

March 31, 2022

**VIA ELECTRONIC FILING**

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

Re: **NERC Full Notice of Penalty regarding Gila Bend Operations Company,  
FERC Docket No. NP22\_-000**

Dear Ms. Bose,

The North American Electric Reliability Corporation (NERC) hereby provides this Notice of Penalty<sup>1</sup> regarding Gila Bend Operations Company (GBOC), NERC Registry ID# NCRR11372,<sup>2</sup> in accordance with the Federal Energy Regulatory Commission's (Commission or FERC) rules, regulations, and orders, as well as NERC's Rules of Procedure including Appendix 4C (NERC Compliance Monitoring and Enforcement Program (CMEP)).<sup>3</sup>

NERC is filing this Notice of Penalty, with information and details regarding the nature and resolution of the violations,<sup>4</sup> with the Commission because the Western Electricity Coordinating Council (WECC) and GBOC have entered into a Settlement Agreement to resolve all outstanding issues arising from WECC's determination and findings of the violations of the Reliability Standards listed below.

According to the Settlement Agreement, GBOC admits the violations, and has agreed to the assessed penalty of one hundred and twenty-six thousand dollars (\$126,000), 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.

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<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, 114 FERC ¶ 61,104, order on reh'g, Order No. 672-A, 114 FERC ¶ 61,328 (2006); Notice of New Docket Prefix "NP" for Notices of Penalty Filed by the N. Am. Elec. Reliability Corp., Docket No. RM05-30-000 (February 7, 2008); Mandatory Reliability Standards for the Bulk-Power System, Order No. 693, 118 FERC ¶ 61,218, order on reh'g, Order No. 693-A, 120 FERC ¶ 61,053 (2007).*

<sup>2</sup> GBOC was included on the NERC Compliance Registry as a Generation Owner (GO) and Generation Operator (GOP) on June 17, 2007.

<sup>3</sup> See 18 C.F.R § 39.7(c)(2) and 18 C.F.R § 39.7(d).

<sup>4</sup> For purposes of this document, each violation at issue is described as a "violation," regardless of its procedural posture and whether it was a possible, alleged, or confirmed violation.

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**Statement of Findings Underlying the Violations**

This Notice of Penalty incorporates the findings and justifications set forth in the Settlement Agreement, by and between WECC and GBOC. The details of the findings and basis for the penalty are set forth in the Settlement Agreement and herein.

In accordance with Section 39.7 of the Commission’s regulations, 18 C.F.R. § 39.7 (2022), NERC provides the following summary table identifying each violation of a Reliability Standard resolved by the Settlement Agreement. Further information on the subject violations is set forth in the Settlement Agreement and herein.

<b>Violation(s) Determined and Discovery Method</b>								
<i>*SR = Self-Report / SC = Self-Certification / CA = Compliance Audit / SPC = Spot Check / CI = Compliance Investigation</i>								
<b>NERC Violation ID</b>	<b>Standard</b>	<b>Req.</b>	<b>VRF/VSL</b>	<b>Applicable Function(s)</b>	<b>Discovery Method* &amp; Date</b>	<b>Violation Start-End Date</b>	<b>Risk</b>	<b>Penalty Amount</b>
WECC2019022528	FAC-008-3	R2	Medium/Severe	GO	CA; 11/20/19	1/1/13 – 3/20/20	Serious	\$126k
WECC2019022529	FAC-008-3	R6	Medium/Severe	GO	CA; 11/20/19	1/1/13 – 3/20/20	Serious	

Information about the Entity

In June 2017, Salt River Project (SRP) acquired the Gila River Power Station (GRPS) Block 4 from Gila River Power LLC, registered with NERC as Gila Bend Operating Company (GBOC) and in May of 2018, SRP acquired the GRPS Blocks 1 and 2 from Sundevil Power. Previously, GBOC subcontracted its operational responsibilities to EthosEnergy, and in June 2018 operational responsibilities transferred to SRP.

FAC-008-3 R2 (WECC2019022528)

WECC found several issues with GBOC’s Facility Ratings Methodology (FRM) determined that GBOC’s FRM did not (1) include the statement that a Facility Rating shall respect the most limiting applicable Equipment Rating of the individual equipment that comprises that Facility; (2) specify under what conditions each rating was meant to be used, and was not consistent GBOC’s one-line diagrams; (3) identify clearly the Points of Interconnection with the TOP or specify how ratings for jointly owned Facilities should be determined; and (4) have Facility Ratings listed for six current transformers as

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elements of the 18 kV (low side) or the 525 kV (high side) circuits. Attachment 1 includes additional facts regarding the violation.

The cause of this violation was lack of internal knowledge or expertise to draft and implement the FRM.

WECC determined that the violations resolved in this Settlement Agreement collectively posed a serious and substantial risk to the reliability of the bulk power system (BPS). Attachment 1 includes the facts regarding the violation that WECC considered in its risk assessment.

GBOC submitted its mitigation activities to address the referenced violation. Attachment 1 includes a description of the mitigation activities the Entity took to address this violation.

GBOC certified that it had completed all mitigation activities. WECC verified that GBOC had completed all mitigation activities. Attachment 1 provides specific information on WECC's verification of GBOC's completion of the activities.

FAC-008-3 R6 (WECC2019022529)

WECC found GBOC's Facility Ratings appendix had several issues. The Facility Ratings appendix did not have jumpers and overhead conductors included, did not correctly determine the correct most limiting element for five Facilities, having incorrectly converted from amps to MVA. Attachment 1 includes additional facts regarding the violation.

The cause of this violation was lack of internal knowledge or expertise to determine and document the Facility Ratings.

WECC determined that the violations resolved in this Settlement Agreement collectively posed a serious and substantial risk to the reliability of the BPS. Attachment 1 includes the facts regarding the violation that WECC considered in its risk assessment.

GBOC submitted its mitigation activities to address the referenced violation. Attachment 1 includes a description of the mitigation activities GBOC took to address this violation.

GBOC certified that it had completed all mitigation activities. WECC verified that GBOC had completed all mitigation activities. Attachments 1 provides specific information on WECC's verification of GBOC's completion of the activities.

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### Regional Entity's Basis for Penalty

According to the Settlement Agreement WECC has assessed a penalty of one hundred and twenty-six thousand dollars (\$126,000) for the referenced violations. In reaching this determination, WECC considered the following factors:

1. The violations of WECC2019022528 and WECC2019022529 collectively posed a serious and substantial risk to the reliability of the BPS, as discussed in Attachment 1;
2. GBOC accepted responsibility and admitted to the violation;
3. GBOC was cooperative throughout the compliance enforcement process; and
4. There were no other mitigating or aggravating factors or extenuating circumstances that would affect the assessed penalty/disposition method.

After consideration of the above factors, WECC determined that, in this instance, the penalty amount of one hundred and twenty-six thousand dollars (\$126,000) is appropriate and bears a reasonable relation to the seriousness and duration of the violations.

### **Statement Describing the Assessed Penalty, Sanction, or Enforcement Action Imposed<sup>5</sup>**

#### **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, October 26, 2009 and August 27, 2010 Guidance Orders,<sup>6</sup> NERC Enforcement staff reviewed the applicable requirements of the Commission-approved Reliability Standards and the underlying facts and circumstances of the violations at issue, and considered the factors listed above.

For the foregoing reasons, NERC Enforcement staff approved the resolution between WECC and GBOC and believes that the assessed penalty of one hundred and twenty-six thousand dollars (\$126,000) is appropriate for the violations and circumstances at issue, and is consistent with NERC's goal to promote and ensure reliability of the BPS.

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<sup>5</sup> See 18 C.F.R. § 39.7(d)(4).

<sup>6</sup> N. Am. Elec. Reliability Corp., "Guidance Order on Reliability Notices of Penalty," 124 FERC ¶ 61,015 (2008); N. Am. Elec. Reliability Corp., "Further Guidance Order on Reliability Notices of Penalty," 129 FERC ¶ 61,069 (2009); N. Am. Elec. Reliability Corp., "Notice of No Further Review and Guidance Order," 132 FERC ¶ 61,182 (2010).

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Pursuant to 18 C.F.R. § 39.7(e), 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:

1. Settlement Agreement by and between WECC and GBOC executed November 12, 2021, included as Attachment 1;
2. WECC's Compliance Audit report for FAC-008-3 R2 dated November 20, 2019, included as Attachment 2; and
3. WECC's Compliance Audit report for FAC-008-3 R6 dated November 20, 2019, included as Attachment 3.

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

<p>Melanie Frye*          President and Chief Executive Officer          Western Electricity Coordinating Council          155 North 400 West, Suite 200          Salt Lake City, UT 84103          (801) 883-6882          (801) 883-6894 – facsimile          mfrye@wecc.org</p>	<p>Teresina Stasko*          Assistant General Counsel and Director of          Enforcement          North American Electric Reliability Corporation          1325 G Street NW, Suite 600          Washington, DC 20005          (202) 400-3000          (202) 644-8099 – facsimile          teresina.stasko@nerc.net</p>
<p>Heather Laws*          Director of Enforcement          Western Electricity Coordinating Council          155 North 400 West, Suite 200          Salt Lake City, UT 84103          (801) 819-7642          (801) 883-6894 – facsimile          hlaws@wecc.org</p>	<p>James McGrane*          Senior Counsel          North American Electric Reliability Corporation          1325 G Street NW, Suite 600          Washington, DC 20005          (202) 400-3000          (202) 644-8099 – facsimile          james.mcgrane@nerc.net</p>
<p>Robert Taylor*          Associate General Manager &amp; Chief Public Affairs          Executive          Gila Bend Operations Company          PO Box 52025          Phoenix, AZ 85072          (602) 236-2027          Robert.Taylor@srpnet.com</p>	<p>Alain Rigaud*          Associate Counsel          North American Electric Reliability Corporation          3353 Peachtree Road NE, North Tower,          Suite 600          Atlanta, GA 30326          (202) 644-8099 – facsimile          alain.rigaud@nerc.net</p>
<p>Mathew Weber*          Director Regulatory Audit and Compliance          Gila Bend Operations Company          PO Box 52025          Phoenix, AZ 85072          (602) 236-3950          Mathew.Weber@srpnet.com</p>	

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\*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.

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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/Alain Rigaud

James McGrane  
Senior Counsel  
Alain Rigaud  
Associate Counsel  
North American Electric Reliability  
Corporation  
1325 G Street NW  
Suite 600  
Washington, DC 20005  
(202) 400-3000  
(202) 644-8099 - facsimile  
james.mcgrane@nerc.net  
alain.rigaud@nerc.net

cc: Gila Bend Operations Company  
Western Electricity Coordinating Council

Attachments





Electric Reliability and Security for the West

October 29, 2021

**CONFIDENTIAL**

**Heather M. Laws**

**Director, Enforcement and Mitigation**

**hlaws@wecc.org · 801-819-7642**

**Via webCDMS Document Repository**

Robert Taylor  
Associate General Manager & Chief Public Affairs Executive  
Salt River Project Agricultural Improvement and Power District

Subject: Notice of Expedited Settlement Agreement

Robert Taylor,

**I. Introduction**

The Western Electricity Coordinating Council (WECC) hereby notifies Gila Bend Operations Company (GBOC) NCR11372 that WECC identified Possible Violations of North American Electric Reliability Corporation (NERC) Reliability Standards (Reliability Standards) in the Preliminary Screen process and that based on an assessment of the facts and circumstances of the Possible Violations addressed herein, evidence exists that GBOC has Alleged Violations of the Reliability Standards.

WECC reviewed the Alleged Violations referenced herein and determined that these violations are appropriate violations for disposition through the Expedited Settlement process. In determining whether to exercise its discretion to use the Expedited Settlement process, WECC considered all facts and circumstances related to the violations.

This Notice of Expedited Settlement Agreement (Notice) notifies GBOC of the proposed penalty and/or non-monetary sanctions for such violations. By this Notice, WECC reminds GBOC to retain and preserve all data and records relating to the Alleged Violations.

**II. Alleged Violations**

Standard Requirement	NERC Violation ID
FAC-008-3 R2	WECC2019022528
FAC-008-3 R6	WECC2019022529

The attached Expedited Settlement Agreement includes a summary of the facts and evidence supporting each Alleged Violation, as well as the basis on which the penalty and/or sanctions were determined.

### **III. Penalty and/or Nonmonetary Sanction**

Pursuant to the Federal Energy Regulatory Commission's (FERC or Commission) regulations and orders, NERC Rules of Procedure, and the NERC Sanction Guidelines, WECC may assess a penalty and/or nonmonetary sanction for the Alleged Violations of the Reliability Standards, as referenced in the attached Settlement Agreement.

In determining a penalty and/or nonmonetary sanction, WECC considers various factors that may include, but are not limited to: (1) Violation Risk Factor; (2) Violation Severity Level; (3) risk to the reliability of the Bulk Electric System (BES)<sup>1</sup>, including the seriousness of the violation; (4) Violation Time Horizon and timeliness of remediation; (5) the violation's duration; (6) the Registered Entity's compliance history; (7) the timeliness of the Registered Entity's self-report; (8) the degree and quality of cooperation by the Registered Entity in the audit or investigation process, and in any remedial action; (9) the quality of the Registered Entity's Internal Compliance Program; (10) any attempt by the Registered Entity to conceal the violation or any related information; (11) whether the violation was intentional; (12) any other relevant information or extenuating circumstances; (13) whether the Registered Entity admits to and takes responsibility for the violation; (14) "above and beyond" actions and investments made by the Registered Entity in an effort to prevent recurrence of this issue and/or proactively address and reduce reliability risk due to similar issues; and (15) the Registered Entity's ability to pay a penalty, as applicable.

WECC's determination of penalties is guided by the statutory requirement codified at 16 U.S.C. § 824o(e)(6) that any penalty imposed "shall bear a reasonable relation to the seriousness of the violation and shall take into consideration the efforts of [the Registered Entity] to remedy the violation in a timely manner." In addition, WECC considers all other applicable guidance from NERC and FERC.

### **IV. Procedures for Registered Entity's Response**

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<sup>1</sup> "The Commission, the ERO, and the Regional Entities will continue to enforce Reliability Standards for facilities that are included in the Bulk Electric System." (*Revision to Electric Reliability Organization Definition of Bulk Electric System*, 113 FERC ¶ 61,150 at P 100 (Nov. 18, 2010))



**Expedited Settlement Agreement**

Gila Bend Operations Company

CF1874

October 29, 2021

If GBOC accepts WECC's proposal that the violations listed in the Settlement Agreement be processed through the Expedited Settlement process, GBOC must sign the attached Settlement Agreement and submit it to WECC **within 15 calendar days from the date of this Notice**.

If GBOC does not accept WECC's proposal, GBOC must submit a written rejection **within 15 calendar days from the date of this Notice** informing WECC of the decision not to accept WECC's proposal.

If GBOC rejects this proposal or does not respond **within 15 calendar days**, WECC will issue a Notice of Alleged Violation and Proposed Penalty or Sanction.

**V. Conclusion**

In all correspondence, please provide the name and contact information of a representative from GBOC who is authorized to address the listed Alleged Violations and who is responsible for providing the required mitigation information. Please also list the relevant NERC Violation Identification Numbers in any correspondence.

Responses or questions regarding the Settlement Agreement should be directed to Katherine Bennett, Senior Enforcement and Mitigation Analyst, at 801-883-6850 or kbennett@wecc.org.

Sincerely,



Heather M. Laws  
Director, Enforcement and Mitigation

cc: NERC Enforcement

**Attachment**  
**EXPEDITED SETTLEMENT AGREEMENT**  
**OF**  
**WESTERN ELECTRICITY COORDINATING COUNCIL**  
**AND**  
**GILA BEND OPERATIONS COMPANY**

Western Electricity Coordinating Council (WECC) and Gila Bend Operations Company (GBOC) (individually a “Party” or collectively the “Parties”) agree to the following:

1. GBOC admits to the violations of the NERC Reliability Standards listed herein.
2. The violations addressed herein will be considered Confirmed Violations as set forth in the NERC Rules of Procedure.
3. The terms of this Settlement Agreement, including the agreed upon payment, are subject to review and possible revision by NERC and FERC. Upon NERC approval of the Settlement Agreement, NERC will file a Notice of Penalty with FERC and will post the Settlement Agreement publicly. If either NERC or FERC rejects the Settlement Agreement, then WECC will attempt to negotiate a revised Settlement Agreement with GBOC that includes any changes to the Settlement Agreement specified by NERC or FERC. If the Parties cannot reach a Settlement Agreement, the CMEP governs the enforcement process.
4. The Parties have agreed to enter into this Settlement Agreement 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. The Parties agree that this Settlement Agreement is in the best interest of each Party and in the best interest of Bulk Power System (BPS) reliability.
5. This Settlement Agreement represents a full and final disposition of the violations listed herein, subject to approval or modification by NERC and FERC. GBOC waives its right to further hearings and appeal; unless and only to the extent that GBOC contends that any NERC or FERC action on this Settlement Agreement contains one or more material modifications to this Settlement Agreement.
6. In the event GBOC fails to comply with any of the terms set forth in this Settlement Agreement, WECC will initiate enforcement, penalty, and/or sanction actions against GBOC to the maximum extent allowed by the NERC Rules of Procedure, up to the maximum statutorily allowed penalty.



Except as otherwise specified in this Settlement Agreement, GBOC shall retain all rights to defend against such enforcement actions, in accordance with the NERC Rules of Procedure.

7. This Settlement Agreement shall be governed by and construed under federal law. This Settlement Agreement and all terms and stipulations set forth herein shall become effective upon FERC's approval of the Agreement by order or operation of law.
8. This Settlement Agreement contains the full and complete understanding of the Parties regarding all matters set forth herein. The Parties agree that this Settlement Agreement reflects all terms and conditions regarding all matters described herein and no other promises, oral or written, have been made that are not reflected in this Settlement Agreement.
9. Each of the undersigned warrants that he or she is an authorized representative of the Party identified, is authorized to bind such Party and accepts the Settlement Agreement on that Party's behalf.
10. The undersigned representative of each Party affirms that he or she has read the Settlement Agreement, that all representations set forth in the Settlement Agreement are true and correct to the best of his or her knowledge, information, and belief, and that he or she understands that the Settlement Agreement is entered into by each Party in express reliance on those representations.
11. To settle these matters, GBOC hereby agrees to pay \$126,000 to WECC via wire transfer or cashier's check. GBOC shall make the funds payable to a WECC account identified in a Notice of Payment Due that WECC will send to GBOC upon approval of this Settlement Agreement by NERC and FERC. GBOC shall issue the payment to WECC no later than thirty days after receipt of the Notice of Payment Due. If this payment is not timely received, WECC shall assess, and GBOC agrees to pay, an interest charge calculated according to the method set forth at 18 CFR §35.19(a)(2)(iii) beginning on the 31<sup>st</sup> day following issuance of the Notice of Payment Due.
12. In addition, GBOC must submit Mitigation Plans within 30 calendar days from the date of this Settlement Agreement, if it has not already done so previously.
13. NOW, THEREFORE, in consideration of the terms set forth herein the Parties stipulate to the following:



**A. NERC RELIABILITY STANDARD FAC-008-3 REQUIREMENT 2**

NERC VIOLATION ID: WECC2019022528

**STANDARD**

1. NERC Reliability Standard FAC-008-3 Requirement 2 states:

R2. *Each Generator Owner shall have a documented methodology for determining Facility Ratings (Facility Ratings methodology) of its solely and jointly owned equipment connected between the location specified in R1 and the point of interconnection with the Transmission Owner that contains all of the following.*

2.1. *The methodology used to establish the Ratings of the equipment that comprises the Facility(ies) shall be consistent with at least one of the following:*

- *Ratings provided by equipment manufacturers or obtained from equipment manufacturer specifications such as nameplate rating.*
- *One or more industry standards developed through an open process such as Institute of Electrical and Electronic Engineers (IEEE) or International Council on Large Electric Systems (CIGRE).*
- *A practice that has been verified by testing, performance history or engineering analysis.*

2.2. *The underlying assumptions, design criteria, and methods used to determine the Equipment Ratings identified in Requirement R2, Part 2.1 including identification of how each of the following were considered:*

2.2.1. *Equipment Rating standard(s) used in development of this methodology.*

2.2.2. *Ratings provided by equipment manufacturers or obtained from equipment manufacturer specifications.*

2.2.3. *Ambient conditions (for particular or average conditions or as they vary in real-time).*

2.2.4. *Operating limitations.*

2.3. *A statement that a Facility Rating shall respect the most limiting applicable Equipment Rating of the individual equipment that comprises that Facility.*

2.4. *The process by which the Rating of equipment that comprises a Facility is determined.*

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

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

**B. NERC RELIABILITY STANDARD FAC-008-3 REQUIREMENT 6**

NERC VIOLATION ID: WECC2019022529

**STANDARD**

2. NERC Reliability Standard FAC-008-3 Requirement 6 states:



R6. *Each Transmission Owner and Generator Owner shall have Facility Ratings for its solely and jointly owned Facilities that are consistent with the associated Facility Ratings methodology or documentation for determining its Facility Ratings.*

#### VIOLATION FACTS

3. During a Compliance Audit conducted September 30, 2019 through October 4, 2019, WECC determined GBOC, as a Generator Owner, had a potential noncompliance with FAC-008-3 R2 and FAC-008-3 R6.
4. Specifically, WECC Auditors found several issues with GBOC's Facility Ratings Methodology (FRM) and the implementation of its FRM in its Facility Ratings appendix. GBOC's FRM did not include the statement that a Facility Rating shall respect the most limiting applicable Equipment Rating of the individual equipment that comprises that Facility, as required by FAC-008-3 R.2.3.
5. Further, the Facility Rating for each Generator Step-Up (GSU) transformer was not listed in the Facility Ratings appendix and only six out of 12 GSU transformer Facility Ratings were shown on the one-line diagram. The highest Facility Rating for the six GSU transformers was used as the continuous rating in the element in Facility Ratings appendix, thus did not represent the most limiting element for those Facilities. The FRM also did not specify under what conditions each rating was meant to be used; nor the time duration of such ratings, which was not consistent with GBOC's one-line diagrams, as required by FAC-008-3 R2.2.3.
6. Lastly, the FRM did not identify clearly the Points of Interconnection (POI) with its Transmission Operator (TOP). The one-line diagrams showed that there were three disconnect switches with the TOP, however the FRM does not specify how these ratings for jointly owned Facilities should be determined, as required by FAC-008-3 R2.
7. In addition, six metering current transformers (CTs) were not addressed in the FRM, nor the Facility Ratings appendix. Specifically, the Facility Ratings were not listed in the FRM for all metering CTs as elements of the 18 kV (low side) or the 525 kV (high side) circuits of the GSUs, as required by FAC-008-3 R.2.4 and R.2.4.1.
8. Lastly, jumpers and overhead conductors were not included in GBOC's Facility Ratings appendix. The appendix did not correctly determine the correct most limiting element for five Facilities. GBOC had incorrectly converted from amps to MVA in its Facility Ratings appendix for several elements.



9. In June 2018, Salt River Project (SRP) purchased GBOC and took on the role of NERC Program Manager in providing compliance oversight and reporting for the GBOC. SRP did not assume any operational responsibilities at that time and relied on GBOC, as the registered Generator Owner to provide the data and input necessary for meeting the NERC compliance obligations. One month later, on June 1, 2018, GBOC transferred operational responsibility and full responsibility for adherence to the NERC Reliability Standards to SRP. GBOC had previously hired a third-party consulting firm to complete its FRM, but it did not have a method to evaluate their work. When GBOC was purchased by SRP in 2018, the FRM was not changed or updated. Instead, the SRP continued to use the old FRM and Facility Ratings the previous contracted engineering firm had developed without performing a compliance review. Thus, WECC determined the root cause of the violation was attributed to GBOC's lack of internal knowledge or expertise to draft and implement the FRM, as well as determine and document the Facility Ratings.
10. These violations began on January 1, 2013, when the Standard became mandatory and enforceable and ended on March 20, 2020, when SRP updated the FRM and Facility Ratings appendix to accurately show how it determined the most limiting element for the five solely own Facilities and three jointly owned Facilities at issue, for a total of 2,636 days for each violation.

### RELIABILITY RISK ASSESSMENT

11. WECC determined these violations collectively posed a serious and substantial risk to the reliability of the Bulk Power System (BPS). In this instance, GBOC failed to have an effective and complete methodology for determining Facility Ratings of its solely and jointly owned equipment, totaling 2,916 MVA of generation, connected between the location specified in R1 and the POI with its TOP, that contained all the requirements of FAC-008-3 R2.
12. In addition, GBOC failed to correctly determine Facility Ratings for five of its solely owned Facilities, totaling 1,139 MVA and three of its jointly owned Facilities interconnected with its Balancing Authority/TOP at three points in two switchyards; one point at the 230 kV and two points at the 500 kV, that were consistent with the associated FRM for determining its Facility Ratings, as required by FAC-008-3 R6. SRP confirmed that no de-rates were required since 2017 as a result of the FAC-008-3 violations.
13. Such failures could have resulted in tripping some of the 2,916 MVA of generation and possibly islanding from the main grid. In addition, GBOC maintains voltage for its TOP and such a failure could have resulted in GBOC not providing voltage stability for its TOP. GBOC had no controls in place to prevent or detect the violations. However, as compensation, GBOC did not experience





unintentional loss of generation and the TOP of its jointly owned Facilities did not experience loss or damage to its jointly owned Facilities.

### REMEDIATION AND MITIGATION

14. On March 20, 2020, GBOC completed mitigating activities to address its violation and on April 27, 2020, WECC verified completion of the mitigating activities.
15. To remediate and mitigate this violation, GBOC has:
  - a. adopted and implemented the new FAC-008-3 FRM of SRP to benefit from the expertise and experience of SRP with FAC-008;
  - b. conducted multiple meetings with its FAC-008 response team and SRP to review the violations, discuss lessons learned and develop a plan of action to remediate and mitigate the FAC 008 issues and address the previous lack of internal expertise;
  - c. entered all equipment ratings into the asset database;
  - d. entered all equipment ratings into a Facility Ratings spreadsheet to determine the most limiting element and verified that Facility Ratings were correctly calculated in MVA;
  - e. implemented data quality control measures by taking pictures of the equipment nameplates during the first half of 2019 and used the images to verify the accuracy of the data in the asset management database data; and
  - f. entered all equipment records into the asset management database, which will track Facility Ratings and equipment changes and revisions, to ensure change management.

### PENALTY AND/OR SANCTION

16. WECC determined the proposed penalty of \$126,000 is appropriate based on the following:
  - a. Base penalty factors:
    - i. The Violation Risk Factor is Medium and the Violation Severity Level is Severe for these violations.
    - ii. These violations collectively posed a serious risk to the reliability of the BPS.
    - iii. The duration of these violations was 2,636 days each, as described herein.
    - iv. The FAC-008-3 R2 Requirement has a Long-term Planning violation time horizon expectation for remediation to occur within one year to preserve the reliability of the BPS.
    - v. The FAC-008-3 R6 Requirement has an Operations Planning violation time horizon expectation for remediation to occur from a day-ahead up to and including seasonal (48 hours to 90 days) to preserve the reliability of the BPS.



- b. WECC applied a mitigating credit for the following reasons:
  - i. GBOC was cooperative throughout the process.
  - ii. GBOC accepted responsibility and admitted to the violation.
  - iii. GBOC agreed to settle these violation and penalty.
  
- c. Other Considerations:
  - i. GBOC did not have a documented Internal Compliance Program (ICP).
  - ii. WECC considered GBOC's compliance history and determined there were no relevant instances of noncompliance.
  - iii. GBOC did not fail to complete any applicable compliance directives. There was no evidence of any attempt by the entity to conceal the violation. There was no evidence that violation was intentional. GBOC submitted all requested documentation and/or mitigation plans timely. There was no evidence the entity's management was involved in or condoned the actions that caused the noncompliance.
  - iv. WECC determined there were no other aggravating factors warranting a penalty higher than the proposed penalty.

**[Remainder of page intentionally left blank - signatures affixed to following page]**



Expedited Settlement Agreement

Agreed to and Accepted by:

WESTERN ELECTRICITY COORDINATING COUNCIL

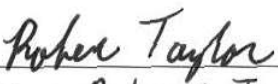
  
Heather M. Laws (Nov 12, 2021 12:55 MST)

Heather M. Laws  
Director, Enforcement and Mitigation

Nov 12, 2021

Date

GILA BEND OPERATIONS COMPANY



Name: Robert Taylor  
Title: Associate General Manager,  
Public Affairs  
GBOC Primary Compliance Officer

11/10/2021

Date



# 2021 10 29 - WECC - Notice of Expedited Settlement Agreement - GBOC - CF1874 signed

Final Audit Report

2021-11-12

Created:	2021-11-12
By:	Mailee Cook (mcook@wecc.org)
Status:	Signed
Transaction ID:	CBJCHBCAABAAu76UU55PnKE1cPxxvW9K9rMvhdgyx__7P

## "2021 10 29 - WECC - Notice of Expedited Settlement Agreement - GBOC - CF1874 signed" History

-  Document created by Mailee Cook (mcook@wecc.org)  
2021-11-12 - 4:45:01 PM GMT
-  Document emailed to Heather Laws (hlaws@wecc.org) for signature  
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-  Email viewed by Heather Laws (hlaws@wecc.org)  
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-  Document e-signed by Heather Laws (hlaws@wecc.org)  
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-  Agreement completed.  
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Violation - Discovery Record

Registered Entity: Gila Bend Operations Company

NERC Registry ID: NCR11372

NERC Violation ID: WECC2019022528

Discovery Method: Audit

Date Submitted: November 20, 2019

Region Contact: Mailee Cook

Phone: 801-883-6866 Email: mcook@wecc.org

Standard: FAC-008-3 - Facility Ratings

Purpose: To ensure that Facility Ratings used in the reliable planning and operation of the Bulk Electric System (BES) are determined based on technically sound principles. A Facility Rating is essential for the determination of System Operating Limits.

Requirement: FAC-008-3 R2.

Each Generator Owner shall have a documented methodology for determining Facility Ratings (Facility Ratings methodology) of its solely and jointly owned equipment connected between the location specified in R1 and the point of interconnection with the Transmission Owner that contains all of the following. [See standard for methodology requirements]

Violated Sub-Requirement(s):

Violated Function(s): Generator Owner (GO)

Init Determ a Vln:

Begin Date of Vln: January 01, 2013

End Date:

Notified of Vln on: October 04, 2019

Potential Impact to Initial Audit Determination: Minimal  
BES:

Brief Vln Descr. & The Entity did not include the scope of all elements of each GSU circuit in their facility ratings  
Cause: particularly CTs around the GSUs and metering as required by FAC-008-3 R2.

Alleged Violation:

Registered Entity All BES Generators (12)  
Report/Response:

SRP purchased GBOC in 2017 and continued to use the Ratings methodology documentation that was developed in 2014 by a contracted engineering firm, Control Power Concepts Inc. (CPC). CPC applied their interpretation of the standard to develop the GBOC Ratings methodology to establish the Facility Ratings for GBOC. CPC did not identify all elements when developing the Ratings methodology, particularly current transformers. Current transformers (CTs) in the all GSUs are not listed as elements

of the 18 kV (low side) or the 525 kV (high side) circuits of the GSUs. The GBOC Ratings methodology does not identify clearly the points of interconnections (POIs) with the TOP, APS. The switches owned by APS are referenced in GBOC Ratings methodology like a POI but after requesting the interconnection agreement that GBOC has with APS and through interviews, the POIs are in the breaker scheme. Metering CT were also left out of the GBOC Ratings methodology.

The contracted engineering firm, CPC used MVA ratings to determine most limiting element. Conversions from amps to MVA were not correct in all elements that were listed and SRP through interviews were asked to correct the mistakes. Jumpers and overhead conductors were not specifically called out on the ratings list.

Risk Factor: Medium

Severity Level: VSL - High

Factual Basis: Violation Risk Factor  
Medium as per the language of the requirement.

Violation Severity Level

High - The Generator Owner's Facility Rating methodology did not address all the components of Requirement R2, Part 2.4.

NERC VSL Matrix dated 5/4/2014

Violation - Discovery Record

Registered Entity: Gila Bend Operations Company

NERC Registry ID: NCR11372

NERC Violation ID: WECC2019022529

Discovery Method: Audit

Date Submitted: November 20, 2019

Region Contact: Mailee Cook

Phone: 801-883-6866 Email: mcook@wecc.org

Standard: FAC-008-3 - Facility Ratings

Purpose: To ensure that Facility Ratings used in the reliable planning and operation of the Bulk Electric System (BES) are determined based on technically sound principles. A Facility Rating is essential for the determination of System Operating Limits.

Requirement: FAC-008-3 R6.

Each Transmission Owner and Generator Owner shall have Facility Ratings for its solely and jointly owned Facilities that are consistent with the associated Facility Ratings methodology or documentation for determining its Facility Ratings.

Violated Sub-Requirement(s):

Violated Function(s): Generator Owner (GO)

Init Determ a VItn:

Begin Date of VItn: January 01, 2013

End Date:

Notified of VItn on: October 04, 2019

Potential Impact to Initial Audit Determination: Minimal  
BES:

Brief VItn Descr. & Cause: The entity Facility Ratings are not consistent with the associated Facility Ratings methodology or Cause: documentation for determining its Facility Ratings.

CTs around the GSU were not addressed in the ratings as required by the entity's methodology.

Alleged Violation:

Registered Entity Report/Response: The GBOC facility rating methodology does not describe where in the GSU transformer where requirement R1 ends and requirement R2 begins.

The FAC-008-3 under Requirement R1 requires the GO entity that owns the GSU transformer, must include all individual equipment that comprises that Facility to the high side terminals of the GSU. The audit approach includes verifying that the entity addresses all elements that establishes the equipment where the load current would pass through. This equipment would include CTs in the generator step-up

(GSU) transformer.

An overall MVA GSU nameplate rating of the GSU does not address the intent of the standard requirement.

All BES Generators (12)

Risk Factor: Medium

Severity Level: VSL - High

Factual Basis: Violation Risk Factor  
Medium as per the language of the requirement.

Violation Severity Level

High - The Generator Owner's Facility Rating methodology did not address all the components of Requirement R2, Part 2.4.

NERC VSL Matrix dated 5/4/2014