive web-based application has been developed and implemented to assist in managing generation-related reliability compliance activities. The application is deployed through a centralized portal that provides access to reference and training materials for compliance activities, as well as access to centralized databases for the retention of documentation associated with the maintenance and testing of Protection System devices. This new application allows plant and technical services personnel to upload battery inspection documentation to the database to be reviewed by the Compliance Coordinator. This process is designed to ensure that all Protection System devices have been tested and documented. In addition to the centralized portal to the databases, the application provides employees with access to the following: (1) training slides and plant actions slides for each reliability standard applicable to plant personnel; (2) schedules for certain compliance activities (i. e., testing and maintenance schedules); (3) a database to upload the newly required quarterly management certifications of compliance with reliability standards; and (4) links to websites such as the NERC and SERC home pages. The application also provides an interactive forum whereby personnel can submit compliance related questions. This forum is actively monitored by compliance personnel so that any questions can be promptly answered.

- (ii) Implementation of Weekly Compliance Meetings. A new ERO generation compliance governance committee was established that is comprised of both technical and compliance personnel. This committee meets once a week to discuss system-wide (which includes Alabama Power) compliance activities to ensure there is consistent understanding and application of procedures for generation-related reliability standards compliance. This committee oversees the maintenance methodology document and is responsible for confirming any procedural and/or documentation revisions.
- (iii) Implementation of New Training on Reliability Standards. Technical experts with knowledge of reliability standard requirements and compliance staff conducted training sessions with plant personnel to reinforce generation-related reliability standard requirements applicable to each plant. This training was required for plant management and other individuals responsible for carrying out day-to-day ERO compliance activities.
- (iv) Hiring of Full-Time Compliance Coordinator. A full-time Compliance Coordinator was hired whose primary job responsibilities include monitoring system-wide (which includes Alabama Power) generation-related reliability compliance activities, providing guidance on reliability compliance, and improving quality assurance with regard to the reliability standards.
- (v) Dedication of Full-Time Technical Engineer. An engineering subject matter expert now provides system-wide (which includes Alabama Power) technical leadership and guidance to improve technical program consistency with regard to generation-related reliability standards.
- (vi) Establishment of New 2009 Plant Goal. Alabama Power established a formal goal for each plant related to reliability standards compliance. Non-compliance with this goal will be a consideration in plant personnel evaluation and could affect overall compensation for these personnel.
- (vii) Quarterly Certifications of Compliance with Reliability Standards. Alabama Power now requires that plant managers submit to the Generation Compliance Director a quarterly certification form confirming compliance with generation-related reliability standards, including compliance with NERC Reliability Standard PRC-005-1.

22. As described in Paragraph 21, the following is a summary and schedule of measures that were completed to prevent any future recurrence of the same, or a similar, violation on the bulk power system:

	Preventative Measures	Completion Date
(i)	Development of Interactive Web-based Application for	January 9, 2009

	Preventative Measures	Completion Date
	Generation-Related ERO Compliance Activities.	
(ii)	Implementation of Weekly Compliance Meetings.	January 7, 2009
(iii)	Implementation of New Training on Reliability Standards.	January 12, 2009
(iv)	Hire a full-time Compliance Coordinator to monitor compliance with generation-related reliability standards.	January 5, 2009
(v)	Dedication of engineering subject matter expert to provide technical leadership and guidance.	January 1, 2009
(vi)	Establishment of formal compliance goal for all plants in 2009.	January 1, 2009
(vii)	Implementation of quarterly certification requirement to confirm plant compliance with NERC Reliability Standard PRC-005-1.	April 30, 2009

23. SERC has reviewed evidence of the completion of the preventative measures described in Paragraph 21 and has determined that these measures will assist Alabama Power in improving prospective compliance with the requirements of NERC Reliability Standard PRC-005-1 and will ultimately enhance the reliability of the bulk-power system within an appropriate time-frame. In order to facilitate SERC's need to communicate the status of these preventative measures and to provide accountability to NERC, Alabama Power has provided SERC with documentation to confirm the completion of these activities. This documentation included the following: (1) screenshots showing the ERO Compliance website; (2) a charter formalizing the weekly Compliance Committee meetings; (3) a screenshot of the meeting notice sent to training participants initiating the first training session; (4) a personnel report documenting Compliance Coordinator hire date; (5) a memo from the Electrical Systems and Field Support Manager detailing organizational changes resulting in full time technical support position; (6) a description of current plant goal regarding reliability standards compliance; and (7) the Certification Form Template. SERC has reviewed this documentation and determined that it sufficiently supports a finding that Alabama Power has completed these additional preventative measures. These and other documents related to this proceeding will be maintained by SERC in accordance with the confidentiality provisions of Section 1500 of the NERC Rules of Procedure.

24. SERC Staff based its determination of duration of the proposed penalty on its assessment that there was evidence of missing documentation for the inspection of station batteries beginning on June 18, 2007 until the date Alabama Power's

Mitigation Plan for the possible violation was completed, February 28, 2009, as certified by Alabama Power and verified by SERC Staff.

25. SERC Staff also considered the specific facts and circumstances of the alleged violation and Alabama Power's actions in response to the alleged violation in determining a proposed penalty that meets the requirement in Section 215 of the Federal Power Act that "[a]ny penalty imposed under this section shall bear a reasonable relation to the seriousness of the violation and shall take into consideration the efforts of [Alabama Power] to remedy the violation in a timely manner."⁶ The factors considered by SERC Staff in the determination of the appropriate penalty for Alabama Power's alleged violation of NERC Reliability Standard PRC-005-1 pursuant to this Settlement Agreement included the following:
- (i) SERC Staff concluded that the alleged violation resulted in minimal actual or foreseeable impact on the reliability of the bulk-power system because: (1) the testing and maintenance required by NERC Reliability Standard PRC-005-1, Requirement 2.1 was being performed for all battery systems, albeit less frequently than required under Alabama Power's Protection System maintenance and testing program; (2) no batteries were missing documentation of testing and maintenance for all intervals; (3) 23 of 60 batteries had documentation for all intervals and the gaps in documentation for the others were random, indicating there was no systematic program deficiency; and (4) all batteries at ten of Alabama Power's generating facilities had documentation for all monthly intervals.
 - (ii) Alabama Power has no prior violation of this standard or any closely-related standard.
 - (iii) Alabama Power self-reported the alleged violation. Once Alabama Power became aware of the possible violation, and confirmed the surrounding information, it filed a self-report with SERC on November 21, 2008. Alabama Power's diligence in investigating the possible violation and in self-reporting the events to SERC are commendable and a significant factor in a reduction of the penalty.
 - (iv) Alabama Power cooperated in both a timely and exemplary manner with SERC Staff during the investigation.⁷ Alabama Power provided prompt responses to all of SERC Staff's questions and satisfactorily cooperated with SERC Staff during meetings between the parties to discuss these events. Furthermore, Alabama Power proactively initiated its own internal

⁶ 16 U.S.C. § 824o(e)(6).

⁷ Revised Policy Statement on Enforcement, 123 FERC ¶ 61,156, P 65 (May 15, 2008).

investigation and voluntarily provided supporting information to SERC Staff to assist in SERC Staff's review of the facts and circumstances. This included bringing personnel from different areas of its operations to SERC's office to provide detailed information on the investigation and to comprehensively respond to SERC Staff questions. This enabled SERC Staff to conduct a thorough investigation in an efficient manner.

- (v) Alabama Power agreed to expeditiously resolve this issue via settlement and promptly initiated various mitigation and preventative measures before receiving a Notice of Alleged Violation from SERC.
- (vi) Alabama Power possessed a clear lack of intent to commit or to conceal the alleged violation. Alabama Power did not attempt to conceal the alleged violation which is evident by its self-report of the alleged violation. Furthermore, Alabama Power did not intend to commit such violation, as was supported by the existence of certain maintenance and testing records for all of its station batteries and the random nature of the gaps in those maintenance records.
- (vii) Alabama Power has a quality comprehensive compliance program that was developed using Commission guidance.⁸ Alabama Power has participated in voluntary compliance programs prior to the effective date of the mandatory and enforceable reliability standards. This comprehensive program includes substantial, high-level support and dedicated compliance personnel who are responsible for its implementation.
- (viii) Alabama Power has fully mitigated the alleged violation prior to entering into this Settlement Agreement.
- (ix) Alabama Power is implementing a wide range of additional measures set forth in Paragraph 21 to protect against future violations of the same or similar requirements. Among the measures proposed by Alabama Power, is the implementation of an internally developed interactive web-based application to assist Alabama Power in managing generation-related reliability compliance activities. In addition, Alabama Power will now require that plant managers submit to the Compliance Director a quarterly certification form confirming compliance with generation-related reliability standards, including compliance with NERC Reliability Standard PRC-005-1.

26. Based on the above factors, as well as the mitigation actions and preventative measures taken, Alabama Power shall pay \$7,500 to SERC as set forth in this

⁸ Policy Statement on Compliance, 125 FERC ¶ 61,058, PP 6, 13-15 (October 16, 2008).

Settlement Agreement. Alabama Power shall remit the payment to SERC via check, or by wire transfer to an account to be identified by SERC ("SERC Account"), within twenty days after SERC provides Alabama Power with a notice of penalty payment due and invoice, to be issued by SERC after this Settlement Agreement is either approved by the Commission or by operation of law. SERC shall notify NERC, and NERC shall notify the Commission, if the payment is not timely received. If Alabama Power does not remit the payment by the required date, interest payable to SERC will begin to accrue pursuant to the Commission's regulations at 18 C.F.R. §35.19a(a)(2)(iii) from the date that payment is due, and shall be payable in addition to the payment.

27. The estimated costs to Alabama Power to implement the agreed to measures in Paragraph 21 are approximately \$33,600 initially with costs of \$130,700 that Alabama Power will incur on an annual basis. SERC may audit and inspect financial records to validate actual expenditures with estimates in this Settlement Agreement.
28. Failure to make a timely penalty payment or to comply with any of the terms and conditions agreed to herein, or any other conditions of this Settlement Agreement shall be deemed to be either the same alleged violation that initiated this Settlement Agreement and/or additional violation(s) and may subject Alabama Power to new or additional enforcement, penalty or sanction actions in accordance with the NERC Rules of Procedure. Alabama Power shall retain all rights to defend against such additional enforcement actions in accordance with NERC Rules of Procedure.

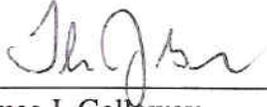
V. ADDITIONAL TERMS

29. The signatories to the Settlement Agreement agree that they enter into the Settlement Agreement voluntarily and that, other than the recitations set forth herein, no tender, offer or promise of any kind by any member, employee, officer, director, agent or representative of SERC or Alabama Power has been made to induce the signatories or any other party to enter into the Settlement Agreement. The signatories agree that the terms and conditions of this Settlement Agreement are consistent with the Commission's regulations and orders, and NERC's Rules of Procedure.
30. SERC shall report the terms of all settlements of compliance matters to NERC. NERC will review the settlement for the purpose of evaluating its consistency with other settlements entered into for similar violations or under other, similar circumstances. Based on this review, NERC will either approve the settlement or reject the settlement and notify SERC and Alabama Power of changes to the settlement that would result in approval. If NERC rejects the settlement, NERC will provide specific written reasons for such rejection and SERC will attempt to negotiate a revised settlement agreement with Alabama Power including any changes to the settlement specified by NERC. If a settlement cannot be reached, the

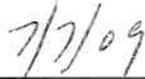
enforcement process shall continue to conclusion. If NERC approves the settlement, NERC will (i) report the approved settlement to the Commission for the Commission's review and approval by order or operation of law and (ii) publicly post this Settlement Agreement.

31. This Settlement Agreement shall become effective upon the Commission's approval of the Settlement Agreement by order or operation of law as submitted to it or as modified in a manner acceptable to the parties.
32. Alabama Power agrees that this Settlement Agreement, when approved by NERC and the Commission, shall represent a final settlement of all matters set forth herein and Alabama Power waives its right to further hearings and appeal, unless and only to the extent that Alabama Power contends that any NERC or Commission action on the Settlement Agreement contains one or more material modifications to the Settlement Agreement. SERC reserves all rights to initiate enforcement, penalty or sanction actions against Alabama Power in accordance with the NERC Rules of Procedure in the event that Alabama Power fails to comply with the mitigation plan and compliance program agreed to in this Settlement Agreement. In the event Alabama Power fails to comply with any of the stipulations, remedies, sanctions or additional terms, as set forth in this Settlement Agreement, SERC will initiate enforcement, penalty, or sanction actions against Alabama Power to the maximum extent allowed by the NERC Rules of Procedure, up to the maximum statutorily allowed penalty. Except as otherwise specified in this Settlement Agreement, Alabama Power shall retain all rights to defend against such enforcement actions, also according to the NERC Rules of Procedure.
33. Each of the undersigned warrants that he or she is an authorized representative of the entity designated, is authorized to bind such entity and accepts the Settlement Agreement on the entity's behalf.
34. The undersigned representative of each party affirms that he or she has read the Settlement Agreement, that all of the matters set forth in the Settlement Agreement are true and correct to the best of his or her knowledge, information and belief, and that he or she understands that the Settlement Agreement is entered into by such party in express reliance on those representations, provided, however, that such affirmation by each party's representative shall not apply to the other party's statements of position set forth in Section III of this Settlement Agreement.
35. The Settlement Agreement may be signed in counterparts.
36. This Settlement Agreement is executed in duplicate, each of which so executed shall be deemed to be an original.

Agreed to and accepted:



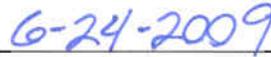
Thomas J. Galloway
Vice President and Director of Compliance
SERC RELIABILITY CORPORATION (“SERC”)



Date



Mr. Gordon G. Martin
Senior Vice President and Counsel
ALABAMA POWER COMPANY (“Alabama Power”)



Date

**APPENDIX A
TO
SETTLEMENT AGREEMENT
OF
SERC RELIABILITY CORPORATION
AND
ALABAMA POWER COMPANY**

- (1) Alabama Power's Mitigation Plan PRC-005-1, R2.1**
- (2) Alabama Power's Certification of Mitigation Plan Completion PRC-005-1, R2.1**
- (3) Statement of SERC Reliability Corporation Compliance Staff Regarding
Completion of Alabama Power's Mitigation Plan PRC-005-1, R2.1**



Mitigation Plan Submittal Form

Date this Mitigation Plan is being submitted: December 19, 2008

If this Mitigation Plan has already been completed:

- Check this box and
- Provide the Date of Completion of the Mitigation Plan:

Section A: Compliance Notices¹

- Section 6.2 of the CMEP² sets forth the information that must be included in a Mitigation Plan. The Mitigation Plan must include:
 - (1) The Registered Entity's point of contact for the Mitigation Plan, who shall be a person (i) responsible for filing the Mitigation Plan, (ii) technically knowledgeable regarding the Mitigation Plan, and (iii) authorized and competent to respond to questions regarding the status of the Mitigation Plan. This person may be the Registered Entity's point of contact described in Section 2.0.
 - (2) The Alleged or Confirmed Violation(s) of Reliability Standard(s) the Mitigation Plan will correct.
 - (3) The cause of the Alleged or Confirmed Violation(s).
 - (4) The Registered Entity's action plan to correct the Alleged or Confirmed Violation(s).
 - (5) The Registered Entity's action plan to prevent recurrence of the Alleged or Confirmed violation(s).
 - (6) The anticipated impact of the Mitigation Plan on the bulk power system reliability and an action plan to mitigate any increased risk to the reliability of the bulk power-system while the Mitigation Plan is being implemented.

¹ This document will become part of the public record to be included in the Notice of Penalty filing to be submitted to the Federal Energy Regulatory Commission (Commission) upon determination that a confirmed violation has occurred or in the event a settlement agreement is reached between the Registered Entity and the Regional Entity. The entire document will be submitted as part of the public record, unless the Registered Entity marks specific information as confidential Critical Energy Infrastructure Information or Privileged Information in accordance with the NERC Rules of Procedure Section 1500 and the Commission's regulations, rules and orders. The Registered Entity must provide adequate justification supporting designation of information that is submitted to the Commission as Confidential Information. Until such time as this document is submitted to the Commission, it will remain confidential within NERC and the Regional Entity compliance organization pursuant to Section 1500 of the Rules of Procedure.

² "Uniform Compliance Monitoring and Enforcement Program of the North American Electric Reliability Corporation;" a copy of the current version approved by the Federal Energy Regulatory Commission is posted on NERC's website.

Appendix A-1



- (7) A timetable for completion of the Mitigation Plan including the completion date by which the Mitigation Plan will be fully implemented and the Alleged or Confirmed Violation(s) corrected.
 - (8) Implementation milestones no more than three (3) months apart for Mitigation Plans with expected completion dates more than three (3) months from the date of submission. Additional violations could be determined for not completing work associated with accepted milestones.
 - (9) Any other information deemed necessary or appropriate.
 - (10) The Mitigation Plan shall be signed by an officer, employee, attorney or other authorized representative of the Registered Entity, which if applicable, shall be the person that signed the Self-Certification or Self Reporting submittals.
- This submittal form shall be used to provide a required Mitigation Plan for review and approval by SERC and NERC.
 - The Mitigation Plan shall be submitted to SERC and NERC as confidential information in accordance with Section 1500 of the NERC Rules of Procedure.
 - This Mitigation Plan form may be used to address one or more related violations of one Reliability Standard. A separate mitigation plan is required to address violations with respect to each additional Reliability Standard, as applicable.
 - If the Mitigation Plan is approved by SERC and NERC, a copy of this Mitigation Plan will be provided to the Federal Energy Regulatory Commission in accordance with applicable Commission rules, regulations and orders.
 - SERC or NERC may reject Mitigation Plans that they determine to be incomplete or inadequate.
 - Remedial action directives also may be issued as necessary to ensure reliability of the bulk power system.

Section B: Registered Entity Information

B.1 Identify your organization:

Company Name: Alabama Power Company
Company Address: 600 N. 18th Street, Birmingham, AL 35203
NERC Compliance Registry ID *[if known]*:

B.2 Identify the individual in your organization who will serve as the Contact to SERC regarding this Mitigation Plan. This person shall be technically knowledgeable regarding this Mitigation Plan and authorized to respond to SERC regarding this Mitigation Plan.

Name: Helen Nalley

Appendix A-1



Title: Compliance Director
Email: hmalley@southernco.com
Phone: 205-257-2055

Appendix A-1



Section C: Identity of Reliability Standard Violations Associated with this Mitigation Plan

This Mitigation Plan is associated with the following violation(s) of the reliability standard listed below:

C.1 Standard: PRC-005-1
[Identify by Standard Acronym (e.g. FAC-001-1)]

C.2 Requirement(s) violated and violation dates:
[Enter information in the following Table]

NERC Violation ID # [if known]	SERC Violation ID # [if known]	Requirement Violated (e.g. R3.2)	Violation Date ^(*)
SERCYYYnnnnn	2008-160	R.2.1	06/18/2007

(*) Note: The Violation Date shall be: (i) the date that the violation occurred; (ii) the date that the violation was self-reported; or (iii) the date that the violation has been deemed to have occurred on by SERC. Questions regarding the date to use should be directed to SERC.

C.3 Identify the cause of the violation(s) identified above:

NERC Reliability Standard PRC-005-1 requires that a Generator Owner define the intervals by which it maintains and inspects its Protection System devices. Consistent with this requirement, company procedures require that station batteries be inspected on a monthly basis. During November, a review of Alabama Power Company’s maintenance and inspection activities revealed inconsistent documentation for the monthly inspections of some of the batteries at several Alabama Power Company facilities. Due to this inconsistency in documentation, Alabama Power is unable to confirm whether the station batteries at these plants were inspected in all cases within the time interval established by current procedures.

Appendix A-1



[Provide your response here; additional detailed information may be provided as an attachment as necessary]

- C.4 **[Optional]** Provide any relevant additional information regarding the violations associated with this Mitigation Plan:

[Provide your response here; additional detailed information may be provided as an attachment as necessary]



Section D: Details of Proposed Mitigation Plan

Mitigation Plan Contents

D.1 Identify and describe the action plan, including specific tasks and actions that your organization is proposing to undertake, or which it undertook if this Mitigation Plan has been completed, to correct the violations identified above in Part C.2 of this form:

Alabama Power is taking the following actions to ensure that all battery inspections and maintenance at Alabama Power facilities will be completed within the time intervals established under the applicable maintenance plan.

o Where inspection documentation was not available, responsive action was taken to ensure the batteries were inspected with confirmation that they are in good working condition and documentation was retained;

o Technical experts, who are independent of plant management, are in the process of confirming the integrity of all batteries;

o Plant managers will confirm in writing that they understand the required monthly inspections and documentation associated with station batteries and that they will communicate the requirements to appropriate plant maintenance personnel; and

o Revised procedures are being established for the centralized retention and real-time sharing of documentation associated with battery inspection and maintenance.

[Provide your response here; additional detailed information may be provided as an attachment as necessary]

Check this box and proceed to Section E of this form if this Mitigation Plan, as set forth in Part D.1, has already been completed; otherwise respond to Part D.2, D.3 and, optionally, Part D.4, below.

Mitigation Plan Timeline and Milestones

D.2 Provide the timetable for completion of the Mitigation Plan, including the completion date by which the Mitigation Plan will be fully implemented and the violations associated with this Mitigation Plan are corrected:



The Mitigation Plan actions discussed in Section D.1 will be completed according to the following schedule: (1) Inspection of batteries to confirm they were in good working condition and documentation retained -- completed on November 30, 2008; (2) Review by technical experts to confirm integrity of batteries -- to be completed by January 30, 2009; (3) Receipt of written confirmation that plant managers understand battery inspection requirements and will communicate them to plant personnel -- to be completed by January 30, 2009; and (4) Establishment of procedures for centralized retention and real-time sharing of documentation associated with battery inspections -- to be completed by February 28, 2009.

D.3 Enter Milestone Activities, with completion dates, that your organization is proposing for this Mitigation Plan:

Milestone Activity	Proposed Completion Date* (shall not be more than 3 months apart)
(1) Battery Inspection	Completed November 30, 2008
(2) Technical Expert Review	January 30, 2009
(3) Plant Manager Confirmation	January 30, 2009
(4) Centralized Document Retention	February 28, 2009

(* Note: Implementation milestones no more than three (3) months apart for Mitigation Plans with expected completion dates more than three (3) months from the date of submission. Additional violations could be determined for not completing work associated with accepted milestones.

[Note: Provide your response here; additional detailed information may be provided as an attachment as necessary]



Additional Relevant Information (Optional)

D.4 If you have any relevant additional information that you wish to include regarding the mitigation plan, milestones, milestones dates and completion date proposed above you may include it here:

[Provide your response here; additional detailed information may be provided as an attachment as necessary]

Section E: Interim and Future Reliability Risk

Check this box and proceed and respond to Part E.2 and E.3, below, if this Mitigation Plan, as set forth in Part D.1, has already been completed.

Abatement of Interim BPS Reliability Risk

E.1 While your organization is implementing the Mitigation Plan proposed in Part D of this form, the reliability of the Bulk Power System may remain at higher risk or be otherwise negatively impacted until the plan is successfully completed. To the extent they are, or may be, known or anticipated: (i) identify any such risks or impacts; and (ii) discuss any actions that your organization is planning to take or is proposing as part of the Mitigation Plan to mitigate any increased risk to the reliability of the bulk power system while the Mitigation Plan is being implemented:

Inspection of the batteries confirmed that they are in good working condition; therefore, there is no increased risk to the reliability of the bulk power system. As per the company procedure batteries will continue to be inspected on a monthly basis.

[Provide your response here; additional detailed information may be provided as an attachment as necessary]

Prevention of Future BPS Reliability Risk

E.2 Describe how successful completion of the Mitigation Plan as laid out in Part D of this form will prevent or minimize the probability that your organization incurs further violations of the same or similar reliability standards requirements in the future:

Appendix A-1



[Provide your response here; additional detailed information may be provided as an attachment as necessary]

- E.3 Your organization may be taking or planning other action, beyond that listed in the Mitigation Plan, as proposed in Part D.1, to prevent or minimize the probability of incurring further violations of the same or similar standards requirements listed in Part C.2, or of other reliability standards. If so, identify and describe any such action, including milestones and completion dates:

Reliability has always been, and will continue to be, a top priority for Alabama Power. Alabama Power has consistently maintained a strong compliance program and is committed to training its plant management personnel to ensure that compliance is a top priority. As a result of this issue, the following measures are being implemented to provide additional assurance of compliance with battery inspection procedures at all plants:

1. Implementation of compliance monitoring procedures whereby inspection documentation will be reviewed on a monthly basis to ensure that the required maintenance has been performed.
2. Establishment of a formal Plant Goal for 2009 associated with compliance with PRC-005-1 pursuant to which a failure to comply will be considered in personnel evaluation and could affect overall compensation.

[Provide your response here; additional detailed information may be provided as an attachment as necessary]

Continued on Next Page

Appendix A-1



Section F: Authorization

An authorized individual must sign and date this Mitigation Plan Submittal Form. By doing so, this individual, on behalf of your organization:

- a) Submits the Mitigation Plan, as laid out in Section D of this form, to SERC for acceptance by SERC and approval by NERC, and
- b) If applicable, certifies that the Mitigation Plan, as laid out in Section D of this form, was completed (i) as laid out in Section D of this form and (ii) on or before the date provided as the 'Date of Completion of the Mitigation Plan' on this form, and
- c) Acknowledges:
 1. I am Senior Vice President and Counsel of Alabama Power Company.
 2. I am qualified to sign this Mitigation Plan on behalf of Alabama Power Company.
 3. I have read and understand Alabama Power Company's obligations to comply with Mitigation Plan requirements and ERO remedial action directives as well as ERO documents, including, but not limited to, the NERC Rules of Procedure, including Appendix 4(C) (Compliance Monitoring and Enforcement Program of the North American Electric Reliability Corporation" (NERC CMEP)).
 4. I have read and am familiar with the contents of the foregoing Mitigation Plan.
 5. Alabama Power Company agrees to be bound by, and comply with, the Mitigation Plan, including the timetable completion date, as approved by SERC and approved by NERC.

Authorized Individual Signature

A handwritten signature in black ink that reads "Gordon Gallalee Martin". The signature is written in a cursive style with a horizontal line extending to the right.

(Electronic signatures are acceptable; see CMEP)

Name (Print): Gordon Gallalee Martin
Title: Senior Vice President and Counsel
Date: December 18, 2008



Section G: Comments and Additional Information

You may use this area to provide comments or any additional relevant information not previously addressed in this form.

[Provide your response here; additional detailed information may be provided as an attachment as necessary]

Submittal Instructions:

Please convert the completed and signed document to a text-searchable Adobe .pdf document using the following naming convention:

[(MP Entity Name (STD-XXX) MM-DD-YY).pdf]

Email the pdf file to serccomply@serc1.org.

Please direct any questions regarding completion of this form to:

Ken Keels
Manager, Compliance Enforcement
SERC Reliability Corporation
704-357-7372
kkeels@serc1.org

Appendix A-2

Gordon G. Martin
Senior Vice President
and General Counsel

600 North 18th Street / 18N-0001
Post Office Box 2641
Birmingham, Alabama 35291-0001

Tel 205.257.0522
Fax 205.257.3591



To Close Out a Completed Mitigation Plan, fill out this form, save it as a text searchable pdf file or MS Word file, and email it to serccomply@serc1.org. Note that electronic signatures are acceptable.

All Mitigation Plan Completion Certification submittals shall include data or information sufficient for SERC to verify completion of the Mitigation Plan. SERC may request such additional data or information and conduct follow-up assessments, on-site or other Spot Checking, or Compliance Audits as it deems necessary to verify that all required actions in the Mitigation Plan have been completed and the Registered Entity is in compliance with the subject Reliability Standard. (CMEP Section 6.6) Data or information submitted may become part of a public record upon final disposition of the possible violation, therefore any confidential information contained therein should be marked as such in accordance with the provisions of Section 1500 of the NERC Rules of Procedure.

Certification of a Completed Mitigation Plan

SERC Reliability Corporation Violation Mitigation Plan Closure Form

Name of Registered Entity submitting certification: Alabama Power Company

Date of Certification: March 12, 2009

Name of Standard and the Requirement(s) of mitigated violation(s): PRC-005-1, R2.1

SERC Tracking Number (contact SERC if not known): 08-160

NERC Violation ID Number (if assigned): SERC200800237

Date of completion of the Mitigation Plan: February 28, 2009

Appendix A-2

Summary of all actions described in Part D of the relevant mitigation plan:

(Milestone 1) Inspection of batteries to confirm they were in good working condition and documentation retained -- completed on November 30, 2008;

(Milestone 2) Review by technical experts to confirm integrity of batteries -- completed by January 30, 2009;

(Milestone 3) Receipt of written confirmation that plant managers understand battery inspection requirements and will communicate them to plant personnel -- completed by January 30, 2009; and

(Milestone 4) Establishment of procedures for centralized retention and real-time sharing of documentation associated with battery inspections -- completed by February 28, 2009.

Description of the information provided to SERC for their evaluation:

(Milestone 1)

- a. Spreadsheet documenting dates of battery inspections for each applicable plant battery.
- b. Sample battery inspections sheets documenting the inspections for selected plants where battery information was missing.

(Milestone 2)

- a. Affidavit from Jose Marrerro, Sr Engineer, documenting expert review confirming the integrity of the batteries that were not inspected according to the Preventive Maintenance Procedure.

(Milestone 3)

- a. Emails from the Plant Manager of each plant documenting his or her understanding of the Preventive Maintenance Procedure and communication of the Procedure to appropriate Plant Personnel.

(Milestone 4)

- a. Procedure developed to allow plant personnel to download battery inspection sheets to a central database for retention and real-time sharing of documentation.

Additional actions specified in Part E of the Mitigation Plan that have been completed to aid in compliance with the standard:

1. Compliance monitoring procedures have been implemented through the website documented in Milestone 4 whereby inspection documentation will be reviewed on a monthly basis to ensure that the required maintenance has been performed.

2. A formal Plant Goal for 2009 associated with compliance with PRC-005-1 has been established pursuant to which a failure to comply will be considered in personnel evaluation and could affect overall compensation.

Appendix A-2

I certify that the mitigation plan for the above-named violation has been completed on the date shown above. In doing so, I certify that all required mitigation plan actions described in Part D of the relevant mitigation plan have been completed, compliance has been restored, the above-named entity is currently compliant with all of the requirements of the referenced standard, and that all information submitted information is complete and correct to the best of my knowledge.

Name: Gordon G. Martin
Title: Senior Vice President and Counsel
Entity: Alabama Power Company
Email: ggmartin@southernco.com
Phone: (205) 257-0522

Designated Signature



Date

3-12-2009

[NOTE – Closure Form should be signed by same individual that signed Mitigation Plan]

(Form Revised August 13, 2008)



**Statement of SERC Reliability Corporation Compliance Staff Regarding
Completion of Mitigation Plan**

Registered Entity: Alabama Power Company
SERC Tracking ID: 2008-160
NERC Violation No: SERC200800237
NERC Mitigation Plan ID: MIT-07-1372
Standard: PRC-005-1
Requirement(s): R 2.1

Violation Summary:

Entity's Protection System maintenance and testing program requires battery maintenance to be performed on a monthly basis. Entity is able to produce evidence that the maintenance has occurred, but not at the defined interval. This is a violation of PRC-005-1 R2. A High VRF is assigned in accordance with the Complete Violation Risk Factor Matrix. The violation has endured from June 18, 2007 until mitigated. The risk to the reliability of the bulk power system is minimal because testing and maintenance is being performed at regular intervals.

Mitigation Plan Summary:

Alabama Power Company's Mitigation Plan to address the referenced violation was submitted on December 19, 2008 and was accepted by SERC on January 15, 2009 and approved by NERC on February 17, 2009. The Mitigation Plan is identified as MIT-07-1372 and was submitted as non-public information to FERC on February 24, 2009 in accordance with FERC orders.

The approved mitigation plan was neither revised nor was the completion date extended.

In summary, the Mitigation Plan included the following:

- Batteries were inspected with confirmation that they are in good working condition and documentation was retained;
- Technical experts confirmed the integrity of all batteries;
- Plant managers confirmed in writing that they understand the required monthly inspection and documentation associated with station batteries and that they will communicate the requirements to appropriate plant maintenance personnel;
- Procedures were established for the centralized retention and real-time sharing of documentation associated with battery inspection and maintenance.
- Mitigation Plan is scheduled for completion by February 28, 2009.

**SERC's Monitoring of Registered Entity's Mitigation Plan Progress:**

SERC Reliability Corporation Compliance Staff ("SERC Staff") monitors the Registered Entity's progress towards completion of its Mitigation Plans in accordance with Section 6.0 of the uniform Compliance Monitoring and Enforcement Program, ("CMEP"). Pursuant to the CMEP, Registered Entities are required to establish implementation milestones no more than three (3) months apart. SERC Staff solicits quarterly reports from all Registered Entities with open mitigation plans to monitor the progress on completion of milestones. SERC Staff also produces and reviews daily Mitigation Plan status reports highlighting Mitigation Plans that are nearing the scheduled completion date. If the Registered Entity fails to complete its Mitigation Plan according to schedule, appropriate additional enforcement action is initiated to assure compliance is attained.

Mitigation Plan Completion Review Process:

Alabama Power Company certified on March 12, 2009 that the subject Mitigation Plan was completed on February 28, 2009. A SERC compliance staff member reviewed the evidence submitted in a manner similar to a compliance audit. That action was followed by another compliance staff member's peer review of the initial conclusion.

Evidence Reviewed:

Alabama Power Company submitted and SERC Staff reviewed the following evidence in support of its certification that its Mitigation Plan was completed in accordance with its terms

- a. Spreadsheet documenting dates of battery inspections for each applicable plant battery.
- b. Sample battery inspections sheets from Gadsen, and Gaston power plants documenting the inspections for selected plants where battery information was missing.
- c. Affidavit from Sr. Engineer documenting expert review confirming the integrity of the batteries that were not inspected according to the Preventive Maintenance Procedure.
- d. Emails from the Plant Manager of each plant documenting his or her understanding of the Preventive Maintenance Procedure and communication of the Procedure to appropriate Plant Personnel.
- e. Procedure developed to allow plant personnel to download battery inspection sheets to a central database for retention and real-time sharing of documentation.

Conclusion:

On March 27, 2009 SERC Reliability Corporation Compliance Staff ("SERC Staff") completed its review of the evidence submitted by Alabama Power Company in support of its Certification of Completion of the subject Mitigation Plan. Based on its review of the evidence submitted, SERC Staff verifies that, in its professional judgment, all



required actions in the Mitigation Plan have been completed and Alabama Power Company is in compliance with the subject Reliability Standard Requirements.

This Statement, along with the subject Mitigation Plan, may become part of a public record upon final disposition of the possible violation.

Respectfully Submitted,

John Wolfmeyer

Sam Stryker

Attachment c

Notice of Filing

UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Alabama Power Company

Docket

No. NP10-____-000

NOTICE OF FILING
December 30, 2009

Take notice that on December 30, 2009, the North American Electric Reliability Corporation (NERC) filed a Notice of Penalty regarding Alabama Power Company in the SERC Reliability Corporation region.

Any person desiring to intervene or to protest this filing must file in accordance with Rules 211 and 214 of the Commission's Rules of Practice and Procedure (18 CFR 385.211, 385.214). Protests will be considered by the Commission in determining the appropriate action to be taken, but will not serve to make protestants parties to the proceeding. Any person wishing to become a party must file a notice of intervention or motion to intervene, as appropriate. Such notices, motions, or protests must be filed on or before the comment date. On or before the comment date, it is not necessary to serve motions to intervene or protests on persons other than the Applicant.

The Commission encourages electronic submission of protests and interventions in lieu of paper using the "eFiling" link at <http://www.ferc.gov>. Persons unable to file electronically should submit an original and 14 copies of the protest or intervention to the Federal Energy Regulatory Commission, 888 First Street, N.E., Washington, D.C. 20426.

This filing is accessible on-line at <http://www.ferc.gov>, using the "eLibrary" link and is available for review in the Commission's Public Reference Room in Washington, D.C. There is an "eSubscription" link on the web site that enables subscribers to receive email notification when a document is added to a subscribed docket(s). For assistance with any FERC Online service, please email FERCOnlineSupport@ferc.gov, or call (866) 208-3676 (toll free). For TTY, call (202) 502-8659.

Comment Date: [BLANK]

Kimberly D. Bose,
Secretary