NERC
NORTH AMERICAN ELECTRIC RELIABILITY CORPORATION

December 22, 2010

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

Re: NERC Notice of Penalty regarding Unidentified Registered Entity
FERC Docket No. NP11-_-000

Dear Ms. Bose:

The North American Electric Reliability Corporation (NERC) hereby provides this Notice of Penalty[1] regarding Unidentified Registered Entity (URE), 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)).[2]

On November 24, 2008, URE submitted a self-report for CIP-008-1 R1 because its Cyber Security Incident response plan did not address all the requirements of the Standard. On June 10, 2008, after completing a Spot Check for compliance with PRC-005-1, WECC informed URE of its findings of non-compliance with PRC-005-1 R1 because URE failed to include all the elements in its Protection System maintenance and testing program. On September 13, 2006 and on June 15, 2007, URE submitted a self-report because it did not test its protective relays within the intervals defined in its maintenance and testing programs.[3] On July 28, 2008, URE

[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 (2010). *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] *See* 18 C.F.R § 39.7(c)(2).
[3] URE failed to submit a sufficient, completed Mitigation Plan on time so the violation became an enforceable post-June 18, 2007 violation. On January 16, 2008, WECC sent an official notice of a Spot Check requiring URE to submit evidence of its compliance for PRC-005-1 R2. WECC reviewed URE's evidence and determined that URE failed to demonstrate that it had maintained and tested its protective devices within defined intervals.

submitted a self-report for PRC-STD-005-1 WR1 because its Transmission Maintenance and Inspection Plan (TMIP) failed to address each component outlined in the Standard. On September 23, 2008, URE submitted a self-report for PRC-017-0 R1 because it did not have a Special Protection System (SPS) maintenance and testing program in place for the Remedial Action Scheme (RAS). On September 8, 2009, URE submitted a self-report for TOP-STD-007-0 WR1 because its net schedule over a path exceeded the Operating Transfer Capability Limits (OTC) for three hours during the summer of 2009. The details of these violations[4] are addressed below.

This Notice of Penalty is being filed with the Commission because WECC and URE have entered into a Settlement Agreement to resolve all outstanding issues arising from a preliminary and non-public assessment resulting in WECC's determination and findings of the enforceable violations of CIP-008-1 R1, PRC-005-1 R1 and R2,[5] PRC-STD-005-1 WR1, PRC-017-0 R1 and TOP-STD-007-0 WR1. According to the Settlement Agreement, URE stipulates to the facts of the violations, and has agreed to the proposed penalty of eighty thousand dollars ($80,000) to be assessed to URE, in addition to other remedies and actions to mitigate the instant violations and facilitate future compliance under the terms and conditions of the Settlement Agreement. Accordingly, the violations identified as NERC Violation Tracking Identification Numbers WECC200801212, WECC200800855, WECC200710217, WECC200801003, WECC200801145 and WECC200901652 are Confirmed Violations, as that term is defined in Section 1.1.9 of the NERC Rules of Procedure and the CMEP, and are being filed in accordance with the NERC Rules of Procedure and the CMEP.

Statement of Findings Underlying the Violations

This Notice of Penalty incorporates the findings and justifications set forth in the Settlement Agreement executed on November 6, 2009, by and between WECC and URE, which is included as Attachment a. 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, NERC provides the following summary table identifying each violation of a Reliability Standard resolved by the Settlement Agreement, as discussed in greater detail below.

[4] At the time of the Settlement Agreement, these violations were Confirmed Violations. For purposes of this document, the violations at issue are described as "violations", regardless of their procedural posture and whether they were possible, alleged, or confirmed violations.

[5] The Mitigation Plan for PRC-005-1 R2 identified the second instance of URE's violation of PRC-005-1 R2 as a separate Identification Number, NERC Violation Tracking Identification Number WECC200801239. On December 7, 2009, WECC dismissed WECC200801239 as this number was inadvertently created and is a duplicate entry.

Region	Registered Entity	NOC ID	NERC Violation ID	Reliability Std.	Req. (R)	VRF	Total Penalty ($)
WECC	Unidentified Registered Entity	NOC-419	WECC200801212	CIP-008-1	1	Lower	80,000
			WECC200800855	PRC-005-1	1	High[6]	
			WECC200710217	PRC-005-1	2	High[7]	
			WECC200801003	PRC-STD-005-1	WR1	N/A	
			WECC200801145	PRC-017-0	1	High	
			WECC200901652	TOP-STD-007-0	WR1	N/A	

CIP-008-1 R1

The purpose of Reliability Standard CIP-008-1 (Incident Reporting and Response Planning) is "Standard CIP-008 ensure the identification, classification, response and reporting of Cyber Security Incidents related to Critical Cyber Assets. Standard CIP-008 should be read as part of a group of standards numbered Standards CIP-002 through CIP-009."

CIP-008-1 R1 (Cyber Security Incident Response Plan) requires that:

> The Responsible Entity[8] shall develop and maintain a Cyber Security Incident response plan. The Cyber Security Incident Response plan shall address, at a minimum, the following:
>
> > R1.1. Procedures to characterize and classify events as reportable Cyber Security Incidents.
> >
> > R1.2. Response actions, including roles and responsibilities of incident response teams, incident handling procedures, and communication plans.
> >
> > R1.3. Process for reporting Cyber Security Incidents to the Electricity Sector Information Sharing and Analysis Center (ES ISAC). The Responsible Entity must ensure that all reportable Cyber Security Incidents are reported to the ES ISAC either directly or through an intermediary.
> >
> > R1.4. Process for updating the Cyber Security Incident response plan within ninety calendar days of any changes.

[6] When NERC filed Violation Risk Factors it originally assigned PRC-005-1 R1 a Medium VRF. The Commission approved the VRF as filed; however, it directed NERC to submit modifications. NERC submitted the modified High VRF and on August 6, 2007, the Commission approved the modified High VRF. Therefore, the Medium VRF for PRC-005-1 R1 was in effect from June 18, 2007 until August 6, 2007 when the High VRF became effective.
[7] PRC-005-1 R2 has a "Lower" VRF and each of its sub-requirements has a "High" VRF. WECC determined a "High" VRF was applicable to this PRC-005-1 R2 violation.
[8] Within the text of Standard CIP-008, "Responsible Entity" shall mean: Reliability Coordinator, Balancing Authority, Interchange Authority, Transmission Service Provider, Transmission Owner, Transmission Operator, Generator Owner, Generator Operator, Load Serving Entity, NERC, or Regional Entity.

> R1.5. Process for ensuring that the Cyber Security Incident response plan is reviewed at least annually.
>
> R1.6. Process for ensuring the Cyber Security Incident response plan is tested at least annually. A test of the incident response plan can range from a paper drill, to a full operational exercise, to the response to an actual incident.

CIP-008-1 R1 and all of its sub-requirements have a "Lower" Violation Risk Factor (VRF).

On November 24, 2008, URE submitted a Self-Report and Mitigation Plan addressing non-compliance with CIP-008-1 R1, as a result of a November 20, 2008 Self-Evaluation in which URE determined that it did not have: (1) a process for updating its Cyber Security Incident response plan within ninety calendar days of any changes; (2) a process for ensuring that its Cyber Security Incident response plan is reviewed at least annually; and (3) a process for ensuring its Cyber Security Incident response plan is tested at least annually.

On November 25, 2008, a WECC subject matter expert (SME) reviewed URE's Self-Report. URE stated in its Self-Report that URE had "inadvertently left out its *policy* language," [*emphasis added*] addressing sub-requirements R1.4, R1.5 and R1.6 of this Standard from its electric transmission CIP Cyber Security policy. The WECC SME conducted a telephone interview with URE personnel to clarify URE's use of the word "policy" in URE's Self-Report. The WECC SME determined, and URE personnel agreed, that URE used "policy" interchangeably with "procedure." Based on this interview and the review of the Self-Report, the WECC SME concluded that URE did not include in its Cyber Security Incident response plan the processes required by sub-requirements R1.4, R1.5 and R1.6 of this Standard.

Subsequently, WECC determined that URE had a violation of CIP-008-1 R1 because URE failed to have: (1) a process for updating its Cyber Security Incident response plan within ninety calendar days of any changes; (2) a process for ensuring that its Cyber Security Incident response plan is reviewed at least annually; and (3) a process for ensuring its Cyber Security Incident response plan is tested at least annually.

WECC determined the duration of the violation to be from July 1, 2008,[9] the date the Standard became enforceable, through December 19, 2008, when URE completed its Mitigation Plan.

WECC determined that the violation of CIP-008-1 R1 did not pose a serious or substantial risk to the reliability of the bulk power system (BPS) because URE developed its Incident Response Plan on July 30, 2008 and did not make changes to the plan prior to the Self-Report, thus while URE did not have a process to update its Incident Response Plan within ninety calendar days of any changes, URE did not have any reason to update its Incident Response Plan. Additionally, URE Self-Reported and mitigated this violation approximately six months after developing the plan. Thus, URE was still within the "annual" period described in R1.5 and R1.6.

[9] The Settlement Agreement incorrectly states the violation start date as June 18, 2007.

PRC-005-1 R1 and R2

The purpose of Reliability Standard PRC-005-1 is "To ensure all transmission and generation Protection Systems[10] affecting the reliability of the Bulk Electric System (BES) are maintained and tested."

PRC-005-1 R1 requires that:

> 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 BPS. The program shall include:
>
> R1.1. Maintenance and testing intervals and their basis.
>
> R1.2. Summary of maintenance and testing procedures.

PRC-005-1 R1 and its sub-requirements have a "High" VRF.

PRC-005-1 R2 requires that:

> 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 Entity 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.

PRC-005-1 R2 has a "Lower" VRF and each of its sub-requirements has a "High" VRF.

PRC-005-1 R1

WECC notified URE of an upcoming Spot-Check and requested evidence to verify compliance with Reliability Standard PRC-005-1. URE submitted the requested evidence on February 1, 2008. WECC reviewed URE's transmission path relay maintenance program, and determined that URE failed to include communication systems, voltage and current sensing devices and DC control circuitry in its maintenance and testing program. After reviewing URE's submitted evidence, WECC notified URE on June 10, 2008, of a violation of PRC-005-1 R1. On June 12, 2008, URE submitted a Self-Report for its non-compliance with PRC-005-1 R1.[11]

[10] *The NERC Glossary of Terms Used in Reliability Standards* defines Protection System as "Protective relays, associated communication systems, voltage and current sensing devices, station batteries and DC control circuitry."

[11] WECC did not consider this a Self-Report for the purpose of determining the assessed penalty because URE had received notification from WECC of its non-compliance two days prior.

WECC determined the duration of the violation to be from June 18, 2007, the date the Standard became enforceable, through January 30, 2009, when URE completed its Mitigation Plan.[12]

WECC determined that the violation of PRC-005-1 R1 did not pose a serious or substantial risk to the reliability of the BPS because URE demonstrated, in its transmission path relay maintenance program, it inspected, tested, or maintained these devices despite not including these devices in URE's maintenance and testing program.

PRC-005-1 R2

During an internal self-evaluation on September 13, 2006, which URE conducted in preparation for forthcoming mandatory compliance to NERC Reliability Standards, URE discovered non-compliance with PRC-005-1 R2 because it did not test its protective relays within the intervals defined in its maintenance and testing program. Consequently, on September 13, 2006, and again on June 15, 2007, URE submitted a Self-Report and Mitigation Plan[13] addressing its non-compliance with this Standard. However, URE failed to complete its pre-June 18 Mitigation Plan by its approved completion date of December 31, 2007.[14] As a result, this became a post-June 18, 2007 violation.

As discussed above, URE submitted evidence to WECC on February 1, 2008 to verify compliance with PRC-005-1 after being notified of an upcoming Spot-Check.

On March 20, 2008, prior to being notified of WECC's findings of the Spot-Check, URE submitted another Self-Report for the pre- to post-June 18 possible non-compliance with PRC-005-1 R2. URE's March 20, 2008 Self-Report stated it had not, because of some changes in path numbers, tested approximately ninety-six (96) 230 kV and 161 kV relays. URE also deferred approximately 10 relays at its 230 kV substation due to a major relay upgrade at that station.[15] Because these relay upgrades were behind schedule, and because URE planned to test these relays as they were commissioned, these relays were not tested as planned.

During the Spot-Check, SMEs determined that URE failed to demonstrate that it had maintained and tested its protective devices within defined intervals. Specifically, URE did not maintain and test approximately one hundred-six 106 protective relays within defined intervals. Additionally, SMEs reviewed URE's transmission path relay maintenance program and determined that because URE failed to include communication systems, voltage and current sensing devices, and DC control circuitry in its maintenance and testing program as required by R1, URE had not

[12] The Settlement Agreement incorrectly states that the violation was mitigated on September 5, 2008.
[13] The Mitigation Plan associated with the September 13, 2006 Self-Report was submitted on September 16, 2006.
[14] The June 15, 2007 Mitigation Plan had an approved completion date of December 31, 2007. WECC accepted the Mitigation Plan on July 6, 2007. URE submitted a milestone update on September 27, 2007 stating URE was on schedule with its required activities. On December 27, 2007, URE submitted a completed Mitigation Plan and evidence of completion. However, URE had not completed its testing and, therefore, its Mitigation Plan. On January 31, 2008, one day prior to submitting evidence for the Spot-Check, URE submitted a Mitigation Plan extension request along with a revised Mitigation Plan. Accordingly, WECC determined that URE had not completed its pre-June 18 Mitigation Plan by the approved completion date and rejected the January 31, 2008, Mitigation Plan extension request. Therefore, the pre-June 18 violation became a sanctionable post-June 18 violation.
[15] The 106 relays account for 50% to 75% of URE's applicable devices.

documented (1) evidence that these Protection System devices were maintained and tested within the defined intervals and (2) the date each Protection System device was last tested and maintained as required by PRC-005-1 R2. Therefore the SMEs concluded that URE was still non-compliant with PRC-005-1 R2 and notified URE of this finding on June 10, 2008.

WECC determined the duration of the violation to be from June 18, 2007, the date the Standard became enforceable, through January 30, 2009, when URE completed its Mitigation Plan.

WECC determined that the violation of PRC-005-1 R2 did not pose a serious or substantial risk to the reliability of the BPS because URE demonstrated, in its transmission path relay maintenance program, it inspected, tested, or maintained the communication systems, voltage and current sensing devices, and DC control circuitry devices despite not including these devices in URE's documented maintenance and testing program. Additionally, although the relays were not tested in accordance with the interval specified in the program, relay operations and misoperations were monitored during all business days and are addressed as necessary. However, the violation posed a moderate risk to the reliability of the BPS because URE's failure to maintain and test approximately 106 protective devices within defined intervals could have led to a disturbance or system inoperability.

PRC-STD-005-1 WR1

The purpose of Regional Reliability Standard PRC-STD-005 WR1 is "to ensure the Transmission Operator or Owner of a transmission path identified in Attachment A performs maintenance and inspection on identified paths as described by its transmission maintenance plan.

PRC-STD-005-1 WR1 requires that:

> All bulk power transmission elements (i.e., lines, stations and rights of way) included as part of the transmission facilities (or required to maintain transfer capability) impacting each of the transmission paths listed in Attachment A – WECC Table 2 shall be inspected and maintained in accordance with this criterion, taking into consideration diverse environmental and climatic conditions, terrain, equipment, maintenance philosophies, and design practices.
>
> a. General. This Transmission Maintenance Standard requires each Responsible Entity identified in Section A.4.1 to develop and implement a Transmission Maintenance and Inspection Plan (TMIP) detailing the Responsible Entity's inspection and maintenance activities applicable to the transmission facilities comprising each of the transmission paths identified in Attachment A – Table 2.
>
> b. Standard Requirements
>
> (i) TMIP. To comply with this Standard, each Responsible Entity identified in Section A4.1 must develop and implement a TMIP.
>
> • Because maintenance and inspection practices vary, it is the intent of this Transmission Maintenance Standard to allow flexibility in inspection and maintenance practices while still requiring a description of certain specific inspection and maintenance practices.
>
> (a) TMIP Contents. The TMIP may be performance-based, time-based, conditional-based, or a combination of all three as may be appropriate. The TMIP shall:

- Identify the facilities for which it is covering by listing the names of each transmission path and the quantities of each equipment component, such as; circuit breaker, relay scheme, transmission line;
- Include the scheduled interval (e.g., every two years) for any time-based maintenance activities and a description of conditions that will initiate any condition or performance-based activities;
- Describe the maintenance, testing and inspection methods for each activity or component listed under Transmission Line Maintenance and Station Maintenance;
- Provide any checklists or forms, or reports used for maintenance activities;
- Provide criteria to be used to assess the condition of a transmission facility or component;
- Specify condition assessment criteria and the requisite response to each condition as may be appropriate for each specific type of component or feature of the transmission facilities;
- Include specific details regarding Transmission Line and Station Maintenance practices as per subsections (1) and (2) below.

(1) Transmission Line Maintenance Details. The TMIP shall, at a minimum, describe the Responsible Entity's practices for the following transmission line maintenance activities:
- Patrol/Inspection
- Contamination Control (Insulator Washing)

(2) Station Maintenance Details. The TMIP shall describe the Responsible Entity's maintenance practices for the following station equipment:
- Circuit Breakers
- Power Transformers (including phase-shifting transformers)
- Regulators
- Protective Relay Systems and associated Communication Equipment
- RAS Systems and associated Communication Equipment
- Reactive Devices (including, but not limited to, Shunt Capacitors, Series Capacitors, Synchronous Condensers, Shunt Reactors, and Tertiary Reactors)

(ii) Maintenance Record Keeping. Each Responsible Entity identified in Section A.4.1 must retain all pertinent maintenance and inspection records that support the TMIP according to the following guidelines:
- The Responsible Entity shall maintain records of all maintenance and inspection activities for at least five years.
- Each Responsible Entity's maintenance and inspection records shall identify, at a minimum:
  1. The person(s) responsible for performing the work or inspection;
  2. The date(s) the work or inspection was performed;
  3. The transmission facility on which the work was performed; and
  4. A description of the inspection or maintenance performed.

The Transmission Owner or Operator shall maintain (and make available on request) records for maintenance or inspection pertaining to the items listed in subsections (a) and (b) below.

(a) Transmission Line Maintenance Records
- Patrol/Inspection
- Contamination Control (Insulator Washing)

(b) Station Maintenance Records

- Circuit Breakers
- Power Transformers
- Regulators
- Protective Relay Systems and associated Communication Equipment
- RAS Systems and associated Communication Equipment
- Reactive Devices

A VRF is not assigned to PRC-STD-005-1 WR1. Sanctions for violations of this Regional Reliability Standard are defined by the Sanction Table included as part of PRC-STD-005-1 WR1.

On July 1, 2008, URE conducted a Self-Evaluation and discovered that its Transmission Maintenance and Inspection Plan (TMIP) failed to address each component required by this Standard. Additionally, URE discovered that the testing/maintenance was not being completely performed and/or completely documented. As a result, on July 28, 2008, URE self-reported non-compliance with PRC-STD-005-1 WR1.

On November 19, 2008, a WECC SME reviewed URE's Self-Report and Mitigation Plans for PRC-STD-005-1 WR1. Based on the review of the Self-Report and Mitigation Plans, the SME determined that URE (1) failed to adequately maintain station maintenance records, and (2) failed to outline station maintenance details as required by this Standard, specifically its TMIP, TMIP contents, Station Maintenance Details, Maintenance Record Keeping, and Station Maintenance Records. Accordingly, the SME concluded that URE had a possible non-compliance with PRC-STD-005-1 WR1.

WECC reviewed URE's submittals and the SME findings and determined that URE had a violation of PRC-STD-005-1 WR1 because: (1) URE did not adequately maintain station maintenance records; and (2) URE did not outline station maintenance details as required by the Standard (*i.e.*, URE's TMIP, TMIP contents, Station Maintenance Details, Maintenance Record Keeping, and Station Maintenance Records).

WECC determined the duration of the violation to be from June 18, 2007, the date the Standard became enforceable, through January 28, 2009, when URE completed its Mitigation Plan.

However, WECC determined that the violation of PRC-STD-005-1 WR1 posed a severe risk to the reliability of BPS because a failure of an URE substation could disrupt URE's facilities as well as neighboring entities.

PRC-017-0 R1

The purpose of Reliability Standard PRC-017-0 is "To ensure that all Special Protection Systems (SPS) are properly designed, meet performance requirements, and are coordinated with other Protection Systems. To ensure that maintenance and testing programs are developed and misoperations are analyzed and corrected."

PRC-017-0 R1 requires that:

> The Transmission Owner, Generator Owner, and Distribution Provider that owns an SPS to have a system maintenance and testing program(s) in place. The program(s) shall include:
>
> R1.1. SPS identification shall include but is not limited to:
>
> R1.1.1. Relays.
>
> R1.1.2. Instrument transformers.
>
> R1.1.3. Communications systems, where appropriate.
>
> R1.1.4. Batteries.
>
> R1.2. Documentation of maintenance and testing intervals and their basis.
>
> R1.3. Summary of testing procedure.
>
> R1.4. Schedule for system testing.
>
> R1.5. Schedule for system maintenance.
>
> R1.6. Date last tested/maintained.

PRC-017-0 R1 and its sub-requirements R1.1 through R1.5 all have a "High" VRF while R1.6 has a "Medium" VRF.

On September 9, 2008, URE conducted a self-assessment and determined that a Remedial Action Scheme (RAS) that it had previously determined was not subject to this Standard was indeed subject to it.[16] Upon reaching this conclusion, URE determined that it did not have an SPS Maintenance and Testing Program in place for the RAS. As a result, on September 23, 2008, URE submitted a Self-Report and Mitigation Plan addressing a possible non-compliance with this Standard.

On November 6, 2008, SMEs reviewed URE's Self-Report and Mitigation Plan. The SMEs determined that URE's one of its RAS is an SPS that must be part of URE's system maintenance and testing program. Thus, the SMEs concluded that URE did not have a system maintenance and testing program in place for one of its RAS as required by PRC-017-0 R1.

WECC reviewed URE's submittals and the SME findings and agreed that URE had a violation of PRC-017-0 R1.

WECC determined the duration of the violation to be from June 18, 2007, the date the Standard became enforceable, through September 23, 2008, the date URE completed its Mitigation Plan.

[16] URE initially believed that one of its RAS was not subject to PRC-017-0 because it is a local RAS. Upon further review, URE determined that one of its RAS was subject to PRC-017-0 because it protects the lines on the URE transmission system of 100 kV and greater, even though the operation or misoperation of one of its RAS would not affect neighboring Transmission Operators and Balancing Authorities.

WECC also determined that the violation of PRC-017-0 R1 did not pose a serious or substantial risk to the reliability of the BPS because URE was maintaining and testing one of its RAS, but failed to have a formal SPS maintenance and testing program in place for one of its RAS. Additionally, as a local RAS, a failure of this RAS would be contained within a portion of URE's internal system.

TOP-STD-007-0 WR1

The purpose of Regional Reliability Standard TOP-STD-007-0 (Operating Transfer Capability Limit Criteria) is "to ensure the Operating Transfer Capability limits requirements of the Western Interconnection are not exceeded."

TOP-STD-007-0 WR1 requires that:

> Actual power flow and net scheduled power flow over an interconnection or transfer path shall be maintained within Operating Transfer Capability Limits ("OTC"). The OTC is the maximum amount of actual power that can be transferred over direct or parallel transmission elements comprising:
>
> - An interconnection from one Transmission Operator area to another Transmission Operator area; or
> - A transfer path within a Transmission Operator area.
>
> The net schedule over an interconnection or transfer path within a Transmission Operator area shall not exceed the OTC, regardless of the prevailing actual power flow on the interconnection or transfer path.
>
> a. Operating limits. No elements within the interconnection shall be scheduled above continuous operating limits. An element is defined as any generating unit, transmission line, transformer, bus, or piece of electrical equipment involved in the transfer of power within an interconnection.
> b. Stability. The interconnected power system shall remain stable upon loss of any one single element without system cascading that could result in the successive loss of additional elements. The system voltages shall be within acceptable limits defined in the WECC Reliability Criteria for Transmission System Planning. If a single event could cause loss of multiple elements, these shall be considered in lieu of a single element outage. This could occur in exceptional cases such as two lines on the same right-of-way next to an airport. In either case, loss of either single or multiple elements should not cause uncontrolled, widespread collapse of the interconnected power system. For purposes of this Section, stability shall include transient stability, post transient stability or dynamic stability whichever is most limiting to OTC.
> c. System contingency response. Following the outage and before adjustments can be made:
> (i) No remaining element shall exceed its short-time emergency rating.
> (ii) The steady-state system voltages shall be within emergency limits.
>
> The limiting event shall be determined by conducting power flow and stability studies while simulating various operating conditions. These studies shall be updated as system

configurations introduce significant changes in the interconnection. (Source: WECC Criterion)

TOP-STD-007-0 WR1 does not have an assessed VRF. For each separate incident violating the OTC compliance Standard, the level of the violation shall be as set forth in the table contained in the Standard.

On September 8, 2009, URE self-reported a possible non-compliance with TOP-STD-007-0 WR1 because, as the path operator of a path, it permitted the schedules for the path to exceed the OTC limit for three hours during the summer of 2009. URE stated in its Self-Report that an adjacent Balancing Authority e-tagged a schedule for an amount that exceeded the OTC limit on the path by 16 MW.
While scheduled transactions on the path exceeded the limit, the actual flows on the path did not exceed the OTC. For hour ending 1500, actual flow on the path was 134 MW. For hour ending 1600, actual flow on the path was 141 MW. And for hour ending 1700, actual flow on the path was 154 MW.

On September 28, 2009, an SME reviewed URE's Self-Report. The SME determined URE's net schedule over the path exceeded the OTC for three hours during the summer of 2009. Specifically, although URE's system operator monitored actual power flow on the transmission line (in this case the path), URE failed to take immediate action to reduce schedules to ensure the net schedule over the path did not exceed the OTC. TOP-STD-007-0 states that "no elements within the interconnection shall be scheduled above continuous operating limits." The term "element" is defined in this Standard as any generating unit, transmission line, transformer, bus, or piece of electrical equipment involved in the transfer of power within an interconnection. Thus, the SME concluded that URE was in possible non-compliance with TOP-STD-007-0.

WECC reviewed the SME findings and determined that URE had a violation of TOP-STD-007-0 WR1.

WECC determined the duration of the violation to be from August 4, 2009, through September 8, 2009, when URE completed its Mitigation Plan.

WECC determined that the violation of TOP-STD-007-0 WR1 posed a moderate risk to the reliability of the BPS because URE's scheduled flows exceeded the OTC for 3 hours. WECC determined that it did not pose a serious or substantial risk to the reliability of the BPS because the system operator was monitoring the flows during the 3 hours of non-compliance and actual flows did not exceed the OTC.

Regional Entity's Basis for Penalty

According to the Settlement Agreement, WECC has assessed a penalty of eighty thousand dollars ($80,000) for the above referenced violations. In reaching this determination, WECC considered the following factors:

1. the violations constituted URE's first occurrence of violations of the subject Reliability Standards;

2. URE self-reported the violations, although the PRC-005-1 R1 violation was self-reported after notification of an upcoming Spot-Check;
3. URE was cooperative throughout the compliance enforcement process;
4. URE had a compliance program in place at the time of the violations which WECC considered a mitigating factor in determining the penalty;[17]
5. there was no evidence of any attempt to conceal a violation nor evidence that URE intentionally violated a Reliability Standard; and
6. the violations, except the PRC-STD-005 WR1 violation, did not pose a serious or substantial risk to the BPS, as discussed above.

After consideration of the above factors, WECC determined that, in this instance, the penalty amount of eighty thousand dollars ($80,000) is appropriate and bears a reasonable relation to the seriousness and duration of the violations.

Status of Mitigation Plans[18]

CIP-008-1 R1

URE's Mitigation Plan to address its violation of CIP-008-1 R1 was submitted to WECC on November 24, 2008 with a proposed completion date of December 23, 2008. The Mitigation Plan was accepted by WECC on December 3, 2008, and approved by NERC on January 27, 2009. The Mitigation Plan for this violation is designated as MIT-08-1319, and was submitted as non-public information to FERC on January 28, 2009, in accordance with FERC orders.

URE's Mitigation Plan required URE to:

1. draft language to upgrade its CIP policy to include sub-requirements R1.4, R1.5 and R1.6; and
2. submit the revised CIP policy to be approved through the company's review and approval process.

On December 19, 2008, URE certified that the above Mitigation Plan requirements were completed as of that same day. As evidence of completion of its Mitigation Plan, URE submitted the following:

1. A revised electronic transmission CIP cyber security policy; and
2. An incident response plan.

[17] The WECC Audit Team evaluated URE's Internal Compliance Program (ICP) using the Compliance Program Audit Worksheet during an on-site Compliance Audit in April 2009. The Audit Team found that: URE disseminated its ICP to all URE personnel; URE staffs and budgets an ICP and an ICP oversight position; this oversight position is supervised by a management committee; employees in this position have direct access to the CEO; URE's ICP is managed and operated independent of the work groups that are responsible for complying with Reliability Standards; Senior Management reviewed periodic reports related to the ICP and ensures URE takes corrective actions when necessary (including disciplinary action as appropriate); and that the ICP includes internal controls, such as self-assessment and self-enforcement, to prevent recurring violations.

[18] *See* 18 C.F.R § 39.7(d)(7).

On January 13, 2009, after WECC's review of URE's submitted evidence, WECC verified that URE's Mitigation Plan was completed on December 19, 2008 and notified URE in a letter dated February 17, 2009 that it had fully mitigated its non-compliance with CIP-008-1 R1.

PRC-005-1 R1 and R2

URE's revised Mitigation Plan[19] to address its violations of PRC-005-1 R1 and R2[20] was submitted to WECC on September 5, 2008 with a proposed completion date of December 31, 2008. The Mitigation Plan was accepted by WECC on September 11, 2008 and approved by NERC on September 10, 2008. The Mitigation Plan for this violation is designated as MIT-08-1030 and was submitted as non-public information to FERC on September 10, 2008 in accordance with FERC orders.

URE's Mitigation Plan required URE to:

1. review specific Internal Audit Report recommendations and begin work on revising its *Protection System Maintenance and Testing Program*, to be completed by September 12, 2008;
2. complete and approve the revised *Protection System Maintenance and Testing Program*, to be completed by December 12, 2008;
3. re-examine the Protection Systems tested under the old program in 2008 and test/maintain all the necessary components to bring URE into compliance, to be completed by December 5, 2008; and
4. complete the Protection System Database format, so that it is ready to take data by December 31, 2008.

On December 23, 2008, URE requested a one-month extension by submitting a revised Mitigation Plan to WECC with a proposed completion date of January 31, 2008. URE stated that it needed the additional month to complete testing of its 230 kV switchyard[21] and to complete all necessary documentation. WECC accepted this revised Mitigation Plan on December 24, 2008.

[19] URE's original Mitigation Plan to address its violations of PRC-005-1 R1 and R2 was submitted to WECC on June 12, 2008 with a proposed completion date of June 12, 2009. On August 3, 2008, WECC rejected this Mitigation Plan because, although it addressed URE's non-compliance of R1, it did not fully mitigate URE's non-compliance of R2.

[20] URE originally submitted a Mitigation Plan for the PRC-005-1 R2 violation on June 15, 2007 with an expected completion date of December 31, 2007. WECC accepted this Mitigation Plan on July 7, 2007 and URE submitted its completed Mitigation Plan on December 27, 2007 along with the test results for eight of its plants or substations. On January 31, 2008, URE submitted an extension request because there were changes to path numbers and URE did not test relays at all of its substations. On March 6, WECC reviewed the December 27, 2007 Mitigation Plan completion and the extension request. WECC determined that URE failed to submit a sufficient, completed Mitigation Plan so the violation became a sanctionable post-June 18, 2007 violation. URE decided to combine the PRC-005-1 R2 violation with the R1 violation in the June 12, 2008 Mitigation Plan submittal.

[21] URE stated that the testing could not be completed due to the extreme cold weather, which aggravated URE's ability to test without tripping relays. URE further stated that it had directed every available engineer and technician to focus on completing the required testing.

On January 30, 2009, URE certified that the above Mitigation Plan requirements were completed on this same day. As evidence of completion of its Mitigation Plan, URE submitted the following:

1. its *Protection System Maintenance and Testing Program*;[22] and
2. a spreadsheet detailing URE's testing, including substation names, equipment IDs, device names, maintenance intervals, testing intervals, the date URE last maintained and tested each device, and future maintenance and testing dates. URE updated this spreadsheet on January 30, 2009.

On February 3, 2009, after WECC's review of URE's submitted evidence, WECC verified that URE's Mitigation Plan was completed on January 30, 2009, and notified URE in a letter dated February 17, 2009, that it had fully mitigated its non-compliance with PRC-005-1 R1 and R2.

PRC-STD-005-1 WR1

URE's original Mitigation Plan to address its violation of PRC-STD-005-1 WR1 was submitted to WECC on July 28, 2008, with a proposed completion date of July 30, 2009. WECC rejected this plan on August 4, 2008 because WECC determined that the timeframe for completion was unreasonably long.

URE's revised Mitigation Plan to address its violation of PRC-STD-005-1 WR1 was submitted to WECC on September 5, 2008, with a proposed completion date of March 31, 2009. The Mitigation Plan was accepted by WECC on September 11, 2008 and approved by NERC on October 30, 2008. The Mitigation Plan for this violation is designated as MIT-08-1041 and was submitted as non-public information to FERC on October 30, 2008 in accordance with FERC orders.

URE's Mitigation Plan required URE to:

1. Revise and approve its existing maintenance and inspection plan to incorporate missing testing components; and
2. Complete maintenance and inspection of remaining substations scheduled to be maintained and/or inspected in 2008 using the revised maintenance and inspection plan. Also, verify that 100% of the substations on the three WECC Critical Paths and other critical 230 kV and 500 kV substations have been maintained or inspected in accordance with the revised plan criteria. For those critical substations that have not been completely maintained or inspected in accordance with Plan criteria, appropriate maintenance or inspection actions will be performed.

On December 23, 2008, URE submitted an extension request so that it could finish implementing the remaining portions of its TMIP; WECC granted the extension on December 29, 2008. URE certified on January 28, 2009, that the above Mitigation Plan requirements were completed as of that same day. As evidence of completion of its Mitigation Plan, URE submitted the following documents:

[22] This document was provided to WECC on September 5, 2008.

1. operations and maintenance program;
2. circuit breaker maintenance report;
3. infrared thermographic inspection;
4. laboratory analytical report;
5. test results; and
6. test report.

On February 4, 2009, after WECC's review of URE's submitted evidence, WECC verified that URE's Mitigation Plan was completed on January 28, 2009, and notified URE in a letter dated February 17, 2009, that it had mitigated its non-compliance with PRC-STD-005-1 WR1.

PRC-017-0 R1

URE's Mitigation Plan to address its violation of PRC-017-0 R1 was submitted to WECC on September 23, 2008, stating that it had been completed as of that same day. The Mitigation Plan was accepted by WECC on November 6, 2008, and approved by NERC on January 6, 2009. The Mitigation Plan for this violation is designated as MIT-08-1195 and was submitted as non-public information to FERC on January 6, 2009, in accordance with FERC orders.

URE's Mitigation Plan stated that URE had revised its existing RAS maintenance and testing program, including documentation of maintenance and testing, to address the sub-requirements of this Standard.

URE certified on September 23, 2008, that the above Mitigation Plan requirements were completed on that same day. As evidence of completion of its Mitigation Plan, URE submitted the following:

1. URE's Special Protection System Maintenance and Testing Program;
2. URE's Remedial Action Scheme;
3. a System Operating Test;
4. a Timing Test;
5. a one-line diagram for the generation switchyard; and
6. an undated list of its SPS devices.

On November 6, 2008, after WECC's review of URE's submitted evidence, WECC verified that URE's Mitigation Plan was completed on September 23, 2008, and notified URE in a letter dated November 14, 2008, that it had fully mitigated its non-compliance with PRC-017-0 R1.

TOP-STD-007-0 WR1

URE's Mitigation Plan to address its violation of TOP-STD-007-0 WR1 was submitted to WECC on September 8, 2009, stating that it had been completed as of that same day.[23] The Mitigation Plan was accepted by WECC on September 28, 2009, and approved by NERC on October 12, 2009. The Mitigation Plan for this violation is designated as MIT-09-2023 and was submitted as non-public information to FERC on October 12, 2009, in accordance with FERC orders.

URE's Mitigation Plan required URE to:

1. address the non-compliance specifically with the operator on shift;
2. conduct training sessions with all URE lead operators (schedulers); and
3. reinforce with the lead operators (schedulers) the necessity to keep real-time watch to prevent an OTC.

URE certified on September 8, 2009, that the above Mitigation Plan requirements were completed as of that same day. As evidence of completion of its Mitigation Plan, URE submitted an e-mail to WECC that clarified that a URE supervisor trained each "individual lead System Operator ...between August 4, 2009 and August 12, 2009 ... how to watch schedules ... and to cut schedules if [a certain path]" was in danger of exceeding the OTC. The WECC SME also conducted a phone conversation with another URE manager to discuss the training.

On September 29, 2009, after WECC's review of URE's submitted evidence, WECC verified that URE's Mitigation Plan was completed on September 8, 2009, and notified URE in a letter dated November 4, 2009, that it had fully mitigated its non-compliance with TOP-STD-007-0 WR1.

Statement Describing the Proposed Penalty, Sanction or Enforcement Action Imposed[24]

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 and October 26, 2009 Guidance Orders,[25] the NERC BOTCC reviewed the Settlement Agreement and supporting documentation on April 12, 2010. The NERC BOTCC approved the Settlement Agreement, including WECC's imposition of a financial penalty, assessing a penalty of eighty thousand dollars ($80,000) against URE and other actions to facilitate future compliance required under the terms and conditions of the

[23] URE neglected to check the "completed" box on its submitted Mitigation Plan. Therefore WECC requested confirmation of completion in addition to the September 8, 2009 certification by URE's officer in charge of transmission functions. On September 29, 2009 URE submitted an e-mail to WECC that clarified that the required mitigating actions had been completed.

[24] *See* 18 C.F.R § 39.7(d)(4).

[25] *North American Electric Reliability Corporation*, "Guidance Order on Reliability Notices of Penalty," 124 FERC ¶ 61,015 (2008); *North American Electric Reliability Corporation*, "Further Guidance Order on Reliability Notices of Penalty," 129 FERC ¶ 61,069 (2009). *See also North American Electric Reliability Corporation*, "Notice of No Further Review and Guidance Order," 132 FERC ¶ 61,182 (2010).

Settlement Agreement. In approving the Settlement Agreement, the NERC BOTCC reviewed the applicable requirements of the Commission-approved Reliability Standards and the underlying facts and circumstances of the violations at issue.

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

1. the violations constituted URE's first occurrence of violations of the subject NERC Reliability Standards;
2. URE self-reported the violations, although the PRC-005-1 R1 violation was self-reported after notification of an upcoming Spot-Check;
3. URE was cooperative throughout the compliance enforcement process;
4. URE had a compliance program, as discussed above;
5. there was no evidence of any attempt to conceal a violation nor evidence that URE intentionally violated a Reliability Standard; and
6. the violations, except the PRC-STD-005 WR1 violation, did not pose a serious or substantial risk to the BPS, as discussed above.

For the foregoing reasons, the NERC BOTCC approves the Settlement Agreement and believes that the proposed penalty of eighty thousand dollars ($80,000) is appropriate for the violations and circumstances at issue, and is consistent with NERC's goal to promote and ensure reliability of the BPS.

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.

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.

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) Settlement Agreement by and between WECC and URE entered into as of November 2, 2009, included as Attachment a;

b) Record documents for the violation of CIP-008-1 R1, included as Attachment b:

1. URE's Self-Report dated November 24, 2008;
2. URE's Mitigation Plan submitted November 24, 2008;
3. URE's Certification of Completion of the Mitigation Plan dated December 19, 2008;
4. WECC's Verification of Completion of the Mitigation Plan dated February 17, 2009;

c) Record documents for the violation of PRC-005-1 R1 and R2, included as Attachment c:

1. URE's Self-Report for PRC-005-1 R2 dated March 20, 2008;
2. URE's Self-Report for PRC-005-1 R1 and R2 dated June 12, 2008;
3. URE's Spot-Check Notification for PRC-005-1 R1 dated January 16 10, 2008;
4. URE's Spot-Check Notification for PRC-005-1 R2 dated January 16, 2008
5. URE's Mitigation Plan submitted September 5, 2008;
6. URE's Mitigation Plan submitted December 23, 2008;
7. URE's Certification of Completion of the Mitigation Plan dated January 30, 2009;
8. WECC's Verification of Completion of the Mitigation Plan dated February 17, 2009;

d) Record documents for the violation of PRC-STD-005-1 WR1, included as Attachment d:

1. URE's Self-Report dated July 28, 2008;
2. URE's Mitigation Plan submitted September 5, 2008;
3. URE's Certification of Completion of the Mitigation Plan dated January 28, 2009;
4. WECC's Verification of Completion of the Mitigation Plan dated February 17, 2009;

e) Record documents for the violation of PRC-017-0 R1, included as Attachment e:

1. URE's Self-Report dated September 23, 2008;
2. URE's Mitigation Plan submitted September 23, 2008;
3. URE's Certification of Completion of the Mitigation Plan dated September 23, 2008;
4. WECC's Verification of Completion of the Mitigation Plan dated November 14, 2008;

f) Record documents for the violation of TOP-STD-007-0 WR1, included as Attachment f:

1. URE's Self-Report dated September 8, 2009;
2. URE's Mitigation Plan submitted September 8, 2009;

3. URE's Certification of Completion of the Mitigation Plan dated September 8, 2009; and
4. WECC's Verification of Completion of the Mitigation Plan dated November 4, 2009.

A Form of Notice Suitable for Publication[26]

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

[26] *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:

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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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Attachments