



NORTH AMERICAN ELECTRIC
RELIABILITY CORPORATION

November 13, 2009

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

**Re: NERC Notice of Penalty regarding AES Red Oak, LLC
FERC Docket No. NP10-__-000**

Dear Ms. Bose:

The North American Electric Reliability Corporation (NERC) hereby provides this Notice of Penalty¹ regarding AES Red Oak, LLC (AES Red Oak),² NERC Registry ID# NCR00665,³ 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)).⁴

During an off-site Compliance Audit conducted from April 2-4, 2008 (Audit), ReliabilityFirst Corporation (RFC) identified possible violations of Reliability Standards FAC-008-1, Requirement (R) 1, FAC-009-1, R1, and PRC-005-1, R1 and R2 for AES Red Oak's failure to: (1) have a valid Facility Ratings Methodology; (2) document ratings for the full scope of required equipment; and (3) to implement and provide evidence of a Protection System maintenance program, respectively. This Notice of Penalty is being filed with the Commission because, based on information from RFC, RFC and AES Red Oak have entered into a Settlement Agreement to resolve all outstanding issues arising from a preliminary and non-public assessment resulting in RFC's determination and findings of the enforceable alleged violations of FAC-008-1 R1, FAC-009-1 R1 and PRC-005-1 R1 and R2. According to the Settlement Agreement, AES Red Oak neither admits nor denies the alleged violations of Reliability Standards FAC-008-1 R1, FAC-009-1 R1 and PRC-005-1 R1 and R2, but has agreed to the

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 NERC notes that, concurrently with the filing of this Notice of Penalty filing, NERC is submitting seven Notices of Penalty regarding other AES entities in the Northeast Power Coordinating Council (NPCC) and ReliabilityFirst Corporation (RFC) Regions.

³ ReliabilityFirst Corporation confirmed that AES Red Oak, LLC, was included on the NERC Compliance Registry as a Generator Owner on May 30, 2007 and as a Generator Operator on February 19, 2008, and, as a Generator Owner, was subject to the requirements of NERC Reliability Standards FAC-008-1, FAC-009-1 and PRC-005-1.

⁴ See 18 C.F.R. § 39.7(c)(2).

proposed penalty of fifteen thousand dollars (\$15,000) to be assessed to AES Red Oak, in addition to other remedies that include mitigation actions and actions to prevent recurrence and facilitate future compliance under the terms and conditions of the Settlement Agreement. Accordingly, the alleged violations identified as NERC Violation Tracking Identification Numbers RFC200800049, RFC200800050, RFC200800051 and RFC200800052 are being filed in accordance with the NERC Rules of Procedure and the CMEP.

Statement of Findings Underlying the Alleged Violations

This Notice of Penalty incorporates the findings and justifications set forth in the Settlement Agreement executed on September 1, 2009, by and between RFC and AES Red Oak, which is 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 (\$)
RFC	AES Red Oak	NOC-265	RFC200800049	FAC-008-1	1	Lower	\$15,000
RFC	AES Red Oak	NOC-265	RFC200800050	FAC-009-1	1	Medium	
RFC	AES Red Oak	NOC-265	RFC200800051	PRC-005-1	1	High ⁵	
RFC	AES Red Oak	NOC-265	RFC200800052	PRC-005-1	2	High ⁶	

FAC-008-1 R1

The purpose of Reliability Standard FAC-008-1 is to ensure that Facility Ratings used in the reliable planning and operation of the Bulk Electric System (BES) are determined based on an established methodology or methodologies.

FAC-008-1 R1 requires a Generator Owner, such as AES Red Oak, to document its current methodology used for developing Facility Ratings (Facility Ratings Methodology) of its solely and jointly owned Facilities. Specifically, the methodology shall include all of the following: R1.1) a statement that a Facility Rating shall equal the most limiting applicable Equipment Rating of the individual equipment that comprises

⁵ When NERC filed VRFs for PRC-005, NERC originally assigned a “Medium” VRF to PRC-005-1 Requirement R1. In the Commission’s May 13, 2007 Order on Violation Risk Factors, the Commission approved the VRF as filed but directed modifications. On June 1, 2007, NERC filed the modified “High” VRF for PRC-005 Requirement R1 for approval. On August 6, 2007, the Commission issued an Order approving the modified VRF. Therefore, the “Medium” VRF was in effect from June 18, 2007 until August 6, 2007 and the “High” VRF has been in effect since August 6, 2007.

⁶ PRC-005-1 R2 has a “Lower” VRF; R2.1 and R2.2 have “High” VRFs.

that Facility; R1.2) The method by which the Rating (of major BES equipment that comprises a Facility) is determined; and R1.3) other considerations listed in the Standard. FAC-008-1 R1 has a “Lower” Violation Risk Factor (VRF).

During the Audit, RFC Compliance Staff discovered a possible violation of FAC-008-1 R1 because AES Red Oak’s documentation and methodologies used for developing Facility Ratings were only based on generator capability testing and voltage support service and did not include terminal equipment, transformers, conductors, or relay protective devices. In addition, AES Red Oak did not clearly specify normal ratings for the full scope of required equipment such as conductors and relay protective devices and did not provide emergency ratings for the full scope of required equipment such as the generator, conductors, transformers, relay protective devices and terminal equipment.

During the Audit, AES Red Oak submitted the following documents for evidence of compliance with FAC-008-1: *Facility Ratings Methodology* (dated August 25, 2006, Revision 0, submitted for Compliance Audit, April 2008). This document defined the methodology for developing ratings solely for the generating facility as a whole and therefore defined net capability, but it did not clearly specify normal and emergency ratings. *Red Oak Facility Description* (no date, no revision history, submitted for Compliance Audit, April 2008) provided a generic description of the rating process but did not include equipment ratings, emergency ratings and specific factors that establish these limits. *PJM Net Capability Verification Report* (dated July 28, 2002, no revision history, submitted for Compliance Audit, April 2008) only lists gross and net generator capability, and the *GPU Commentary & Additional Technical Data Emails* (dated August 8, 2001 and August 15, 2001) only state concerns for possible relay coordination issues. Accordingly, the evidence reviewed was determined insufficient to establish compliance with NERC Reliability Standard FAC-008-1 R1 because it did not include information for all equipment required to be included in the Facility Ratings Methodology.

After reviewing the evidence, RFC Enforcement Staff concluded that there was an alleged violation of FAC-008-1, R1 and the duration of the alleged violation was from June 18, 2007, when the standard became enforceable, through January 26, 2009, when AES Red Oak completed its Mitigation Plan.⁷

FAC-009-1 R1

The purpose of Reliability Standard FAC-009-1 is to ensure that Facility Ratings used in the reliable planning and operation of the BES are determined based on an established methodology or methodologies.

FAC-009-1 R1 requires a Generator Owner, such as AES Red Oak, to establish Facility Ratings for its solely and jointly owned Facilities that are consistent with the associated Facility Ratings Methodology. FAC-009-1, Requirement 1 has a “Medium” VRF.

⁷ The Settlement Agreement incorrectly states the duration ended on November 14, 2008, the date AES Red Oak submitted an acceptable Mitigation Plan.

During the Audit, RFC Compliance Staff discovered a possible violation of FAC-009-1 R1 because AES Red Oak had not addressed the full scope of required equipment as required by FAC-008-1 R1, and could not establish Facility Ratings for its solely and jointly owned Facilities that were consistent with the associated Facility Ratings Methodology as required by FAC-009-1 R1.

During the Audit, AES Red Oak submitted a document titled *Establish and Communicate Facilities Ratings for AES Red Oak Related to NERC Standard FAC-009-1* (no date, Revision 0, submitted for Compliance Audit, April 2008) as evidence of compliance with FAC-009-1. However, compliance was not supported, because the AES Red Oak Facility Rating Methodology for FAC-008-1 did not include the full scope of required equipment of transmission conductors, transformers, relay protective devices, terminal equipment, and series and shunt compensation.

After reviewing the evidence, RFC Enforcement Staff concluded that there was an alleged violation of FAC-009-1, R1 and the duration of the alleged violation was from June 18, 2007, when the standard became enforceable, through January 26, 2009, when AES Red Oak completed its Mitigation Plan.⁸

PRC-005-1 R1 and R2

The purpose of Reliability Standard PRC-005-1 is to ensure that all transmission and generation Protection Systems⁹ affecting the reliability of the BES are maintained and tested.

PRC-005-1 R1

PRC-005-1 R1 requires each Generator Owner, such as AES Red Oak, that owns a generation Protection System to have a Protection System maintenance and testing program for Protection Systems that affect the reliability of the BES. Specifically, the program shall include: R1.1 maintenance and testing intervals and their basis; and R1.2 summary of maintenance and testing procedures. PRC-005-1 R1 and R2 both have a “High” VRF.

During the Audit, RFC auditors discovered a possible violation of PRC-005-1 R1 because AES Red Oak failed to have a valid Protection System maintenance program. AES Red Oak submitted the following document for evidence of compliance with PRC-005-1 R1: (1) *System Protection Maintenance and Testing for AES Red Oak Related to NERC Standard PRC-005-1* (no date, no revision history, submitted for Compliance Audit, April 2008) which did not clearly define the maintenance and testing intervals other than described as “as-needed” and “regular;” (2) *System Protection Coordination Procedure*, which included major facility equipment but it

⁸ The Settlement Agreement incorrectly states the duration ended on November 14, 2008, the date AES Red Oak submitted an acceptable Mitigation Plan.

⁹ Protection Systems is defined as “Protective relays, associated communication systems, voltage and current sensing devices, station batteries and DC control circuitry” in the NERC Glossary of Terms.

did not include DC control circuitry; and (3) *Maintenance Schedule & Log* which did not include the maintenance and testing intervals for all Protection System equipment.¹⁰

After reviewing the evidence, RFC Enforcement Staff concluded that there was an alleged violation of PRC-005-1 R1. The duration of the alleged violation was from June 18, 2007, when the standard became enforceable, through January 26, 2009, when AES Red Oak completed its Mitigation Plan.¹¹

PRC-005-1 R2

PRC-005-1 R2 requires each Generator Owner, such as AES Red Oak, 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, the documentation of the program implementation shall include: R2.1) evidence Protection System devices were maintained and tested within the defined intervals; and R2.2) date(s) each Protection System device was last tested/maintained. PRC-005-1 R2 has a “Lower” VRF; however PRC-005-1 R2.1 and R2.2 both have “High” VRFs.

During the Audit, RFC auditors discovered a possible violation of PRC-005-1 R2 because AES Red Oak failed to provide evidence that AES Red Oak maintained and tested its Protection System Maintenance Devices within the specified intervals. AES Red Oak submitted the following documents for compliance with PRC-005-1 R2: (1) *System Protection Maintenance and Testing for AES Red Oak Related to NERC Standard PRC-005-1* (no date, no revision history, submitted for Compliance Audit, April 2008) which lacked specific definition related to maintenance and testing intervals for voltage and current sensing devices, battery systems and associated basis; (2) *Maintenance Schedule & Log*, which indicated overdue maintenance and testing dates and did not include all Protection System elements; and (3) *System Protection Coordination Procedure* which lists the last dates when Protections System devices were tested but did not include DC control circuitry and communication systems.

RFC Enforcement Staff determined that overall evidence did not confirm that all Protection System devices were maintained and tested within the defined intervals, and not all elements of the Protection System were included. RFC Enforcement Staff concluded therefore, there was an alleged violation of PRC-005-1 R2. The duration of the alleged violation was from June 18, 2007, when the standard became enforceable, through January 26, 2009, when AES Red Oak completed its Mitigation Plan.¹²

¹⁰ AES Red Oak failed to have a valid Protection System maintenance program and was processed as a general R1 violation with a “High” Severity level. In light of this, information defining the percentage of elements not included and/or tested was not requested.

¹¹ The Settlement Agreement incorrectly states the duration ended on November 14, 2008, the date AES Red Oak submitted an acceptable Mitigation Plan.

¹² The Settlement Agreement incorrectly states the duration ended on November 14, 2008, the date AES Red Oak submitted an acceptable Mitigation Plan.

Regional Entity's Basis for Penalty

According to the Settlement Agreement, RFC determined a penalty of fifteen thousand dollars (\$15,000) was appropriate for the referenced alleged violations. In reaching this determination, RFC considered the following factors: (1) these violations constituted AES Red Oak's first occurrence of violations of NERC Reliability Standards; (2) AES Red Oak was cooperative throughout RFC's enforcement process; (3) there was no evidence of any attempt to conceal the violations nor evidence of intent to do so; (4) RFC determined that the FAC-008-1 and FAC-009-1 alleged violations did not pose a serious or substantial risk to the reliability of the bulk power system because they involved missing ratings for elements that were not the most limiting factor; and (5) RFC determined that the PRC-005-1 alleged violation did not pose a serious or substantial risk to the reliability of the bulk power system because the violation is limited to a single unit with small generation capacity (although capable of 832 MW, half of the capacity is not in use and it is a half coal, half gas facility). There were no misoperations with the Protection System devices reported during the audit period and all devices were found to be operational when tested.

Status of Mitigation Plan¹³

On November 14, 2008, AES Red Oak submitted to RFC, three draft Mitigation Plans¹⁴ to address the alleged violations of FAC-008-1 R1, FAC-009-1 R1, and PRC-005-1 R1 and R2. After being revised by AES Red Oak, the plans were accepted by RFC on December 15, 2008 and approved by NERC on January 9, 2009. The Mitigation Plans for these alleged violations were designated as MIT-08-1236, MIT-08-1237 and MIT-08-1238, and were submitted as non-public information to FERC on January 9, 2009 in accordance with FERC orders.

FAC-008-1 R1

In Mitigation Plan MIT-08-1236, AES Red Oak outlined the actions taken to mitigate the alleged violation, including revising its Facility Ratings Methodology document to include all required elements of FAC-008-1 R1. AES Red Oak's actions included: (1) reviewed RFC Audit Findings and the FAC-008-1 Standard and its requirements; (2) created a work plan, envisioning the requirements contemplated in the standard and addressing the RFC Audit Findings; (3) developing a list, which included all affected equipment including generators, transmission conductors, transformers, protective relays, terminal equipment and compensation device; (4) obtaining the design rating information for all affected equipment; and (5) reviewing equipment rating information to determine the most limiting piece of equipment, inclusive of reviewing normal and emergency ratings, equipment manufacture ratings, design criteria, ambient conditions, operating limitations and other assumptions. In addition to its Mitigation Plan and pursuant to the Settlement Agreement, AES Red Oak will incorporate a more active compliance program to facilitate that AES Red Oak maintains a vigorous presence in compliance matters.

AES Red Oak certified on March 5, 2009 that its Mitigation Plan MIT-08-1236 was completed as of January 26, 2009. As evidence of completion of its Mitigation Plan, AES Red Oak submitted its *Facility Ratings Methodology for AES Red Oak LLC, Revision No. 1 – November*

¹³ See 18 C.F.R. § 39.7(d)(7).

¹⁴ The Settlement Agreement incorrectly states that AES Red Oak submitted four Mitigation Plans instead of three.

14, 2008. This document satisfactorily details AES Red Oak's Facility Rating Methodology in accordance with FAC-008-1 R1 for generators, generator step-up (GSU) transformers, and all terminal equipment. The methodology is based on the equipment manufacturers' manuals and the engineering design data books. The methodology includes consideration for equipment design criteria, manufacturers' ratings, ambient conditions, operating limitations, and other assumptions. The document includes the required statement from R1.1 that the Facility Rating shall equal the most limiting applicable equipment rating of the individual equipment that comprises that facility.

On July 10, 2009, RFC subject matter experts reviewed the Mitigation Plan and supporting evidence of its completion and in a letter dated July 10, 2009, RFC Enforcement Staff verified that the AES Red Oak Mitigation Plan was completed on January 26, 2009.

In addition to its Mitigation Plan and pursuant to the Settlement Agreement, AES Red Oak will incorporate a more active compliance program, which is discussed below.

FAC-009-1 R1

In Mitigation Plan MIT-08-1237, AES Red Oak outlined the actions taken to mitigate the alleged violation, including establishing and communicating Facility Ratings for all required elements of FAC-009-1 R1. AES Red Oak's actions included: (1) reviewed RFC Audit Findings and the FAC-008-1 Standard and its requirements; (2) creating a work plan to satisfy the requirements contemplated in the standard and to address the RFC Audit findings; (3) developing a list, which included all equipment identified in its revised Facility Methodology under FAC-008-1 including generators, transmission conductors, transformers, protective relays, terminal equipment and compensation device; (4) obtaining the design rating information for all affected equipment; and (5) reviewing equipment rating information to determine the most limiting piece of equipment, inclusive of reviewing normal and emergency ratings, equipment manufacture ratings, design criteria, ambient conditions, operating limitations and other assumptions. In addition to its Mitigation Plan and pursuant to the Settlement Agreement, AES Red Oak will incorporate a more active compliance program to ensure that AES Red Oak maintains a vigorous presence in compliance matters. Furthermore, AES Red Oak's Mitigation Plan required it to: (1) analyze affected equipment for the most limiting factors (completed October 2008); (2) establish and communicate Facility Ratings (completed October 2008); (3) complete FAC-009-1 procedure revisions (completed October 2008); and (4) to the extent necessary, revise the draft procedure based on RFC review and resubmit it to RFC for review (completed December 2008).

On March 5, 2009, AES Red Oak certified that its Mitigation Plan was completed as of January 26, 2009. As evidence of completion of its Mitigation Plan, AES Red Oak submitted a formal revision of the FAC-009-1 Facility Ratings procedure, *Establish and Communicate Facility Ratings for AES Red Oak LLC, Revision No. 2 – November 14, 2008*. This document satisfactorily details the establishment of Facility Ratings in accordance with FAC-009-1 R1 based on AES Red Oak's approved Facility Rating Methodology from FAC-008-1 R1. The ratings include consideration for equipment design criteria, manufacturers' ratings, ambient conditions, operating limitations, and other assumptions. The final result is that the Facility Rating equals the most limiting applicable equipment rating of the individual equipment that comprises the facility.

On July 10, 2009, RFC subject matter experts reviewed the Mitigation Plan and supporting evidence of its completion and in a letter dated July 10, 2009, RFC Enforcement Staff verified that the AES Red Oak Mitigation Plan was completed on January 26, 2009

In addition to its Mitigation Plan and pursuant to the Settlement Agreement, AES Red Oak will incorporate a more active compliance program, which is discussed below.

PRC-005-1 R1 and R2

In the Mitigation Plan MIT-08-1238, AES Red Oak outlined the actions taken to mitigate the alleged violations of PRC-005-1 R1 and R2; including revising the Procedure for maintenance and testing of Protection Systems and testing all Protection Systems to ensure all were tested within the interval as required by AES Red Oak's revised procedure. AES Red Oak's actions included: (1) reviewing the PRC-005-1 Standard and its requirements and the RFC Audit Findings; (2) creating a work plan to satisfy the requirements contemplated in the Standard and to address RFC Audit Findings; (3) developing an affected system protection equipment list, including protective relays, communication systems, voltage and current sensing devices, station batteries and DC control circuitry; (4) reviewing the guidelines as set forth in the NERC Technical Reference "Protection System Maintenance;" (5) reviewing affected equipment to ensure that all of the Facility's Protection System Equipment is addressed, proper maintenance and testing intervals are established, proper maintenance and testing procedures are in place and that testing and maintenance events have occurred within the required intervals; and (6) drafting a procedure documenting System Protection Maintenance and Testing Program for submittal and review by RFC; and to the extent necessary, revise the draft procedure based on RFC's review.

On March 5, 2009, AES Red Oak certified that its Mitigation Plan was completed as of January 26, 2009. As evidence of completion of its Mitigation Plan, AES Red Oak submitted a revised procedure for the *Protection System Maintenance & Testing Program for AES Red Oak, Revision 1 – November 14, 2008*. This document satisfactorily details AES Red Oak's maintenance and testing program in accordance with PRC-005-1 R1 for its protection systems that affect the reliability of the bulk power system. The equipment covered includes electromechanical and solid-state relays, microprocessor-based relays, communication systems, voltage and current sensing devices, station batteries and chargers, and DC control circuitry. The document also includes guidelines for scheduled intervals, required documentation, and data retention periods. The attachment to this document satisfactorily details the protection system equipment, the required testing interval, and the date last tested in accordance with PRC-005-1 R2. The equipment covered includes electromechanical and solid-state relays, microprocessor-based relays, communication systems, voltage and current sensing devices, station batteries and chargers, and DC control circuitry. All test dates were within the required testing interval.

On July 10, 2009, RFC subject matter experts reviewed the Mitigation Plan and supporting evidence of its completion and in a letter dated July 10, 2009, RFC Enforcement Staff verified that AES Red Oak's Mitigation Plan was completed on January 26, 2009.

In addition to the Mitigation Plan and pursuant to the Settlement Agreement, AES Red Oak will incorporate a more active compliance program, which is discussed below.

Compliance Program Enhancement

As part of the Settlement Agreement, AES Red Oak initiated efforts beyond its immediate mitigation of the alleged violations in order to prevent recurrence. Specifically, AES Red Oak committed to the following actions and completion dates:

Compliance Program Enhancement Content

AES Red Oak has developed and will implement a Compliance Program Enhancement to supplement its existing Ethics and Compliance program. These actions include: (a) utilizing a document management system for records management to create a single repository of all documentation related to standards compliance; (b) implementing programs to promote a culture of compliance like general awareness training; (c) implementing general business training for all job functions that includes applicable and “real world” examples of GO/GOP functions; and (d) implementing a formal internal audit to verify standards compliance. A copy of the program enhancement document is included as Attachment B to the Settlement Agreement.

Compliance Program Enhancement Milestones

According to the Settlement Agreement, AES Red Oak will take the following actions at a cost of \$177,500:

Activity	Expected Completion Date	Status
Implement Online Repository for Program Documentation	September 30, 2009	Completed
Initiate Online Training	March 30, 2010	
Initiate General Awareness Training	March 30, 2010	
Define Internal Audit Team	June 30, 2010	
Complete Internal Audit	August 31, 2010	
Quarterly Reports (4)	December 31, 2009 through September 30, 2010.	

Compliance Program Enhancement Reporting

To facilitate RFC’s need to communicate the implementation status of the activities agreed to in the Settlement Agreement and provide accountability to NERC, AES Red Oak will provide updates using the forms and format in Attachment C to the Settlement Agreement semi-annually for one year.

Statement Describing the Proposed Penalty, Sanction or Enforcement Action Imposed¹⁵

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,¹⁶ the NERC BOTCC reviewed

¹⁵ See 18 C.F.R § 39.7(d)(4)

¹⁶ *North American Electric Reliability Corporation*, “Guidance Order on Reliability Notices of Penalty,” 124 FERC ¶ 61,015 (2008).

the Settlement Agreement and supporting documentation on October 13, 2009. The NERC BOTCC approved the Settlement Agreement, including RFC'S imposition of a financial penalty, assessing a penalty of fifteen thousand dollars (\$15,000) against AES Red Oak and other actions to facilitate future compliance required under the terms and conditions of the Settlement Agreement.¹⁷ 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 violations at issue.

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

- (1) the referenced alleged violations are the first violations for AES Red Oak of NERC Reliability Standards in RFC;
- (2) AES Red Oak was cooperative throughout the enforcement process;
- (3) there was no evidence of any attempt to conceal a violation nor evidence of intent to do so; and
- (4) RFC reported the FAC-008-1 and FAC-009-1 alleged violations did not pose a serious or substantial risk to the reliability of the bulk power system because they involved missing ratings for elements that were not the most limiting factor; and the PRC-005-1 alleged violation did not pose a serious or substantial risk to the reliability of the bulk power system because the violation is limited to a single unit with small generation capacity (although capable of 832 MW, half of the capacity is not in use and it is a half coal, half gas facility).

For the foregoing reasons, the NERC BOTCC approves the Settlement Agreement and believes that the proposed penalty of fifteen thousand dollars (\$15,000) is appropriate for the violations and circumstances, 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.

¹⁷ The NERC BOTCC notes that the registered entity does not receive direct or offset credit for money spent for actions to mitigate the violation or for any additional money spent above and beyond what is required to mitigate the violation.

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 and material:

- a) Compliance Audit Report-Public Version dated April 4, 2008, included as Attachment a;
- b) Settlement Agreement by and between AES Red Oak and RFC executed September 1, 2009, included as Attachment b;
 - i) RFC's Verifications of Completion of the Mitigation Plans, dated July 10, 2009, included as Attachment A to the Settlement Agreement;
 - ii) AES Red Oak's Compliance Program Enhancement, included as Attachment B to the Settlement Agreement;
 - iii) RFC's Settlement Activity Reporting Form, included as Attachment C to the Settlement Agreement;
 - iv) AES Red Oak's Mitigation Plans designated as MIT-08-1236, MIT-08-1237, MIT-08-1238, submitted December 15, 2008,¹⁸ included as Attachment D to the Settlement Agreement; and
 - v) AES Red Oak's Certifications of Completion of the Mitigation Plans submitted March 5, 2009, included as Attachment E to the Settlement Agreement.

A Form of Notice Suitable for Publication¹⁹

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

¹⁸ The Mitigation Plans are dated November 14, 2008, the date the draft plans were submitted.

¹⁹ 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>Rick Sergel President and Chief Executive Officer 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>Timothy R. Gallagher* President and Chief Executive Officer Raymond J. Palmieri* Vice President and Director of Compliance ReliabilityFirst Corporation 320 Springside Drive, Suite 300 Akron, Ohio 44333 (330) 456-2488 tim.gallagher@rfirst.org ray.palmieri@rfirst.org</p> <p>Robert K. Wargo* Manager of Compliance ReliabilityFirst Corporation 320 Springside Drive, Suite 300 Akron, Ohio 44333 (330) 456-2488 bob.wargo@rfirst.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>	<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>A.W. Bergeron* Plant Manager and President Dave Carroll* Control Room Team Leader AES Red Oak, LLC 832 Red Oak Lane Sayreville, New Jersey 08872 (732) 238-1462 chip.bergeron@aes.com dave.carroll@aes.com</p> <p>Bruce Richardson* Outside Counsel – AES Red Oak, LLC King & Spalding LLP 1700 Pennsylvania Avenue NW Washington, D.C. 20006 (202) 626-5460 brichardson@kslaw.com</p>
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Conclusion

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

Respectfully submitted,

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cc: AES Red Oak, LLC
ReliabilityFirst Corporation

Attachments

Attachment a

Compliance Audit Report-Public Version, dated April 4, 2008



Compliance Audit Report Public Version

**AES Red Oak, L.L.C
NERC ID# NCR00665**

**Confidential Information (including Privileged and
Critical Energy Infrastructure Information)
Has Been Removed**

Date of Audit: April 2-4, 2008

Date of Audit Report: April 4, 2008

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Executive Summary

The off-site compliance audit of AES Red Oak, L.L.C was conducted on April 2 - 4, 2008.

The audit team evaluated AES Red Oak, L.L.C for compliance with fourteen (14) NERC reliability standards and; one (1) Reliability*First* standard identified for the period of June 18, 2007 to April 2, 2008. AES Red Oak, L.L.C submitted information and documentation to aid the audit team's evaluation of compliance with the standards. The audit team reviewed and evaluated the data provided by AES Red Oak, L.L.C to determine compliance with the standards applicable to the Generator Owner (GO) function.

Of the fourteen (14) NERC reliability standards audited, six (6) were not applicable, five (5) were found to be compliant, and three (3) were identified as possible violations of FAC-008, FAC-009, and PRC-005. These results and basis for these possible violations are further explained in the Audit Result Findings. The one (1) Reliability*First* standard was found to be not applicable.

This audit report includes information on AES Red Oak, L.L.C's compliance to the NERC and Reliability*First* Reliability Standards. This information will be used to help determine the severity level of sanctions and penalties. The possible compliance violations will be processed through Reliability*First*'s Compliance Monitoring and Enforcement Program (CMEP). Any further actions related to possible compliance violations will be through that process.

There were no ongoing mitigation plans and therefore none reviewed by the audit team.

Audit Process

The compliance audit process steps are detailed in the NERC and Reliability*First* Compliance Monitoring Enforcement Programs. The NERC and Reliability*First* CMEP generally conforms to the United States Government Accountability Office Government Auditing Standards and other generally accepted audit practices.

Objectives

All registered entities are subject to audit for compliance with all reliability standards applicable to the functions for which the registered entity is registered. The audit objectives are:

- Review AES Red Oak, L.L.C compliance with the applicable requirements of the reliability standards to AES Red Oak, L.L.C based on the AES Red Oak, L.L.C registered function. Although AES Red Oak, L.L.C is registered with NERC as a Generator Owner (GO) and Generator Operator (GOP), AES Red Oak, L.L.C was only audited for the GO function since AES Red Oak, L.L.C registered as a GOP after the audit materials were sent to them by Reliability*First*.
- Validate compliance with applicable reliability standards from the NERC 2008 Implementation Plan list of actively monitored standards and additional NERC reliability standards selected by Reliability*First*.

- Validate compliance with applicable regional standards from the ReliabilityFirst 2008 Implementation Plan list of actively monitored standards.
- Validate evidence of self-reported violations and previous self-certifications, confirm compliance with other requirements of the reliability standard, and review the status of associated mitigation plans.

Scope

The scope of the compliance audit included applicable NERC reliability standards in the NERC 2008 Implementation Plan, additional NERC reliability standards selected by ReliabilityFirst, and applicable ReliabilityFirst standards.

At the time of the audit, AES Red Oak, L.L.C was registered for the Generator Owner (GO) function. The audit team evaluated AES Red Oak, L.L.C for compliance with fourteen (14) NERC reliability standards and one (1) ReliabilityFirst standard for the period of June 18, 2007 to April 2, 2008.

Confidentiality and Conflict of Interest

Confidentiality and Conflict of Interest of the audit team are governed under the ReliabilityFirst Delegation Agreement with NERC and Section 1500 of the NERC Rules and Procedures. AES Red Oak, L.L.C was informed of the ReliabilityFirst obligations and responsibilities under the agreement and procedures. The work history for each audit team member was provided to AES Red Oak, L.L.C AES Red Oak, L.L.C was given an opportunity to object to an audit team member on the basis of a possible conflict of interest or the existence of other circumstances that could interfere with an audit team member's impartial performance of duties. AES Red Oak, L.L.C had not submitted any objections by the stated fifteen day objection due date and by this action, has accepted the audit team member participants without objections.

Off-site Audit

AES Red Oak, L.L.C is subject to an audit once every six years at the minimum as provided by the NERC Rules of Procedure. AES Red Oak, L.L.C was provided a sixty (60) day notification of this scheduled audit and at that time, all necessary documents required by NERC and ReliabilityFirst audit process were provided. The following documents were provided to AES Red Oak, L.L.C as part of the notification:

- 60-day Notification letter which contained request for evidence, information and date submittals
- Audit Survey
- Audit Agenda as applicable
- Audit Team Work History with discussion of objection process
- General Instructions of Data or Information Submittals

- Reliability Standard Auditor Worksheets (RSAWs)
- Reliability Standard Questionnaires

Documents were provided to AES Red Oak, L.L.C in both electronic and hardcopy format. Reliability*First* discussed with AES Red Oak, L.L.C the usage of technical experts and allowed the usage of technical experts by AES Red Oak, L.L.C as it deemed necessary to explain their compliance to the standards.

An audit agenda was provided to AES Red Oak, L.L.C in advance to allow the necessary time to prepare for the audit. AES Red Oak, L.L.C's cooperation and flexibility with the agenda was appreciated by the audit team.

At times, and according to the generally accepted government auditing standard 3.31, auditors are required to use professional judgment in planning, performing audits, attestation engagements and in reporting the results.

Additionally, and with the generally accepted government auditing standard 3.39, while this standard places responsibility on each auditor and audit organization to exercise professional judgment in planning and performing an audit or attestation engagement, it does not imply unlimited responsibility, nor does it imply infallibility on the part of either the individual auditor or the audit organization. Absolute assurance is not attainable because of the nature of evidence and the characteristics of fraud.

Professional judgment does not mean eliminating all possible limitations or weaknesses associated with a specific audit, but rather identifying, considering, minimizing, mitigating, and explaining them.

Methodology

Reliability*First* conducted this audit via an off-site method. Sixty (60) days prior to this scheduled audit, AES Red Oak, L.L.C had been provided with a pre-audit package, which included all the necessary documents and information, required by NERC and Reliability*First*, to complete the audit process. Upon receipt and review of the submitted information, the audit team conducted a review of the information and evidence for compliance to the applicable standards. With reviews completed on the applicable requirements, the audit team conducted an exit briefing to provide the entity with the team findings. A draft report was compiled for review by Reliability*First* and the audited entity in both a public and non-public version. After completion of this review, the final reports will be submitted to the audited entity and NERC for posting. The off-site audit followed the following format:

Opening Briefing

An Opening Briefing was conducted as a conference call/WebEx to discuss the following:

- Introduction of audit team
- Audit Objective and Scope
- Team Audit Expectations
- Discussion on Clarification Calls
- Audit Process
- Exit Briefing and schedule

Audit

The Audit team consisted of two Reliability*First* Compliance staff personnel. One individual was designated as the audit team lead responsible for facilitating the audit process, completion of the audit report, and serve as the primary contact person for the audit. The other team member functioned to record findings as determined by evaluation of the submitted evidence with the team lead. Audit team members substantiated findings to support a possible compliance violation; and sufficiency, credibility and appropriateness of submitted evidence. Any clarifications and additional requests for evidence were communicated to AES Red Oak, L.L.C primary contact through phone conversations and/or email.

The approach used by the Reliability*First* Audit team was to review each reliability standard and the applicable requirements and then evaluate and measure the evidence provided by the entity against the requirement within the standard. When there was concern that the supporting evidence did not meet the requirement, clarification calls and or clarification e-mails were sent to the entity for additional detail, clarification and/or additional evidence in the form of examples. The entity was NOT permitted to create new documents and or edit existing material and or documents that were provided as evidence.

Exit Briefing

An Exit Briefing was conducted with a presentation via WebEx for the off-site audit of AES Red Oak, L.L.C. The Reliability*First* audit team and the AES Red Oak, L.L.C team participated. Status of the off-site audit process was explained, followed by audit scope, preliminary audit findings addressing possible violations and basis, recommendations, compliance audit report process, and feedback forms. If possible violations were identified during the audit, they would have been reviewed during the discussion of our preliminary results. AES Red Oak, L.L.C was provided an opportunity to ask questions that the audit team addressed. In addition, the audit team identified recommendations on quality of evidence that were reviewed with AES Red Oak, L.L.C. These recommendations will be provided to AES Red Oak, L.L.C in a separate document and not as part of the audit report. This is required as specified in section 3.1.6 of the Uniform

Compliance Monitoring and Enforcement Program of the North American Electric Reliability Corporation.

Company Profile

At the time of the audit, AES Red Oak, L.L.C was registered for the Generator Owner (GO) function. The AES Corporation, through its subsidiaries, engages in the generation and distribution of electricity. It operates electric utilities and sells power to customers in the retail, commercial, industrial, and government sectors. The company also generates and sells power to wholesale customers, such as utilities or other intermediaries.

Audit Specifics

The compliance audit was conducted on April 2-4, 2008, at the ReliabilityFirst office in Akron, Ohio.

Audit Team Participants

Audit Team Role	Title	Company
Lead	Senior Engineer	ReliabilityFirst
Member	Senior Consultant	ReliabilityFirst

AES Red Oak, L.L.C Audit Participants

Title	Organization
Control Room Team Leader	AES Red Oak, L.L.C
Control Room Technician	AES Red Oak, L.L.C
Control Room Support	AES Red Oak, L.L.C
Power Block Technician	AES Red Oak, L.L.C
Plant Engineer	AES Red Oak, L.L.C

Audit Results

The audit team evaluated AES Red Oak, L.L.C's compliance with fourteen (14) NERC reliability standards for the period since June 18, 2007. The audit team used data provided by AES Red Oak, L.L.C to determine compliance with standards.

Of the fourteen (14) reliability standards audited, six (6) were determined to be not applicable, with five (5) of the remaining eight to be compliant. Three (3) standards were found to have possible violations.

The audit team also evaluated AES Red Oak, L.L.C compliance to one (1) Reliability*First* standard. Based on information provided, this Reliability*First* standard was not applicable to AES Red Oak, L.L.C.

The audit team carefully and methodically reviewed the submitted evidence and discussed findings as a team to determine if the evidence met the requirements of the reliability standards. If the evidence was inadequate or did not cover all of the requirements in the reliability standard, the audit team asked for additional evidence and/or clarification. AES Red Oak, L.L.C provided a primary compliance contact for clarification through phone conversations and e-mail correspondence. Throughout the audit, the audit team members took notes on findings of evidence of compliance.

The audit team reviewed AES Red Oak, L.L.C's documentation in the form of two hardcopy manuals at Reliability*First's* Akron office. AES Red Oak, L.L.C did not submit an electronic version of their evidence or complete Page 4 of the Reliability Standard Audit Worksheet (RSAW) related to Supporting Material/Documentation.

Findings

The following table details findings for compliance with the reliability standards listed in the NERC 2008 Implementation Plan and/or selected for this audit:

AES Red Oak, L.L.C Audited Reliability Standards

Reliability Standard	Requirement	Finding
EOP-009-0	R2.	Not Applicable (N/A)
FAC-002-0	R1.	N/A
FAC-002-0	R2.	N/A
FAC-008-1	R1.	Possible Violation
FAC-008-1	R2.	Compliant
FAC-008-1	R3.	Compliant
FAC-009-1	R1.	Possible Violation
FAC-009-1	R2.	Compliant
IRO-004-1	R4.	Compliant
MOD-010-0	R1.	Compliant
MOD-010-0	R2.	Compliant
MOD-012-0	R1.	Compliant
MOD-012-0	R2.	Compliant
PRC-004-1	R2.	Compliant
PRC-004-1	R3.	Compliant
PRC-005-1	R1.	Possible Violation
PRC-005-1	R2.	Possible Violation
PRC-015-0	R1.	N/A
PRC-015-0	R2.	N/A

Confidential Information (including Privileged and
Critical Energy Infrastructure Information)
Has Been Removed

Reliability Standard	Requirement	Finding
PRC-015-0	R3.	N/A
PRC-016-0	R1.	N/A
PRC-016-0	R2.	N/A
PRC-016-0	R3.	N/A
PRC-017-0	R1.	N/A
PRC-017-0	R2.	N/A
PRC-018-1	R1.	N/A
PRC-018-1	R2.	N/A
PRC-018-1	R3.	N/A
PRC-018-1	R4.	N/A
PRC-018-1	R5.	N/A
PRC-018-1	R6.	N/A
VAR-002-1	R4.	Compliant
VAR-002-1	R5.	Compliant
EOP-007-RFC-01	R5.	N/A

Compliance Culture

As part of the audit, AES Red Oak, L.L.C provided the person responsible and a brief description outlining AES Red Oak, L.L.C's compliance program. AES Red Oak, L.L.C annually reviews the applicability of the reliability standards through their internal compliance program. In the event of a violation, ReliabilityFirst will review additional aspects of AES Red Oak,'s compliance program and culture.

Attachment b

**Settlement Agreement by and between AES
'Tgf 'Qcm'and RFC, executed September 1, 2009**



In re AES RED OAK, LLC)	DOCKET NUMBERS
NERC Registry ID# NCR00665)	RFC200800049
)	RFC200800050
)	RFC200800051
)	RFC200800052

**SETTLEMENT AGREEMENT
OF
RELIABILITYFIRST CORPORATION
AND
AES RED OAK, LLC**

I. INTRODUCTION

1. ReliabilityFirst Corporation (“ReliabilityFirst”) and AES Red Oak, LLC (“AES Red Oak”) enter into this Settlement Agreement (“Agreement”) to resolve all outstanding issues arising from a preliminary and non-public assessment resulting in ReliabilityFirst’s determination and findings, pursuant to the North American Electric Reliability Corporation (“NERC”) Rules of Procedure, of alleged violations by AES Red Oak of the NERC Reliability Standards FAC-008-1, Requirement 1; FAC-009-1, Requirement 1; and PRC-005-1, Requirements 1 and 2.

II. STIPULATION OF FACTS – AES RED OAK AND RELIABILITYFIRST

2. The facts stipulated herein are stipulated solely for the purpose of resolving between AES Red Oak and ReliabilityFirst the matters discussed herein and do not constitute stipulations or admissions for any other purpose. AES Red Oak and ReliabilityFirst hereby stipulate and agree to the following:

A. Background

3. AES Red Oak is a Generator Owner (GO) operating in Sayreville, New Jersey. AES Red Oak, a 3x1 Combined Cycle Gas Turbine Plant, has an installed capacity of 832 MW. AES Red Oak began service in 2002.
4. On June 18, 2007, the start date of the alleged violations, AES Red Oak was registered on the NERC Compliance Registry as a Generator Owner (GO) with the NERC Registry Identification Number of NCR00665, and is, therefore, subject to compliance with FAC-008-1, Requirement 1; FAC-009-1, Requirement 1; and PRC-005-1, Requirements 1 and 2. At the time audit materials were sent

to ReliabilityFirst, AES Red Oak was only registered for the Generator Owner (GO) function. AES Red Oak was registered as a JRO Generator Operator (GOP) with Williams Energy, who sold the Fuel Conversion Agreement to Bear Energy. The audit performed only audited NERC standards applicable to the Generator Owner (GO) function. Currently, AES Red Oak is registered as a JRO Generator Operator (GOP) with TAQA Gen X, LLC.

B. Alleged Violation of FAC-008-1, Requirement 1 - RFC200800049

5. NERC Reliability Standard FAC-008-1, “*Facility Ratings Methodology*,” Requirement 1, states in part, “The Transmission Owner and Generator Owner shall each document its current methodology used for developing Facility Ratings (Facility Ratings Methodology) of its solely and jointly owned Facilities. The methodology shall include...[a] statement that a Facility Rating shall equal the most limiting applicable Equipment Ratings of the individual equipment that comprises that Facility...[t]he method by which the Rating...is determined.
 - R1.2.1. The scope of equipment addressed shall include, but not be limited to, generators, transmission conductors, transformers, relay protective devices, terminal equipment, and series and shunt compensation devices.
 - R.1.2.2. The scope of ratings shall include, at a minimum, both Normal and Emergency Ratings.”
6. From April 2, 2008 to April 4, 2008, AES Red Oak participated in an off-site Compliance Audit including all NERC Reliability Standards applicable to Generator Owners (GO). ReliabilityFirst Compliance Staff found a possible violation of FAC-008-1, Requirement 1, regarding documentation and methodology for developing ratings for its generating facility. Specifically, AES Red Oak’s documentation and methodology for developing ratings for its generating facility was incomplete as it did not include all required equipment. AES Red Oak failed to consider equipment limitations such as transformers, conductors, terminal equipment, and relay protective devices when developing methodology for documenting ratings. In addition, the scope of ratings addressed did not clearly specify normal and emergency ratings
7. ReliabilityFirst Compliance Staff reviewed multiple documents regarding compliance with FAC-008-1, Requirement 1. *Facility Ratings Methodology for AES Red Oak* (dated August 25, 2006, Revision 0, submitted for Compliance Audit, April 2008) defines the methodology in which developing facility ratings as initial performance testing, confirmed by summer capacity testing and voltage support service, including references to PJM Manuals 14D and 21. The *Red Oak Facility Description* (no date, no revision history, submitted for Compliance Audit, April 2008) describes ratings of generators and GSU, but ReliabilityFirst Compliance Staff found that the facility description did not list emergency ratings. The *PJM Net Capability Verification Report* (dated July 28, 2002, no revision

history, submitted for Compliance Audit, April 2008) only lists gross and net generator capability, and the *GPU Commentary & Additional Technical Data Emails* (dated August 8, 2001 and August 15, 2001) only state concerns for possible relay coordination issues. Accordingly, the evidence reviewed was insufficient to establish compliance with NERC Reliability Standard FAC-008-1, Requirement 1 because it did not include information for all equipment required to be included in the methodology.

8. By letter dated June 13, 2008, in response to the initial draft of the Compliance Audit Report, AES Red Oak responded to ReliabilityFirst Compliance Staff (“AES Red Oak Letter”). The AES Red Oak Letter, addressing each of the findings for FAC-008-1, indicated, that the “record reflects that (1) the facility was built to design criteria and tested to validate that the facility met that design criteria (citing Federal Energy Regulatory Commission (“Commission”) Order No. 693 at P 765), (2) limits inherent to the facility are captured by the overall rated capabilities of the facility with individual equipment ratings provided in one line diagrams, and (3) the ratings of the equipment are the same for normal and emergency.
9. ReliabilityFirst alleges that AES Red Oak failed to effectively implement a Facility Ratings Methodology for its facility compliant with the NERC Reliability Standard FAC-008-1, Requirement 1.

C. Alleged Violation of FAC-009-1, Requirement 1 - RFC200800050

10. NERC Reliability Standard FAC-009-1, “*Establish and Communicate Facility Ratings*,” Requirement 1, states, “The Transmission Owner and Generator Owner shall each establish Facility Ratings for its solely and jointly owned Facilities that are consistent with the associated Facility Ratings Methodology.”
11. From April 2, 2008 to April 4, 2008, AES Red Oak participated in an off-site Compliance Audit including all NERC Reliability Standards applicable to Generator Owners (GO). ReliabilityFirst Compliance Staff found a possible violation of FAC-009-1, Requirement 1, Establishment and Communication of Facility Ratings. Specifically, because AES Red Oak did not include the full scope of equipment in its Facility Rating Methodology, compliance to FAC-009-1, Requirement 1 could not be supported.
12. ReliabilityFirst Compliance Staff reviewed the document submitted by AES Red Oak entitled “Establish and Communicate Facilities Ratings for AES Red Oak Related to NERC Standard FAC-009-1” (no date, Revision 0, submitted for Compliance Audit, April 2008). The scope of equipment was incomplete as the methodology did not reference all required equipment. AES Red Oak did not establish ratings consistent with its methodology for transmission conductors, transformers, relay protective devices, terminal equipment, and series and shunt compensation.

13. In response to the initial draft of the Compliance Audit Report, AES Red Oak responded to ReliabilityFirst Compliance Staff with the AES Red Oak Letter. The AES Red Oak Letter, addressing the findings for FAC-009-1, indicated that “[b]ecause the Facility Ratings Methodology is ultimately derived from the requirements of the actual capability (summer/winter, real and reactive, adjusted for ambient conditions), the ratings are by definition consistent with the Facility Rating[s] Methodology. In other terms, capabilities of the facility are so interrelated with the Facility Ratings Methodology that ratings necessarily are consistent with the methodology because the ratings are used in the methodology. And as explained in the discussion of FAC-008-1, R1, ratings of individual equipment are included in the materials and are factored-in beginning with the design criteria and as demonstrated by testing.”
14. ReliabilityFirst alleges that AES Red Oak failed to establish and communicate ratings for equipment compliant with the NERC Reliability Standard FAC-009-1, Requirement 1.

D. Alleged Violation of PRC-005-1, Requirement 1 - RFC200800051

15. NERC Reliability Standard PRC-005-1, “*Transmission and Generation Protection System Maintenance and Testing*,” Requirement 1, states, “Each Transmission Owner and any Distribution Provider that owns a transmission Protection System and each Generator Owner that owns a generation Protection System shall have a Protection System maintenance and testing program for Protection Systems that affect the reliability of the BES. The program shall include:
 - R1.1. Maintenance and testing intervals and their basis.
 - R1.2. Summary of maintenance and testing procedures.”
16. From April 2, 2008, to April 4, 2008, AES Red Oak participated in an off-site Compliance Audit including all NERC Reliability Standards applicable to Generator Owners (GO). ReliabilityFirst Compliance Staff found a possible violation of PRC-005-1, Requirement 1, Transmission and Generation Protection System Maintenance and Testing. Specifically, AES Red Oak failed to have an acceptable Protection System maintenance program.
17. AES Red Oak submitted a document entitled “*System Protection Maintenance and Testing for AES Red Oak Related to NERC Standard PRC-005-1*” (dated November 15, 2007, no revision history, submitted for Compliance Audit, April 2008) which does not clearly define an interval and basis maintenance and testing, other than “as needed” and “regular.” ReliabilityFirst Compliance Staff also reviewed a “System Protection Coordination Procedure” that included major facility equipment but appears to be missing DC circuitry control.

18. In addition to the System Protection document, ReliabilityFirst Compliance Staff found that maintenance and testing intervals for Protection Systems were not addressed, and evidence did not appear to address all components of the Protection System, and there was no evidence provided for basis of testing intervals.
19. In response to the initial draft of the Compliance Audit Report, AES Red Oak responded to ReliabilityFirst Compliance Staff with the AES Red Oak Letter. The AES Red Oak Letter, addressing the findings for PRC-005-1, responded to each of ReliabilityFirst Compliance Staff's statements. With respect to the intervals, AES Red Oak stated that "[w]hile the use of the terms 'as-needed' and 'regular' lack the specificity..., they are specific that maintenance/testing is performed. The use of the terms was intended to capture that the work is performed on an interval basis as well as be broad enough to capture the variability in the maintenance/testing dates and intervals that are applied by Red Oak. This is particularly important because, as discussed below, the intervals could change based on the capacity factor of the facility." Additionally, AES Red Oak pointed with respect to evidence not addressing all components of the Protection System that "Red Oak explained that the Schedule did not include information related to certain equipment identified by RFC [(ReliabilityFirst)] but that the equipment is included in Red Oak's larger CMMS Preventive Maintenance Program and that certain equipment is included in either the uninterruptible power supply system and elsewhere or equipment is part of the metering system and preventative maintenance. Because Red Oak did not receive a request for the schedules related to this equipment in response to Red Oak's offer to provide additional information..., Red Oak thought the matter was resolved until it receive[s] the Draft [Compliance Audit] Report."
20. ReliabilityFirst alleges that AES Red Oak failed to have an acceptable Protection System maintenance program compliant with the NERC Reliability Standard PRC-005-1, Requirement 1.

E. Alleged Violation of PRC-005-1, Requirement 2 - RFC200800052

21. NERC Reliability Standard PRC-005-1, "*Transmission and Generation Protection System Maintenance and Testing*," Requirement 2, states, "Each Transmission Owner and any Distribution Provider that owns a transmission Protection System and each Generator Owner that owns a generation Protection System shall provide documentation of its Protection System maintenance and testing program and the implementation of that program to its Regional Reliability Organization on request (within 30 calendar days). The documentation of the program implementation shall include:

R2.1. Evidence Protection System devices were maintained and tested within the defined intervals.

R2.2. Date each Protection System device was last tested/maintained."

22. From April 2, 2008, to April 4, 2008, AES Red Oak participated in an off-site Compliance Audit including all NERC Reliability Standards applicable to Generator Owners (GO). ReliabilityFirst Compliance Staff found a possible violation of PRC-005-1, Requirement 2, Transmission and Generation Protection System Maintenance and Testing. Specifically, ReliabilityFirst alleges that AES Red Oak failed to provide sufficient evidence that Protection System devices were maintained and tested within the defined intervals.
23. ReliabilityFirst Compliance Staff reviewed the “*System Protection Maintenance and Testing for AES Red Oak Related to NERC Standard PRC-005-1*” (*Id.*) which details when batteries and voltage and current sensing devices will be maintained. The time interval for these programs is not defined except for stating that batteries will be tested on a “regular basis” and voltage and current sensing devices will be maintained on an “as-needed basis.”
24. ReliabilityFirst alleges that AES Red Oak failed to provide sufficient evidence that Protection System devices were maintained and tested as required by NERC Reliability Standard PRC-005-1, Requirement 2.

III. RELIABILITYFIRST AND AES RED OAK’S SEPARATE REPRESENTATIONS

A. Statement of ReliabilityFirst and Summary of Findings as to AES Red Oak

25. ReliabilityFirst considers this Agreement as the resolution of all issues with regards to the above captioned docket numbers and to bind AES Red Oak in the commitment to perform actions hereafter enumerated and listed as conditions for this Agreement.
26. The alleged violation of FAC-008-1, Requirement 1 has a Violation Risk Factor (“VRF”) of “Lower,” consistent with the Violation Risk Factor Matrix from the NERC December 17, 2007 Compliance Filing. The duration of this alleged violation, for purposes of penalty determination, is from June 18, 2007, the date the NERC Reliability Standards became enforceable, to November 14, 2008, the date AES Red Oak submitted an acceptable Mitigation Plan to ReliabilityFirst. Pursuant to rulings of the Commission, such penalties may be applied on a daily basis for the duration of the violation.
27. The alleged violation of FAC-009-1, Requirement 1 has a VRF of “Medium,” consistent with the Violation Risk Factor Matrix from the NERC December 17, 2007 Compliance Filing. The duration of this alleged violation, for purposes of penalty determination, is from June 18, 2007, the date the NERC Reliability Standards became enforceable, to November 14, 2008, the date AES Red Oak submitted an acceptable Mitigation Plan to ReliabilityFirst. Pursuant to rulings of the Commission, such penalties may be applied on a daily basis for the duration of the violation.

28. The alleged violation of PRC-005-1, Requirement 1 has a VRF of “High,” consistent with the Violation Risk Factor Matrix from the NERC December 17, 2007 Compliance Filing. The duration of this alleged violation, for purposes of penalty determination, is from June 18, 2007, the date the NERC Reliability Standards became enforceable, to November 14, 2008, the date AES Red Oak submitted an acceptable Mitigation Plan to ReliabilityFirst. Pursuant to rulings of the Commission, such penalties may be applied on a daily basis for the duration of the violation.
29. The alleged violation of PRC-005-1, Requirement 2 has a VRF of “High,” consistent with the Violation Risk Factor Matrix from the NERC December 17, 2007 Compliance Filing. The duration of this alleged violation, for purposes of penalty determination, is from June 18, 2007, the date the NERC Reliability Standards became enforceable, to November 14, 2008, the date AES Red Oak submitted an acceptable Mitigation Plan to ReliabilityFirst. Pursuant to rulings of the Commission, such penalties may be applied on a daily basis for the duration of the violation.
30. ReliabilityFirst agrees that this Agreement is in the best interest of the parties and in the best interest of Bulk Electric System reliability.

B. Statement of AES Red Oak

31. AES Red Oak neither admits nor denies that the facts set forth and agreed to by the parties for purposes of this Agreement constitute alleged violations of FAC-008-1, Requirement 1, FAC-009-1, Requirement 1, and PRC-005-1, Requirements 1 and 2. Since commercial operation, AES Red Oak’s contractual Unforced Capacity Rating has averaged above 99.4%, making it one of the most reliable facilities in the region, if not the nation. AES Red Oak states that the documentation issues that serve as the basis of the alleged violations reflect the need to refine its written procedures and documentation but do not compromise reliability on the Bulk Electric System. AES Red Oak has not previously been subject to a compliance audit concerning mandatory reliability standards, many of which had only recently come into effect. Necessarily, AES Red Oak was subject to a learning curve with respect to the level of documentation required for the above-identified reliability standards as well as the type of information to be provided to ReliabilityFirst during an off-site audit process. As reflected in publicly available compliance statistics, FAC-008-1, FAC-009-1, and PRC-005-1 are among the reliability standards with which many registered entities have experienced findings of potential non-compliance. AES Red Oak has worked closely with ReliabilityFirst to address the alleged violations by putting in place procedures that more precisely capture ReliabilityFirst’s requirements for compliance with FAC-008, Requirement 1, FAC-009, Requirement 1, and PRC-005, Requirements 1 and 2. Such actions reflect that, consistent with its Compliance Program, AES Red Oak takes compliance with the reliability

standards seriously. AES Red Oak's Compliance Program is subject to a corporate Code of Conduct, which is implemented and administered at the AES Red Oak legal entity level. The overall responsibility for the program is with AES Red Oak's Plant Manager/President and is administered through Team Leaders based on functional responsibility. AES Red Oak's Compliance Program has the support and participation of senior management. AES Red Oak's Plant Manager/President has direct access to AES Red Oak's Board of Directors. In connection with the alleged violations, AES Red Oak has committed to the enhancements to its Compliance Program as discussed below to further strengthen compliance with reliability standards.

32. AES Red Oak has agreed to enter into this Agreement with ReliabilityFirst 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. AES Red Oak agrees that this Agreement is in the best interest of the parties and in the best interest of maintaining a reliable electric infrastructure.

IV. MITIGATING ACTIONS, REMEDIES AND SANCTIONS FOR AES RED OAK

33. On July 2, 2008, AES Red Oak submitted a written request to ReliabilityFirst stating its interest in pursuing settlement discussion with ReliabilityFirst. On July 3, 2008, ReliabilityFirst provided a written response acknowledging AES Red Oak's request and deferring discussions while ReliabilityFirst continued the processing of the Compliance Audit Report. On August 19, 2008, ReliabilityFirst and Outside Counsel for AES Red Oak commenced preliminary discussions. In response to those discussions, Outside Counsel for ReliabilityFirst and Outside Counsel for AES Red Oak engaged in drafting a waiver letter with respect to settlement confidentiality issues in connection with AES Red Oak's Outside Counsel's representation of three AES Red Oak affiliates that were subject to Compliance Audits. On October 1, 2008, Assistant General Counsel for the AES Corporation submitted the waiver letter indicating Outside Counsel would be the contact person for AES Red Oak and its three affiliates that were the subject of enforcement actions within the ReliabilityFirst region, and there would be no issues with confidentiality between the four separate entities. Procedures for settlement discussions were developed by ReliabilityFirst. On December 17, 2008, ReliabilityFirst provided AES Red Oak with a copy of the ReliabilityFirst Guidelines for Settlement Discussions. ReliabilityFirst also provided guidance to AES Red Oak regarding submission of Mitigation Plans during the settlement process.
34. On November 14, 2008, AES Red Oak submitted to ReliabilityFirst four separate Mitigation Plans to address the possible [alleged] violations set forth in the Compliance Audit Report. AES Red Oak submitted Mitigation Plans for FAC-008-1, Requirement 1 (NERC Mitigation Plan ID# MIT-08-1236), for FAC-009-1, Requirement 1 (NERC Mitigation Plan ID# MIT-08-1237), and for PRC-005-1,

Requirements 1 and 2 (NERC Mitigation Plan ID# MIT-08-1238). After a phone call between AES Red Oak Staff and ReliabilityFirst Compliance Staff, AES Red Oak amended its Mitigation Plans and submitted the amended Mitigation Plans on December 15, 2008, which were accepted by ReliabilityFirst on December 17, 2008. On December 17, 2008, ReliabilityFirst submitted the Mitigation Plans to NERC. On January 9, 2009, NERC approved the amended Mitigation Plans and submitted the amended Mitigation Plans to the Commission as confidential, non-public information. On March 5, 2009, AES Red Oak submitted to ReliabilityFirst Certifications of Mitigation Plan Completion for FAC-008-1, Requirement 1, FAC-009, Requirement 1, and PRC-005-1, Requirements 1 and 2.

35. In the Mitigation Plan for FAC-008-1, Requirement 1, NERC Mitigation Plan ID# MIT-09-1236, AES Red Oak outlined the actions taken to mitigate the alleged violation. AES Red Oak stated that it (i) developed a list which included all affected equipment, (ii) obtained the design rating information for all affected equipment, and (iii) reviewed equipment rating information to determine the most limiting piece of equipment, inclusive of reviewing normal and emergency ratings, equipment manufacturer ratings, design criteria, ambient conditions, operating limitations and other assumptions.
36. In addition to the immediate actions undertaken by AES Red Oak, the Mitigation Plan also provided an additional Key Milestone Activity completed by AES Red Oak in order to ensure compliance to NERC Reliability Standard FAC-008-1, Requirement 1:
 - a. To the extent necessary, revise draft procedure based on RFC review and resubmit to RFC for review. (By December 29, 2008)
37. ReliabilityFirst reviewed the evidence AES Red Oak submitted in support of its certification of completion of the Mitigation Plan. ReliabilityFirst performed an audit-like review to verify that all actions specified in the Mitigation Plan were successfully completed. On July 10, 2009, ReliabilityFirst verified that the Mitigation Plan was completed in accordance with its terms (*see* Attachment A, “Summary and Review of Evidence of Mitigation Plan Completion, FAC-008-1”).
38. In the Mitigation Plan for FAC-009-1, Requirement 1, NERC Mitigation Plan ID#MIT-08-1237, AES Red Oak outlined the actions taken to mitigate the alleged violation. AES Red Oak stated, that it (i) created a work plan to satisfy the requirements contemplated in the standard and to address the ReliabilityFirst Audit Finding, (ii) developed a list, which included all equipment identified in its revised Facility Methodology under FAC-008-1, (iii) obtained the design rating information for all affected equipment, and (iv) reviewed equipment rating information to determine the most limiting piece of equipment, inclusive of reviewing normal and emergency ratings, equipment manufacturer ratings, design criteria, ambient conditions, operating limitations and other assumptions.

39. In addition to the immediate actions undertaken by AES Red Oak, the Mitigation Plan also provided a list of four additional Key Milestone Activities completed by AES Red Oak:
 - a. Analyze affected equipment for most limiting factor. (Completed October 2008)
 - b. Establish and Communicate Facility Ratings. (Completed October 2008)
 - c. Complete FAC-009[-1] Procedure Revisions. (Completed October 2008)
 - d. To the extent necessary, revise draft procedure based on RFC review and resubmit to RFC for review. (Completed December 2008)
40. ReliabilityFirst reviewed the evidence AES Red Oak submitted in support of its certification of completion of the Mitigation Plan. ReliabilityFirst performed an audit-like review to verify that all actions specified in the Mitigation Plan were successfully completed. On July 10, 2009, ReliabilityFirst verified that the Mitigation Plan was completed in accordance with its terms (*see* Attachment A, “Summary and Review of Evidence of Mitigation Plan Completion, FAC-009-1”).
41. In the Mitigation Plan for PRC-005-1, Requirement 1, NERC Mitigation Plan ID# MIT-08-1238, AES Red Oak outlined the immediate actions taken to mitigate the alleged violation. Under Section D.1, AES Red Oak stated that AES Red Oak reviewed the PRC-005-1 Standard and its requirements, and further stated that it created a work plan to satisfy the requirements contemplated in the standard and to address the ReliabilityFirst Audit Findings.
42. ReliabilityFirst reviewed the draft procedure AES Red Oak submitted in support of its certification of completion of the Mitigation Plan. ReliabilityFirst performed an audit-like review to verify that all actions specified in the Mitigation Plan were successfully completed. On July 10, 2009, ReliabilityFirst verified that the Mitigation Plan was completed in accordance with its terms (*see* Attachment A, “Summary and Review of Evidence of Mitigation Plan Completion, PRC-005-1”).
43. In the Mitigation Plan for PRC-005-1, Requirement 2, NERC Mitigation Plan ID# MIT-08-1238, AES Red Oak outlined the actions taken to mitigate the alleged violation. Under Section D.1, AES Red Oak stated that it (i) reviewed the PRC-005-1 Standard and its requirements and (ii) created a work plan to satisfy the requirements contemplated in the standard and to address the ReliabilityFirst Audit Findings.
44. ReliabilityFirst reviewed the evidence AES Red Oak submitted in support of its certification of completion of the Mitigation Plan. ReliabilityFirst performed an audit-like review to verify that all actions specified in the Mitigation Plan were

successfully completed. On July 10, 2009, ReliabilityFirst verified that the Mitigation Plan was completed in accordance with its terms (see Attachment A, “Summary and Review of Evidence of Mitigation Plan Completion, PRC-005-1”).

45. For purposes of settling any and all disputes arising from ReliabilityFirst’s investigation into the matters discovered by ReliabilityFirst auditors during the Compliance Audit of April 2-4, 2008, ReliabilityFirst and AES Red Oak agree that for the period of September 1, 2009 through August 31, 2010, AES Red Oak shall take the actions set forth in Attachment B with respect to the development and implementation of the “Compliance Program Enhancement” for AES Red Oak to supplement the AES Ethics and Compliance program. AES Red Oak and ReliabilityFirst further agree that any auditing by ReliabilityFirst of actions or expenditures covered by this Agreement shall take place within six (6) months of the latest of the actual completion dates of the actions listed in the table below. AES Red Oak and ReliabilityFirst also agree that AES Red Oak has taken or shall take the following actions:

Activity	Dates to be completed
i. Implement On-line Repository for Program Documentation	Sept. 30, 2009
ii. Initiate On-line Training	Mar 30, 2010
iii. Initiate General Awareness Training	Mar. 30, 2010
iv. Define Internal Audit Team	Jun. 30, 2010
v. Complete Internal Audit	Aug 31, 2010
vi. Quarterly Reports	Dec. 31, 2009/Mar. 31, 2010/June 30, 2010/Sept. 30, 2010

46. It is understood that ReliabilityFirst shall audit the progress of any remedies of this Agreement through a site inspection, interviews, and/or request other documentation to validate progress of any remedies of this Agreement. ReliabilityFirst shall reasonably coordinate audits and information requests with AES Red Oak related to this Agreement. In order to facilitate ReliabilityFirst’s need to communicate the status and provide accountability to NERC, AES Red Oak will provide status updates quarterly. AES Red Oak will submit these status updates to ReliabilityFirst in accordance with the confidentiality provisions of Section 1500 of the NERC Rules of Procedure and on the form set forth in Attachment C.
47. AES Red Oak has completed and ReliabilityFirst has verified completion of all actions necessary to mitigate the alleged violations and achieve compliance. AES Red Oak may be subject to future compliance audits, spot checks, or mandatory status updates in order to facilitate ReliabilityFirst’s need to communicate the status and provide accountability to NERC.

48. The estimated costs to AES Red Oak to implement the agreed to actions in this Section IV are approximately \$177,500. ReliabilityFirst may request and review financial records to validate actual expenditures with estimates in this Agreement. Actual expenditures may deviate from the approximated costs above, but to the extent there is a reduction in expenditures that adversely impacts implementation of the Compliance Program Enhancement such reduction should be documented and explained
49. Based on the above actions taken or to be taken by AES Red Oak, AES Red Oak shall pay \$15,000 to ReliabilityFirst. However, if AES fails to complete the actions described above, ReliabilityFirst reserves the right to assess and collect a monetary penalty, to impose a sanction or otherwise to impose enforcement actions. AES Red Oak shall retain all rights to defend against such additional enforcement actions in accordance with NERC Rules of Procedure. ReliabilityFirst shall present an invoice to AES Red Oak within twenty days after the Agreement is either approved by the Commission or by operation of law, and ReliabilityFirst shall notify the NERC if the payment is not received.
50. 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 Agreement, shall be deemed to be either the same possible violations that initiated this Settlement and/or additional violation(s) and may subject AES Red Oak to new or additional enforcement, penalty or sanction actions in accordance with the NERC Rules of Procedure. AES Red Oak shall retain all rights to defend against such additional enforcement actions in accordance with NERC Rules of Procedure.
51. If AES Red Oak does not make the monetary penalty payment above at the times agreed by the parties, interest payable to ReliabilityFirst will begin to accrue pursuant to the Commission's regulations at 18 C.F.R. § 35.19(a)(2)(iii) from the date that payment is due, in addition to the penalty specified above.
52. The terms and conditions of the Agreement are consistent with the regulations and orders of the Commission, as well as with the NERC Rules of Procedure.

V. ADDITIONAL TERMS

53. The signatories to this Agreement agree that they enter into this 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 ReliabilityFirst or AES Red Oak has been made to induce the signatories or any other party to enter into this Agreement.
54. ReliabilityFirst 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 possible violations or under other, similar circumstances. Based on this review, NERC will either

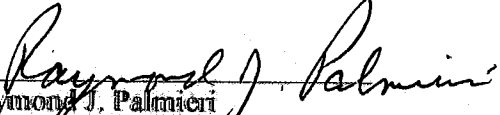
approve the settlement or reject the settlement and notify ReliabilityFirst and AES Red Oak of changes to the settlement that would result in approval. If NERC rejects the settlement, NERC will provide specific written reasons for such rejection and ReliabilityFirst will attempt to negotiate a revised settlement agreement with AES Red Oak 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 the alleged violations and the terms provided for in the settlement.

55. This Agreement shall become effective upon the Commission's approval of this Agreement by order or operation of law as submitted to it or as modified in a manner acceptable to the parties.
56. AES Red Oak agrees that this Agreement, when approved by NERC and the Commission, shall represent a final settlement of all matters set forth herein and AES Red Oak waives its right to further hearings and appeal, unless and only to the extent that AES Red Oak contends that any NERC or Commission action on this Agreement contains one or more material modifications to this Agreement.
57. ReliabilityFirst reserves all rights to initiate enforcement, penalty or sanction actions against AES Red Oak in accordance with the NERC Rules of Procedure in the event that AES Red Oak fails to comply with the mitigation plan and compliance program agreed to in this Agreement. In the event AES Red fails to comply with any of the stipulations, remedies, sanctions or additional terms, as set forth in this Agreement, ReliabilityFirst will initiate enforcement, penalty, or sanction actions against AES Red Oak to the maximum extent allowed by the NERC Rules of Procedure, up to the maximum statutorily allowed penalty. AES Red Oak shall retain all rights to defend against such enforcement actions, also according to the NERC Rules of Procedure.
58. AES Red Oak consents to the use of ReliabilityFirst's determinations, findings, and conclusions set forth in this Agreement for the purpose of assessing the factors, including the factor of determining the AES Red Oak's history of violations, that are set forth in the May 15, 2008 Revised Policy Statement on Enforcement,¹ or that may be set forth in any successor policy statement or order. Such use may be in any enforcement action or compliance proceeding under taken by ReliabilityFirst, provided, however, that AES Red Oak does not consent to the use of the specific acts set forth in this Agreement as the sole basis for any other action or proceeding brought by ReliabilityFirst, nor does AES Red Oak consent to the use of this Agreement by any other party in any other action or proceeding.


¹ *Revised Policy Statement on Enforcement*, 123 FERC ¶ 61,221 (2008)

59. 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 this Agreement on the entity's behalf.
60. The undersigned representative of each party affirms that he or she has read this Agreement, that all of the matters set forth in this Agreement are true and correct to the best of his or her knowledge, information and belief, and that he or she understands that this 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 Agreement.
61. This Agreement may be signed in counterparts.
62. This Agreement is executed in duplicate, each of which so executed shall be deemed to be an original.

Agreed to and accepted:

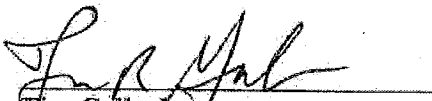

Raymond J. Palmieri
Vice President and Director of Compliance
ReliabilityFirst Corporation

11/6/09
Date


A. W. Bergeron
Plant Manager
AES Red Oak, LLC

01-SEP-09
Date

Approved by:


Jim Gallagher
President
ReliabilityFirst Corporation

8/28/09
Date

Attachment A

Summary and Review of Evidence of Mitigation Plan Completion

(FAC-008-1, R1, dated July 10, 2009)

(FAC-009-1, R1, dated July 10, 2009)

(PRC-005-1, R1-R2, dated July 10, 2009)



July 10, 2009

Summary and Review of Evidence of Mitigation Plan Completion

NERC Violation ID #:	RFC20080049
NERC Plan ID:	MIT-08-1236
Registered Entity:	AES Red Oak, LLC
NERC Registry ID:	NCR00665
Standard:	FAC-008-1
Requirement:	R1
Status:	Complete

Review Process:

During the off-site compliance audit of AES Red Oak LLC conducted April 2-4, 2008, it was discovered that AES Red Oak LLC was not compliant with FAC-008-1 R1. Overall evidence indicated that the methodologies used for developing facility ratings were only based on generator capability testing and voltage support service. Other equipment limitations such as transformers, conductors, terminal equipment and relay protection devices did not appear to be considered. Evidence did not provide normal ratings for full scope of required equipment such as conductors and relay protective devices. Evidence did not provide emergency ratings for full scope of required equipment such as the generator, conductors, transformers, relay protective devices and terminal equipment.

AES Red Oak, LLC developed a Mitigation Plan for FAC-008-1 R1 dated November 14, 2008 (amended December 15, 2008) to address the above referenced violation. This Mitigation Plan was subsequently approved by ReliabilityFirst and NERC (MIT-08-1236).

AES Red Oak, LLC certified via E-mail dated March 5, 2009 that this Mitigation Plan for FAC-008-1 R1 has been completed. ReliabilityFirst requested and received evidence of completion for actions taken by AES Red Oak, LLC as specified in the Mitigation Plan. ReliabilityFirst performed an in-depth review and analysis of the information provided to verify that all actions specified in the Mitigation Plan were successfully completed.

FAC-008-1, R1 states:

***R1.** The Transmission Owner and Generator Owner shall each document its current methodology used for developing Facility Ratings (Facility Ratings Methodology) of its solely and jointly owned Facilities. The methodology shall include all of the following:*

Summary and Review of Evidence of Mitigation Plan Completion
AES Red Oak, LLC
July 10, 2009
Page 2 of 2

***R1.1.** A statement that a Facility Rating shall equal the most limiting applicable Equipment Rating of the individual equipment that comprises that Facility.*

***R1.2.** The method by which the Rating (of major BES equipment that comprises a Facility) is determined.*

***R1.2.1.** The scope of equipment addressed shall include, but not be limited to, generators, transmission conductors, transformers, relay protective devices, terminal equipment, and series and shunt compensation devices.*

***R1.2.2.** The scope of Ratings addressed shall include, as a minimum, both Normal and Emergency Ratings.*

***R1.3.** Consideration of the following:*

***R1.3.1.** Ratings provided by equipment manufacturers.*

***R1.3.2.** Design criteria (e.g., including applicable references to industry Rating practices such as manufacturer's warranty, IEEE, ANSI or other standards).*

***R1.3.3.** Ambient conditions.*

***R1.3.4.** Operating limitations.*

***R1.3.5.** Other assumptions.*

Evidence Submitted:

R1: Facility Ratings Methodology for AES Red Oak LLC, Revision No. 1 - November 14, 2008

This document satisfactorily details their facility rating methodology in accordance with FAC-008-1 R1 for Generators, Generator Step-up (GSU) Transformers, and all Terminal Equipment. The methodology is based on the equipment manufacturers' manuals and the engineering design data books. The methodology includes consideration for equipment design criteria, manufacturers' ratings, ambient conditions, operating limitations, and other assumptions. The document includes the required statement from R1.1 that the facility rating shall equal the most limiting applicable equipment rating of the individual equipment that comprises that facility.

Status: Complete

Summary and Review of Evidence of Mitigation Plan Completion
AES Red Oak, LLC
July 10, 2009
Page 3 of 3

Review Results:

ReliabilityFirst Corporation reviewed the evidence AES Red Oak, LLC submitted in support of its Certification of Completion. On July 10, 2009 ReliabilityFirst verified that the Mitigation Plan was completed in accordance with their terms and has therefore deemed AES Red Oak, LLC compliant to the aforementioned NERC Reliability Standard.

Respectfully Submitted,

A handwritten signature in black ink, appearing to read "Robert K. Wargo", with a long horizontal flourish extending to the right.

Robert K. Wargo
Manager of Compliance Enforcement
ReliabilityFirst Corporation



July 10, 2009

Summary and Review of Evidence of Mitigation Plan Completion

NERC Violation ID #:	RFC20080050
NERC Plan ID:	MIT-08-1237
Registered Entity;	AES Red Oak, LLC
NERC Registry ID:	NCR00665
Standard:	FAC-009-1
Requirement:	R1
Status:	Complete

Review Process:

During the off-site compliance audit of AES Red Oak LLC conducted April 2-4, 2008, it was discovered that AES Red Oak LLC was not compliant with FAC-009-1 R1. Since the full scope of required equipment was not addressed in FAC-008-1 R1, compliance to this requirement could not be supported. The scope of equipment did not include transmission conductors, transformers, relay protective devices, terminal equipment, and series and shunt compensation.

AES Red Oak, LLC developed a Mitigation Plan for FAC-009-1 R1 dated November 14, 2008 (amended December 15, 2008) to address the above referenced violation. This Mitigation Plan was subsequently approved by ReliabilityFirst and NERC (MIT-08-1237).

AES Red Oak, LLC certified via E-mail dated March 5, 2009 that this Mitigation Plan for FAC-009-1 R1 has been completed. ReliabilityFirst requested and received evidence of completion for actions taken by AES Red Oak, LLC as specified in the Mitigation Plan. ReliabilityFirst performed an audit-like review to verify that all actions specified in the Mitigation Plan were successfully completed. As a result, a conference call was held on July 1, 2009, and ReliabilityFirst requested AES Red Oak LLC to include ratings for conductors in the switchyard. This information was provided via E-mail on July 3, 2009.

FAC-009-1, R1 states:

R1. The Transmission Owner and Generator Owner shall each establish Facility Ratings for its solely and jointly owned Facilities that are consistent with the associated Facility Ratings Methodology.

Evidence Submitted:

R1: Establish and Communicate Facility Ratings for AES Red Oak LLC, Revision No. 2 - November 14, 2008

Summary and Review of Evidence of Mitigation Plan Completion

AES Red Oak, LLC

July 10, 2009

Page 2 of 2

This document satisfactorily details their establishment of facility ratings in accordance with FAC-009-1 R1 based on their approved facility rating methodology from FAC-008-1 R1. The ratings include consideration for equipment design criteria, manufacturers' ratings, ambient conditions, operating limitations, and other assumptions. The final result is that the facility rating equals the most limiting applicable equipment rating of the individual equipment that comprises the facility. The "Attachment A" to this document provides their ratings for all the appropriate equipment associated with their facility.

Status: Complete

Review Results:

ReliabilityFirst Corporation reviewed the evidence AES Red Oak, LLC submitted in support of its Certification of Completion. On July 10, 2009 ReliabilityFirst verified that the Mitigation Plan was completed in accordance with their terms and has therefore deemed AES Red Oak, LLC compliant to the aforementioned NERC Reliability Standard.

Respectfully Submitted,



Robert K. Wargo
Manager of Compliance Enforcement
ReliabilityFirst Corporation

July 10, 2009

Summary and Review of Evidence of Mitigation Plan Completion

NERC Violation ID #:	RFC20080051
	RFC20080052
NERC Plan ID:	MIT-08-1238
Registered Entity;	AES Red Oak, LLC
NERC Registry ID:	NCR00665
Standard:	PRC-005-1
Requirements:	R1, R2
Status:	Complete

Review Process:

During the off-site compliance audit of AES Red Oak LLC conducted April 2-4, 2008, it was discovered that AES Red Oak LLC was not compliant with PRC-005-1 R1 and R2. Overall evidence did not clearly define the maintenance and testing interval described under “as-needed” for voltage and current sensing devices, and “regular” for battery systems. Maintenance & testing intervals for some Protection System equipment were not addressed. Evidence did not appear to address all components of the Protection System such as DC control circuitry and communication systems. No evidence was provided for basis of testing intervals.

AES Red Oak, LLC developed a Mitigation Plan for PRC-005-1 R1 and R2 dated November 14, 2008 (amended December 15, 2008) to address the above referenced violation. This Mitigation Plan was subsequently approved by ReliabilityFirst and NERC (MIT-08-1238).

AES Red Oak, LLC certified via E-mail dated March 5, 2009 that this Mitigation Plan for PRC-005-1 R1 and R2 has been completed. ReliabilityFirst requested and received evidence of completion for actions taken by AES Red Oak, LLC as specified in the Mitigation Plan. ReliabilityFirst performed an in-depth review and analysis of the information provided to verify that all actions specified in the Mitigation Plan were successfully completed.

PRC-005-1, R1 states:

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

***R1.1.** Maintenance and testing intervals and their basis.*

Summary and Review of Evidence of Mitigation Plan Completion
AES Red Oak, LLC
July 10, 2009
Page 2 of 2

R1.2. Summary of maintenance and testing procedures.

Evidence Submitted:

R1: Protection System Maintenance & Testing Program for AES Red Oak, Revision 1 - November 14, 2008

This document satisfactorily details their maintenance and testing program in accordance with PRC-005-1 R1 for their protection systems that affect the reliability of the Bulk Electric System. The equipment covered includes electromechanical and solid-state relays, microprocessor-based relays, communication systems, voltage and current sensing devices, station batteries and chargers, and DC control circuitry. The document also includes guidelines for scheduled intervals, required documentation, and data retention periods.

Status: Complete

PRC-005-1, R2 states:

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

R2.1. Evidence Protection System devices were maintained and tested within the defined intervals.

R2.2. Date each Protection System device was last tested/maintained.

Evidence Submitted:

R2: Protection System Maintenance & Testing Program for AES Red Oak, Revision 1 - November 14, 2008

The attachment to this document satisfactorily details their protection system equipment, the required testing interval, and the date last tested in accordance with PRC-005-1 R2. The equipment covered includes electromechanical and solid-state relays, microprocessor-based relays, communication systems, voltage and current sensing devices, station batteries and chargers, and DC control circuitry. All test dates were within the required testing interval.

Status: Complete

Review Results:

Summary and Review of Evidence of Mitigation Plan Completion

AES Red Oak, LLC

July 10, 2009

Page 3 of 3

Reliability*First* Corporation reviewed the evidence AES Red Oak, LLC submitted in support of its Certification of Completion. On July 10, 2009 Reliability*First* verified that the Mitigation Plan was completed in accordance with their terms and has therefore deemed AES Red Oak, LLC compliant to the aforementioned NERC Reliability Standard.

Respectfully Submitted,

A handwritten signature in black ink, appearing to read "Robert K. Wargo". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Robert K. Wargo
Manager of Compliance Enforcement
Reliability*First* Corporation

Attachment B

Compliance Program Enhancement

COMPLIANCE PROGRAM ENHANCEMENT

1. Program Documentation

To enhance compliance with applicable NERC and RFC reliability standards, the AES Red Oak, LLC proposes to utilize a web-based document control system (DCS) for records management. The DCS provides for the following key attributes:

- i. Maintain the master copy of each AES RFC Businesses' reliability compliance materials on-line for all four regional businesses to access and review;
- ii. Allow for easy access of each reliability standards as well as provide a reliable source for tracking changes with the reliability standards;
- iii. Establish an area to post questions, a common calendar to list all up and coming events related to reliability as well as blogs to share and disseminate information; and
- iv. Links to reliability-related websites, including NERC and RFC, and additional resources.

The use of the DCS will improve compliance by creating a single repository of all documentation in support of compliance with applicable NERC and regional reliability standards, as well as increase access to the documentation for the AES RFC Businesses. This will improve the ability of operating personnel and support staff to locate and identify proper operating procedures and data, determine the origin of documents, the level of approval, and whether a document is the latest, most up to date version. Additionally, the DCS will result in increased knowledge of what documents exist and where, improved availability and security of critical documents, improved capture, preservation, and sharing of information and knowledge, enhanced accountability, increased awareness of NERC and RFC reliability standards, and increased responsiveness to audit requests. Document indexing and cross referencing will also provide an additional level of document management.

Further, the DCS provides a forum for exchanging information among AES Beaver Valley, LLC, AES Ironwood LLC, AES Red Oak, LLC and AES Warrior Run, LLC (collectively the "AES RFC Businesses") an area for monitoring ongoing NERC and RFC activities, including upcoming events, as well the establishment of web-links to reliability-related websites and resources.

2. Program Dissemination and General Awareness Training

AES Red Oak currently has a NERC compliance program in place at the business unit level, which is designed to ensure that required compliance practices are in place. The program includes self-assessment and enforcement of internal controls to prevent violations and reoccurrence of all inadvertent violations. In addition, the program includes staff training on the applicable NERC standards, development of procedures, and includes attendance in RFC and NERC related workshops.

a. Consultant

To enhance compliance with applicable NERC and RFC reliability standards, AES Red Oak proposes to collectively use an outside reliability consultant to provide key support in the areas of documentation, technical support, and training.

In the areas of documentation and technical support, the consultant will:

- i. Review overall compliance documentation with the AES RFC Businesses;
- ii. Provide technical support throughout the year should any specific questions or concerns arise; and
- iii. Conduct a review of all applicable reliability standards with the AES RFC Businesses to ensure new or revised reliability standards are incorporated into their compliance programs.

In the area of training, the consultant will offer on-line training to help ensure that individual employees understand the standards with which they must comply. The on-line training will be conducted using a web-based portal. The use of an on-line training program will (i) enable plant personnel to complete the training modules on their own schedule, (ii) provide a detailed analysis of each individual's score, which will allow AES Red Oak to determine where there may be a need for additional training, and (iii) provide a record of which programs have been completed and when, facilitating the monitoring and completion of training modules.

b. General Awareness Training

A General Awareness Training program will also be developed that draws on existing training programs, but also focuses on a corporate culture of compliance and places an emphasis on continual communication between employees and management about compliance issues and questions that may arise in the compliance context. When complete, the Compliance Program and its components will be communicated to all affected employees through the General Awareness Training. The program will consist of dissemination of the Compliance Program documents to affected employees. This process will also be incorporated into the orientation procedure for new employees impacted by the Compliance Program. A representative from AES Corporation will be available for questions regarding the Compliance Program during the seminars, and ongoing to ensure the program comprehension by all employees. Upper level management representatives will also provide routine communications to employees as appropriate to indicate high-level support for this program. The training portion of the program will consist of the following:

- i. An initial training seminar for AES Red Oak that will (i) review all of the required program details, (ii) educate personnel on the purpose of system reliability standards, and (iii) administer a general knowledge test to gauge information retention; and
- ii. Annual training seminars for AES Red Oak that will (i) review all of the required program details, (ii) provide continuing education to the personnel on the purpose of system reliability standards, (iii) undertake a general knowledge test to gauge information retention; and (iv) identify additional ways to enhance the program.

3. Formal, Internal Self-Auditing for Compliance with Applicable Reliability Standards

For the most part, AES Red Oak does not have internal audit programs. To enhance compliance

with applicable NERC and RFC reliability standards, AES Red Oak proposes to collectively use an outside reliability consultant to conduct internal audits. The audits will be used to ensure compliance with the applicable reliability standards while verifying that the appropriate level of knowledge for reliability compliance is met. The consultant will also be used to train on the proper techniques for conducting audits.

Because reliability standards are constantly evolving and interpretation of the standards can also change, it is important to have an internal audit program formed by personnel that will closely monitor the standards. Due to the sheer number of reliability standards and requirements, there are efficiencies to be gained by the AES RFC Businesses doing this together instead of individually. Under the proposed formal internal audit program, a manager will perform administrative duties for the program while an executive sponsor committee (vice president level and above) and a steering committee will provide direction to the team leads and program sponsorship. Personnel will be assigned responsibilities for each of the applicable NERC and Regional reliability standards. Specifically, the plan takes each applicable standard and identifies a primary team lead responsibility. The applicable reliability standards will be closely monitored throughout the year. These teams will be able to monitor how each standard is interpreted by RFC, NERC, and FERC and provide required revisions to procedures and compliance. Annually, personnel from one or more of the AES RFC Businesses will conduct internal audits of selected NERC and RFC reliability standards to verify ongoing and continuous compliance with standards applicable to the AES RFC Businesses.

To facilitate the self-auditing and other programs, the AES RFC Businesses plan on using resources from each of the AES RFC Businesses as well as representatives from corporate offices. This is expected to not only increase overall coordination across the businesses, but also aid management in consistently implementing the culture of compliance. Employees involved with the implementation of programs will also work closely with RFC (and NERC where appropriate) to ensure there is a high level of information shared with the AES RFC Businesses as well as attend the various workshops regularly to keep up with up and coming issues.

Attachment C

Reliability*First* Corporation
Settlement Activity Reporting Form

[reproduce on Registered Entity Letterhead]

ReliabilityFirst Corporation Settlement Activity Reporting Form

Date:

To: [Redacted],
[Title], Compliance Enforcement

As per the settlement agreement dated [XXX] between [REGISTERED ENTITY] and ReliabilityFirst Corporation, [REGISTERED ENTITY] agreed to provide semi-annual updates to ReliabilityFirst Corporation regarding the settlement activities agreed upon in the settlement.

[REGISTERED ENTITY] is submitting these status updates to ReliabilityFirst Corporation in accordance with the confidentiality provisions of Section 1500 of the NERC Rules of Procedure.

[REGISTERED ENTITY] provides the following updates regarding the activities in the settlement.

Activity	Dates completed
i.	
ii.	
iii.	
iv.	
v.	

I certify the above update(s) provided by [REGISTERED ENTITY] is being provided with the expectation of meeting the completion dates agreed to in the settlement agreement.

Authorized Signature: _____

Attachment D

Mitigation Plans

(MIT-08-1236, MIT-08-1237, MIT-08-1238)

(FAC-008-1, R1, dated November 14, 2008)

(FAC-009-1, R1, dated November 14, 2008)

(PRC-005-1, R1-R2, dated November 14, 2008)



Mitigation Plan Submittal Form

Date this Mitigation Plan is being submitted: November 14, 2008

Section A: Compliance Notices & Mitigation Plan Requirements

- A.1 Notices and requirements applicable to Mitigation Plans and this Submittal Form are set forth in "Attachment A - Compliance Notices & Mitigation Plan Requirements."
- A.2 This form must be used to submit required Mitigation Plans for review and acceptance by ReliabilityFirst and approval by NERC.
- A.3 I have reviewed Attachment A and understand that this Mitigation Plan Submittal Form will not be accepted unless this box is checked.

Section B: Registered Entity Information

- B.1 Identify your organization.

Company Name: AES Red Oak, LLC
Company Address: 832 Red Oak Lane, Sayreville, NJ
NERC Compliance Registry ID: NCR00665

- B.2 Identify the individual in your organization who will be the Entity Contact regarding this Mitigation Plan.

Name: David Carroll
Title: Asst Plant Manager
Email: dave.carroll@aes.com
Phone: 732-238-1462 x105



**Section C: Identification of Alleged or Confirmed Violation(s)
Associated with this Mitigation Plan**

C.1 This Mitigation Plan is associated with the following Alleged or Confirmed violation(s) of the reliability standard listed below.

NERC Violation ID #	Reliability Standard	Requirement Number	Violation Risk Factor	Alleged or Confirmed Violation Date ^(*)	Method of Detection (e.g., Audit, Self-report, Investigation)
RFC200800049	FAC-008-1	R1	Lower	4/4/2008	Compliance Audit

(*) Note: The Alleged or Confirmed Violation Date shall be expressly specified by the Registered Entity, and subject to modification by ReliabilityFirst, as: (i) the date the Alleged or Confirmed violation occurred; (ii) the date that the Alleged or Confirmed violation was self-reported; or (iii) the date that the Alleged or Confirmed violation has been deemed to have occurred on by ReliabilityFirst. Questions regarding the date to use should be directed to the ReliabilityFirst contact identified in Section G of this form.

C.2 Identify the cause of the Alleged or Confirmed violation(s) identified above. Additional detailed information may be provided as an attachment.

The potential violation identified in the Compliance Audit Report is as follows:

AES Red Oak L.L.C. summary of submitted evidence: (1) Facility Ratings Methodology for AES Red Oak Procedure defines methodology for developing facility ratings as initial performance testing, confirmed by summer capacity testing and voltage support service. References include PJM Manuals 14D and 21. (2) Red Oak Facility Description describes ratings of generators and GSU, but does not list emergency ratings. (3) PJM Net Capability Verification Report only lists gross and net generator capability. (4) Red Oak Performance Test Data Summary lists data from two test runs with no limitations described. (5) Attachment 'E', PJM Generator Reactive Capability Testing lists MW/MVAR values and states that the facility is limited by internal bus voltages supply aux loads. (6) PJM Manual 21, Rules & Procedures for Determination of Generating Capability only describes conditions for net capability testing. (7) GPU Commentary & Additional Technical Data Emails only state concerns for possible relay coordination issues. (8) CT Curves for GPU Breakers at AES Red Oak Substation do not illustrate any rating issues or concerns. (9) Alstom 230 kV Circuit Breaker, GSU & UAT Technical Data consists of factory and acceptance testing information. Overall evidence indicates that methodologies used for developing facility ratings is only based on generator



capability testing and voltage support service. Other equipment limitations such as transformers, conductors, terminal equipment and relay protection devices do not appear to be considered. Evidence does not provide normal ratings for full scope of required equipment such as conductors and relay protective devices. Evidence does not provide emergency ratings for full scope of required equipment such as the generator, conductors, transformers, relay protective devices and terminal equipment

Note: If a formal root cause analysis evaluation was performed, submit a copy of the summary report.

- C.3 Provide any additional relevant information regarding the Alleged or Confirmed violations associated with this Mitigation Plan. Additional detailed information may be provided as an attachment.

AES Red Oak has provided written comments in response to the Compliance Audit dated June 13, 2008, questioning findings included therein. Those comments are attached, **Re. AES Red Oak, LLC, NERC ID#00665, Draft Audit Compliance Report, by A.W. Bergeron, to Don Urban, dated June 13, 2008.**

In addition, AES Red Oak has revised its FAC-008-1 Procedure in the manner contemplated in the standard.

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 Alleged or Confirmed violations identified above in Part C.1 of this form. Additional detailed information may be provided as an attachment.

Action Plan: Reformat and Revise Procedures in relation to FAC-008-1 Standard to ensure compliance.

Actions Taken:

1. Reviewed RFC Audit Findings reproduced in Section C.2, above.
2. Reviewed FAC-008-1 Standard and its requirements.
3. Created work plan, envisioning the requirements contemplated in the standard and addressing the RFC Audit Findings reproduced in Section C.2, above, as reflected in Section D - Table 1, below.
4. Developed Affected Equipment List, including generators, transmission conductors, transformers, protective relays, terminal equipment, and compensation devices.
5. Obtained affected equipment design rating information.



- 6. Reviewed Equipment rating information to determine most limiting piece of equipment, inclusive of reviewing normal and emergency ratings, equipment manufacturer ratings, design criteria, ambient conditions, operating limitations and other assumptions.
- 7. Draft procedure documenting Facility Rating Methodology for submittal and review by RFC.
- 8. To the extent necessary, revise draft procedure based on RFC review and resubmit to RFC for review.

FAC-008: Revise Facility Ratings Methodology procedure in manner consistent with Standard.

Mitigation Plan Timeline and Milestones

D.2 Provide the date by which full implementation of the Mitigation Plan will be, or has been, completed with respect to the Alleged or Confirmed violations identified above. State whether the Mitigation Plan has been fully implemented, and/or whether the actions necessary to assure the entity has returned to full compliance have been completed.

With the development of the revised compliance procedure documentation for NERC Reliability Standard FAC-008-1, AES Red Oak's documentation will meet the compliance requirements set forth in the standard. The revised procedure will fully mitigate the potential violation as to NERC Reliability Standard FAC-008-1. The revised procedure will be provided to RFC for review by December 29, 2008. Upon acceptance of the revised procedure by RFC, AES Red Oak will have completed this Mitigation Plan.

D.3 Enter Key Milestone Activities (with due dates) that can be used to track and indicate progress towards timely and successful completion of this Mitigation Plan.

Key Milestone Activity	Proposed/Actual Completion Date* (shall not be more than 3 months apart)
R1. Review Ratings Methodology Standard	Completed Oct 2008
R1. Develop Affected Equipment List	Completed Oct 2008
R1. Obtain Affected Equipment Design Info	Completed Oct 2008
R1. Created Rating Methodology Procedure document addressing all affected equipment.	Completed Oct 2008
R1. Analyze affected equipment for most limiting factor.	Completed Oct 2008



Complete FAC-008 Procedure Revisions	Completed Oct 2008
To the extent necessary, revise draft procedure based on RFC review and resubmit to RFC for review	Complete by December 29, 2008
Resubmit draft procedure for RFC review	Submit by December 29, 2008**
To the extent necessary, revise procedure based on RFC input.	Subject to RFC review schedule
Mitigation Plan Completion Date	Subject RFC review schedule

(*) Note: Additional violations could be determined for not completing work associated with accepted milestones.

(**) Note: The date is the date by which AES Red Oak Run will provide its draft procedure to RFC for review. The actual completion date will be subject to RFC's review process.

Section D – Table 1

<p>FAC-008-1</p>	<p>R1.</p>	<p>AES Red Oak L.L.C. summary of submitted evidence: (1) <u>Facility Ratings Methodology for AES Red Oak Procedure</u> defines methodology for developing facility ratings as initial performance testing, confirmed by summer capacity testing and voltage support service. References include PJM Manuals 14D and 21. (2) <u>Red Oak Facility Description</u> describes ratings of generators and GSU, but does not list emergency ratings. (3) <u>PJM Net Capability Verification Report</u> only lists gross and net generator capability. (4) <u>Red Oak Performance Test Data Summary</u> lists data from two test runs with no limitations described. (5) <u>Attachment 'E', PJM Generator Reactive Capability Testing</u> lists MWM/MVAR values and states that the facility is limited by internal bus voltages supply aux loads. (6) <u>PJM Manual 21, Rules & Procedures for Determination of Generating Capability</u> only describes conditions for net capability testing. (7) <u>GPU Commentary & Additional Technical Data Emails</u> only state concerns for possible relay coordination issues. (8) <u>CT Curves for GPU Breakers at AES Red Oak Substation</u> do not illustrate any rating issues or concerns. (9) <u>Alstom 230 kV Circuit Breaker, GSU & UAT Technical Data</u> consists of factory and acceptance testing information. Overall evidence indicates that methodologies used for developing facility ratings is only based on generator</p>	<p><u>The Facility Ratings Methodology for AES Red Oak</u> procedure will be modified to:</p> <ol style="list-style-type: none"> (1) Remove testing as determining the Facility Rating. (2) Address normal and emergency ratings. (3) Remove the reference to the <u>PJM Net Capability Verification Report</u>. (4) Remove the <u>Red Oak Test Data Summary</u> with the data from two test runs (5) Remove <u>Attachment "E", PJM Generator Reactive Capability Testing</u>. (6) Remove the <u>PJM Manual 21 Rules & Procedures for Determination of Generating Capability</u>. (7) Remove the <u>GPU Commentary & Additional Technical Data Emails</u>. (8) Remove the <u>CT Curves for GPU Breakers at Red Oak Substation</u> (9) Remove <u>Alstom 230 kV Circuit Breaker, GSU and UAT Technical Data</u>. <p>The <u>Facility Ratings Methodology for AES Red Oak</u> will then be modified to address:</p>
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	<p>capability testing and voltage support service. Other equipment limitations such as transformers, conductors, terminal equipment and relay protection devices do not appear to be considered. Evidence does not provide normal ratings for full scope of required equipment such as conductors and relay protective devices. Evidence does not provide emergency ratings for full scope of required equipment such as the generator, conductors, transformers, relay protective devices and terminal equipment.</p>	<p>(10) Reliability Standard FAC-008-1 Requirement 1. Therefore other equipment limitations such as transformers, conductors, terminal equipment, and relay protection devices will be considered. Normal and Emergency ratings of this equipment will be addressed.</p> <p>The above modifications will be addressed in the latest revision to the <u>Facility Ratings Methodology for AES Red Oak Procedure</u>.</p>
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Section E: Interim and Future Reliability Risk

Abatement of Interim BPS Reliability Risk

E.1 While your organization is implementing this Mitigation Plan the reliability of the Bulk Power System (BPS) 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 to mitigate this increased risk to the reliability of the BPS. Additional detailed information may be provided as an attachment.

Not Applicable as there is currently NO RISK to Abate. The Standard violations were procedural ambiguities and have since been amended.

Prevention of Future BPS Reliability Risk

E.2 Describe how successful completion of this Mitigation Plan by your organization will prevent or minimize the probability that the reliability of the BPS incurs further risk of similar violations in the future. Additional detailed information may be provided as an attachment.

The successful completion of the Mitigation Plan will have established RFC-approved compliance procedures for NERC Reliability Standard FAC-008-1. The implementation of the revised procedure will avoid the risk of a similar violation in the future.

Going forward, Red Oak will continue to update and review procedures annually, capturing “Best Practice” procedures to ensure there is no risk.



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 this Mitigation Plan for acceptance by ReliabilityFirst and approval by NERC, and
- b) If applicable, certifies that this Mitigation Plan was completed on or before the date provided as the 'Date of Completion of the Mitigation Plan' on this form, and
- c) Acknowledges:
 - 1. I am the Facility Manager of AES Red Oak.
 - 2. I am qualified to sign this Mitigation Plan on behalf of AES Red Oak.
 - 3. I have read and am familiar with the contents of this Mitigation Plan.
 - 4. AES Red Oak agrees to comply with, this Mitigation Plan, including the timetable completion date, as accepted by ReliabilityFirst and approved by NERC.

Authorized Individual Signature

A handwritten signature in black ink, appearing to read "A.W. Bergeron", written over a horizontal line.

Name (Print): A.W. Bergeron

Title: Facility Manager

Date: 15 December 2008

Section G: Regional Entity Contact

Please direct completed forms or any questions regarding completion of this form to the ReliabilityFirst Compliance e-mail address mitigationplan@rfirst.org.

Please indicate the company name and reference the NERC Violation ID # (if known) in the subject line of the e-mail. Additionally, any ReliabilityFirst Compliance Staff member is available for questions regarding the use of this form. Please see the contact list posted on the ReliabilityFirst Compliance web page.



Attachment A – Compliance Notices & Mitigation Plan Requirements

- I. Section 6.2 of the CMEP¹ 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.
 - (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.
 - (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) Key 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.
- II. This submittal form must be used to provide a required Mitigation Plan for review and acceptance by ReliabilityFirst and approval by NERC.
- III. This Mitigation Plan is submitted to ReliabilityFirst and NERC as confidential information in accordance with Section 1500 of the NERC Rules of Procedure.
- IV. This Mitigation Plan Submittal Form may be used to address one or more related Alleged or Confirmed violations of one Reliability Standard. A separate

¹ "Compliance Monitoring and Enforcement Program" of the ReliabilityFirst Corporation;" a copy of the current version approved by the Federal Energy Regulatory Commission is posted on the ReliabilityFirst website.



mitigation plan is required to address Alleged or Confirmed violations with respect to each additional Reliability Standard, as applicable.

- V. If the Mitigation Plan is accepted by ReliabilityFirst and approved by 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.
- VI. ReliabilityFirst or NERC may reject Mitigation Plans that they determine to be incomplete or inadequate.
- VII. Remedial action directives also may be issued as necessary to ensure reliability of the BPS.



DOCUMENT CONTROL

Title: Mitigation Plan Submittal Form
Issue: Version 2.0
Date: 11 July 2008
Distribution: Public
Filename: ReliabilityFirst Mitigation Plan Submittal Form - Ver 2.DOC
Control: Reissue as complete document only

DOCUMENT APPROVAL

Prepared By	Approved By	Approval Signature	Date
Robert K. Wargo Senior Consultant Compliance	Raymond J. Palmieri Vice President and Director Compliance	<i>Raymond J. Palmieri</i>	1/2/08

DOCUMENT CHANGE/REVISION HISTORY

Version	Prepared By	Summary of Changes	Date
1.0	Robert K. Wargo	Original Issue – Replaces “Proposed Mitigation Plan” Form	1/2/08
2.0	Tony Purgar	Revised email address from <u>compliance@rfirst.org</u> to <u>mitigationplan@rfirst.org</u>	7/11/08



Mitigation Plan Submittal Form

Date this Mitigation Plan is being submitted: November 14, 2008

Section A: Compliance Notices & Mitigation Plan Requirements

- A.1 Notices and requirements applicable to Mitigation Plans and this Submittal Form are set forth in "Attachment A - Compliance Notices & Mitigation Plan Requirements."
- A.2 This form must be used to submit required Mitigation Plans for review and acceptance by ReliabilityFirst and approval by NERC.
- A.3 I have reviewed Attachment A and understand that this Mitigation Plan Submittal Form will not be accepted unless this box is checked.

Section B: Registered Entity Information

- B.1 Identify your organization.

Company Name: AES Red Oak, LLC
Company Address: 832 Red Oak Lane, Sayreville, NJ
NERC Compliance Registry ID: NCR00665

- B.2 Identify the individual in your organization who will be the Entity Contact regarding this Mitigation Plan.

Name: David Carroll
Title: Asst Plant Manager
Email: dave.carroll@aes.com
Phone: 732-238-1462 x105



**Section C: Identification of Alleged or Confirmed Violation(s)
Associated with this Mitigation Plan**

C.1 This Mitigation Plan is associated with the following Alleged or Confirmed violation(s) of the reliability standard listed below.

NERC Violation ID #	Reliability Standard	Requirement Number	Violation Risk Factor	Alleged or Confirmed Violation Date ^(*)	Method of Detection (e.g., Audit, Self-report, Investigation)
RFC200800050	FAC-009-1	R1	Medium	4/4/2008	Compliance Audit

(*) Note: The Alleged or Confirmed Violation Date shall be expressly specified by the Registered Entity, and subject to modification by ReliabilityFirst, as: (i) the date the Alleged or Confirmed violation occurred; (ii) the date that the Alleged or Confirmed violation was self-reported; or (iii) the date that the Alleged or Confirmed violation has been deemed to have occurred on by ReliabilityFirst. Questions regarding the date to use should be directed to the ReliabilityFirst contact identified in Section G of this form.

C.2 Identify the cause of the Alleged or Confirmed violation(s) identified above. Additional detailed information may be provided as an attachment.

The potential violation identified in the Compliance Audit Report is as follows:

Since the full scope of required equipment was not addressed in FAC-008, R1, compliance to this requirement could not be supported. The scope of equipment did not include transmission conductors, transformers, relay protective devices, terminal equipment, and series and shunt compensation.

Note: If a formal root cause analysis evaluation was performed, submit a copy of the summary report.



- C.3 Provide any additional relevant information regarding the Alleged or Confirmed violations associated with this Mitigation Plan. Additional detailed information may be provided as an attachment.

AES Red Oak has provided written comments in response to the Compliance Audit dated June 13, 2008, questioning findings included therein. Those comments are attached, **Re. AES Red Oak, LLC, NERC ID#00665, Draft Audit Compliance Report, by A.W. Bergeron, to Don Urban, dated June 13, 2008.**

In addition, AES Red Oak has revised its FAC-009-1 Procedure in the manner contemplated in the standard.

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 Alleged or Confirmed violations identified above in Part C.1 of this form. Additional detailed information may be provided as an attachment.

Action Plan: Reformat and Revise Procedures in relation to FAC-009-1 Standard to ensure compliance.

Actions Taken:

1. Reviewed RFC Audit Findings reproduced in Section C.2, above.
2. Reviewed FAC-009-1 Standard and its requirements.
3. Created work plan, envisioning the requirements contemplated in the standard addressing the RFC Audit Findings reproduced in Section C.2, above, as reflected in Section D - Table 1, below.
4. Developed Affected Equipment List, including generators, transmission conductors, transformers, protective relays, terminal equipment, and compensation devices, as per the Facility Methodology Contemplated in FAC-008-1.
5. Obtained affected equipment design rating information.
6. Reviewed Equipment rating information to determine most limiting piece of equipment, inclusive of reviewing normal and emergency ratings, equipment manufacturer ratings, design criteria, ambient conditions, operating limitations and other assumptions.
7. Draft procedure documenting Facility Rating Methodology for submittal and



review by RFC.

- 8. To the extent necessary, revise draft procedure based on RFC review and resubmit to RFC for review.

Mitigation Plan Timeline and Milestones

- D.2 Provide the date by which full implementation of the Mitigation Plan will be, or has been, completed with respect to the Alleged or Confirmed violations identified above. State whether the Mitigation Plan has been fully implemented, and/or whether the actions necessary to assure the entity has returned to full compliance have been completed.

With the development of revised compliance procedure documentation for NERC Reliability Standard FAC-009-1, AES Red Oak's documentation will meet the compliance requirements set forth in the standard. The revised procedure will fully mitigate the potential violation as to NERC Reliability Standard FAC-009-1. The revised procedure will be provided to RFC for review by December 29, 2008. Upon acceptance of the revised procedure by RFC, AES Red Oak will have completed this Mitigation Plan.

- D.3 Enter Key Milestone Activities (with due dates) that can be used to track and indicate progress towards timely and successful completion of this Mitigation Plan.

Key Milestone Activity	Proposed/Actual Completion Date* (shall not be more than 3 months apart)
R1. Review Ratings Methodology Standard	Completed Oct 2008
R1. Develop Affected Equipment List	Completed Oct 2008
R1. Obtain Affected Equipment Design Info	Completed Oct 2008
R1. Analyze affected equipment for most limiting factor.	Completed Oct 2008
R1. Establish and Communicate Facility Ratings.	Completed Oct 2008
Complete FAC-009 Procedure Revisions	Completed Oct 2008
To the extent necessary, revise draft procedure based on RFC review and resubmit to RFC for review	Complete by December 29, 2008
Resubmit draft procedure for RFC review	Submit by December 29, 2008**
To the extent necessary, revise procedure based on RFC input.	Subject to RFC review schedule
Mitigation Plan Completion Date	Subject RFC review schedule



(*) Note: Additional violations could be determined for not completing work associated with accepted milestones.

(**) Note: The date is the date by which AES Red Oak will provide its draft procedure to RFC for review. The actual completion date will be subject to RFC's review process.

Section D – Table 1

FAC-009-1	R1.	<p>Since the full scope of required equipment was not addressed in FAC-008, R1, compliance to this requirement could not be supported. The scope of equipment did not include transmission conductors, transformers, relay protective devices, terminal equipment, and series and shunt compensation.</p>	<p>The <u>Establish and Communicate Facility Ratings for AES Red Oak Procedure</u> will be modified to reflect the revised <u>Facility Ratings Methodology for AES Red Oak</u>. The scope of equipment will include transmission conductors, transformers, relay protective devices, terminal equipment, and series and shunt compensation.</p> <p>The above modifications will be addressed in the latest revision to the <u>Establish and Communicate Facility Ratings for AES Red Oak Procedure</u></p>
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Section E: Interim and Future Reliability Risk

Abatement of Interim BPS Reliability Risk

E.1 While your organization is implementing this Mitigation Plan the reliability of the Bulk Power System (BPS) 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 to mitigate this increased risk to the reliability of the BPS. Additional detailed information may be provided as an attachment.

Not Applicable as there is currently NO RISK to Abate. The Standard violations were procedural ambiguities and have since been amended.

Prevention of Future BPS Reliability Risk

E.2 Describe how successful completion of this Mitigation Plan by your organization will prevent or minimize the probability that the reliability of the BPS incurs further risk of similar violations in the future. Additional detailed information may be provided as an attachment.

The successful completion of the Mitigation Plan will have established RFC-approved compliance procedures for NERC Reliability Standard



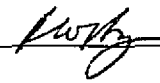
FAC-009-1. The implementation of the revised procedure will avoid the risk of a similar violation in the future.

Going forward, Red Oak will continue to update and review procedures annually, capturing "Best Practice" procedures to ensure there is no risk.

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 this Mitigation Plan for acceptance by ReliabilityFirst and approval by NERC, and
- b) If applicable, certifies that this Mitigation Plan was completed on or before the date provided as the 'Date of Completion of the Mitigation Plan' on this form, and
- c) Acknowledges:
 - 1. I am the Facility Manager of AES Red Oak.
 - 2. I am qualified to sign this Mitigation Plan on behalf of AES Red Oak.
 - 3. I have read and am familiar with the contents of this Mitigation Plan.
 - 4. AES Red Oak agrees to comply with, this Mitigation Plan, including the timetable completion date, as accepted by ReliabilityFirst and approved by NERC.

Authorized Individual Signature _____ 

Name (Print): A.W. Bergeron
Title: Facility Manager
Date: 15 December 2008

Section G: Regional Entity Contact

Please direct completed forms or any questions regarding completion of this form to the ReliabilityFirst Compliance e-mail address mitigationplan@rfirst.org. Please indicate the company name and reference the NERC Violation ID # (if known) in the subject line of the e-mail. Additionally, any ReliabilityFirst



Compliance Staff member is available for questions regarding the use of this form. Please see the contact list posted on the ReliabilityFirst Compliance web page.



Attachment A – Compliance Notices & Mitigation Plan Requirements

- I. Section 6.2 of the CMEP¹ 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.
 - (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.
 - (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) Key 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.
- II. This submittal form must be used to provide a required Mitigation Plan for review and acceptance by ReliabilityFirst and approval by NERC.
- III. This Mitigation Plan is submitted to ReliabilityFirst and NERC as confidential information in accordance with Section 1500 of the NERC Rules of Procedure.
- IV. This Mitigation Plan Submittal Form may be used to address one or more related Alleged or Confirmed violations of one Reliability Standard. A separate

¹ "Compliance Monitoring and Enforcement Program" of the ReliabilityFirst Corporation;" a copy of the current version approved by the Federal Energy Regulatory Commission is posted on the ReliabilityFirst website.



mitigation plan is required to address Alleged or Confirmed violations with respect to each additional Reliability Standard, as applicable.

- V. If the Mitigation Plan is accepted by ReliabilityFirst and approved by 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.
- VI. ReliabilityFirst or NERC may reject Mitigation Plans that they determine to be incomplete or inadequate.
- VII. Remedial action directives also may be issued as necessary to ensure reliability of the BPS.



DOCUMENT CONTROL

Title: Mitigation Plan Submittal Form
Issue: Version 2.0
Date: 11 July 2008
Distribution: Public
Filename: ReliabilityFirst Mitigation Plan Submittal Form - Ver 2.DOC
Control: Reissue as complete document only

DOCUMENT APPROVAL

Prepared By	Approved By	Approval Signature	Date
Robert K. Wargo Senior Consultant Compliance	Raymond J. Palmieri Vice President and Director Compliance	<i>Raymond J. Palmieri</i>	1/2/08

DOCUMENT CHANGE/REVISION HISTORY

Version	Prepared By	Summary of Changes	Date
1.0	Robert K. Wargo	Original Issue – Replaces “Proposed Mitigation Plan” Form	1/2/08
2.0	Tony Purgar	Revised email address from compliance@rfirst.org to mitigationplan@rfirst.org	7/11/08



Mitigation Plan Submittal Form

Date this Mitigation Plan is being submitted: November 14, 2008

Section A: Compliance Notices & Mitigation Plan Requirements

- A.1 Notices and requirements applicable to Mitigation Plans and this Submittal Form are set forth in "Attachment A - Compliance Notices & Mitigation Plan Requirements."
- A.2 This form must be used to submit required Mitigation Plans for review and acceptance by ReliabilityFirst and approval by NERC.
- A.3 I have reviewed Attachment A and understand that this Mitigation Plan Submittal Form will not be accepted unless this box is checked.

Section B: Registered Entity Information

- B.1 Identify your organization.

Company Name: AES Red Oak, LLC

Company Address: 832 Red Oak Lane, Sayreville, NJ

NERC Compliance Registry ID: NCR00665

- B.2 Identify the individual in your organization who will be the Entity Contact regarding this Mitigation Plan.

Name: David Carroll

Title: Asst Plant Manager

Email: dave.carroll@aes.com

Phone: 732-238-1462 x105



**Section C: Identification of Alleged or Confirmed Violation(s)
Associated with this Mitigation Plan**

C.1 This Mitigation Plan is associated with the following Alleged or Confirmed violation(s) of the reliability standard listed below.

NERC Violation ID #	Reliability Standard	Requirement Number	Violation Risk Factor	Alleged or Confirmed Violation Date ^(*)	Method of Detection (e.g., Audit, Self-report, Investigation)
RFC200800051	PRC-005-1	R1	High	4/4/2008	Compliance Audit
RFC200800051	PRC-005-1	R2	High	4/4/2008	Compliance Audit

(*) Note: The Alleged or Confirmed Violation Date shall be expressly specified by the Registered Entity, and subject to modification by ReliabilityFirst, as: (i) the date the Alleged or Confirmed violation occurred; (ii) the date that the Alleged or Confirmed violation was self-reported; or (iii) the date that the Alleged or Confirmed violation has been deemed to have occurred on by ReliabilityFirst. Questions regarding the date to use should be directed to the ReliabilityFirst contact identified in Section G of this form.

C.2 Identify the cause of the Alleged or Confirmed violation(s) identified above. Additional detailed information may be provided as an attachment.

The potential violation identified in the Compliance Audit Report is as follows:

PRC-005-001 (R1) AES Red Oak L.L.C summary of submitted evidence: (1) System Protection Maintenance & Testing Procedure does not clearly define an interval and basis for maintenance & testing other than “as-needed” and “regular”. (2) System Protection Coordination Procedure includes other major facility equipment such as steam turbine, balance of plant (boiler feed pump, condensate pump, circulating water pump, etc.) but appears to be missing DC control circuitry. (3) Maintenance Schedule & Log does not appear to include all components of the protection system with various testing intervals listed without a basis. Overall evidence did not clearly define the maintenance and testing interval described under “as-needed” for voltage and current sensing devices, and “regular” for battery systems. Maintenance & testing intervals for some Protection System equipment were not addressed. Evidence did not appear to address all components of the Protection System such as DC control circuitry and communication systems. No evidence was provided for basis of testing intervals.



PRC-005-01 (R2) AES Red Oak L.L.C summary of submitted evidence: (1) System Protection Maintenance & Testing Procedure lacked specific definition related to maintenance & testing intervals for voltage & current sensing devices, battery systems and associated basis. (2) Maintenance Schedule & Log indicated overdue maintenance & testing dates and it appears that not all components of Protection System are included such as generator breakers. (3) System Protection Coordination Procedure lists last dates when Protection System device was tested but does not appear to include DC control circuitry and communication systems. Overall evidence did not confirm that all Protection System devices were maintained and testing within the defined intervals. Evidence did not include last testing and maintenance dates for all Protection System devices.

Note: If a formal root cause analysis evaluation was performed, submit a copy of the summary report.

C.3 Provide any additional relevant information regarding the Alleged or Confirmed violations associated with this Mitigation Plan. Additional detailed information may be provided as an attachment.

AES Red Oak has provided written comments in response to the Compliance Audit dated June 13, 2008, questioning findings included therein. Those comments are attached, **Re. AES Red Oak, LLC, NERC ID#00665, Draft Audit Compliance Report, by A.W. Bergeron, to Don Urban, dated June 13, 2008.**

In addition, AES Red Oak has revised its PRC-005-1 Procedure in the manner contemplated in the standard.

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 Alleged or Confirmed violations identified above in Part C.1 of this form. Additional detailed information may be provided as an attachment.

Action Plan: Reformat and Revise Procedures in relation to PRC-005-1 Standard to ensure compliance.

Actions Taken:

1. Reviewed RFC Audit Findings reproduced in Section C.2, above.
2. Reviewed PRC-005-1 Standard and its requirements.



3. Created work plan, envisioning the requirements contemplated in the standard addressing the RFC Audit Findings reproduced in Section C.2, above, as reflected in Section D - Table 1, below.
4. Developed Affected System Protection Equipment List, including protective relays, communication systems, voltage and current sensing devices, station batteries and DC control circuitry.
5. Reviewed guidelines as set forth in the NERC Technical Reference "Protection System Maintenance".
6. Reviewed Affected Equipment to ensure that all of Facility's Protection System Equipment is addressed, proper maintenance and testing intervals are established, proper maintenance and testing procedures are in place and that testing and maintenance events have occurred within the required intervals.
7. Draft procedure documenting System Protection Maintenance & Testing Program for submittal and review by RFC.
8. To the extent necessary, revise draft procedure based on RFC review and resubmit to RFC for review.

Mitigation Plan Timeline and Milestones

D.2 Provide the date by which full implementation of the Mitigation Plan will be, or has been, completed with respect to the Alleged or Confirmed violations identified above. State whether the Mitigation Plan has been fully implemented, and/or whether the actions necessary to assure the entity has returned to full compliance have been completed.

With the development of revised compliance procedure documentation for NERC Reliability Standard PRC-005-1, AES Red Oak's documentation will meet the compliance requirements set forth in the standard. The revised procedure will fully mitigate the potential violation as to NERC Reliability Standard PRC-005-1. The revised procedure will be provided to RFC for review by December 29, 2008. Upon acceptance of the revised procedure by RFC, AES Red Oak will have completed this Mitigation Plan.

D.3 Enter Key Milestone Activities (with due dates) that can be used to track and indicate progress towards timely and successful completion of this Mitigation Plan.

Key Milestone Activity	Proposed/Actual Completion Date* (shall not be more than 3 months apart)
R1/R2. Review Establish and Communicate Facility Ratings standard.	Completed Oct 2008
R1/R2. Developed Affected System Protection Equipment List.	Completed Oct 2008
R1/R2. Reviewed guidelines as portrayed	Completed Oct 2008



in the NERC Technical Reference "Protection System Maintenance".	
R1/R2. Reviewed Affected Equipment to ensure that all of Facility's Protection System Equipment is addressed, proper maintenance and testing intervals are established, proper maintenance and testing procedures are in place and that testing and maintenance events have occurred within the required intervals.	Completed Oct 2008
R1/R2. Draft procedure documenting System Protection Maintenance & Testing Program for submittal and review by RFC	Completed Oct 2008
To the extent necessary, revise draft procedure based on RFC review and resubmit to RFC for review.	Complete by December 29, 2008
Resubmit draft procedure for RFC review	Submit by December 29, 2008**
To the extent necessary, revise procedure based on RFC input.	Subject to RFC review schedule
Mitigation Plan Completion Date	Subject RFC review schedule

(*) Note: Additional violations could be determined for not completing work associated with accepted milestones.

(**) Note: The date is the date by which AES Red Oak will provide its draft procedure to RFC for review. The actual completion date will be subject to RFC's review process.

Section D – Table 1

PRC-005-1	R1.	<p>AES Red Oak L.L.C summary of submitted evidence: (1) <u>System Protection Maintenance & Testing Procedure</u> does not clearly define an interval and basis for maintenance & testing other than "as-needed" and "regular". (2) <u>System Protection Coordination Procedure</u> includes other major facility equipment such as steam turbine, balance of plant (boiler feed pump, condensate pump, circulating water pump, etc.) but appears to be missing DC control circuitry. (3) <u>Maintenance Schedule & Log</u> does not appear to include all components of the protection system with various testing intervals listed without a basis. Overall evidence did not clearly define the maintenance and testing interval described under "as-needed" for voltage and current sensing devices, and</p>	<p><u>The Protection System Maintenance & Testing Program for AES Red Oak</u> will be modified to:</p> <p>(1) Clearly define an interval and basis for maintenance & testing other than "as-needed" and "regular".</p> <p>(2) Remove other major facility equipments such as steam turbine, balance of plant (boiler feed pump, condensate pump, circulating water pump, etc.). DC control circuitry will be added.</p> <p>The <u>Maintenance Schedule & Log</u> will be modified to include all components of the protection system along with the basis for the corresponding testing intervals.</p> <p>The <u>Protection System Maintenance & Testing Program for AES Red Oak</u> will be</p>
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		<p>“regular” for battery systems. Maintenance & testing intervals for some Protection System equipment were not addressed. Evidence did not appear to address all components of the Protection System such as DC control circuitry and communication systems. No evidence was provided for basis of testing intervals.</p>	<p>modified to: (1) Include maintenance and testing intervals for voltage and current sensing devices, the battery system, and all other Protection System equipment. All components of the Protection System such as DC control circuitry and communications system will be included. (2) The basis for the testing intervals will be addressed.</p> <p>The above modifications will be addressed in the latest revision to the <u>Protection System Maintenance & Testing Program for AES Red Oak</u>.</p>
<p>PRC-005-1</p>	<p>R2.</p>	<p>AES Red Oak L.L.C summary of submitted evidence: (1) <u>System Protection Maintenance & Testing Procedure</u> lacked specific definition related to maintenance & testing intervals for voltage & current sensing devices, battery systems and associated basis. (2) <u>Maintenance Schedule & Log</u> indicated overdue maintenance & testing dates and it appears that not all components of Protection System are included such as generator breakers. (3) <u>System Protection Coordination Procedure</u> lists last dates when Protection System device was tested but does not appear to include DC control circuitry and communication systems. Overall evidence did not confirm that all Protection System devices were maintained and testing within the defined intervals. Evidence did not include last testing and maintenance dates for all Protection System devices.</p>	<p>The following items will be addressed: (1) <u>The System Protection Maintenance and testing Procedure</u> will contain specific definition related to maintenance and testing intervals for voltage and current sensing devices, battery system and the associated basis for those interval. See PRC-005-1 requirement R1 mitigation plan above. (2) <u>Maintenance Schedule and Log</u> will reflect the current status of maintenance including all components of the Protection System being current. Generator breakers will be included.</p> <p>The devices tested and the last test dates will be modified to include DC control circuitry and communications systems. All Protection System devices will have the last testing and maintenance dates and indicate testing has been accomplished within the defined intervals.</p>

Section E: Interim and Future Reliability Risk

Abatement of Interim BPS Reliability Risk

E.1 While your organization is implementing this Mitigation Plan the reliability of the Bulk Power System (BPS) 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 to mitigate this increased risk to the reliability of the BPS. Additional detailed information may be provided as an attachment.



Not Applicable

Prevention of Future BPS Reliability Risk

E.2 Describe how successful completion of this Mitigation Plan by your organization will prevent or minimize the probability that the reliability of the BPS incurs further risk of similar violations in the future. Additional detailed information may be provided as an attachment.

The successful completion of the Mitigation Plan will have established RFC-approved compliance procedures for NERC Reliability Standard PRC-005-1. The implementation of the revised procedure will avoid the risk of a similar violation in the future.

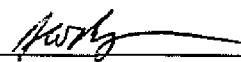
Going forward, Red Oak will continue to update and review procedures annually, capturing "Best Practice" procedures to ensure there is no risk.



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 this Mitigation Plan for acceptance by ReliabilityFirst and approval by NERC, and
- b) If applicable, certifies that this Mitigation Plan was completed on or before the date provided as the 'Date of Completion of the Mitigation Plan' on this form, and
- c) Acknowledges:
 - 1. I am the Facility Manager of AES Red Oak.
 - 2. I am qualified to sign this Mitigation Plan on behalf of AES Red Oak.
 - 3. I have read and am familiar with the contents of this Mitigation Plan.
 - 4. AES Red Oak agrees to comply with, this Mitigation Plan, including the timetable completion date, as accepted by ReliabilityFirst and approved by NERC.

Authorized Individual Signature  _____

Name (Print): A.W. Bergeron

Title: Facility Manager

Date: 15 December 2008

Section G: Regional Entity Contact

Please direct completed forms or any questions regarding completion of this form to the ReliabilityFirst Compliance e-mail address mitigationplan@rfirst.org.

Please indicate the company name and reference the NERC Violation ID # (if known) in the subject line of the e-mail. Additionally, any ReliabilityFirst Compliance Staff member is available for questions regarding the use of this form. Please see the contact list posted on the ReliabilityFirst Compliance web page.



Attachment A – Compliance Notices & Mitigation Plan Requirements

- I. Section 6.2 of the CMEP¹ 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.
 - (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.
 - (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) Key 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.
- II. This submittal form must be used to provide a required Mitigation Plan for review and acceptance by ReliabilityFirst and approval by NERC.
- III. This Mitigation Plan is submitted to ReliabilityFirst and NERC as confidential information in accordance with Section 1500 of the NERC Rules of Procedure.
- IV. This Mitigation Plan Submittal Form may be used to address one or more related Alleged or Confirmed violations of one Reliability Standard. A separate

¹ "Compliance Monitoring and Enforcement Program" of the ReliabilityFirst Corporation;" a copy of the current version approved by the Federal Energy Regulatory Commission is posted on the ReliabilityFirst website.

RELIABILITY FIRST

mitigation plan is required to address Alleged or Confirmed violations with respect to each additional Reliability Standard, as applicable.

- V. If the Mitigation Plan is accepted by ReliabilityFirst and approved by 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.
- VI. ReliabilityFirst or NERC may reject Mitigation Plans that they determine to be incomplete or inadequate.
- VII. Remedial action directives also may be issued as necessary to ensure reliability of the BPS.



DOCUMENT CONTROL

Title: Mitigation Plan Submittal Form
Issue: Version 2.0
Date: 11 July 2008
Distribution: Public
Filename: ReliabilityFirst Mitigation Plan Submittal Form - Ver 2.DOC
Control: Reissue as complete document only

DOCUMENT APPROVAL

Prepared By	Approved By	Approval Signature	Date
Robert K. Wargo Senior Consultant Compliance	Raymond J. Palmieri Vice President and Director Compliance	<i>Raymond J. Palmieri</i>	1/2/08

DOCUMENT CHANGE/REVISION HISTORY

Version	Prepared By	Summary of Changes	Date
1.0	Robert K. Wargo	Original Issue – Replaces “Proposed Mitigation Plan” Form	1/2/08
2.0	Tony Purgar	Revised email address from compliance@rfirst.org to mitigationplan@rfirst.org	7/11/08

Attachment E

Certification of Mitigation Plan Completion

(FAC-008-1, R1, dated March 5, 2009)

(FAC-009-1, R1, dated March 5, 2009)

(PRC-005-1, R1-R2, dated March 5, 2009)

Certification of Mitigation Plan Completion

Submittal of a Certification of Mitigation Plan Completion shall include data or information sufficient for ReliabilityFirst Corporation to verify completion of the Mitigation Plan. ReliabilityFirst Corporation may request 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)

Registered Entity Name: AES Red Oak, LLC

NERC Registry ID: NCR00665

Date of Submittal of Certification: March 5, 2009

NERC Violation ID No(s): RFC200800049

Reliability Standard and the Requirement(s) of which a violation was mitigated: FAC-008-1, R1

Date Mitigation Plan was scheduled to be completed per accepted Mitigation Plan: January 26, 2009

Date Mitigation Plan was actually completed: January 26, 2009

Additional Comments (or List of Documents Attached): Revised FAC-008-1 Procedure for AES Red Oak

I certify that the Mitigation Plan for the above named violation has been completed on the date shown above and that all submitted information is complete and correct to the best of my knowledge.

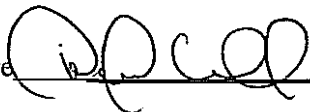
Name: David Carroll

Title: Assistant Plant Manager

Email: dave.carroll@aes.com

Phone: 732-238-1462 x105

Authorized Signature



Date March 5, 2009

Certification of Mitigation Plan Completion

Submittal of a Certification of Mitigation Plan Completion shall include data or information sufficient for ReliabilityFirst Corporation to verify completion of the Mitigation Plan. ReliabilityFirst Corporation may request 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)

Registered Entity Name: AES Red Oak, LLC

NERC Registry ID: NCR00665

Date of Submittal of Certification: March 5, 2009

NERC Violation ID No(s): RFC200800050

Reliability Standard and the Requirement(s) of which a violation was mitigated: FAC-009-1, R1

Date Mitigation Plan was scheduled to be completed per accepted Mitigation Plan: January 26, 2009

Date Mitigation Plan was actually completed: January 26, 2009

Additional Comments (or List of Documents Attached): Revised FAC-009-1 Procedure for AES Red Oak

I certify that the Mitigation Plan for the above named violation has been completed on the date shown above and that all submitted information is complete and correct to the best of my knowledge.

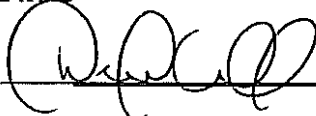
Name: David Carroll

Title: Assistant Plant Manager

Email: dave.carroll@aes.com

Phone: 732-238-1462 x105

Authorized Signature



Date March 5, 2009

Certification of Mitigation Plan Completion

Submittal of a Certification of Mitigation Plan Completion shall include data or information sufficient for ReliabilityFirst Corporation to verify completion of the Mitigation Plan. ReliabilityFirst Corporation may request 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)

Registered Entity Name: AES Red Oak, LLC

NERC Registry ID: NCR00665

Date of Submittal of Certification: March 5, 2009

NERC Violation ID No(s): RFC200800051 and RFC200800052

Reliability Standard and the Requirement(s) of which a violation was mitigated: PRC-005-1, R1 and R2

Date Mitigation Plan was scheduled to be completed per accepted Mitigation Plan: January 26, 2009

Date Mitigation Plan was actually completed: January 26, 2009

Additional Comments (or List of Documents Attached): Revised PRC-005-1 Procedure for AES Red Oak

I certify that the Mitigation Plan for the above named violation has been completed on the date shown above and that all submitted information is complete and correct to the best of my knowledge.

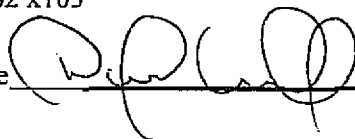
Name: David Carroll

Title: Assistant Plant Manager

Email: dave.carroll@aes.com

Phone: 732-238-1462 x105

Authorized Signature



Date March 5, 2009

Attachment c

Notice of Filing

UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

AES Red Oak, LLC

Docket No. NP10-____-000

NOTICE OF FILING
November 13, 2009

Take notice that on November 13, 2009, the North American Electric Reliability Corporation (NERC) filed a Notice of Penalty regarding AES Red Oak, LLC in the Reliability *First* 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