
**UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION**

**NEW HARQUAHALA) Docket No. RC08-4-002
GENERATING COMPANY, LLC)**

**COMPLIANCE FILING OF THE
NORTH AMERICAN ELECTRIC RELIABILITY CORPORATION
IN RESPONSE TO THE COMMISSION’S APRIL 23, 2009 LETTER ORDER**

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April 30, 2009

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I. INTRODUCTION

The North American Electric Reliability Corporation (“NERC”) submits this filing in compliance with the directives in the Federal Energy Regulatory Commission’s (“FERC” or “the Commission”) Letter Order issued April 23, 2009 (“Letter Order”), in Docket No. RC08-4-002.¹ The Letter Order advised NERC that its July 25, 2008 compliance filing (“Compliance Filing”) in response to the Commission’s May 16, 2008 Order (“May 16 Order”)² was deficient. The Commission requested additional information regarding NERC’s decision not to include TOP-004-1 Requirements R6.5 and R6.6 on the applicability table listing the Requirements that applied to New Harquahala Generating Company, LLC (“Harquahala”).

¹ *New Harquahala Generating Company, LLC*, Docket No. RC08-4-002 (April 23, 2009) (“Letter Order”).

² *New Harquahala Generating Company, LLC*, 123 FERC ¶ 61,173 (2008) (“May 16 Order”), *Order Granting Request for Clarification New Harquahala Generating Company, LLC*, (“June 27 Order”) 123 FERC ¶ 61,311 (2008). The Commission granted an extension of time to and including July 25, 2008 for the filing of this compliance filing.

II. NOTICES AND COMMUNICATIONS

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

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*Persons to be included on the Commission's service list are indicated with an asterisk.

III. BACKGROUND

On May 16, 2008, the Commission issued an Order that upheld the registration of Harquahala in the NERC Compliance Registry for the functions of transmission owner ("TO") and transmission operator ("TOP") within the Western Electricity Coordinating Council ("WECC"). The Commission found that NERC had presented adequate support for its determination and affirmed NERC's registry decision. In addition, the Commission directed NERC and Harquahala to discuss the TO and TOP Reliability Standards and Requirements that will be applicable to Harquahala. NERC was directed to submit a compliance filing identifying the applicable TO and TOP Reliability Standards and Requirements specific to Harquahala's current operations, and if there were any Reliability Standards or Requirements on which NERC and Harquahala could

not agree, the parties were to explain the basis of any disagreement and the Commission stated that it would resolve any dispute.³

On June 16, 2008, Harquahala submitted a Request for Clarification or, in the Alternative, Rehearing of New Harquahala Generating Company, LLC. In the June 16 filing, Harquahala requested that the Commission clarify its intent in highlighting a specific list of Reliability Standards and related Requirements in the May 16 Order. Harquahala also stated in its June 16 Request that it believed that the Commission did not intend to mandate the applicability of the listed Requirements to Harquahala, and therefore, that its understanding of the Commission's May 16 Order was that if the Requirements were found to be applicable to Harquahala, there may be cause for concluding that a reliability gap exists in the event Harquahala were not required to comply with those Requirements. That is, Harquahala requested Commission clarification that the specific list of standards included in Paragraphs 52 and 53 n.61 of the May 16 Order were included for illustrative purposes, and that the discussions with NERC, followed by a compliance filing and opportunity for Harquahala to comment will be the process for determining which Requirements, including those referred to in Paragraph 52 and 53 n.61 of the May 16 Order, are applicable to Harquahala.⁴

On June 27, 2008, the Commission issued an Order granting the request for clarification. In the Order, the Commission stated "The Commission grants Harquahala's request for clarification. Without qualification or limitation on the universe of applicable Reliability Standards, the May 16 Order directed Harquahala and NERC to negotiate which Reliability Standards and Requirements would apply to Harquahala. The

³ May 16 Order at P 57.

⁴ *New Harquahala Generating Company, LLC*, "Request for Clarification or, in the Alternative, Rehearing of New Harquahala Generating Company, LLC," Docket No. RC08-4-001 at 5-6 (June 16, 2008).

Commission will review NERC's compliance filing identifying the applicable Requirements, and any comments filed by Harquahala, based on the language of the Reliability Standards, the reliability risks posed by Harquahala's facilities and Harquahala's physical ability to comply with the Reliability Standards."⁵

IV. RESPONSE TO COMMISSION'S SPECIFIC QUESTIONS

In the Letter Order, the Commission requested the NERC provide its rationale and support for:

- (1) why Harquahala should not be required to participate in developing, maintaining, and implementing policies and procedures related to the development of and response to IROL and SOL violations; and
- (2) why there is no risk of significant adverse impact on reliability if Harquahala is not required to comply with these two sub-Requirements.

Requirement (R) 6 of the previously effective standard, TOP-004-1, included the following provisions:

Transmission Operators, individually and jointly with other Transmission Operators, shall develop, maintain, and implement formal policies and procedures to provide for transmission reliability. These policies and procedures shall address the execution and coordination of activities that impact inter- and intra-Regional reliability, including:

R6.5. Development of [Interconnection Reliability Operating Limits (IROLs)] and [System Operating Limits (SOLs)].

R6.6. Responding to IROL and SOL violations.

The current in force TOP-004 reliability standard is TOP-004-2. In the revised standard, R6.6 of TOP-004-1 is now R6.4 in TOP-004-2. However, R6.5 of TOP-004-1 was retired when FAC-010, FAC-011 and FAC-014 were approved. These FAC standards deal with the development of SOLs and IROLs as contemplated in the original R6.5 requirement. At the time of the Harquahala requirement filing, FAC-010 had just

⁵ See June 27 Order at P 6.

taken effect and FAC-011, and FAC-014 were not yet in effect. These requirements have since become effective. In the Compliance Filing, NERC noted that the FAC-010, FAC-011, and FAC-014 requirements for the TOP were not applicable to Harquahala. FAC-010 applies to the Planning Authority, FAC-011 applies to the Reliability Coordinator, and FAC-014 applies to the Reliability Coordinator, Planning Authority, Transmission Planner and Transmission Operator depending on the requirement.

FAC-014-2 R2 states the Transmission Operator must establish SOLs (as directed by its Reliability Coordinator) for its portion of the Reliability Coordinator Area that are consistent with its Reliability Coordinator's SOL Methodology. FAC-014-2 R5.2 requires the Transmission Operator must provide any SOLs it developed to its Reliability Coordinator and to the Transmission Service Providers that share its portion of the Reliability Coordinator Area.

Harquahala, as a Transmission Owner and Generation Owner, is required to comply with Reliability Standard FAC-009 requiring Harquahala to: (i) establish Facility Ratings for its solely and jointly owned Facilities that are consistent with the associated Facility Ratings Methodology, and (ii) provide Facility Ratings for its solely and jointly owned Facilities that are existing Facilities, new Facilities, modifications to existing Facilities and re-ratings of existing Facilities to its associated Reliability Coordinator(s), Planning Authority(ies), Transmission Planner(s) and Transmission Operator(s) as scheduled by such requesting entities.

The basis for not including the two requirements at issue in the Letter Order is due to the limited transmission system for which Harquahala is responsible. Harquahala's transmission system is a single 500 kV transmission line between

Harquahala's generating plant and the Hassayampa switchyard, which is owned by Salt River Project. As a sole use facility, no other entity may use the Harquahala transmission system. While the transmission line will have a rating and a limit, there would not be a SOL for the Harquahala facilities in addition to the ratings of Harquahala's facilities themselves. Indeed, the Reliability Standards applicable to Harquahala require that the operating limit for its transmission line shall always equal the most limiting applicable Equipment Rating of the generating facility. Moreover, pursuant to FAC-009, Harquahala must provide the ratings for its transmission line and generating facility to other entities for use in their establishment of SOLs and IROLs for the system beyond Harquahala's sole use transmission line.

Others registered as neighboring Transmission Operators, the Planning Authority and the Reliability Coordinator, such as Salt River Project and the WECC Reliability Coordinator, remain responsible for identifying SOLs for the system beyond the single transmission line owned and operated by Harquahala.

In the case of an IROL (a SOL that, if violated, could lead to instability, uncontrolled separation, or Cascading Outages that adversely impact the reliability of the Bulk Electric System), the transmission system owned and operated by Harquahala is the single transmission line connecting its generating plant with the Hassayampa switchyard. Therefore, that system itself is not subject to instability, cascading, or voltage collapse, and any faults on that system will result in the loss of all of the Harquahala transmission system from the perspective of Harquahala as the TOP.

A failure to properly clear such a fault or other system limitations beyond the sole use facility of Harquahala must be accounted for by the Reliability Coordinator, Planning

Authority, and neighboring Transmission Operators on their respective systems, and it is these entities that must address IROLs beyond Harquahala's single transmission line system—Harquahala would not be involved beyond its own facilities.⁶

For these reasons, there is no need for Harquahala to be required to participate in developing, maintaining, and implementing policies and procedures related to the development of and response to IROL and SOL violations, and it follows that, therefore, there is no risk of significant adverse impact on reliability if Harquahala is not required to comply with the two requirements relative to the development of and response to IROL and SOL violations.

V. CONCLUSION

The North American Electric Reliability Corporation respectfully requests that the Commission accept this filing as compliant with the April 23 Letter Order.

Respectfully submitted,

/s/ Rebecca J. Michael

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⁶To the extent a fault occurs on the Harquahala transmission system other than one involving an IROL and SOL, such as a fault that could impact the Palo Verde nuclear unit, it is addressed through other Reliability Standards for which Harquahala is responsible. The potential for such a fault does not require Harquahala to be subject to the two requirements involving SOLs and IROLs at issue here.

CERTIFICATE OF SERVICE

I hereby certify that I have served a copy of the foregoing document upon all parties listed on the official service list compiled by the Secretary in this proceeding.

Dated at Washington, D.C. this 30th day of April, 2009.

/s/ Rebecca J. Michael

Rebecca J. Michael

*Attorney for North American Electric
Reliability Corporation*