



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 Warrior Run,
FERC Docket No. NP10-_-000**

Dear Ms. Bose:

The North American Electric Reliability Corporation (NERC) hereby provides this Notice of Penalty¹ regarding AES Warrior Run,² NERC Registry ID# NCR00666,³ 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 April 2, 2008 through April 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 Warrior Run's failure to: (1) have a valid Facility Ratings Methodology; (2) failure to document ratings for the full scope of required equipment; and (3) for failure 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 Warrior Run 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 Warrior Run 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

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 Warrior Run was included on the NERC Compliance Registry as a Generator Owner on May 30, 2007, 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).

to the proposed penalty of fifteen thousand nine hundred dollars (\$15,900) to be assessed to AES Warrior Run, 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 RFC200800053, RFC200800054, RFC200800055 and RFC200800056 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 August 31, 2009, by and between RFC and AES Warrior Run, 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 Warrior Run	NOC-266	RFC200800053	FAC-008-1	1	Lower	\$15,900
RFC	AES Warrior Run	NOC-266	RFC200800054	FAC-009-1	1	Medium	
RFC	AES Warrior Run	NOC-266	RFC200800055	PRC-005-1	1	High ⁵	
RFC	AES Warrior Run	NOC-266	RFC200800056	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 Warrior Run, 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

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.

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; 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 Warrior Run’s documentation and methodologies used for developing Facility Ratings were only based on generator capability testing and voltage support service and did not include transmission conductors, transformers, or relay protective devices. In addition, AES Warrior Run 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 Warrior Run submitted the following documents for evidence of compliance with FAC-008-1: *PJM Net Capacity Verification Reports* (dated January 26, 2007 and June 14, 2007, no revision date, submitted for Compliance Audit, April 2008). This document defined the methodology for developing ratings solely for the generating facility as a whole and therefore only defined net capability, and did not clearly specify normal and emergency ratings. The document titled *AES Warrior Run 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 and specific factors that establish these limits. 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 that the duration of the alleged violation was from June 18, 2007, when the standard became enforceable, through March 3, 2009, when AES Warrior Run 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 Warrior Run, to establish Facility Ratings for its solely and jointly owned Facilities that are consistent with the associated Facility Ratings Methodology. FAC-009-1 R1 has a “Medium” VRF.

During the Audit, RFC Compliance Staff discovered a possible violation of FAC-009-1 R1 because AES Warrior Run did not address 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

⁷ The Settlement Agreement incorrectly states the duration ended on November 18, 2008, the date AES Warrior Run submitted an acceptable Mitigation Plan.

that were consistent with the associated Facility Ratings Methodology as required by FAC-009-1 R1.

During the Audit, AES Warrior Run submitted *Establish and Communicate Facilities Ratings for AES Warrior Run Related to NERC Standard FAC-009-1* (no date, no revision history, submitted for Compliance Audit, April 2008) as evidence of compliance with FAC-009-1. However, compliance was not supported, because the AES Warrior Run 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 that the duration of the alleged violation was from June 18, 2007, when the standard became enforceable, through March 3, 2009, when AES Warrior Run 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 Warrior Run, 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 Warrior Run failed to have a valid Protection System maintenance program. AES Warrior Run submitted the following as evidence of compliance with PRC-005-1 R1: (1) an e-mail from Alstom stating recommended maintenance inspection time periods are not published but suggested routine testing is every 1-2 years with complete testing every 3-5 years; (2) *AES Warrior Run DAU Manual* (no date, no revision history) providing self-diagnostic capability of individual relays but does not describe or list the type of relays included; (3) *OEM #41P007-06 FSA-2 Mechanism*, describing generator breaker maintenance interval of 5,000 operations or 10 years of service; (4) *AES Warrior Run PRC-005 Statement* (no date, no revision history) describing a five-year interval for maintenance and testing of Protections Systems; (5) *SD Myers Transformer Testing Data* indicating transformer testing does not follow AES specified 5-year interval; (6) *CAMCO GSU & UAT Transformer Testing Data* sheets providing scope, results, and dates of last testing but no evidence if the process was part of the 5-year interval; (7)

⁸ The Settlement Agreement incorrectly states the duration ended on November 18, 2008, the date AES Warrior Run 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.

CAMCO SF6 Power Circuit Breaker Testing Data sheets providing scope, results, and dates of last testing but no evidence if the process was part of the 5-year interval; (8) *OPTIMHO Static Distance Protection Relay Service Manual* describing features, self-monitoring and periodic maintenance tests with 12-month recommended interval which contradicts 5-year interval; and (9) *138 kV Substation Single Line Diagram* illustrating generator system, protective relays and metering but no ratings or settings.

The program evidence specifies 5-year maintenance and testing intervals, but the various Protection System documentation provided did not confirm this; however, work scope, test results, and last test dates were provided. This evidence did not provide a maintenance and testing summary of all Protection system devices. Some evidence for Protection System maintenance and testing indicates that not all equipment and devices follow the specified 5-year interval.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 May 14, 2009, when AES Warrior Run completed its Mitigation Plan.¹¹

PRC-005-1 R2

PRC-005-1 R2 requires each Generator Owner, such as AES Warrior Run, 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 Warrior Run failed to provide evidence that AES Warrior Run tested its Protective Relay devices within the specified five year interval. AES Warrior Run submitted the following documents to the auditors for evidence of compliance with PRC-005-1 R2: (1) CAMCO letter summarizing scope of testing for 4,160 kV equipment and CAMCO Calibration sheets which are not specific to Protections Systems and do not provide a testing interval; (2) *AREVA Commissioning Test Records* which did not specify a testing interval or explain when next testing is required; (3) *AES Warrior Run PRC-005 Statement* (no date, no revision history, which describes a five-year interval for maintenance and testing of Protection Systems; and (4) *PRC-005-1 Transmission Protection System Maintenance and Testing Procedure* (no date, no revision history, submitted for Compliance Audit, April 2008) which states that protective relays are to be tested on a five-

¹⁰ AES Warrior Run, LLC 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 18, 2008, the date AES Warrior Run submitted an acceptable Mitigation Plan.

year interval. However, AES Warrior Run did not submit evidence that all protective relay devices were tested within the five-year interval.

After reviewing the evidence, RFC Enforcement Staff concluded that 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 May 14, 2009, when AES Warrior Run completed its Mitigation Plan.¹²

Regional Entity's Basis for Penalty

According to the Settlement Agreement, RFC assessed that a penalty of fifteen thousand, nine hundred dollars (\$15,900) was appropriate for the referenced alleged violations. In reaching this determination, RFC considered the following factors: (1) these violations constituted AES Warrior Run's first occurrence of violations of NERC Reliability Standards assessed by RFC; (2) AES Warrior Run 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 was limited to a single unit with small generation capacity 205 megawatts. 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 18, 2008, AES Warrior Run 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. After being revised by AES Warrior Run, the plans were accepted by RFC on December 18, 2008 and approved by NERC on January 9, 2009. The Mitigation Plans for these alleged violations were designated as MIT-08-1239, MIT-08-1240 and MIT-08-1241, respectively, 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-08-1239 AES Warrior Run 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 Warrior Run's actions included: (1) reviewing RFC Audit Findings and FAC-008-1 Standard and its requirements; (2) creating a work plan, envisioning the requirements contemplated in the Standard and addressing the RFC Audit Findings; (3) developing a list of all affected equipment, including generator, transmission conductor, transformer, protective relays and terminal equipment; (4) obtaining the design rating information for all affected equipment; (5) reviewing equipment rating information to determine

¹² The Settlement Agreement incorrectly states the duration ended on November 18, 2008, the date AES Warrior Run submitted an acceptable Mitigation Plan.

¹³ See 18 C.F.R. § 39.7(d)(7).

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

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; and (6) draft a procedure documenting Facility Rating Methodology for submittal and review by RFC and to the extent necessary, revise the draft procedure based on RFC's review.

AES Warrior Run certified on March 11, 2009 that its Mitigation Plan MIT-08-1239 was completed on March 3, 2009. As evidence of completion of its Mitigation Plan, AES Warrior Run submitted its *Facility Ratings Methodology for AES Warrior Run, Revision No. 0 - November 18, 2008*. This document satisfactorily details its 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 Warrior Run Mitigation Plan was completed on March 3, 2009.

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

FAC-009-1 R1

In Mitigation Plan MIT-08-1240, AES Warrior Run 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 Warrior Run's actions included: (1) reviewing the RFC Audit Findings and FAC-009-1 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 generator, transmission conductor, transformer, protective relays and terminal equipment; (4) obtaining the design rating information for all affected equipment; (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; and (6) draft a procedure documenting Facility Rating Methodology for submittal and review by RFC and to the extent necessary, revise the draft procedure based on RFC review. Furthermore, AES Warrior Run's Mitigation Plan required it to: (1) analyze affected equipment for the most limiting factors (completed November 2008); (2) establish and communicate Facility Ratings (completed November 2008); (3) complete FAC-009-1 procedure revisions (completed December 2008); and (4) to the extent necessary, revise the draft procedure based on RFC review and resubmit it to RFC for review (complete by December 29, 2008).

AES Warrior Run certified on March 11, 2009 that its Mitigation Plan MIT-08-1240 was completed on March 3, 2009. As evidence of completion of its Mitigation Plan, AES Warrior Run submitted a formal revision of the FAC-009-1 Facility Ratings procedure, *Establish and Communicate Facility Ratings for AES Warrior Run, Revision No. 0 -November 18, 2008*. This document satisfactorily details its establishment of Facility Ratings in accordance with FAC-009-1 R1 based on its 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 Warrior Run Mitigation Plan was completed on March 3, 2009.

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

PRC-005-1 R1 and R2

In Mitigation Plan MIT-08-1241, AES Warrior Run 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 verifying that all Protection Systems were tested within the five-year interval as required by the procedure. AES Warrior Run'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; (6) recording voltage and amperage reading on voltage and current sensing devices; and (7) 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 review. In addition to the Mitigation Plan and pursuant to the Settlement Agreement, AES Warrior Run will incorporate a more active compliance program to ensure that AES Warrior Run maintains a vigorous presence in compliance matters.

AES Warrior Run certified on June 7, 2009 that its Mitigation Plan was completed on May 14, 2009. As evidence of completion of its Mitigation Plan, AES Warrior Run submitted a revised Procedure for the *Protection System Maintenance and Testing Program, Protection System Maintenance & Testing Program for AES Warrior Run, Revision 0 – November 18, 2008 with Attachment updated June 7, 2009*, which satisfied the requirements of PRC-005-1. This document satisfactorily details its 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 its 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 Warrior Run's Mitigation Plan was completed on June 7, 2009.¹⁵

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

Compliance Program Enhancement

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

Compliance Program Enhancement Content

AES Warrior Run 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.

¹⁵ AES Warrior Run inadvertently submitted Certification of Completion on March 11, 2009 for PRC-005-1 R1 and R2 (when Certification of Completion was submitted for FAC-008-1 and FAC-009-1), and subsequently retracted the certification as the MP was not finished in respect to PRC-005-1. The Mitigation Plan for PRC-005-1 R1 and R2 was completed on June 7, 2009. This was a factor in determining the final penalty for AES Warrior Run, which was considered by both RFC and NERC BOTCC.

Compliance Program Enhancement Milestones

According to the Settlement Agreement, AES Warrior Run 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 Warrior Run 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 Imposed¹⁶

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,¹⁷ the NERC BOTCC reviewed 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 nine hundred dollars (\$15,900) against AES Warrior Run and other actions to facilitate future compliance required under the terms and conditions of the Settlement Agreement.¹⁸ 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 Warrior Run of NERC Reliability Standards in RFC;
- (2) AES Warrior Run 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

¹⁶ See 18 C.F.R § 39.7(d)(4)

¹⁷ *North American Electric Reliability Corporation*, "Guidance Order on Reliability Notices of Penalty," 124 FERC ¶ 61,015 (2008).

¹⁸ 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.

- (4) RFC reported the violations did not pose a serious or substantial risk to the bulk power system because the FAC-008-1 and FAC-009-1 alleged violations involved missing ratings for elements that were not the most limiting factor; and the PRC-005-1 alleged violation was limited to a single unit with small generation capacity 205 megawatts.

For the foregoing reasons, the NERC BOTCC approves the Settlement Agreement and believes that the proposed penalty of fifteen thousand nine hundred dollars (\$15,900) is appropriate for the violations and circumstances in question, and is consistent with NERC's goal to promote and ensure reliability of the bulk power system.

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

Attachments to be Included as Part of this Notice of Penalty

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

- a) Compliance Audit Report-Public Version dated April 4, 2008, included as Attachment a;
- b) Settlement Agreement by and between AES Warrior Run and RFC executed August 31, 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 Warrior'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 Warrior Run's Mitigation Plans designated as MIT-08-1239, MIT-08-1240 and MIT-08-1241 submitted December 18, 2008,¹⁹ included as Attachment D to the Settlement Agreement; and
 - v) AES Warrior Run's Certifications of Completion of the Mitigation Plans submitted March 11, 2009 and June 7, 2009,²⁰ included as Attachment E to the Settlement Agreement.

A Form of Notice Suitable for Publication²¹

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

¹⁹ The Mitigation Plans are dated November 18, 2008, the date the draft plans were submitted.

²⁰ The Settlement Agreement incorrectly states that the Certification of Completion was submitted on June 7, 2009; it was submitted on June 8, 2009 and dated June 7, 2009.

²¹ 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>Larry Cantrell* Plant Manager Kris Emerick* Team Leader AES Warrior Run, LLC 11600 Mexico Farms Road SE Cumberland, Maryland 21502 (301) 777-0055 larry.cantrell@aes.com kris.emerick@aes.com</p> <p>Bruce Richardson* Outside Counsel – AES Warrior Run, 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,

Rick Sergel
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Vice President and General Counsel
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cc: AES Warrior Run
ReliabilityFirst Corporation

Attachments

Attachment a

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



Compliance Audit Report Public Version

**AES Warrior Run
NERC ID# NCR00666**

**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 Warrior Run was conducted on April 2 - 4, 2008.

The audit team evaluated AES Warrior Run compliance for fourteen (14) NERC reliability standards and one (1) Reliability*First* standard for the period of June 18, 2007 to April 2, 2008. AES Warrior Run 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 Warrior Run to determine compliance with the standards applicable to the Generator Owner (GO) function.

Of the fourteen (14) NERC reliability standards audited, five (5) were not applicable, six (6) were found to be compliant, and three (3) were identified as possible violations: 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 Warrior Run'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* NERC 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 were reviewed by the audit team.

Audit Process

The compliance audit process steps are detailed in the NERC and Reliability*First* Corporation 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 Warrior Run compliance with the applicable requirements of the reliability standards to AES Warrior Run based on the AES Warrior Run registered function. AES Warrior Run is registered with NERC as a Generator Owner (GO).
- 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 Reliability*First* 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 Warrior Run was registered for the Generator Owner (GO) function. The audit team evaluated AES Warrior Run 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 the NERC Rules and Procedures Section 1500. AES Warrior Run 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 Warrior Run. AES Warrior Run 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 Warrior Run 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 Warrior Run is subject to an audit once every six years at the minimum as provided by the NERC Rules of Procedure. AES Warrior Run 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 Warrior Run 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 Warrior Run in both electronic and hardcopy format. ReliabilityFirst has discussed with AES Warrior Run the usage of technical experts and will allow the usage of technical experts by AES Warrior Run as it deems necessary to explain their compliance to the standards.

An audit agenda was provided to AES Warrior Run in advance to allow the necessary time to prepare for the audit. AES Warrior Run'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

ReliabilityFirst conducted this audit via an off-site method. Sixty (60) days prior to this scheduled audit, AES Warrior Run had been provided with a pre-audit package which included all the necessary documents and information, required by NERC and ReliabilityFirst, 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 ReliabilityFirst 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 Warrior Run 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, 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 Warrior Run. The Reliability*First* audit team and the AES Warrior Run 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 Warrior Run 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 Warrior Run. These recommendations will be provided to AES Warrior Run 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 Warrior Run 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. AES Corporation is the parent company of AES Warrior Run.

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 Warrior Run Audit Participants

Title	Organization
Team Leader	AES Warrior Run
Team Leader	AES Warrior Run
Plant Manager	AES Warrior Run
I/E Technician	AES Warrior Run

Audit Results

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

Of the fourteen (14) reliability standards audited, five (5) were determined to be not applicable, with six (6) of the remaining nine (9) to be compliant. Three (3) standards were found to have possible violations.

The audit team also evaluated AES Warrior Run compliance to one (1) ReliabilityFirst standard. Based on information provided, this ReliabilityFirst standard was not applicable to AES Warrior Run.

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 Warrior Run 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 Warrior Run's documentation in the form of one hardcopy manual at ReliabilityFirst's Akron office. AES Warrior Run 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 by ReliabilityFirst:

AES Warrior Run 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.	N/A
FAC-008-1	R3.	N/A
FAC-009-1	R1.	Possible Violation
FAC-009-1	R2.	N/A
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
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.	Compliant
PRC-018-1	R4.	Compliant

Reliability Standard	Requirement	Finding
PRC-018-1	R5.	Compliant
PRC-018-1	R6.	N/A
VAR-002-1	R4.	Compliant
VAR-002-1	R5.	Compliant
EOP-007-RFC-01	R4.	N/A

Compliance Culture

As part of the audit, AES Warrior Run provided a person responsible and a brief description outlining the AES Warrior Run compliance program. AES Red Warrior Run compliance program is made up of various individuals performing job duties that maintain the integrity of the compliance program. The overall responsibility for the compliance program starts with the Plant Manager. The facility Team Leaders are responsible for ensuring that the compliance standards are upheld by plant personnel. In the event of a violation, ReliabilityFirst will review additional aspects of AES Warrior Run's compliance program and culture.

Attachment b

Settlement Agreement by and between AES Warrior Run and RFC, executed August 31, 2009



In re AES WARRIOR RUN, LLC)	DOCKET NUMBERS
NERC Registry ID# NCR00666)	RFC200800053
)	RFC200800054
)	RFC200800055
)	RFC200800056

**SETTLEMENT AGREEMENT
OF
RELIABILITYFIRST CORPORATION
AND
AES WARRIOR RUN, LLC**

I. INTRODUCTION

1. ReliabilityFirst Corporation (“ReliabilityFirst”) and AES Warrior Run, LLC (“AES Warrior Run”) 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 Warrior Run 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 WARRIOR RUN AND RELIABILITYFIRST

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

A. Background

3. AES Warrior Run is a Generator Owner (GO) operating in Cumberland, Maryland. AES Warrior Run is a single unit coal-fired generating facility with a total capacity of 205 gross MW. AES Warrior Run is dispatched and delivers power to Allegheny Energy under a 30-year Power Purchase Agreement (“PPA”). The interconnection point into Allegheny Energy System is located at the Ridgeley Substation in Ridgeley, West Virginia. The connecting voltage is 138kV. The plant began service on February 10, 2000.

4. On June 18, 2007, the start date of the alleged violations, AES Warrior Run was registered on the NERC Compliance Registry as a Generator Owner (GO) with the NERC Registry Identification Number of NCR00666, 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.

B. Alleged Violation of FAC-008-1, Requirement 1 - RFC200800053

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.

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

6. From April 2, 2008 to April 4, 2008, AES Warrior Run participated in an off-site Compliance Audit including all NERC Reliability Standards applicable to Generator Owners (GO). Reliability*First* Compliance Staff found a possible violation of FAC-008-1, Requirement 1, regarding documentation and methodology for developing ratings for its facility. Specifically, AES Warrior Run’s documentation and methodology for developing ratings for its facility was incomplete as it did not include all required equipment such as transmission conductors, transformers, and relay protective devices. In addition, the scope of ratings addressed did not clearly specify normal and emergency ratings.
7. Reliability*First* Compliance Staff reviewed multiple documents regarding compliance with FAC-008-1, Requirement 1. *PJM Net Capacity Verification Reports* (dated January 26, 2007 and June 14, 2007, no revision date, submitted for Compliance Audit, April 2008) defined net capability and did not clearly specify normal and emergency ratings. The *AES Warrior Run 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 and specific factors that establish these limits. 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 Facility Ratings Methodology.

8. By letter dated June 13, 2008, in response to the initial draft of the Compliance Audit Report, AES Warrior Run responded to ReliabilityFirst Compliance Staff (“AES Warrior Run Letter”). The AES Warrior Run 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, and (3) the ratings of the equipment, which are the same for normal and emergency, have been provided.”
9. ReliabilityFirst alleges that AES Warrior Run 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 - RFC200800054

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 Warrior Run 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 Warrior Run 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 Warrior Run entitled “Establish and Communicate Facilities Ratings for AES Warrior Run Related to NERC Standard FAC-009-1” (no date, no revision history, submitted for Compliance Audit, April 2008). Compliance with NERC Standard FAC-009-1 was not supported because the AES Warrior Run Facility Rating Methodology for NERC Standard FAC-008-1 did not include the full scope of required equipment.
13. In response to the initial draft of the Compliance Audit Report, AES Warrior Run responded to ReliabilityFirst Compliance Staff with the AES Warrior Run Letter. The AES Warrior Run Letter, addressing the findings for FAC-009-1, indicated that, “[b]ecause Warrior Run was built specifically to fulfill

the terms of the PPA, the Facility Ratings Methodology is ultimately derived from the requirement of the PPA. As a result, the ratings are by design...consistent with the Facility Rating 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 Warrior Run failed to establish and communicate ratings for equipment compliant with NERC Reliability Standard FAC-009-1, Requirement 1.

D. Alleged Violation of PRC-005-1, Requirement 1 - RFC200800055

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 Warrior Run participated in an off-site Compliance Audit including all NERC Reliability Standards that were 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 Warrior Run failed to have an acceptable Protection System maintenance program.
17. AES Warrior Run submitted a “*DAU Manual*” (no date, no revision history, submitted for Compliance Audit, April 2008) that provided self-diagnostic capability of the relay but does not describe nor list the type of relays involved. In addition, ReliabilityFirst Compliance staff reviewed the “*AES Warrior Run PRC-005 Statement*” (no date, no revision history, submitted for Compliance Audit, April 2008) which describes a five-year interval for maintenance and testing of Protection Systems, however, the “*SD Myers Transformer Testing Data*” (dated August 15, 2007), a compilation of work scope and test results, indicates that transformer testing does not follow AES Warrior Run specified five-year interval.
18. In response to the initial draft of the Compliance Audit Report, AES Warrior Run responded to ReliabilityFirst Compliance Staff with the AES Warrior

Run Letter. The AES Warrior Run Letter, addressing the findings for PRC-005-1, responded to each of ReliabilityFirst Compliance Staff's statements. With respect to the DAU Manual, AES Warrior Run stated that "[t]he relays that are subject to PRC-005-1, R1 are listed in the Areva T&D Inc. test records ("Areva Documents") provided to RFC [(ReliabilityFirst)]." Addressing the SD Myers Transformer Testing Data, AES Warrior Run indicated that "[t]he testing data to which RFC refers is monitoring of gas and oil on a quarterly basis to monitor the degradation of the oil. In treating this quarterly activity as a monitoring function instead of a testing function, Warrior Run did not consider this particular function as falling within the testing contemplated by PRC-005-1, R1 and therefore, did not consider the activity to be inconsistent with the five-year interval."

19. ReliabilityFirst alleges that AES Warrior Run failed to have a Protection System maintenance program compliant with the NERC Reliability Standard PRC-005-1, Requirement 1.

E. Alleged Violation of PRC-005-1, Requirement 2 - RFC200800056

20. 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."
21. From April 2, 2008, to April 4, 2008, AES Warrior Run participated in an off-site Compliance Audit including all NERC Reliability Standards that were 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, that AES Warrior Run failed to provide sufficient evidence that all Protection System devices were maintained and tested within the specified five-year interval.
22. In addition to the System Protection document, "*AES Warrior Run PRC-005 Statement*" (no date, no revision history, submitted for Compliance Audit, April 2008) which describes a five-year interval for maintenance and testing of Protection Systems, AES Warrior Run submitted a document entitled

“PRC-005-1 Transmission Protection System Maintenance and Testing Procedure” (no date, no revision history, submitted for Compliance Audit, April 2008) which states that Protective Relays are to be tested on a five-year interval. However, AES Warrior Run did not submit evidence that all Protective Relay Devices were tested within the five-year interval.

23. ReliabilityFirst alleges that AES Warrior Run failed to provide sufficient evidence that all Protection System devices were maintained and tested within the specified interval as required by NERC Reliability Standard PRC-005-1, Requirement 2.

III. RELIABILITYFIRST AND AES WARRIOR RUN’S SEPARATE REPRESENTATIONS

A. Statement of ReliabilityFirst and Summary of Findings as to AES Warrior Run

24. ReliabilityFirst considers this Agreement as the resolution of all issues with regards to the above captioned docket numbers and to bind AES Warrior Run in the commitment to perform actions hereafter enumerated and listed as conditions for this Agreement.
25. 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 18, 2008, the date AES Warrior Run 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.
26. 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 18, 2008, the date AES Warrior Run 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 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 18, 2008, the date

AES Warrior Run submitted an acceptable Mitigation Plan to Reliability*First*. 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 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 18, 2008, the date AES Warrior Run submitted an acceptable Mitigation Plan to Reliability*First*. Pursuant to rulings of the Commission, such penalties may be applied on a daily basis for the duration of the violation.
29. Reliability*First* 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 Warrior Run

30. AES Warrior Run 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. AES Warrior Run 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 Warrior Run has not previously been subject to a compliance audit concerning mandatory reliability standards, many of which had only recently come into effect. Necessarily, AES Warrior Run 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 Reliability*First* 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 Warrior Run has worked closely with Reliability*First* to address the alleged violations by putting in place procedures that more precisely capture Reliability*First*'s requirements for compliance with FAC-008-1, Requirement 1, FAC-009-1, Requirement 1, and PRC-005-1, Requirements 1 and 2. Such actions reflect that, consistent with its Compliance Program, AES Warrior Run takes compliance with the reliability standards seriously. AES Warrior Run's Compliance Program, is subject to a corporate Code of Conduct, and is implemented and administered at the AES Warrior Run legal entity level. The overall responsibility for the program is with AES Warrior Run's Plant Manager/President and is administered through Team Leaders based on functional responsibility. AES Warrior Run's Compliance Program has the support and participation of senior management. AES Warrior Run's Plant Manager/President has direct access to AES

Warrior Run's Board of Directors. In connection with the alleged violations, AES Warrior Run has committed to the enhancements to its Compliance Program as discussed below to further strengthen compliance with reliability standards.

31. AES Warrior Run 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 Warrior Run 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 WARRIOR RUN

32. On July 2, 2008, AES Warrior Run 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 Warrior Run'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 Warrior Run commenced preliminary discussions. In response to those discussions, Outside Counsel for ReliabilityFirst and Outside Counsel for AES Warrior Run engaged in drafting a waiver letter with respect to settlement confidentiality issues in connection with AES Warrior Run's Outside Counsel's representation of three AES Warrior Run 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 Warrior Run and its three affiliates that were the subject of enforcement actions within the ReliabilityFirst region. Procedures for settlement discussions were developed by ReliabilityFirst. On December 17, 2008, ReliabilityFirst provided AES Warrior Run with a copy of the ReliabilityFirst Guidelines for Settlement Discussions. ReliabilityFirst also provided guidance to AES Warrior Run regarding submission of Mitigation Plans during the settlement process.
33. On November 18, 2008, AES Warrior Run submitted to ReliabilityFirst four separate Mitigation Plans to address the possible [alleged] violations set forth in the Compliance Audit Report. AES Warrior Run submitted Mitigation Plans for FAC-008-1, Requirement 1 (NERC Mitigation Plan ID# MIT-08-1239), for FAC-009-1, Requirement 1 (NERC Mitigation Plan ID# MIT-08-1240), and for PRC-005-1, Requirements 1 and 2 (NERC Mitigation Plan ID# MIT-08-1241). After a phone call between AES Warrior Run Staff and ReliabilityFirst Compliance Staff, AES Warrior Run amended its Mitigation Plans and submitted the amended Mitigation Plans on December 17, 2008,

which were accepted by ReliabilityFirst, on December 17, 2008. On December 22, 2008, the accepted Mitigation Plans were sent to NERC. On January 9, 2009, NERC approved the amended Mitigation Plans and that same day submitted the amended Mitigation Plans to the Commission as confidential, non-public information. On March 11, 2009, AES Warrior Run 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. On April 2, 2009, AES Warrior Run notified ReliabilityFirst that its Certification of Mitigation Completion for PRC-005-1 remained subject to the scheduled testing of the DC control circuitry in May, 2009, and asked ReliabilityFirst to disregard the certification submitted on March 11, 2009. After AES Warrior Run completed testing of the DC control circuitry during AES Warrior Run's planned outage, AES Warrior Run submitted to ReliabilityFirst a Certification of Mitigation Plan Completion for PRC-005-1, Requirements 1 and 2 on June 8, 2009.

34. In the Mitigation Plan for FAC-008-1, Requirement 1, NERC Mitigation Plan ID# MIT-09-1239, AES Warrior Run outlined the actions taken to mitigate the alleged violation. AES Warrior Run stated, among other things, 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.
35. In addition to the immediate actions undertaken by AES Warrior Run, the Mitigation Plan also provided an additional Key Milestone Activity completed by AES Warrior Run 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)
36. ReliabilityFirst reviewed the evidence AES Warrior Run 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").
37. In the Mitigation Plan for FAC-009-1, Requirement 1, NERC Mitigation Plan ID#MIT-08-1240, AES Warrior Run outlined the actions taken to mitigate the alleged violation. AES Warrior Run 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.

38. In addition to the immediate actions undertaken by AES Warrior Run, the Mitigation Plan also provided a list of four additional Key Milestone Activities completed by AES Warrior Run:
 - a. Analyze affected equipment for most limiting factor. (Completed November 2008)
 - b. Establish and Communicate Facility Ratings. (Completed November 2008)
 - c. Complete FAC-009[-1] Procedure Revisions. (Completed December 2008)
 - d. To the extent necessary, revise draft procedure based on RFC review and resubmit to RFC for review. (Complete by December 29, 2008)
39. ReliabilityFirst reviewed the evidence AES Warrior Run 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”).
40. In the Mitigation Plan for PRC-005-1, Requirement 1, NERC Mitigation Plan ID# MIT-08-1241, AES Warrior Run outlined the immediate actions taken to mitigate the alleged violation. Under Section D.1, AES Warrior Run stated that AES Warrior Run reviewed the PRC-005-1 Standard and its requirements, and further stated that AES Warrior Run created a work plan to satisfy the requirements contemplated in the standard and to address the ReliabilityFirst Audit Findings.
41. ReliabilityFirst reviewed the evidence AES Warrior Run 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”).

42. In the Mitigation Plan for PRC-005-1, Requirement 2, NERC Mitigation Plan ID# MIT-08-1241, AES Warrior Run outlined the actions taken to mitigate the alleged violation. Under Section D.1, AES Warrior Run 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.
43. ReliabilityFirst reviewed the evidence AES Warrior Run 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”).
44. 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 Warrior Run agree that for the period of September 1, 2009 through August 31, 2010, AES Warrior Run shall take the actions set forth in Attachment B with respect to the development and implementation of the “Compliance Program Enhancement” for AES Warrior Run to supplement the AES Ethics and Compliance program. AES Warrior Run 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 Warrior Run and ReliabilityFirst also agree that AES Warrior Run 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

45. It is understood that ReliabilityFirst Staff shall audit the progress of any remedies of this Agreement through a site inspection, interviews, and/or request for documentation to validate progress of any remedies of this Agreement. ReliabilityFirst shall reasonably coordinate audits and information requests with AES Warrior Run related to this Agreement. In order to facilitate ReliabilityFirst’s need to communicate the status and

provide accountability to NERC, AES Warrior Run will provide status updates quarterly. AES Warrior Run 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.

46. AES Warrior Run has completed and ReliabilityFirst has verified completion of all actions necessary to mitigate the alleged violations and achieve compliance. AES Warrior Run 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.
47. The estimated costs to AES Warrior Run 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.
48. Based on the above actions taken or to be taken by AES Warrior Run, AES Warrior Run shall pay \$15,900 to ReliabilityFirst. However, if AES Warrior Run 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 Warrior Run 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 Warrior Run 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.
49. 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 Warrior Run to new or additional enforcement, penalty or sanction actions in accordance with the NERC Rules of Procedure. AES Warrior Run shall retain all rights to defend against such additional enforcement actions in accordance with NERC Rules of Procedure.
50. If AES Warrior Run 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.

51. 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

52. 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 Warrior Run has been made to induce the signatories or any other party to enter into this Agreement.

53. 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 Warrior Run 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 Warrior Run 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.

54. 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.

55. AES Warrior Run agrees that this Agreement, when approved by NERC and the Commission, shall represent a final settlement of all matters set forth herein, and AES Warrior Run waives its right to further hearings and appeal, unless and only to the extent that AES Warrior Run contends that any NERC or Commission action on this Agreement contains one or more material modifications to this Agreement.

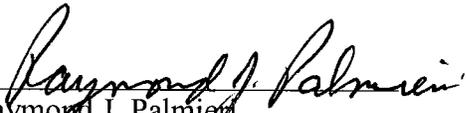
56. ReliabilityFirst reserves all rights to initiate enforcement, penalty or sanction actions against AES Warrior Run in accordance with the NERC Rules of Procedure in the event that AES Warrior Run fails to comply with the mitigation plan and compliance program agreed to in this Agreement. In the event AES Warrior Run 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 Warrior

Run to the maximum extent allowed by the NERC Rules of Procedure, up to the maximum statutorily allowed penalty. AES Warrior Run shall retain all rights to defend against such enforcement actions, also according to the NERC Rules of Procedure.

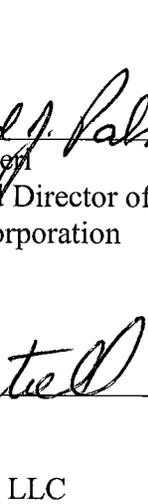
57. AES Warrior Run consents to the use of ReliabilityFirst's determinations, findings, and conclusions set forth in this Agreement for the purpose of assessing the factors, including the factor of determining the AES Warrior Run's history of violations, that are set forth in the May 15, 2008 Revised 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 undertaken by ReliabilityFirst, provided, however, that AES Warrior Run 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 Warrior Run consent to the use of this Agreement by any other party in any other action or proceeding.
58. 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.
59. 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.
60. This Agreement may be signed in counterparts.
61. This Agreement is executed in duplicate, each of which so executed shall be deemed to be an original.

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

Agreed to and accepted:


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

12/6/09
Date


Larry Cartrell
Plant Manager
AES Warrior Run, LLC

8-31-09
Date

Approved by:


Tim 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 #:	RFC20080053
NERC Plan ID:	MIT-08-1239
Registered Entity;	AES Warrior Run, LLC
NERC Registry ID:	NCR00666
Standard:	FAC-008-1
Requirement:	R1
Status:	Complete

Review Process:

During the off-site compliance audit of AES Warrior Run LLC conducted April 2-4, 2008, it was discovered that AES Warrior Run 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 Warrior Run, LLC developed a Mitigation Plan for FAC-008-1 R1 dated November 18, 2008 (amended December 18, 2008) to address the above referenced violation. This Mitigation Plan was subsequently approved by ReliabilityFirst and NERC (MIT-08-1239).

AES Warrior Run, LLC certified via E-mail dated March 11, 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 Warrior Run, 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:*

***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 Warrior Run, Revision No. 0 - November 18, 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 Warrior Run, LLC

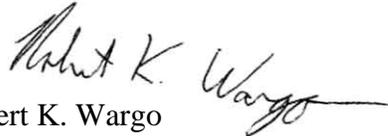
July 10, 2009

Page 3 of 3

Review Results:

ReliabilityFirst Corporation reviewed the evidence AES Warrior Run, 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 Warrior Run, LLC compliant to the aforementioned NERC Reliability Standard.

Respectfully Submitted,

A handwritten signature in black ink that reads "Robert K. Wargo". The signature is written in a cursive style with a long horizontal stroke at the end.

Robert K. Wargo
Manager of Compliance Enforcement
ReliabilityFirst Corporation



July 10, 2009

Summary and Review of Evidence of Mitigation Plan Completion

NERC Violation ID #:	RFC20080054
NERC Plan ID:	MIT-08-1240
Registered Entity;	AES Warrior Run, LLC
NERC Registry ID:	NCR00666
Standard:	FAC-009-1
Requirement:	R1
Status:	Complete

Review Process:

During the off-site compliance audit of AES Warrior Run LLC conducted April 2-4, 2008, it was discovered that AES Warrior Run 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 Warrior Run, LLC developed a Mitigation Plan for FAC-009-1 R1 dated November 18, 2008 (amended December 18, 2008) to address the above referenced violation. This Mitigation Plan was subsequently approved by ReliabilityFirst and NERC (MIT-08-1240).

AES Warrior Run, LLC certified via E-mail dated March 11, 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 Warrior Run, 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 Warrior Run 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 Warrior Run, Revision No. 0 - November 18, 2008

Summary and Review of Evidence of Mitigation Plan Completion

AES Warrior Run, 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 Warrior Run, 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 Warrior Run, 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 #:	RFC20080055
	RFC20080056
NERC Plan ID:	MIT-08-1241
Registered Entity;	AES Warrior Run, LLC
NERC Registry ID:	NCR00666
Standard:	PRC-005-1
Requirements:	R1, R2
Status:	Complete

Review Process:

During the off-site compliance audit of AES Warrior Run LLC conducted April 2-4, 2008, it was discovered that AES Warrior Run 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 Warrior Run, LLC developed a Mitigation Plan for PRC-005-1 R1 and R2 dated November 18, 2008 (amended December 18, 2008) to address the above referenced violation. This Mitigation Plan was subsequently approved by ReliabilityFirst and NERC (MIT-08-1241).

AES Warrior Run, LLC certified via E-mail dated March 11, 2009 (updated June 7, 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 Warrior Run, 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.

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.

R1.2. Summary of maintenance and testing procedures.

Evidence Submitted:

R1: Protection System Maintenance & Testing Program for AES Warrior Run, Revision 0 - November 18, 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 Warrior Run, Revision 0 - November 18, 2008 with Attachment updated June 7, 2009

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 Warrior Run, LLC

July 10, 2009

Page 3 of 3

Reliability*First* Corporation reviewed the evidence AES Warrior Run, 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 Warrior Run, LLC compliant to the aforementioned NERC Reliability Standard.

Respectfully Submitted,

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 Warrior Run, 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 Warrior Run 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 Warrior Run 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 Warrior Run 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 Warrior Run 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 Warrior Run 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 Warrior Run does not have internal audit programs. To enhance

compliance with applicable NERC and RFC reliability standards, AES Warrior Run 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-08-1239, MIT-08-1240, MIT-08-1241)

(FAC-008-1, R1, dated November 18, 2008)

(FAC-009-1, R1, dated November 18, 2008)

(PRC-005-1, R1-R2, dated November 18, 2008)

Mitigation Plan Submittal Form

Date this Mitigation Plan is being submitted: November 18, 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 Warrior Run

Company Address: 11600 Mexico Farms Road, S.E.
Cumberland, MD 21502

NERC Compliance Registry ID: NCR00666

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

Name: Kris Emerick

Title: Team Leader

Email: kris.emerick@aes.com

Phone: (301) 777-0055 Ext. 104

**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)
RFC200800053	FAC-008-1	R1	Lower	4/4/2008	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:

FAC-008-1 (R1) AES Warrior Run summary of submitted evidence: (1) PJM Net Capability Verification Reports only defined net capability and did not clearly specify normal and emergency ratings; (2) AES Warrior Run Facility Ratings Methodology Description provided a generic description of the rating process but did not include equipment ratings and specific factors that establish these limits. Power Purchase Agreement was also referenced as basis of rating methodology. Article III of this agreement only describes characteristics of electric power, delivery and operating modes; (3) ABB Turbogenerator Nameplate Data listed rated generator conditions but does not define limitations; (4) ABB Publication Number 33-210C-3, Installation/Maintenance Instructions for SF6 Power Circuit Breaker provided interrupting and continuous current capability but does not state that it may be a limiting device; (5) Ferranti-Packard Transformer LTD Drawing D-301-25-990 illustrates generator step-up transformer configuration, specifications but no limitations. Did not include normal and emergency ratings for full scope of required equipment. Evidence did not specify a rating methodology for provided equipment such as transformers. Scope of equipment addressed did not include all required devices such as protective relays and conductors.

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 Warrior Run provided written comments in response to the Compliance Audit dated June 13, 2008, questioning findings included therein. Those comments are attached.

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 is provided in Table 1 below.

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 generator, transmission conductor, transformer, protective relays, and terminal equipment.
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 Warrior Run's documentation will meet the compliance requirements set forth in the standard. The revised procedure fully mitigates 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 Warrior Run 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 October 2008
R1. Develop Affected equipment List	Completed October 2008
R1. Obtain Affected equipment Design information.	Completed October 2008
R1. Created rating methodology procedure document addressing all affected equipment.	Completed October 2008
R1. Analyze affected equipment for most limiting factor.	Completed October 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 to RFC review schedule

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

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(**) Note: The date is the date by which AES Warrior 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 Warrior Run summary of submitted evidence: (1) <u>PJM Net Capability Verification Reports</u> only defined net capability and did not clearly specify normal and emergency ratings; (2) <u>AES Warrior Run Facility Ratings Methodology Description</u> provided a generic description of the rating process but did not include equipment ratings and specific factors that establish these limits. <u>Power Purchase Agreement</u> was also referenced as basis of rating methodology. <u>Article III</u> of this agreement only describes characteristics of electric power, delivery and operating modes; (3) <u>ABB Turbogenerator Nameplate Data</u> listed rated generator conditions but does not define limitations; (4) <u>ABB Publication Number 33-210C-3, Installation/Maintenance Instructions for SF6 Power Circuit Breaker</u> provided interrupting and continuous current capability but does not state that it may be a limiting device; (5) <u>Ferranti-Packard Transformer LTD Drawing D-301-25-990</u> illustrates generator step-up transformer configuration, specifications but no limitations. Did not include normal and emergency ratings for full scope of required equipment. Evidence did not specify a rating methodology for provided equipment such as transformers. Scope of equipment addressed did not include all required devices such as protective relays and conductors.</p>	<p>The Facility Ratings Methodology for AES Warrior Run procedure will be modified to:</p> <ol style="list-style-type: none"> (1) Remove the reference to the PJM Net Capability Verification Report. (2) Modify the AES Warrior Run Facility Ratings Methodology to include equipment ratings and specific factors that establish limits. (3) Define limitations on the ABB Turbogenerator. (4) Modify the AES Warrior Run Facility Ratings Methodology to show that the SF6 Power Circuit Breaker is not the limiting device. (5) Modify the AES Warrior Run Facility Ratings Methodology to show that the GSU (Ferranti-Packard) Transformer limitations. <p>The <u>Facility Ratings Methodology for AES Warrior Run</u> will then be modified to address: 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 Warrior Run 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

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.



Section F: Authorization [COMPLETE THIS SECTION]

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 Plant Manager of AES Warrior Run.
 - 2. I am qualified to sign this Mitigation Plan on behalf of AES Warrior Run
 - 3. I have read and am familiar with the contents of this Mitigation Plan.
 - 4. AES Warrior Run 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): Larry Cantrell

Title: Plant Manager

Date: December 18, 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

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 18, 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 Warrior Run
Company Address: 11600 Mexico Farms Road, S.E.
Cumberland, MD 21502
NERC Compliance Registry ID: NCR00666

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

Name: Kris Emerick
Title: Team Leader
Email: kris.emerick@aes.com
Phone: (301) 777-0055 Ext. 104

RELIABILITY

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)
RFC200800 054	FAC-009-1	R1	Medium	4/4/2008	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:

FAC-009-1 (R1) Review of the AES Warrior Run Facility Rating Methodology for FAC-008 did not include the full scope of required equipment, so compliance to this requirement could not be supported.

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 Warrior Run provided written comments in response to the Compliance Audit dated June 13, 2008, questioning findings included therein. Those comments are attached.

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 is provided in Table 1 below.

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 generator, transmission conductor, transformer, protective relays, and terminal equipment, 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 Warrior Run's

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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 Warrior Run 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 Warrior 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

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FAC-009-1	R1.	Review of the AES Warrior Run Facility Rating Methodology for FAC-008 did not include the full scope of required equipment, so compliance to this requirement could not be supported.	<p>The <u>Establish and Communicate Facility Ratings for AES Warrior Run Procedure</u> will be modified to reflect the revised <u>Facility Ratings Methodology for AES Warrior Run</u>. The scope of equipment will include transmission conductor, transformer, relay protective devices, and terminal equipment</p> <p>The above modifications will be addressed in the latest revision to the <u>Establish and Communicate Facility Ratings for AES Warrior Run 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

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.

RELIABILITY

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 Plant Manager of AES Warrior Run.
 2. I am qualified to sign this Mitigation Plan on behalf of AES Warrior Run.
 3. I have read and am familiar with the contents of this Mitigation Plan.
 4. AES Warrior Run 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): Larry Cantrell

Title: Plant Manager

Date: December 18, 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 18, 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 Warrior Run

Company Address: 11600 Mexico Farms Road, S.E.
Cumberland, MD 21502

NERC Compliance Registry ID: NCR00666

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

Name: Kris Emerick

Title: Team Leader

Email: kris.emerick@aes.com

Phone: (301) 777-0055 Ext. 104

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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)
RFC200800055	PRC-005-1	R1	High	4/4/2008	Audit
RFC200800056	PRC-005-1	R2	High	4/4/2008	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 violations identified in the Compliance Audit Report are as follows:

PRC-005-1(R1) AES Warrior Run summary of submitted evidence: (1) Email from Alstom states that recommended maintenance inspection time periods are not published but suggested routine testing is every 1-2 years with complete testing every 3-5 years; (2) DAU Manual provided self-diagnostic capability of relay but does not describe or list type of relays included; (3) OEM #41P007-06, FSA-2 Mechanism describes generator breaker maintenance interval of 5000 operations or 10-years of service; (4) AES Warrior Run PRC-005 Statement describes a five-year interval for maintenance & testing of Protection Systems; (5) SD Myers Transformer Testing Data indicates transformer testing does not follow AES specified 5-year interval; (6) CAMCO GSU & UAT Transformer Testing Data Sheets provides scope, results, and dates of last testing but no evidence if the process was part of 5-year interval; (7) CAMCO SF6 Power Circuit Breaker Testing Data Sheets provides scope, results, and dates of last testing but no evidence if the process was part of 5-year interval; (8) OPTIMHO Static Distance Protection Relay Service Manual describes features, self-monitoring and periodic maintenance tests with 12-month recommended interval which contradicts 5-year interval; (9) 138 kV Substation Single Line Diagram illustrates generator system, protective relays and metering but no ratings or settings. Evidence specifies 5-year maintenance & testing interval, but various Protection System documentation provided, did not confirm this testing period; just work scope, test

results, and last test dates. Evidence did not provide a maintenance & testing summary of all Protection System devices. Some evidence for Protection System maintenance & testing indicates that not all equipment and devices follow the specified 5-year interval.

PRC-005-1(R2) AES Warrior Run summary of submitted evidence: (1) CAMCO Letter summarized scope of testing for 4160 kV equipment; (2) CAMCO Documents are not specific to Protection System and do not provide a testing interval; (3) CAMCO Calibration Data Sheets are not specific to Protection System and do not provide a testing interval; (4) AREVA Commissioning Test Records do not specify a testing interval or when next testing is required. Overall evidence indicated that some Protection System components were not maintained and tested within the defined intervals. Evidence did not provide a maintenance & testing schedule or related documentation for all Protection System devices with last test dates and established testing intervals.

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 Warrior Run provided written comments in response to the Compliance Audit dated June 13, 2008, questioning findings included therein. Those comments are attached.

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 and 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. Record voltage & amperage reading on voltage and current sensing devices.
8. Draft procedure for Protection Systems Maintenance Program for submittal and review by RFC.
9. 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 the revised compliance procedure documentation for NERC Reliability Standard PRC-005-1, AES Warrior Run's documentation will meet the compliance requirements set forth in the standard. The revised procedure will be provided to RFC for review by December 29, 2008. Full mitigation of NERC Reliability Standard PRC-005-1 remains subject to (1) May 2009 testing of the DC control circuitry. Once the May 2009 testing of the DC control circuitry is complete, AES Warrior Run will have completed the mitigation.

- 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 Protective Maintenance & Testing standard.	Completed Oct 2008
R1/R2. Developed Affected System Protection Equipment List.	Completed Oct 2008
R1/R2. Reviewed guidelines as set forth in the NERC Technical Reference	Completed Oct 2008

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“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 Complete testing of Voltage and Current sensing devices.	Completed November 13, 2008
R1/R2. Draft procedure documenting System Protection Maintenance & Testing Program for submittal and review by RFC	Completed Nov 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 Warrior Run will provide its draft procedure to RFC for review. The actual completion date will be subject to RFC’s review process.

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Section D - Table 1

<p>PRC-005-1</p>	<p>R1.</p>	<p>AES Warrior Run summary of submitted evidence: (1) <u>Email from Alstom</u> states that recommended maintenance inspection time periods are not published but suggested routine testing is every 1-2 years with complete testing every 3-5 years; (2) <u>DAU Manual</u> provided self-diagnostic capability of relay but does not describe or list type of relays included; (3) <u>OEM #41P007-06, FSA-2 Mechanism</u> describes generator breaker maintenance interval of 5000 operations or 10-years of service; (4) <u>AES Warrior Run PRC-005 Statement</u> describes a five-year interval for maintenance & testing of Protection Systems; (5) <u>SD Myers Transformer Testing Data</u> indicates transformer testing does not follow AES specified 5-year interval; (6) <u>CAMCO GSU & UAT Transformer Testing Data Sheets</u> provides scope, results, and dates of last testing but no evidence if the process was part of 5-year interval; (7) <u>CAMCO SF6 Power Circuit Breaker Testing Data Sheets</u> provides scope, results, and dates of last testing but no evidence if the process was part of 5-year interval; (8) <u>OPTIMHO Static Distance Protection Relay Service Manual</u> describes features, self-monitoring and periodic maintenance tests with 12-month recommended interval which contradicts 5-year interval; (9) <u>138 kV Substation Single Line Diagram</u> illustrates generator system, protective relays and metering but no ratings or settings. Evidence specifies 5-year maintenance & testing interval, but various Protection System documentation provided, did not confirm this testing period; just work scope, test results, and last test dates. Evidence did not provide a maintenance & testing summary of all Protection System devices. Some evidence for Protection System maintenance & testing indicates that not all equipment and devices follow the specified 5-year interval.</p>	<p>The Protection Systems Maintenance and Testing for AES Warrior Run procedure will be modified to:</p> <ol style="list-style-type: none"> (1) Remove the reference to the E-mail from Alstom. (2) Remove reference to the DAU Manual. (3) Remove reference to the generator breaker maintenance testing interval. (4) Revise Maintenance and testing intervals. (5) Remove reference to SD Myers Transformer Testing Data. (6) Remove reference to Camco GSU & UAT Transformer Testing. (7) Remove reference to Camco SF6 Power circuit breaker testing data sheets. (8) Modify Maintenance and testing procedure to include the following: Electro-mechanical relays are tested every 5 years within the calendar year due. Microprocessor based relays that are locally monitored via sequence of events recorder or DCS, are tested every 7 years within the calendar year due. These testing intervals are consistent with the NERC Protection System Maintenance Technical Reference document. (9) Provide summary of testing to include testing interval, test results and last test dates. <p>The <u>Protection System Maintenance and Testing procedure for AES Warrior Run</u> will then be modified to address the following equipment: Protective relays, Associated communication systems, Voltage and current sensing devices, station batteries and DC control circuitry.</p>
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<p>PRC-005-1</p>	<p>R2.</p>	<p>AES Warrior Run summary of submitted evidence: (1) CAMCO Letter summarized scope of testing for 4160 kV equipment; (2) CAMCO Documents are not specific to Protection System and do not provide a testing interval; (3) CAMCO Calibration Data Sheets are not specific to Protection System and do not provide a testing interval; (4) AREVA Commissioning Test Records do not specify a testing interval or when next testing is required. Overall evidence indicated that some Protection System components were not maintained and tested within the defined intervals. Evidence did not provide a maintenance & testing schedule or related documentation for all Protection System devices with last test dates and established testing intervals.</p>	<p>The Protection Systems Maintenance and Testing for AES Warrior Run procedure will be modified to:</p> <ul style="list-style-type: none">(1) Remove the reference to the Camco letter.(2) Remove reference to the Camco 4160kv testing Documents.(3) Input data sheets into the AES Maintenance Management system to provide specific protection system testing records and testing intervals.(4) Input AREVA testing records into the AES Maintenance Management System to specify testing intervals, next Due date for testing, when test was last performed for all protection systems associated with the PRC-005 Standard.
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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 PRC-005-1 and will have seen the completion of maintenance and testing of certain protection systems. The implementation of the revised procedure will avoid similar violations in the future.

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 Plant Manager of AES Warrior Run.
 - 2. I am qualified to sign this Mitigation Plan on behalf of AES Warrior Run.
 - 3. I have read and am familiar with the contents of this Mitigation Plan.
 - 4. AES Warrior Run 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): Larry Cantrell

Title: Plant Manager

Date: December 18, 2008

Section E: 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		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 11, 2009)

(FAC-009-1, R1, dated March 11, 2009)

(PRC-005-1, R1-R2, dated June 7, 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 Warrior Run

NERC Registry ID: NRC00666

Date of Submittal of Certification: March 11, 2009

NERC Violation ID No(s): RFC200800053

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: March 3, 2009

Date Mitigation Plan was actually completed: March 3, 2009

Additional Comments (or List of Documents Attached): Revised FAC-008-1 procedure for AES Warrior Run

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: Kris Emerick

Title: Team Leader

Email: kris.emerick@aes.com

Phone: 301-777-0055

Authorized Signature Kris Emerick

Date 3/11/09

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 Warrior Run

NERC Registry ID: NRC00666

Date of Submittal of Certification: March 11, 2009

NERC Violation ID No(s): RFC200800054

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: March 3, 2009

Date Mitigation Plan was actually completed: March 3, 2009

Additional Comments (or List of Documents Attached): Revised FAC-009-1 procedure for AES Warrior Run

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: Kris Emerick

Title: Team Leader

Email: kris.emerick@aes.com

Phone: 301-777-0055

Authorized Signature Kris Emerick

Date 3/11/09

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 Warrior Run

NERC Registry ID: NRC00666

Date of Submittal of Certification: June 7, 2009

NERC Violation ID No(s): RFC200800055 & RFC200800056

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

Date Mitigation Plan was scheduled to be completed per accepted Mitigation Plan: May 14, 2009

Date Mitigation Plan was actually completed: May 14, 2009

Additional Comments (or List of Documents Attached): Final revised Protection System procedure for PRC-005 R1 violation submitted to RFC on January 1, 2009, was accepted by RFC via March 10, 2009 e-mail from S. Davis. Equipment testing for PRC-005 R2 violation was completed during May 2009 outage. See attached Spreadsheet.

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: Kris Emerick

Title: Team Leader

Email: kris.emerick@aes.com

Phone: 301-777-0055

Authorized Signature Kris Emerick

Date 6/7/09

Attachment c

Notice of Filing

UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

AES Warrior Run

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 Warrior Run 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