

Matter No:

## SETTLEMENT AGREEMENT

**BETWEEN:**

**NEW BRUNSWICK ENERGY AND  
UTILITIES BOARD (the Board)**

**-AND-**

**CANADIAN HYDRO DEVELOPERS INC.  
(CHD)**

**WHEREAS** the New Brunswick Energy and Utilities Board (“the Board”) is authorized, pursuant to section 122 of the *Electricity Act S.N.B. 2013 c.7 (Electricity Act)* to monitor and assess compliance and enforce reliability standards in the province of New Brunswick;

**AND WHEREAS** the Board is responsible for administering the New Brunswick Compliance Monitoring and Enforcement Program pursuant to section 14 of Regulation 2013-66 being the *Reliability Standards Regulation- Electricity Act (Regulation)*;

**AND WHEREAS** Canadian Hydro Developers Inc. (“CHD”) is a registered entity pursuant to section 121 of the *Electricity Act* and responsible to comply with applicable reliability standards;

**AND WHEREAS** the Board has determined that CHD has violated a reliability standard, namely Requirement R2.1 of PRC-005-1b;

**AND WHEREAS** on July 9, 2014 the Board approved a request by CHD to enter into settlement negotiations to resolve the violation of Requirement R2.1 of PRC-005;

**AND WHEREAS** the settlement negotiations between the Board and CHD are now concluded and both the Board and CHD agree to the within terms as a settlement agreement in resolution of the violation;

**AND WHEREAS** the Board has carefully considered the requirements of the *Electricity Act* and the *Regulation*;

**AND WHEREAS** the Board is satisfied that the reliability of the Bulk Power System will not be compromised and that a violation of an Approved Reliability Standard will not occur as a result of this settlement;

**NOW THEREFORE** the Board and CHD execute this Settlement Agreement (“Settlement Agreement”) pursuant to Section 4.9 (i) of the New Brunswick Compliance Monitoring and Enforcement Program being Schedule A of the *Regulation* and upon the following terms:

## **I. Introduction**

1. The Board and CHD enter into this Settlement Agreement to resolve all outstanding issues arising from a preliminary and non-public assessment resulting in the Board’s determination and findings, pursuant to the *Regulation*, of a violation by CHD of the Approved Reliability Standard - North American Electric Reliability Corporation (“NERC”) Transmission and Generation Protection System Maintenance and Testing - PRC-005-1b (“ PRC-005-1b”). The Board Violation Tracking Number is EUBVTN2014001.
2. CHD is registered with the Board as a Generator Owner (GO) and Generator Operator (GOP), and owns and operates the 150 MW capacity Kent Hills wind power facility. New Brunswick Power owns and operates the 138 kV transmission line that connects the Kent Hills site.
3. On January 16, 2014 CHD self-reported a violation of PRC-005-1b to the Board for failing to carry out maintenance and testing of its protection system devices in accordance with its own established schedule.
4. On July 9, 2014 the Board approved a request by CHD to enter into settlement negotiations to resolve the violation of PRC-005-1b and engaged the Northeast Power Coordinating Council Inc. (“NPCC”), as a recognized compliance body in New Brunswick, to assist the Board with settlement negotiations, and NPCC has endorsed the terms of this Settlement Agreement
5. CHD admits to the violation of PRC-005-1b and has agreed to pay an assessed financial penalty of ten thousand dollars (\$10,000), and to carry out the mitigation actions described herein to mitigate the violation and ensure future compliance under the terms and conditions of the Settlement Agreement.

## II. Violation Description

6. Reliability Standard PRC-005-1b states:

**R2.** Each Transmission Owner and any Distribution Provider that owns a transmission Protection System and each Generator Owner that owns a generation Protection System shall provide documentation of its Protection System maintenance and testing program and the implementation of that program to its Regional Reliability Organization on request (within 30 calendar days). The documentation of the program implementation shall include:

**R2.1.** Evidence Protection System devices were maintained and tested within the defined intervals.

7. On January 16, 2014, CHD submitted a Self-Certification Report to the Board indicating a potential violation of Requirement 2 of PRC-005-1b relating to a failure to carry out maintenance and testing in accordance with the CHD established schedule.
8. The CHD document *PRC-005-1b Transmission and Generation Protection System Maintenance and Testing* requires devices that comprise the protective relay system to be tested on a “maximum 5 year cycle”.\* Upon leaving the Kent Hills site at the completion of the June 2013 site maintenance outage, the CHD relay maintenance and testing contractor indicated to CHD that testing on all of the protective relay system devices that had previously been tested in 2008 had been completed. In August 2013, CHD received the final maintenance report from the contractor. In January 2014 after a full scale review of the report was completed, CHD became aware that the contractor had not actually completed all of the required June 2013 maintenance and testing.  
\*For example: Devices last tested on January 1, 2008 must be retested prior to December 31, 2013.
9. The prescribed Violation Risk Factor (VRF) for PRC-005-1b Requirement 2 is high.
10. The prescribed Violation Severity Level (VSL) for PRC-005-1b Requirement 2 is based on a percentage of the devices not tested. The VSL for this violation is Severe.

Device	Year Last Tested	Quantity with Violation Start Date of 1/1/14	Total in Station	Percentage of Devices Not Tested in 5 Year Cycle
1 Phase CTs	2008	6	10	60%
3 Phase CTs	2008	39	67	58%
Protective Relays	2008	4	28	14%

CTs = Current Transformers  
Greater than 15% = Severe VSL

11. The Board has determined that CHD violated Requirement R2.1 of PRC-005-1b. The start date of the violation is January 1, 2014. The end date of the violation is June 9, 2014 which coincides with the completion of the CHD Spring 2014 maintenance and testing outage.

### III. Mitigating Actions

12. On June 2, 2014, CHD submitted an updated Mitigation Plan to address the violation of PRC-005-1b.
13. The Board approves the Mitigation Plan as submitted by CHD on June 2, 2014 and finds that CHD has completed all of the milestone activities in the Mitigation Plan as described below:
  - i. A checklist was developed for CHD substation personnel to use in tracking the progress of the contractor during maintenance outages. It was used during the June 2014 maintenance outage by the site supervisor and contractor to track the maintenance and testing activities on the checklist in order for the contractor to receive credit for performing the relevant maintenance item before leaving the site.  
**Milestone completed: April 1, 2014**
  - ii. Prior to the June 2014 maintenance outage, an official substation procedure dedicated to PRC-005 maintenance was developed to document the protocol for the substation site supervisor to verify the completion of PRC-005 substation maintenance tasks. The newly developed checklist appears as an addendum in the new procedure. **Milestone completed: May 23, 2014**
  - iii. Prior to the June 2014 maintenance outage, CHD distributed the new

procedure and trained all substation site supervisors on the contents and expectations associated with the new procedure and checklist.

**Milestone completed: May 30, 2014**

- iv. The Kent Hills maintenance and testing activities that were not completed in June 2013 were completed during the June 2014 maintenance outage. All PRC-005-1b maintenance and testing activities are now within the 5 calendar year tolerance.

**Milestone completed: June 9, 2014.**

14. The overall completion date of the Mitigation Plan is June 9, 2014.

15. The Board may further verify the effectiveness and status of the Mitigation Plan actions during an audit, spot check, or through other reasonable information or data requests to CHD.

#### **IV. Financial Penalty**

16. After careful consideration of the various factors and circumstances related to the CHD's violation of PRC-005-1b, the Board has determined that CHD shall pay a financial penalty of ten thousand dollars (\$10,000) under this Settlement Agreement.

#### **V. Parties Separate Representations**

17. The Board agrees that this Settlement Agreement is in the best interests of the parties, in the best interest of bulk power system reliability, avoids extended litigation with respect to the matters described or referred to herein and effectuates a complete and final resolution of the issues set forth herein.

18. CHD agrees that this Settlement Agreement is in the best interests of the parties, in the best interest of bulk power system reliability, avoids extended litigation with respect to the matters described or referred to herein and effectuates a complete and final resolution of the issues set forth herein.

#### **VI. Additional Terms**

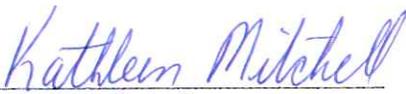
19. CHD shall pay the financial penalty of ten thousand dollars (\$10,000) to the EUB within thirty days of the execution of this Settlement Agreement.

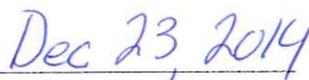
20. This Settlement Agreement represents a full and final disposition of the violation

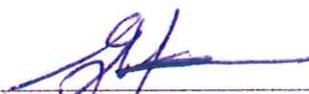
described above and CHD waives its right to further hearings and appeal for the violation.

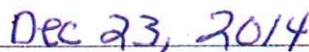
21. In the event CHD fails to comply with any of the stipulations, remedies, sanctions or additional terms, as set forth in this Settlement Agreement, the Board may initiate enforcement, penalty, or sanction actions against CHD to the maximum extent allowed by the *Electricity Act* and its *Regulations*.
22. The Board will issue a Notice of Settlement Agreement and publicly post this Settlement Agreement once executed. A copy of the Notice of Settlement Agreement is attached hereto as Exhibit "A".
23. Each of the undersigned warrants that he or she is an authorized representative of the entity designated, is authorized to bind such entity and accepts the Settlement Agreement on the entity's behalf.
24. The undersigned representative of each party affirms that he or she has read the Settlement Agreement, that all of the matters 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 such party in express reliance on those representations.
25. This Settlement Agreement may be signed in counterparts.
26. This Settlement Agreement is executed in duplicate, each of which so executed shall be deemed to be an original.

Agreed to and accepted:

  
Kathleen Mitchell  
Chief Clerk  
BOARD

  
Date

  
Gary Woods  
Vice President, Gas & Renewables  
Canadian Hydro Developers

  
Date