



NORTH AMERICAN ELECTRIC
RELIABILITY CORPORATION

February 26, 2010

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

RE: NERC Notice of Penalty regarding Farmington Electric Utility System, FERC
Docket No. NP10-40-000

Dear Ms. Bose:

On February 1, 2010, NERC submitted a Notice of Penalty regarding Farmington Electric Utility System (FEUS) in the referenced proceeding. By this filing, the North American Electric Reliability Corporation and the Western Electricity Coordinating Council (WECC) provide the following information regarding the risk impact of the violations addressed in support of the pending Notice of Penalty.

FEUS is a smaller entity, and a violation by FEUS of an applicable mandatory NERC Reliability Standard or WECC Regional Reliability Standard has limited potential to adversely impact the reliability of the bulk power system (BPS). Information posted on FEUS's website¹ indicates that FEUS owns and operates distribution, some transmission and some generation facilities in a service territory of 1,718 square miles about the City of Farmington in northwest New Mexico. As reported in the Settlement Agreement (Attachment (c) to the Notice of Penalty), FEUS experienced a peak load of about 200 MW in 2007 to serve its approximately 43,800 customers. FEUS interconnects to the BPS of the Western Interconnection at two points, has no transmission facilities of 230 kV or higher voltage, and has 148.3 miles of 115 kV and 69.6 miles of 69 kV line. FEUS is a relatively small entity with respect to reliability of the BPS, and, accordingly, WECC determined that none of FEUS's violations included in the subject Notice of Penalty would pose more than minimal risk to the reliability of the BPS. Additional details regarding the reliability risk of each violation addressed in the Notice of Penalty are provided as follows:

COM-001-1 Requirement (R) 3

During WECC's on-site audit of FEUS on February 11-15, 2008 (Audit), WECC found FEUS in violation of this requirement because FEUS did not provide evidence that it had the ability to investigate and recommend solutions to telecommunications problems within its own area and other areas. FEUS did have an informal procedure to address coordination of

¹ http://www.fmtn.org/city_government/electric_utility/index.html

telecommunications with the Reliability Coordinator and with applicable Transmission Operators and Balancing Authorities. To become compliant with this standard requirement, FEUS needed to formalize its telecommunications procedure. Because it had an informal procedure even though it did not meet all requirements of the Reliability Standard, and in light of FEUS's limited ability to affect the reliability of the BPS, as discussed above, WECC determined that this violation posed a minimal risk to the reliability of the BPS.

COM-001-1 R5

FEUS self-reported a violation of this requirement because it did not have procedures that confirm it would be able to continue operation of the system during the loss of telecommunications facilities; instead, it relied on a list of primary and backup systems only, which did not meet the requirement. To become compliant, FEUS needed to formalize its telecommunications procedure. Because it had a list even though it did not meet all requirements of the Reliability Standard, and in light of FEUS's limited ability to affect the reliability of the BPS as discussed above, WECC determined that this violation posed a minimal risk to the reliability of the BPS.

COM-002-2 R2

During the Audit, WECC found FEUS in violation of this requirement because, as noted in the Notice of Penalty, in the two reviewed voice recordings (of internal directives between FEUS system operations and FEUS field staff) the requirement was not met. With respect to reliability of the BPS because FEUS is a small entity and has limited ability to affect the reliability of the BPS, as discussed above, WECC determined that this violation posed a minimal risk to the reliability of the BPS.

EOP-001-0 R4

As noted in the Settlement Agreement (Attachment (c) to the Notice of Penalty), during the Audit, WECC found FEUS in violation of this requirement because FEUS did not provide evidence that its emergency plan included communications protocols to be used during emergencies. In a post-Audit review of FEUS's Emergency Operations Plan, subsequent to FEUS's Response to WECC's Notice of Alleged Violation and Proposed Penalty or Sanction, WECC found that the plan contained some communications protocols but not to the extent needed to fully meet the requirement. Because it had a plan even though it did not meet all requirements of the Reliability Standard, and in light of FEUS's limited ability to affect the reliability of the BPS, WECC determined that this violation posed a minimal risk to the reliability of the BPS.

EOP-008-0 R1

FEUS self-reported a violation of this requirement because it did not have a clearly defined plan for loss of control center functionality. However, FEUS did have a "paper system" in place to deal with loss of its control center. This "paper system" included paper schedules to monitor and record tie lines, generation, interchange schedules, and load, by hand, on an hourly basis, in coordination with a pre-loaded laptop, and in light of FEUS's limited ability to affect the reliability of the BPS as discussed above, WECC determined that this violation posed a minimal risk to the reliability of the BPS.

FAC-001-0 R1, R2

FEUS self-reported a violation of this requirement because the facility connection requirements in its interconnection policy were not sufficient to meet the requirement. FEUS stated that it developed its existing interconnection requirements based on customer requests and previous FEUS standards. At the Audit, FEUS provided a revised interconnection policy that met the requirement. Because it had a policy and revised the policy such that the duration of the violation was limited in this manner, and in light of FEUS's limited ability to affect the reliability of the BPS as discussed above, WECC determined that this violation posed a minimal risk to the reliability of the BPS.

FAC-008-1 R1

FEUS self-reported a violation of this requirement because it did not have a methodology for determining equipment ratings that met the Standard. FEUS explained that it had an established methodology for determination of facility ratings based on a combination of manufacturer's data and equipment testing, but stated that it was not as detailed as the Standard requires. At the Audit, FEUS provided a Facility Rating Methodology that met the requirement. Because the duration of the violation was limited in this manner, and in light of FEUS's limited ability to affect the reliability of the BPS as discussed above, WECC determined that this violation posed a minimal risk to the reliability of the BPS.

FAC-009-1 R1

FEUS self-reported a violation of this requirement indicating that it could not meet the requirement because of its lack of the associated facility ratings methodology (addressed by and the subject of its violation of FAC-008-1 R1 noted above). However, FEUS explained that it had an established methodology for determination of facility ratings based on a combination of manufacturer's data and equipment testing, but stated that it was not as detailed as the Standard requires. At the Audit, evidence provided by FEUS confirmed that FEUS had successfully completed its Mitigation Plan and was compliant. For this reason, and in light of FEUS's limited ability to affect the reliability of the BPS as discussed above, WECC determined that this violation posed a minimal risk to the reliability of the BPS.

MOD-017-0 R1

FEUS self-reported a violation of this requirement because it was still in the process of compiling the data required by this standard requirement and thus was not providing this information to NERC or any other entities. Because it had some of the data even though it did not meet all requirements of the Reliability Standard, and in light of FEUS's limited ability to affect the reliability of the BPS as discussed above, WECC determined that this violation posed a minimal risk to the reliability of the BPS.

MOD-018-0 R1

FEUS self-reported a violation of this requirement because it was compiling the data necessary to meet the requirement, but lacked documentation addressing assumptions, methods, and the manner in which uncertainties are treated in the forecasts of aggregated peak demands and Net Energy for Load. Because it had some of the data even though it did not meet all requirements of the Reliability Standard, and due to FEUS's size, WECC considered that the risk posed by this violation would be limited to a very small error in reporting data to WECC. In addition, WECC considered that the FEUS component of region wide data is minimal because WECC uses

aggregated data for regional long term studies. For these reasons, WECC determined that this violation posed a minimal risk to the reliability of the BPS.

PRC-005-1 R1

During the Audit, WECC found FEUS in violation of this requirement because FEUS misinterpreted the applicability of this standard and only included Path 31 (Glade terminal of the Hesperus Glade 115 kV line) facilities in its maintenance and testing program with the result that protective devices for the FEUS system other than the facilities on Path 31 were excluded. However, in light of the limited number and size of FEUS's relevant facilities and FEUS's limited ability to affect the reliability of the BPS, as discussed above, WECC determined that this violation posed a minimal risk to the reliability of the BPS.

PRC-005-1 R2

During the Audit WECC found FEUS in violation of this requirement because FEUS could not provide documentation demonstrating that it had tested and maintained all of its relays, or that it had maintained and tested protection system devices within the defined intervals. In part, this violation arose due to FEUS's misinterpretation, noted above, of the applicability of Standard PRC-005-1. For this reason, and in light of the limited number and size of FEUS's relevant facilities and FEUS's limited ability to affect the reliability of the BPS FEUS's limited ability to affect the reliability of the BPS as discussed above, WECC determined that this violation posed a minimal risk to the reliability of the BPS.

PRC-008-0 R2

During the Audit, WECC found FEUS in violation of this requirement because FEUS could not provide evidence for the date of last testing for 16 under-frequency relays. In light of the relatively low amount of load served in FEUS's service territory and FEUS's limited ability to affect the reliability of the BPS as discussed above, WECC determined that this violation posed a minimal risk to the reliability of the BPS.

PRC-STD-005-1 WR1

During the Audit, WECC found FEUS in violation of this requirement because with respect to Path 31 (Glade terminal of the Hesperus Glade 115 kV line), from the Glade end to the Colorado State line, FEUS's documentation and practices were deficient. However, in light of the limited number and size of FEUS's relevant facilities and FEUS's limited ability to affect the reliability of the BPS as discussed above, WECC determined that this violation posed a minimal risk to the reliability of the BPS.

PRC-017-0 R1

FEUS self-reported a violation of this requirement because it did not have a procedure for battery testing or a schedule for system maintenance. However, WECC found that FEUS appeared to be following a program for maintenance and testing. Because it had a program even though it did not meet all requirements of the Reliability Standard, WECC determined that this violation posed a minimal risk to the reliability of the BPS.

TOP-002-2 R4

FEUS self-reported violation of this requirement because it was not coordinating its planning and operations with the host Balancing Authority, Western Area Power Authority, neighboring Transmission Operators and the Reliability Coordinator. In light of FEUS's smaller load, the limited number and size of FEUS's relevant facilities and FEUS's limited ability to affect the reliability of the BPS, as discussed above, WECC determined that this violation posed a minimal risk to the reliability of the BPS.

TOP-002-2 R11

FEUS self-reported violation of this requirement because it was not running daily operating studies to determine system operating limits and was not providing this information to neighboring entities and the Reliability Coordinator. In light of FEUS's smaller load, the limited number and size of FEUS's relevant facilities and FEUS's limited ability to affect the reliability of the BPS, as discussed above, WECC determined that this violation posed a minimal risk to the reliability of the BPS.

TOP-002-2 R14

During the Audit, WECC found FEUS in violation of this requirement because FEUS was not notifying the host Balancing Authority, WAPA of changes in the real output capabilities of its generators. In light of the limited number and size of FEUS's relevant facilities and FEUS's limited ability to affect the reliability of the BPS, as discussed above, WECC determined that this violation posed a minimal risk to the reliability of the BPS.

TOP-002-2 R17

During the Audit, WECC found FEUS also in violation of this requirement because as a consequence of FEUS's violations of R4, R11 and R14 of this Standard, FEUS could not be communicating this information to the Reliability Coordinator. However in light of the limited number and size of FEUS's relevant facilities and FEUS's limited ability to affect the reliability of the BPS, as discussed above, WECC determined that this violation posed a minimal risk to the reliability of the BPS.

Based upon its consideration of the foregoing risk assessments, NERC also concluded that the violations did not pose serious or substantial risks to the BPS as discussed above.

Please contact me if you have any questions.

Sincerely,

/s/ Rebecca J. Michael
Rebecca J. Michael
Assistant General Counsel for North
American Electric Reliability
Corporation