

July 6, 2010

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

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

Dear Ms. Bose:

The North American Electric Reliability Corporation (NERC) hereby provides this Notice of Penalty,<sup>1</sup> which includes one (1) Non-Public Exhibit pertaining to a NERC Registered Entity. The Notice of Penalty set forth in the Non-Public Exhibit contains, in whole or in part, violations of the CIP-002 through CIP-009 Reliability Standards that were resolved by Settlement Agreement. The Registered Entity neither admits nor denies the violation and agrees to the penalty. This filing is submitted in accordance with the Federal Energy Regulatory Commission's (Commission or FERC) rules, regulations and orders, as well as NERC Rules of Procedure including Appendix 4C (NERC Compliance Monitoring and Enforcement Program (CMEP)).<sup>2</sup>

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

NERC Violation ID*	Reliability Std.	Req. (R)	Approved VRF	Basis for Violation	Total Penalty (\$)
WECC200801086	BAL-005-0	17	Medium	The Registered Entity did not annually check and calibrate time error and frequency devices against a common reference. Registered Entity uses two TrueTime devices with frequency measurement modules, which calibrate and	\$39,000

<sup>1</sup> *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).

<sup>2</sup> See 18 C.F.R. § 39.7(c)(2).

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

NERC Violation ID*	Reliability Std.	Req. (R)	Approved VRF	Basis for Violation	Total Penalty (\$)
				<p>check themselves. During the Audit, the Audit Team determined that Registered Entity was non-compliant with this Standard because the Registered Entity could not provide documentation demonstrating that these devices were calibrated or had their frequencies checked against a common frequency source. Enforcement reviewed the Audit findings and confirmed that the Registered Entity had a violation of this Standard because Registered Entity failed to at least annually check and calibrate its time error and frequency devices against a common reference. The violation was confirmed based on NERC’s formal interpretation that, for this type of device, “[s]ome devices used for time error and frequency measurement cannot be calibrated as such. In this case, these devices should be cross-checked against other properly calibrated equipment and replaced if the devices do not meet the required level of accuracy.”<sup>3</sup></p> <p>Additionally, the Registered Entity needed to revise its Area Generation Control operating procedures.</p> <p>WECC required the Registered Entity to cross check its devices against an independent frequency device, which it did utilizing a Rochester frequency transducer. Also, the Registered Entity updated its procedures to stipulate that the Generation Supervisor will ensure that frequency and time error devices operate correctly by verifying the frequency readings are within at least 0.001 Hz of the properly calibrated device. The procedures also stated that the Generation Supervisor will make a log entry in the Generation Desk Log.</p>	
WECC200801087	CIP-001-1	1	Medium	<p>The Registered Entity did not provide a document that provided guidance for sabotage reporting and communicating with operations personnel for the entire Audit period. The document submitted prior to and during the Audit was dated September 2008. The Registered Entity’s prior documentation addressed sabotage procedures, but it did not address sabotage reporting and communicating with operations personnel as required by the Reliability Standard.</p>	

<sup>3</sup> See NERC Reliability Standard BAL-005-0.1b at p 5 ([http://www.nerc.com/files/BAL-005-0\\_1b.pdf](http://www.nerc.com/files/BAL-005-0_1b.pdf)).

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				The Registered Entity mitigated this violation by revising its sabotage procedure to include guidelines for recognizing and notifying operating personnel of possible sabotage events.	
WECC200800963	CIP-004-1	3	Medium	<p>The Registered Entity did not perform seven year criminal checks and identity verifications for all of its employees with authorized cyber or authorized unescorted physical access to Critical Cyber Assets. Further, it had not prepared employee release forms for the seven-year background checks as required by the Standard. Therefore, the Registered Entity was unable to perform the personnel risk assessment according to the timing requirements in CIP-004-1, R3. No one without the requisite background check entered the area unescorted.</p> <p>The Registered Entity mitigated this violation by performing background and identity verification checks on all employees with authorized cyber or authorized unescorted physical access to Critical Cyber Assets and preparing employee release forms to execute the seven-year background checks.</p>	
WECC200801088	EOP-001-0	1	High	<p>The Registered Entity did not have an operating agreement with provisions to obtain emergency assistance from remote Balancing Authorities. It did not obtain emergency assistance agreements with adjacent Balancing Authorities until April 16, 2008.</p> <p>The Registered Entity mitigated this violation by revising its procedure on emergency assistance for capacity and energy emergencies to provide instructions for emergency assistance to member Balancing Authority(ies) for events other than disturbances.</p>	
WECC200801089	PRC-005-1	1	High	<p>The Registered Entity's maintenance and testing procedures established in its September 2008 documentation did not specifically address voltage devices, current sensing devices, and DC circuitry; however, WECC confirmed that these devices were tested and maintained.</p> <p>WECC required the Registered Entity to revise its Generation and Transmission</p>	

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				Protection System Maintenance and Testing Program to include voltage devices, current sensing devices, and DC circuitry basis.	
WECC200801090	PRC-005-1	2	Lower	The Registered Entity did not implement maintenance and testing program for 246 devices, representing approximately 13.5% of the sub-transmission Protection System devices.  WECC required the Registered Entity to test and maintain the subject devices on its 138 kV system with specified milestones and completion dates.	
WECC200801225	PRC-017-0	1	High	The Registered Entity did not have policies, procedures, and records developed for maintenance and testing of its Special Protection System.  The Registered Entity mitigated this violation by developing procedures and implementing a policy and procedure for maintenance and testing of its special protection systems. Further, WECC required it to complete and document end-to-end testing and maintenance of its special protection systems, as required by the Standard.	
WECC200801091	TPL-001-0	1	High	The Registered Entity did not study multiple demand levels defined in Category A or produce an annual assessment.  WECC required the Registered Entity to study multiple demands levels over the range of forecast system demands. Also it was required to provide an addendum to its annual assessment to include an analysis of winter (off-peak) conditions. Further, if any issues were identified in the winter assessment that required longer lead-time solutions, an analysis of off-peak conditions beyond the five-year horizon would be conducted and reported on. If longer lead-time solutions were not identified in the winter assessment, then the Registered Entity would note this in the addendum and longer-term off-peak analysis would not be conducted.	
WECC200801092	TPL-002-0	1	High	The Registered Entity did not study multiple demand levels defined in Category B or produce an annual assessment.  WECC required the Registered Entity to study	

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				<p>multiple demands levels over the range of forecast system demands. Also it was required to provide an addendum to its annual assessment to include an analysis of winter (off-peak) conditions. Further, if any issues were identified in the winter assessment that required longer lead-time solutions, an analysis of off-peak conditions beyond the five-year horizon would be conducted and reported on. If longer lead-time solutions were not identified in the winter assessment, then the Registered Entity would note this in the addendum and longer-term off-peak analysis would not be conducted.</p>	
WECC200801093	TPL-003-0	1	High	<p>The Registered Entity did not study multiple demand levels defined in Category C or produce an annual assessment.</p> <p>WECC required the Registered Entity to study multiple demands levels over the range of forecast system demands. Also it was required to provide an addendum to its annual assessment to include an analysis of winter (off-peak) conditions. Further, if any issues were identified in winter assessment that required longer lead-time solutions, an analysis of off-peak conditions beyond the five-year horizon would be conducted and reported on. If longer lead-time solutions were not identified in the winter assessment, then the Registered Entity would note this in the addendum and longer-term off-peak analysis would not be conducted.</p>	
WECC200801510	TPL-004-0	1	Medium	<p>The Registered Entity did not produce a study of the impact of various demand levels (defined in Category D) on the bulk power system or produce an annual assessment.</p> <p>Although the Registered Entity maintained that it had completed the study of the impact of various demand levels as required by the Standard, it did not produce the studies. Additionally, the Registered Entity did not have a valid assessment for one of the years for which the TPL-004-0 was mandatory and enforceable. The Registered Entity mitigated this violation by providing a valid annual assessment.</p>	

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

### **Request for Confidential Treatment**

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

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

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

### Notices and Communications

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

<p>Gerald W. Cauley 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 gerry.cauley@nerc.net david.cook@nerc.net</p> <p>Steven Goodwill* Associate General Counsel Western Electricity Coordinating Council 155 North 400 West, Suite 200 Salt Lake City, UT 84103 (801) 883-6857 (801) 883-6894 – facsimile SGoodwill@wecc.biz</p> <p>Christopher Luras* Manager of Compliance Enforcement Western Electricity Coordinating Council 155 North 400 West, Suite 200 Salt Lake City, UT 84103 (801) 883-6887 (801) 883-6894 – facsimile CLuras@wecc.biz</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 V. Davis Smith* Attorney (admitted in IN; not admitted in D.C. or NJ) 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 davis.smith@nerc.net</p> <p>Louise McCarren* Chief Executive Officer Western Electricity Coordinating Council 155 North 400 West, Suite 200 Salt Lake City, UT 84103 (801) 883-6868 (801) 582-3918 – facsimile Louise@wecc.biz</p> <p>Constance White* Vice President of Compliance Western Electricity Coordinating Council 155 North 400 West, Suite 200 Salt Lake City, UT 84103 (801) 883-6885 (801) 883-6894 – facsimile CWhite@wecc.biz</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,

/s/ Rebecca J. Michael

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