

September 30, 2010

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

**Re: NERC Abbreviated Notice of Penalty regarding Dynegy Inc.,
FERC Docket No. NP10-__-000**

Dear Ms. Bose:

The North American Electric Reliability Corporation (NERC) hereby provides this Abbreviated Notice of Penalty (NOP) regarding Dynegy Inc. (Dynegy),¹ with information and details regarding the nature and resolution of the violation² discussed in detail in the Settlement Agreement (Attachment a) and the Disposition Document (Attachment b), in accordance with

¹Concurrently being filed is a Notice of Penalty designated as NOC-590 regarding a separate Settlement Agreement between Western Electricity Coordinating Council and Dynegy for a violation of the same Reliability Standard, PRC-005-1 R2. On March 31, 2009, NERC filed a Notice of Penalty (NOC-010) under NP09-16-000 which addressed two violations of VAR-002-1 R2 by Dynegy registered in the SERC region. On April 30, 2009, FERC issued an order stating it would not engage in further review of the March 31, 2009 Notice of Penalty. On October 14, 2009, NERC submitted an Omnibus filing under NP10-2-000 which addressed violations for certain registered entities including one violation of VAR-002-1 R2 for Dynegy in the WECC region. On November 13, 2009, FERC issued an order stating it would not engage in further review of the violations addressed in the Omnibus Notice of Penalty. A Settlement Agreement regarding a violation of FAC-008-1 R1 for Dynegy in the ReliabilityFirst region (NOC-432) was filed with FERC under NP10-98-000 on April 28, 2010. On May 28, 2010, FERC issued an order stating it would not engage in further review of the Notice of Penalty. On July 30, 2010, NERC filed a Notice of Penalty (NOC-425) under NP10-144-000 which addressed two violations of VAR-002-1 R2 by Dynegy registered in the WECC region. On July 30, 2010, NERC filed a Notice of Penalty (NOC-568) under NP10-152-000 which addressed Dynegy's first violation of PRC-005-1 R2.1 in the SERC region. On August 27, 2010, FERC issued an order stating it would not engage in further review of the two Notices of Penalty filed on July 30, 2010. ReliabilityFirst did consider the prior violation of PRC-005-1 R2 that was filed at FERC in the SERC region, as well as the concurrently filed violation of PRC-005-1 R2 in the WECC region, as evidence of a systematic PRC-005-1 compliance issue and considered this an aggravating factor during its penalty determination. ReliabilityFirst determined that the other prior violations of VAR-002-1 R2 and FAC-008-1 R1 should not serve as a basis for aggravating the penalty because the subject violations are unrelated standards and the Mitigation Plans would not have resolved or prevented the instant violation.

² 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.

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)).³

On September 16, 2009, Dynegy self-reported non-compliance with PRC-005-1 R2.1 because its Renaissance, Rocky Road, Kendall, and Riverside Plants in the ReliabilityFirst region did not conduct battery testing as required by its Protection System maintenance and testing program. This NOP is being filed with the Commission because ReliabilityFirst Corporation (ReliabilityFirst) and Dynegy have entered into a Settlement Agreement to resolve all outstanding issues arising from ReliabilityFirst's determination and findings of the enforceable violation of PRC-005-1 R2/2.1. According to the Settlement Agreement, Dynegy neither admits nor denies the violation, but has agreed to the assessed penalty of twelve thousand five hundred dollars (\$12,500), in addition to other remedies and actions to mitigate the instant violation and facilitate future compliance under the terms and conditions of the Settlement Agreement. Accordingly, the violation identified as NERC Violation Tracking Identification Number RFC200900171 is being filed in accordance with the NERC Rules of Procedure and the CMEP.

Statement of Findings Underlying the Violation

This NOP incorporates the findings and justifications set forth in the Settlement Agreement executed on May 13, 2010, by and between ReliabilityFirst and Dynegy. The details of the findings and the basis for the penalty are set forth in the Disposition Document. This NOP 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.

Region	Registered Entity	NOC ID	NERC Violation ID	Reliability Std.	Req. (R)	VRF	Total Penalty (\$)
ReliabilityFirst Corporation	Dynegy Inc.	NOC-564	RFC200900171	PRC-005-1	2/2.1	High ⁴	12,500

The text of the Reliability Standard at issue is set forth in the Disposition Document.

³ *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).

⁴ PRC-005-1 R2 has a "Lower" Violation Risk Factor (VRF); R2.1 and R2.2 each have a "High" VRF. During a final review of the standards subsequent to the March 23, 2007 filing of the Version 1 VRFs, NERC identified that some standards requirements were missing VRFs; one of these include PRC-005-1 R2.1. On May 4, 2007, NERC assigned PRC-005 R2.1 a "High" VRF. In the Commission's June 26, 2007 Order on Violation Risk Factors, the Commission approved the PRC-005-1 R2.1 "High" VRF as filed. Therefore, the "High" VRF was in effect from June 26, 2007.

PRC-005-1 R2/2.1 - OVERVIEW⁵

ReliabilityFirst determined that Dynegy, as a Generator Owner, did not conduct battery testing as required by its Protection System maintenance and testing program, *Dynegy Generation Operations Procedure No. G6-15– Station Battery Bank Maintenance & Testing* at its Renaissance, Rocky Road, Kendall, and Riverside Plants in its region.

The duration of the PRC-005-1 R2/2.1 violation was from July 1, 2008, the beginning of the first quarter that tests were missed⁶ through June 9, 2009, the date that Dynegy completed its Mitigation Plan.

ReliabilityFirst determined that the violation did not pose a serious or substantial risk to the bulk power system (BPS) because, at the Kendall Plant, batteries were monitored daily during unit walk downs, batteries were checked and documented on weekly logs, and all battery banks have alarms which are time and date stamped in the control room; and at the Renaissance Plant, Riverside Plant, and Rocky Road Plant, operating staff at the plants inspected the battery rooms, charger and batteries as part of their daily rounds, and the plant batteries have continuous battery monitoring alarms to the Distributed Control System that alert the operators in the control rooms for low DC voltage and DC grounds.

Statement Describing the Assessed Penalty, Sanction or Enforcement Action Imposed⁷

Basis for Determination

Taking into consideration the Commission's direction in Order No. 693, the NERC Sanction Guidelines, the Commission's July 3, 2008 and October 26, 2009 Guidance Orders,⁸ the NERC BOTCC reviewed the Settlement Agreement and supporting documentation on August 3, 2010. The NERC BOTCC approved the Settlement Agreement, including ReliabilityFirst's assessment of a twelve thousand five hundred dollar (\$12,500) financial penalty against Dynegy and other actions to facilitate future compliance required under the terms and conditions of the 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 violation at issue.

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

1. the violation constituted Dynegy's first PRC-005-1 violation in the ReliabilityFirst region, although Dynegy has had other occurrences in other regions, as described above;
2. Dynegy submitted a self-report after preparing for an upcoming self-certification;

⁵ Further information on this violation is contained in the Disposition Document included as Attachment b.

⁶ The Settlement Agreement and self-report both incorrectly state the violation start date was October 1, 2008, the end date of the first quarter in which quarterly tests were missed.

⁷ See 18 C.F.R. § 39.7(d)(4).

⁸ *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).

3. ReliabilityFirst reported that Dynergy was cooperative throughout the compliance enforcement process;
4. Dynergy has a compliance program,⁹ as discussed in the Disposition Document;
5. there was no evidence of any attempt to conceal a violation nor evidence of intent to do so;
6. ReliabilityFirst determined that the violation did not pose a serious or substantial risk to the reliability of the BPS, as discussed above and in the Disposition Document; and
7. ReliabilityFirst reported that there were no other mitigating or aggravating factors or extenuating circumstances that would affect the assessed penalty.

For the foregoing reasons, the NERC BOTCC approves the Settlement Agreement and believes that the assessed penalty of twelve thousand five hundred dollars (\$12,500) is appropriate for the violation and circumstances at issue, and is consistent with NERC's goal to promote and ensure reliability of the BPS.

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 NOP 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 NOP are the following documents:

- a) Settlement Agreement by and between ReliabilityFirst and Dynergy executed May 13, 2010, included as Attachment b;
 - i. Dynergy's Self-Report for PRC-005-1 R2.1 dated September 16, 2009, included as Attachment a to the Settlement Agreement;
 - ii. Dynergy's Mitigation Plan MIT-08-2053 for PRC-005-1 R2.1 submitted September 16, 2009, included as Attachment b to the Settlement Agreement;
 - iii. Dynergy's Certification of Mitigation Plan Completion dated September 29, 2009, included as Attachment c to the Settlement Agreement;
- b) Disposition Document and ReliabilityFirst's Verification of Mitigation Plan Completion, included as Attachment b.

A Form of Notice Suitable for Publication¹⁰

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

⁹ ReliabilityFirst gave mitigating credit for the aspects of the compliance program in the penalty determination.

¹⁰ 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:

<p>Gerald W. Cauley* President and Chief Executive Officer David N. Cook* Sr. Vice President and General Counsel North American Electric Reliability Corporation 116-390 Village Boulevard Princeton, NJ 08540-5721 (609) 452-8060 (609) 452-9550 – facsimile gerry.cauley@nerc.net david.cook@nerc.net</p> <p>Dan Roethemeyer* Director- Electric System Operations and Compliance Dynegy Inc. 133 South Fourth Street, Suite 306 Springfield, IL 62701-1232 (217) 492-6605 Dan.Roethemeyer@dynegy.com</p> <p>L. Jason Blake* Attorney ReliabilityFirst Corporation 320 Springside Drive, Suite 300 Akron, Ohio 44333 (330) 456-2488 (330) 456-5408 – facsimile jason.blake@rfirst.org</p> <p>Megan E. Gambrel* Associate Attorney ReliabilityFirst Corporation 320 Springside Drive, Suite 300 Akron, Ohio 44333 (330) 456-2488 (330) 456-5408 – facsimile megan.gambrel@rfirst.org</p> <p>*Persons to be included on the Commission's service list are indicated with an asterisk. NERC requests waiver of the Commission's rules and regulations to permit the inclusion of more than two people on the service list.</p>	<p>Rebecca J. Michael* Assistant General Counsel North American Electric Reliability Corporation 1120 G Street, N.W. Suite 990 Washington, DC 20005-3801 (202) 393-3998 (202) 393-3955 – facsimile rebecca.michael@nerc.net</p> <p>Timothy R. Gallagher* President & CEO ReliabilityFirst Corporation 320 Springside Drive, Suite 300 Akron, Ohio 44333 (330) 456-2488 (330) 456-5390 – facsimile tim.gallagher@rfirst.org</p> <p>Raymond J. Palmieri* Vice President and Director of Compliance ReliabilityFirst Corporation 320 Springside Drive, Suite 300 Akron, Ohio 44333 (330) 456-2488 (330) 456-5408 – facsimile ray.palmieri@rfirst.org</p> <p>Robert K. Wargo* Manager of Compliance Enforcement ReliabilityFirst Corporation 320 Springside Drive, Suite 300 Akron, Ohio 44333 (330) 456-2488 (330) 456-5408 – facsimile bob.wargo@rfirst.org</p>
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Conclusion

Accordingly, NERC respectfully requests that the Commission accept this Abbreviated NOP as compliant with its rules, regulations and orders.

Respectfully submitted,

Gerald W. Cauley
President and Chief Executive Officer
David N. Cook
Sr. Vice President and General Counsel
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/s/ Rebecca J. Michael
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cc: Dynegy Inc.
ReliabilityFirst Corporation

Attachments

Attachment a

Settlement Agreement by and between ReliabilityFirst and Dynegy executed May 13, 2010



<i>In re: DYNEGY INC.</i>)	Docket No. RFC200900171
)	
)	
)	
NERC Registry ID No.NCR00200)	
PRC-005-1, Requirement 2.1)	

**SETTLEMENT AGREEMENT
OF
RELIABILITYFIRST CORPORATION
AND
DYNEGY INC.**

I. INTRODUCTION

1. ReliabilityFirst Corporation (“ReliabilityFirst”) and Dynegy Inc. (“Dynegy”) enter into this Settlement Agreement ("Agreement") to resolve all outstanding issues arising from a preliminary and non-public assessment resulting in ReliabilityFirst’s determination and findings, pursuant to the North American Electric Reliability Corporation (“NERC”) Rules of Procedure, of an alleged violation by Dynegy of the NERC Reliability Standard PRC-005-1, Requirement 2.1.

II. STIPULATION OF FACTS – DYNEGY AND RELIABILITYFIRST

2. Dynegy and ReliabilityFirst agree and stipulate to Sections I, II, IV, and V of this Agreement in their entirety, and affirm the accuracy of their respective representations contained within Section III of this Agreement. The facts stipulated herein are stipulated solely for the purpose of resolving the subject matter of this Agreement between Dynegy and ReliabilityFirst and do not constitute admissions or stipulations for any other purpose.

A. Background.

3. Dynegy is a holding company and conducts all of its business operations through its subsidiaries. Dynegy is engaged in the production and sale of electric energy, capacity, and ancillary services from its fleet of 19 operating power plants in 6 states totaling nearly 13,000 megawatts of generating capacity. Dynegy Holdings Inc. (DHI) is the Company's wholly owned subsidiary. The segments of the Company include the Midwest segment (GEN-MW), the West segment (GEN-WE) and the Northeast segment (GEN-NE).
4. During the time period the alleged violation occurred, Dynegy was registered on the NERC Compliance Registry as a Generator Owner (GO) and Generator Operator (GOP) in the ReliabilityFirst region with the NERC Registry Identification Number NCR00200, and therefore, is subject to compliance with NERC Reliability Standard PRC-005-1, Requirement 2.1.

B. Alleged Violation of PRC-005-1, Requirement 2.1 – RFC200900171.

5. In pertinent part, NERC Reliability Standard PRC-005-1, "*Transmission and Generation Protection System Maintenance and Testing*", Requirement 2.1 provides:

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.

6. On September 16, 2009, Dynegy self-reported noncompliance with Requirement 2.1 of Reliability Standard PRC-005-1 (attached as **Attachment a**). Dynegy's Renaissance, Rocky Road, Kendall, and Riverside Plants in the ReliabilityFirst Region perform battery maintenance and testing in accordance with the "Dynegy Generation Operations Procedure No. G6-15– Station Battery Bank Maintenance & Testing." This maintenance and testing procedure requires monthly battery inspections, quarterly electrical diagnostic battery tests, and five year battery performance/load tests to be completed at each plant. Dynegy completed a review that identified battery maintenance and testing deficiencies at some of its plants in other regions. In order to determine if these battery testing deficiencies were limited to those plants and in preparation for an upcoming

ReliabilityFirst self certification, Dynegy initiated a detailed review of the battery maintenance and testing practices at all of its plants within the ReliabilityFirst region. The results of that review identified deficiencies with battery maintenance and testing.

7. Dynegy missed quarterly battery tests at the Renaissance, Rocky Road, and Riverside Plants during the third quarter and fourth quarter of 2008. Specifically, at the Renaissance Plant Dynegy missed one quarterly battery test in the fourth quarter of 2008 due to equipment failure. At the Rocky Road Plant, Dynegy missed four quarterly battery tests in the fourth quarter of 2008 because the plant did not have adequate ownership and controls for battery maintenance and testing activities to ensure completion of the required battery work and proper documentation of that work. The plant relied on the battery testing contractor to complete the work and document battery test results. At the Riverside Plant, Dynegy missed two quarterly battery tests in the third quarter of 2008 because the plant did not have adequate ownership and controls for battery maintenance and testing activities to ensure the completion of the required battery work and proper documentation of that work. The plant could not locate battery test records and the employee responsible for the work was no longer employed at Dynegy.
8. In addition, Dynegy performed quarterly battery tests at the Renaissance, Rocky Road, Kendall, and Riverside Plants within the applicable quarter but did not perform the tests on schedule. For the period from the fourth quarter of 2008 through the second quarter of 2009 the Renaissance, Rocky Road, Kendall, and Riverside Plants failed to complete a total of 16 quarterly battery tests on schedule. Dynegy did not complete these tests on schedule due to the plants' interpretation that the Dynegy Generation Operations Procedure G6-15 "quarterly" testing requirement could be completed anytime during a quarter. However, the intent of the Procedure was to complete the battery tests approximately every 90 days (with an additional grace period of about 3 weeks).
9. Dynegy's response to a ReliabilityFirst information request provided additional detail regarding the batteries implicated in the Self-Report of PRC-005-1, R2.1. There are a total of 25 batteries at the Dynegy Plants, all of which were affected by the alleged violation of PRC-005-1. There are eight batteries at the Kendall Plant, five batteries at the Renaissance Plant, seven batteries at the Riverside Plant, and five batteries at the Rocky Road Plant. In sum, the 25 batteries constitute approximately 8.56% of the 317 relays and batteries at the plants. ReliabilityFirst additionally takes notice that if the total number of Protection System devices at Dynegy, including communication systems, DC control circuitry, and current and potential transformer inputs to relays were taken into account in this calculation, the percentage would be reduced even further from 8.56%.

10. Dynegy indicated that the Bulk Electric System was not placed at substantial risk as a result of the alleged violation. Dynegy supported its position on risk by providing the following information. At the Kendall Plant, batteries were in good health and operating properly prior to the missed or late testing. There were no operating issues due to the missed testing, and all affected batteries were within acceptable limits on the following inspection or test cycle. In addition, batteries were monitored daily during unit walk downs, batteries were checked and documented on weekly logs, and all battery banks have alarms which are time and date stamped in the control room. Similarly, the Renaissance Plant, Riverside Plant, and Rocky Road Plant did not experience any operating issues due to missed or late testing activities. All batteries at the three plants were in good health and operating properly prior to the missed or late testing, and all batteries were in good condition on the next test cycle. In addition, operating staff at the plants inspected the battery rooms, charger and batteries as part of their daily rounds, and the plant batteries have continuous battery monitoring alarms to the Distributed Control System that alert the operators in the control rooms for low DC voltage and DC grounds. For all of the above reasons, ReliabilityFirst concurs that the Bulk Electric System was not placed at substantial risk as a result of the alleged violation.
11. Dynegy indicated to ReliabilityFirst that all protection system devices excluding batteries (relays, communication systems, DC control circuitry, and current and potential transformer inputs to relays) were tested within the defined intervals of the maintenance and testing program.
12. ReliabilityFirst alleges that Dynegy failed to provide documentation to show that its batteries were tested within the defined intervals of its Protection System maintenance and testing program.

III. THE PARTIES' SEPARATE REPRESENTATIONS

A. Statement of ReliabilityFirst and Summary of Findings as to Dynegy.

13. ReliabilityFirst considers this Agreement as the resolution of all issues in connection with the above captioned docket and binding on Dynegy in its commitment to perform actions hereafter enumerated and listed as conditions for this Agreement.
14. PRC-005-1, Requirement 2.1 has a Violation Risk Factor ("VRF") of High as evidenced by the VRF Matrix. The duration of this violation, for purposes of penalty determination, is from October 1, 2008 (the end of the third quarter of 2008, the first missed test interval) until June 9, 2009, the date that Dynegy completed all deficient battery testing.

15. ReliabilityFirst noted certain aspects of Dynegy's compliance program, including that the program has the support of internal management. Dynegy's Director-Electric System Operations and Compliance reports directly to the Managing Director-Asset Management and Trading and directly interfaces with him on compliance related issues. Dynegy's Internal Compliance Program is addressed in "Dynegy Generation Procedure G9-04" and the "Dynegy Code of Business Conduct and Ethics". These documents are available to all Dynegy employees via the company Intranet. In addition, "Dynegy Generation Procedure G9-04" has been distributed specifically to applicable Dynegy Plant and Commercial Operation personnel. Dynegy's Internal Compliance Program personnel have had numerous forms of training related to the NERC reliability standards including both formal and informal in-house training and meetings and external training provided through regional compliance seminars.
16. ReliabilityFirst agrees that this Agreement is in the best interest of the parties and in the best interest of Bulk Power System reliability.

B. Statement of Dynegy.

17. Dynegy neither admits nor denies that the facts set forth and agreed to by the parties for purposes of this Agreement constitute violations of PRC-005-1, R 2.1.
18. Dynegy agrees to enter into this Agreement with ReliabilityFirst 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. Dynegy agrees that this Agreement is in the best interest of the parties and in the best interest of maintaining a reliable electric infrastructure.

IV. MITIGATING ACTIONS, REMEDIES AND SANCTIONS

A. Mitigating Actions for PRC-005-1, Requirement 2.1 – RFC200900171.

19. On September 16, 2009, Dynegy submitted to ReliabilityFirst a Mitigation Plan to address the alleged violation of PRC-005-1, R2.1. *See*, Mitigation Plan Tracking # MIT-08-2053 (attached as **Attachment b**). On October 13, 2009, ReliabilityFirst accepted the Mitigation Plan and on October 15, 2009, ReliabilityFirst submitted the Mitigation Plan to NERC. NERC approved the Mitigation Plan on October 20, 2009 and submitted the Mitigation Plan to FERC as confidential, nonpublic information. ReliabilityFirst received Dynegy's Certification of Mitigation Plan Completion on September 29, 2009. *See*, Certification of Mitigation Plan Completion (attached as **Attachment c**).

20. In the Mitigation Plan, Dynegy outlined actions identified to be taken in order to mitigate the alleged violation:
 - a. Share battery testing equipment between the Renaissance, Kendall, and Riverside Plants in the event of equipment failure.
 - b. Establish a “Compliance Owner” at each Dynegy Plant in the ReliabilityFirst region for battery inspection and testing work that is charged with ensuring timely scheduling, completion and documentation of the required work.
 - c. Revise Dynegy Generation Procedure G6-15 to clarify that “quarterly” testing means every 90 days plus a “grace period” of 21 days.
21. This Mitigation Plan will bring Dynegy into full compliance with PRC-005-1. ReliabilityFirst will verify Dynegy’s completion of the Mitigation Plan.

B. Monetary Penalty.

22. Based upon the foregoing, Dynegy shall pay a monetary penalty of \$12,500 to ReliabilityFirst.
23. ReliabilityFirst shall present a \$12,500 invoice to Dynegy within 20 days after the Agreement is either approved by the Commission or affirmed by operation of law. Dynegy shall have 30 days to remit payment. ReliabilityFirst will notify NERC if it does not timely receive the payment from Dynegy.
24. If Dynegy fails to timely remit the \$12,500 monetary payment to ReliabilityFirst, interest will commence to accrue on the outstanding balance, pursuant to 18 C.F.R. § 35.19(a)(2)(iii), on the earlier of (a) the 31st day after the date on the invoice issued by ReliabilityFirst to Dynegy for the \$12,500 monetary penalty payment or (b) the 51st day after the Agreement is approved by the Commission or operation of law.
25. ReliabilityFirst may deem Dynegy’s failure to timely remit the \$12,500 penalty payment as either the same alleged violation identified in this Agreement or additional violation(s) or both, and, if so deemed, Dynegy will be subject to new or additional enforcement, penalty, or sanction actions in accordance with the NERC Rules of Procedure. Dynegy shall retain all rights to defend against such additional actions in accordance with the NERC Rules of Procedure.

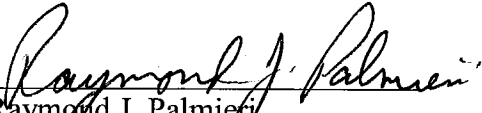
V. ADDITIONAL TERMS

26. The terms and conditions of the Agreement are consistent with the regulations and orders of the Commission and the NERC Rules of Procedure.
27. ReliabilityFirst shall report the terms of all settlements of compliance matters to NERC. Accordingly, NERC will review the Agreement for the purpose of evaluating its consistency with other settlements entered into for similar alleged violations or under similar circumstances. Based on this review, NERC will either approve or reject this Agreement. If NERC rejects the Agreement, NERC will provide specific written reasons for such rejection and ReliabilityFirst will attempt to negotiate with Dynegy a revised settlement agreement that addresses NERC's concerns. If a settlement cannot be reached, the enforcement process shall continue to conclusion. If NERC approves the Agreement, NERC will (a) report the approved settlement to the Commission for review and approval by order or operation of law, and (b) publicly post the alleged violations and the terms provided for in this settlement.
28. This Agreement shall become effective upon the Commission's approval of this Agreement by order or operation of law as submitted to it or as modified in a manner acceptable to the parties.
29. Dynegy agrees that this Agreement, when approved by NERC and the Commission, shall represent a final settlement of all matters set forth herein and Dynegy waives its right to further hearings and appeal, unless and only to the extent that Dynegy contends that any NERC or Commission action constitutes a material modification to this Agreement.
30. ReliabilityFirst reserves all rights to initiate enforcement, penalty, or sanction actions against Dynegy in accordance with the NERC Rules of Procedure in the event that Dynegy fails to comply with any of the stipulations, remedies, sanctions, or other terms of this Agreement. In the event Dynegy fails to comply with the stipulations, remedies, sanctions, or other terms of this Agreement, ReliabilityFirst may initiate enforcement, penalty, or sanction actions against Dynegy to the maximum extent allowed by the NERC Rules of Procedure, up to and including the maximum statutorily allowed penalty. Dynegy shall retain all rights to defend against such enforcement actions in accordance with the NERC Rules of Procedure.
31. Dynegy consents to the use of ReliabilityFirst's determinations, findings, and conclusions set forth in this Agreement for the purpose of assessing the factors, including the factor of determining the company's history of violations, in accordance with the NERC Sanction Guidelines and applicable Commission orders and policy statements. Such use may be

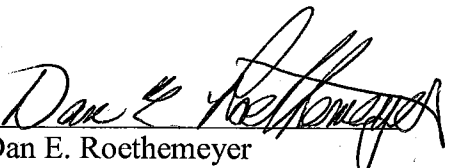
solely in any enforcement action or compliance proceeding undertaken by NERC and/or any Regional Entity; provided, however that Dynegy does not consent to the use of the specific acts set forth in this Agreement as the sole basis for any other action or proceeding brought by NERC and/or Regional Entity, nor does Dynegy consent to the use of this Agreement by any other party in any other action or proceeding.

32. Dynegy affirms that all of the matters set forth in this Agreement are true and correct to the best of its knowledge, information, and belief, and that it understands that this Agreement is entered into by ReliabilityFirst in express reliance on the representations contained herein, as well as any other representations or information provided by Dynegy to ReliabilityFirst during any Dynegy interaction with ReliabilityFirst relating to the subject matter of this Agreement.
33. Each of the undersigned warrants that he or she is an authorized representative of the entity designated below, is authorized to bind such entity, and accepts this Agreement on the entity's behalf.
34. The signatories to this Agreement agree that they enter into this Agreement voluntarily and that, other than the recitations set forth herein, no tender, offer, or promise of any kind by any member, employee, officer, director, agent, or representative of ReliabilityFirst or Dynegy has been made to induce the signatories or any other party to enter into this Agreement.
35. This Agreement may be signed in counterparts.
36. This Agreement is executed in duplicate, both of which so executed shall be deemed to be an original.

Agreed to and accepted:

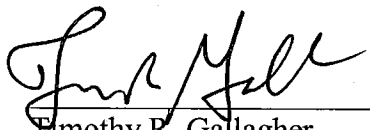

Raymond J. Palmieri
Vice President and Director of Compliance
ReliabilityFirst Corporation

4/30/10
Date


Dan E. Roethemeyer
Director – Electric System Operations and Compliance
Dynergy Inc.

5/5/10
Date

Approved:


Timothy R. Gallagher
President and Chief Executive Officer
ReliabilityFirst Corporation

5/13/10
Date

Attachment a

Compliance Monitoring and Enforcement Program Violation Self-Reporting Form

Submitted September 16, 2009



COMPLIANCE MONITORING AND ENFORCEMENT PROGRAM

VIOLATION SELF-REPORTING FORM

This Violation Self-Reporting Form can be used for submittals via e-mail for violations of the Reliability Standards identified by a self- assessment.

1. Date:
2. Registered Entity:
3. NERC Registry ID: Joint Registration ID (JRO) (if applicable):
4. Multiple Regional Registered Entity (MRRE) Regional Affiliates (if applicable):
5. Reliability Standard Requirement ^a:
6. Reporting for registered function(s):
7. Date Violation was Discovered:
 Beginning Date of Violation:
 End or Expected End Date of Violation:
8. Has this violation been previously reported: No ☐ ☐
 If yes, Provide NERC Violation ID number:
9. Has this violation been reported to another region(s): No ☐ ☐
 If yes, Provide Region(s):
10. Is the violation still occurring: No ☐ ☐
11. Detail description and cause of the violation: **The Renaissance, Rocky Road, Kendall and Riverside Plants in the RFC Region perform battery maintenance and testing in accordance with "Dynegy Generation Operations Procedure No. G6-15- Station Battery Bank Maintenance & Testing". This Procedure requires monthly battery inspections, quarterly electrical diagnostic battery tests and five year battery performance/load tests to be completed at each Plant.**

Dynegy recently completed a review that identified battery maintenance and testing deficiencies at some of its Plants in other Regions. In order to determine if these battery testing deficiencies were

limited to those Plants and in preparation for the upcoming RFC Self Certification, Dynegy Inc. initiated a detailed review of the battery maintenance and testing practices at all of its Plants within RFC. The results of that review identified the following deficiencies with battery maintenance and testing that represent a possible violation of NERC Standard PRC-005-1, R2 and R2.1:

1. Missed /Not Completed Quarterly Battery Tests at the Renaissance, Rocky Road and Riverside Plants

As indicated on the attached spreadsheet (Schedule A), the following quarterly battery tests at the Renaissance, Rocky Road and Riverside Plants were missed/not completed during the 3Q and 4Q 2008:

- a. **Renaissance Plant (5 station batteries)- 1 quarterly battery test was missed/not completed in 4Q 2008 due to equipment failure.**
- b. **Rocky Road Plant (5 station batteries)- A total of 4 quarterly battery tests were missed/not completed in 4Q 2008 because the Plant did not have adequate compliance ownership and controls for battery maintenance and testing activities to ensure completion of the required battery work and proper documentation of that work (i.e. relied on the battery testing contractor to complete the work and document battery test results).**
- c. **Riverside Plant (7 station batteries)- A total of 2 quarterly battery tests were missed/not completed in 3Q 2008 because the Plant did not have adequate compliance ownership and controls for battery maintenance and testing activities to ensure the completion of the required battery work and proper documentation of that work (i.e. could not locate battery test records and the employee responsible for the work is no longer employed).**

2. Late Quarterly Battery Tests at the Renaissance, Rocky Road, Kendall and Riverside Plants

For the period from 4Q 2008 through 2Q 2009 the Renaissance, Rocky Road, Kendall and Riverside Plants did not complete a total of 16 quarterly battery tests on schedule. The attached spreadsheet (Schedule A) shows the actual test dates for all quarterly battery tests during this period for these Plants and highlights those tests that were not completed on schedule

These tests were not completed on schedule due to the Plants making a broad interpretation that the “quarterly” testing requirement in Dynegy Generation Operations Procedure G6-15 meant testing could be completed anytime during a quarter. The intent of the Procedure was to complete the battery tests approximately every 90 days (with an additional grace period of about 3 weeks).

Please note that all required battery quarterly battery tests for all the Dynegy Plants in the RFC Region are current through the 3Q 2009.

12. Violation Risk Factor: Lower () – Medium () – High (X) – Not Specified () Select One

13. Violation Severity Level: Lower (X) – Moderate () – High () – Severe () Select One

Provide justification for this determination: These two sel

14. Provide a determination of the Potential Impact to the Bulk Electric System: **There has been no known impact on system reliability due to the nature of this possible violation. Also, Dynegy Inc.**

has not received any calls from the Reliability Coordinators (i.e. MISO or PJM) or the associated Transmission Operators (i.e. METC/ITC, Com Ed or AEP) indicating any reliability concerns or problems related to this possible non-compliance.

15. Mitigation Plan attached: No ☐ ☐

16. Additional Comments:

17. Officer Verification: I understand that this information is being provided as required by the Reliability *First* Compliance Monitoring and Enforcement Program. Any review of this violation will require all information certified on this form be supported by appropriate documentation.

Officer's Name:

Title:

E-mail address:

Phone:

Primary Compliance Contact:

E-mail address:

Phone:

E-mail Submittals to compliance@rfirst.org Subject Line: Violation Self-Report
For any questions regarding compliance submittals, please e-mail compliance@rfirst.org.

^a. Report on a requirement basis. If the violation is to a sub requirement, or multiple sub requirements, include all sub requirements relevant to this violation.

Attachment b

Mitigation Plan (MIT-08-2053)

Submitted September 16, 2009

MIT-08-2053

RELIABILITY FIRST

RFC200900171

Mitigation Plan Submittal Form

Date this Mitigation Plan is being submitted: 9/16/09

Section A: Compliance Notices & Mitigation Plan Requirements

- A.1 Notices and requirements applicable to Mitigation Plans and this Submittal Form are set forth in "Attachment A - Compliance Notices & Mitigation Plan Requirements."
- A.2 This form must be used to submit required Mitigation Plans for review and acceptance by ReliabilityFirst and approval by NERC.
- A.3 ☒ I have reviewed Attachment A and understand that this Mitigation Plan Submittal Form will not be accepted unless this box is checked.

Section B: Registered Entity Information

- B.1 Identify your organization.

Company Name: Dynegy Inc.

Company Address: 133 South Fourth Street, Suite 306
Springfield, IL 62701-1232

NERC Compliance Registry ID: NCR00200

- B.2 Identify the individual in your organization who will be the Entity Contact regarding this Mitigation Plan.

Name: Greg Mason

Title: Director-Electric System Operations
and Compliance

Email: Gregory.A.Mason@dynegy.com

Phone: (217) 492-6604

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Section C: Identification of Alleged or Confirmed Violation(s) Associated with this Mitigation Plan

C.1 This Mitigation Plan is associated with the following Alleged or Confirmed violation(s) of the reliability standard listed below.

NERC Violation ID #	Reliability Standard	Requirement Number	Violation Risk Factor	Alleged or Confirmed Violation Date ^(*)	Method of Detection (e.g., Audit, Self-report, Investigation)
RFC20090 0171	PRC-005-1	R2.1	High	9/16/09	Self Report

(*) Note: The Alleged or Confirmed Violation Date shall be expressly specified by the Registered Entity, and subject to modification by ReliabilityFirst, as: (i) the date the Alleged or Confirmed violation occurred; (ii) the date that the Alleged or Confirmed violation was self-reported; or (iii) the date that the Alleged or Confirmed violation has been deemed to have occurred on by ReliabilityFirst. Questions regarding the date to use should be directed to the ReliabilityFirst contact identified in Section G of this form.

C.2 Identify the cause of the Alleged or Confirmed violation(s) identified above. Additional detailed information may be provided as an attachment.

The causes of the possible violation(s) identified above include:

1. One quarterly battery test was missed/not completed at the Renaissance Plant in 4Q 2008 due to equipment failure.
2. Six quarterly battery tests were missed/not completed at the Rocky Road and Riverside Plants in 3Q and 4Q 2008 because the Plant did not have adequate compliance ownership and controls for battery maintenance and testing activities to ensure completion of the required battery work and proper documentation of that work (i.e. the Rocky Road Plant relied on the battery testing contractor to complete the work and document test results and the Riverside Plant could not locate test records and the employee responsible is no longer employed).

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3. Sixteen quarterly battery tests at the Renaissance, Rocky Road, Kendall and Riverside Plants were not completed on schedule for the period of 4Q 2008 through 2Q 2009 due to the Plants making a broad interpretation that the "quarterly" testing requirement in Dynegy Generation Operations Procedure G6-15 meant testing could be completed anytime during a quarter. The intent of the Procedure was to complete the battery tests approximately every 90 days (with an additional grace period of about 3 weeks).

Note: If a formal root cause analysis evaluation was performed, submit a copy of the summary report.

- C.3 Provide any additional relevant information regarding the Alleged or Confirmed violations associated with this Mitigation Plan. Additional detailed information may be provided as an attachment.

N/A

Section D: Details of Proposed Mitigation Plan

Mitigation Plan Contents

- D.1 Identify and describe the action plan, including specific tasks and actions that your organization is proposing to undertake, or which it undertook if this Mitigation Plan has been completed, to correct the Alleged or Confirmed violations identified above in Part C.1 of this form. Additional detailed information may be provided as an attachment.

The action plan of Dynegy Inc. includes three specific tasks and actions as follows:

- (1) Equipment Sharing: Share battery testing equipment between the Renaissance, Kendall and Riverside Plants in the event of equipment failure.
- (2) Ownership: Establish a "Compliance Owner" at each RFC Plant for battery inspection and testing work that is charged with ensuring timely scheduling, completion and documentation of the required work.
- (3) Procedures: Revise Dynegy Generation Procedure G6-15 to clarify that "quarterly" testing means every 90 days plus a "grace period" of 21 days.

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Please note that all required quarterly battery tests for the Renaissance, Rocky Road, Kendall and Riverside Plants in the RFC Region are current through the 3Q 2009.

Mitigation Plan Timeline and Milestones

- D.2 Provide the date by which full implementation of the Mitigation Plan will be, or has been, completed with respect to the Alleged or Confirmed violations identified above. State whether the Mitigation Plan has been fully implemented, and/or whether the actions necessary to assure the entity has returned to full compliance have been completed.

The date by which full implementation of the Mitigation Plan described in D.1 above is to be completed is October 15, 2009.

- D.3 Enter Key Milestone Activities (with due dates) that can be used to track and indicate progress towards timely and successful completion of this Mitigation Plan.

Key Milestone Activity	Proposed/Actual Completion Date* (shall not be more than 3 months apart)
1. Share battery testing equipment between the Renaissance, Kendall and Riverside Plants in the event of equipment failure.	October 15, 2009
2. Establish a "Compliance Owner" at each RFC Plant for battery inspection and testing work that is charged with ensuring timely scheduling, completion and documentation of the required work.	October 15, 2009
3. Revise Dynegy Generation Procedure G6-15 to clarify that "quarterly" testing means every 90 days plus a "grace period" of 21 days.	Completed

(*) Note: Additional violations could be determined for not completing work associated with accepted milestones.

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Section E: Interim and Future Reliability Risk

Abatement of Interim BPS Reliability Risk

- E.1 While your organization is implementing this Mitigation Plan the reliability of the Bulk Power System (BPS) may remain at higher risk or be otherwise negatively impacted until the plan is successfully completed. To the extent they are, or may be, known or anticipated: (i) identify any such risks or impacts; and (ii) discuss any actions that your organization is planning to take to mitigate this increased risk to the reliability of the BPS. Additional detailed information may be provided as an attachment.

No fourth quarter battery tests are required to be completed prior to the planned completion date for the Mitigation Plan of October 15, 2009. Therefore, Dynegy expects minimal risks or impacts to the reliability of the Bulk Power System (BPS) during the implementation of this Mitigation Plan.

Prevention of Future BPS Reliability Risk

- E.2 Describe how successful completion of this Mitigation Plan by your organization will prevent or minimize the probability that the reliability of the BPS incurs further risk of similar violations in the future. Additional detailed information may be provided as an attachment.

By completing the outlined steps in our Mitigation Plan, the Dynegy Inc. Plants operating in the RFC Region will minimize the probability of a reoccurrence of this violation.

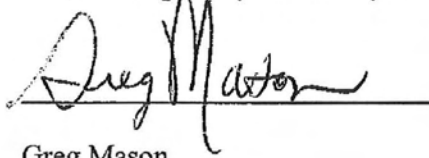
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Section F: Authorization

An authorized individual must sign and date this Mitigation Plan Submittal Form. By doing so, this individual, on behalf of your organization:

- a) Submits this Mitigation Plan for acceptance by ReliabilityFirst and approval by NERC, and
- b) If applicable, certifies that this Mitigation Plan was completed on or before the date provided as the 'Date of Completion of the Mitigation Plan' on this form, and
- c) Acknowledges:
 1. I am Director-Electric System Operations and Compliance of Dynegy Inc.
 2. I am qualified to sign this Mitigation Plan on behalf of Dynegy Inc.
 3. I have read and am familiar with the contents of this Mitigation Plan.
 4. Dynegy Inc. agrees to comply with, this Mitigation Plan, including the timetable completion date, as accepted by ReliabilityFirst and approved by NERC.

Authorized Individual Signature



Name (Print):

Greg Mason

Title:
Compliance

Director-Electric System Operations and

Date:

9/16/09

Section G: Regional Entity Contact

Please direct completed forms or any questions regarding completion of this form to the ReliabilityFirst Compliance e-mail address mitigationplan@rfirst.org.

Please indicate the company name and reference the NERC Violation ID # (if known) in the subject line of the e-mail. Additionally, any ReliabilityFirst Compliance Staff member is available for questions regarding the use of this form. Please see the contact list posted on the ReliabilityFirst Compliance web page.

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Attachment A – Compliance Notices & Mitigation Plan Requirements

- I. Section 6.2 of the CMEP¹ sets forth the information that must be included in a Mitigation Plan. The Mitigation Plan must include:
 - (1) The Registered Entity's point of contact for the Mitigation Plan, who shall be a person (i) responsible for filing the Mitigation Plan, (ii) technically knowledgeable regarding the Mitigation Plan, and (iii) authorized and competent to respond to questions regarding the status of the Mitigation Plan.
 - (2) The Alleged or Confirmed Violation(s) of Reliability Standard(s) the Mitigation Plan will correct.
 - (3) The cause of the Alleged or Confirmed Violation(s).
 - (4) The Registered Entity's action plan to correct the Alleged or Confirmed Violation(s).
 - (5) The Registered Entity's action plan to prevent recurrence of the Alleged or Confirmed violation(s).
 - (6) The anticipated impact of the Mitigation Plan on the bulk power system reliability and an action plan to mitigate any increased risk to the reliability of the bulk power-system while the Mitigation Plan is being implemented.
 - (7) A timetable for completion of the Mitigation Plan including the completion date by which the Mitigation Plan will be fully implemented and the Alleged or Confirmed Violation(s) corrected.
 - (8) Key implementation milestones no more than three (3) months apart for Mitigation Plans with expected completion dates more than three (3) months from the date of submission. Additional violations could be determined for not completing work associated with accepted milestones.
 - (9) Any other information deemed necessary or appropriate.
 - (10) The Mitigation Plan shall be signed by an officer, employee, attorney or other authorized representative of the Registered Entity, which if applicable, shall be the person that signed the Self-Certification or Self Reporting submittals.
- II. This submittal form must be used to provide a required Mitigation Plan for review and acceptance by ReliabilityFirst and approval by NERC.
- III. This Mitigation Plan is submitted to ReliabilityFirst and NERC as confidential information in accordance with Section 1500 of the NERC Rules of Procedure.
- IV. This Mitigation Plan Submittal Form may be used to address one or more related Alleged or Confirmed violations of one Reliability Standard. A separate

¹ "Compliance Monitoring and Enforcement Program" of the ReliabilityFirst Corporation;" a copy of the current version approved by the Federal Energy Regulatory Commission is posted on the ReliabilityFirst website.

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mitigation plan is required to address Alleged or Confirmed violations with respect to each additional Reliability Standard, as applicable.

- V. If the Mitigation Plan is accepted by Reliability*First* and approved by NERC, a copy of this Mitigation Plan will be provided to the Federal Energy Regulatory Commission in accordance with applicable Commission rules, regulations and orders.
- VI. Reliability*First* or NERC may reject Mitigation Plans that they determine to be incomplete or inadequate.
- VII. Remedial action directives also may be issued as necessary to ensure reliability of the BPS.

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DOCUMENT CONTROL

Title: Mitigation Plan Submittal Form
Issue: Version 2.0
Date: 11 July 2008
Distribution: Public
Filename: ReliabilityFirst Mitigation Plan Submittal Form - Ver 2.DOC
Control: Reissue as complete document only

DOCUMENT APPROVAL

Prepared By	Approved By	Approval Signature	Date
Robert K. Wargo Senior Consultant Compliance	Raymond J. Palmieri Vice President and Director Compliance	<i>Raymond J. Palmieri</i>	1/2/08

DOCUMENT CHANGE/REVISION HISTORY

Version	Prepared By	Summary of Changes	Date
1.0	Robert K. Wargo	Original Issue – Replaces “Proposed Mitigation Plan” Form	1/2/08
2.0	Tony Purgar	Revised email address from compliance@rfirst.org to mitigationplan@rfirst.org	7/11/08

Attachment c

Certification of Mitigation Plan Completion

Submitted September 29, 2009



Certification of Mitigation Plan Completion

Submittal of a Certification of Mitigation Plan Completion shall include data or information sufficient for ReliabilityFirst Corporation to verify completion of the Mitigation Plan. ReliabilityFirst Corporation may request additional data or information and conduct follow-up assessments, on-site or other Spot Checking, or Compliance Audits as it deems necessary to verify that all required actions in the Mitigation Plan have been completed and the Registered Entity is in compliance with the subject Reliability Standard. (CMEP Section 6.6)

Registered Entity Name: Dynegy Inc.

NERC Registry ID: NCR00200

Date of Submittal of Certification: September 29, 2009

NERC Violation ID No(s): Unknown

Reliability Standard and the Requirement(s) of which a violation was mitigated: PRC-005-1, R2.1

Date Mitigation Plan was scheduled to be completed per accepted Mitigation Plan: October 15, 2009

Date Mitigation Plan was actually completed: September, 28, 2009

Additional Comments (or List of Documents Attached): Documents attached are labeled for Milestones 1-3.

I certify that the Mitigation Plan for the above named violation has been completed on the date shown above and that all submitted information is complete and correct to the best of my knowledge.

Name: Greg Mason

Title: Director-Electric System Operations and Compliance

Email: Gregory.A.Mason@dynegy.com

Phone:(217) 492-6604

Authorized Signature

A handwritten signature in black ink, appearing to read "Greg Mason", written over a horizontal line.

Date 9/29/09

Attachment b

Disposition Document and Reliability*First's* Verification of Mitigation Plan Completion

DISPOSITION OF VIOLATION¹

Dated July 12, 2010

NERC TRACKING NO.	REGIONAL ENTITY TRACKING NO.	NOC#
RFC200900171	RFC200900171	NOC-564

REGISTERED ENTITY	NERC REGISTRY ID
Dynegy Inc. (Dynegy)	NCR00200

REGIONAL ENTITY
ReliabilityFirst Corporation (ReliabilityFirst)

I. REGISTRATION INFORMATION

ENTITY IS REGISTERED FOR THE FOLLOWING FUNCTIONS:

BA	DP	GO	GOP	IA	LSE	PA	PSE	RC	RP	RSG	TO	TOP	TP	TSP
		X	X											
		5/30/07	5/30/07											

* VIOLATION APPLIES TO SHADED FUNCTIONS

DESCRIPTION OF THE REGISTERED ENTITY

Dynegy is a holding company and conducts all of its business operations through its subsidiaries. Dynegy is engaged in the production and sale of electric energy, capacity, and ancillary services from its fleet of 19 operating power plants in 6 states totaling nearly 13,000 MW of generating capacity. Dynegy Holdings Inc. (DHI) is the entity's wholly owned subsidiary. The segments of the company include the Midwest segment (GEN-MW), the West segment (GEN-WE) and the Northeast segment (GEN-NE). Dynegy is included on the NERC Compliance Registry under one registration number, as a Generator Owner and Generator Operator, for its plants in the ReliabilityFirst, Northeast Power Coordinating Council, SERC Reliability Corporation and the Western Electricity Coordinating Council regions.

II. VIOLATION INFORMATION

RELIABILITY STANDARD	REQUIREMENT(S)	SUB-REQUIREMENT(S)	VRF(S)	VSL(S)
PRC-005-1	2	2.1	High²	Lower

¹ For purposes of this document and attachments hereto, each violation at issue is described as a "violation," regardless of its procedural posture and whether it was a possible, alleged or confirmed violation.

PURPOSE OF THE RELIABILITY STANDARD AND TEXT OF RELIABILITY STANDARD AND REQUIREMENT(S)/SUB-REQUIREMENT(S)

The purpose statement of Reliability Standard PRC-005-1 provides: “To ensure that all transmission and generation Protection Systems³ affecting the reliability of the Bulk Electric System (BES) are maintained and tested.” (Footnote added.)

PRC-005-1, R2 requires:

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.

VIOLATION DESCRIPTION

On September 16, 2009, Dynegy self-reported non-compliance with PRC-005-1 R2.1 because its Renaissance, Rocky Road, Kendall, and Riverside Plants in the ReliabilityFirst region did not conduct battery testing as required by its Protection System maintenance and testing program, *Dynegy Generation Operations Procedure No. G6-15– Station Battery Bank Maintenance & Testing*. This maintenance and testing procedure requires monthly battery inspections, quarterly electrical diagnostic battery tests, and five year battery performance/load tests to be completed at each plant. After Dynegy completed a review that identified battery maintenance and testing deficiencies at some of its plants, and in preparation for an upcoming self-certification, Dynegy initiated a detailed review of the battery maintenance and testing practices at all of its plants within the ReliabilityFirst region. The results of that review identified deficiencies with battery maintenance and testing.

There are a total of 25 batteries at the Dynegy plants, all of which were affected by the violation of PRC-005-1 R2/2.1. There are eight batteries at the Kendall Plant, five batteries at the Renaissance Plant, seven batteries at the Riverside Plant, and

² PRC-005-1 R2 has a “Lower” Violation Risk Factor (VRF); R2.1 and R2.2 each have a “High” VRF. During a final review of the standards subsequent to the March 23, 2007 filing of the Version 1 VRFs, NERC identified that some standards requirements were missing VRFs; one of these include PRC-005-1 R2.1. On May 4, 2007, NERC assigned PRC-005 R2.1 a “High” VRF. In the Commission’s June 26, 2007 Order on Violation Risk Factors, the Commission approved the PRC-005-1 R2.1 “High” VRF as filed. Therefore, the “High” VRF was in effect from June 26, 2007.

³ *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.”

five batteries at the Rocky Road Plant. In sum, the 25 batteries constitute approximately 7.89%⁴ of the 317 relays and batteries at the plants.

During the third and fourth quarters of 2008, the Renaissance Plant missed one test due to equipment failure; the Rocky Road Plant missed four tests because the plant did not have adequate ownership and controls for battery maintenance and testing activities to ensure completion of the required battery work and proper documentation of that work; and the Riverside Plant missed two tests for the same reason as the Rocky Road Plant.

Additionally, for the period from the fourth quarter of 2008 through the second quarter of 2009 the Renaissance, Rocky Road, Kendall, and Riverside Plants failed to complete a total of 16 quarterly battery tests on schedule. Dynegy did not complete these tests on schedule due to the plants' interpretation that the *Dynegy Generation Operations Procedure G6-15* "quarterly" testing requirement could be completed anytime during a quarter. However, the intent of the procedure was to complete the battery tests approximately every 90 days (with an additional grace period of about 3 weeks).

RELIABILITY IMPACT STATEMENT- POTENTIAL AND ACTUAL

ReliabilityFirst determined that the violation did not pose a serious or substantial risk to the bulk power system (BPS) because, at the Kendall Plant, batteries were monitored daily during unit walk downs, batteries were checked and documented on weekly logs, and all battery banks have alarms which are time and date stamped in the control room; and at the Renaissance Plant, Riverside Plant, and Rocky Road Plant, operating staff at the plants inspected the battery rooms, charger and batteries as part of their daily rounds, and the plant batteries have continuous battery monitoring alarms to the Distributed Control System that alert the operators in the control rooms for low DC voltage and DC grounds.

IS THERE A SETTLEMENT AGREEMENT YES ☒ NO ☐

WITH RESPECT TO THE VIOLATION(S), REGISTERED ENTITY

NEITHER ADMITS NOR DENIES IT (SETTLEMENT ONLY)	YES	<input checked="" type="checkbox"/>
ADMITS TO IT	YES	<input type="checkbox"/>
DOES NOT CONTEST IT (INCLUDING WITHIN 30 DAYS)	YES	<input type="checkbox"/>

WITH RESPECT TO THE ASSESSED PENALTY OR SANCTION, REGISTERED ENTITY

ACCEPTS IT/ DOES NOT CONTEST IT YES ☒

⁴ The Settlement Agreement incorrectly states 8.56%.

III. DISCOVERY INFORMATION

METHOD OF DISCOVERY

SELF-REPORT	<input checked="" type="checkbox"/>	⁵
SELF-CERTIFICATION	<input type="checkbox"/>	
COMPLIANCE AUDIT	<input type="checkbox"/>	
COMPLIANCE VIOLATION INVESTIGATION	<input type="checkbox"/>	
SPOT CHECK	<input type="checkbox"/>	
COMPLAINT	<input type="checkbox"/>	
PERIODIC DATA SUBMITTAL	<input type="checkbox"/>	
EXCEPTION REPORTING	<input type="checkbox"/>	

DURATION DATE(S) **July 1, 2008, the beginning of the first quarter that tests were missed,⁶ through June 9, 2009, the date that Dynegy completed its Mitigation Plan**

DATE DISCOVERED BY OR REPORTED TO REGIONAL ENTITY **9/16/09**

IS THE VIOLATION STILL OCCURRING

YES ☐ NO ☒

IF YES, EXPLAIN

REMEDIAL ACTION DIRECTIVE ISSUED	YES <input type="checkbox"/>	NO <input checked="" type="checkbox"/>
PRE TO POST JUNE 18, 2007 VIOLATION	YES <input type="checkbox"/>	NO <input checked="" type="checkbox"/>

IV. MITIGATION INFORMATION

FOR FINAL ACCEPTED MITIGATION PLAN:

MITIGATION PLAN NO. **MIT-08-2053**

DATE SUBMITTED TO REGIONAL ENTITY **9/16/2009**

DATE ACCEPTED BY REGIONAL ENTITY **10/13/2009**

DATE APPROVED BY NERC **10/20/2009**

DATE PROVIDED TO FERC **10/20/2009**

IDENTIFY AND EXPLAIN ALL PRIOR VERSIONS THAT WERE ACCEPTED OR REJECTED, IF APPLICABLE

MITIGATION PLAN COMPLETED YES ☒ NO ☐

⁵ This Self-Report was made upon discovery of the violations while Dynegy was preparing for an upcoming self-certification.

⁶ The Settlement Agreement and self-report both incorrectly state the violation start date was October 1, 2008, the end date of the first quarter in which quarterly tests were missed.

EXPECTED COMPLETION DATE **10/15/09**
EXTENSIONS GRANTED **NONE**
ACTUAL COMPLETION DATE **9/28/09**

DATE OF CERTIFICATION LETTER **9/29/09**
CERTIFIED COMPLETE BY REGISTERED ENTITY AS OF **9/28/09**

DATE OF VERIFICATION LETTER **8/30/10**
VERIFIED COMPLETE BY REGIONAL ENTITY AS OF **9/28/29**

ACTIONS TAKEN TO MITIGATE THE ISSUE AND PREVENT
RECURRENCE

- a. Share battery testing equipment between the Renaissance, Kendall, and Riverside Plants in the event of equipment failure.**
- b. Establish a “Compliance Owner” at each Dynegy plant in the ReliabilityFirst region for battery inspection and testing work that is charged with ensuring timely scheduling, completion and documentation of the required work.**
- c. Revise *Dynegy Generation Procedure G6-15* to clarify that “quarterly” testing means every 90 days plus a “grace period” of 21 days.**

LIST OF EVIDENCE REVIEWED BY REGIONAL ENTITY TO EVALUATE
COMPLETION OF MITIGATION PLAN (FOR CASES IN WHICH
MITIGATION IS NOT YET COMPLETED, LIST EVIDENCE REVIEWED
FOR COMPLETED MILESTONES)

Schedule A – Actual Quarterly Test Dates, undated.
(Submitted October 6, 2009.)

This summary lists each station’s batteries, showing quarterly test dates from 2008 Q3 through 2009 Q3. It indicates which test dates were missed or late and assists in tracking the devices for which maintenance and testing evidence was provided.

Quarterly Test Forms, dated August 18, 2009 – September 29, 2009.
(Submitted October 6, 2009.)

These forms provide documentation that includes the dates on which the 2009 Q3 battery tests were performed.

Quarterly Test Forms, dated November 5, 2009 – December 14, 2009.
(Submitted April 15-16, 2010.)

These forms provide documentation that includes the dates on which the 2009 Q4 battery tests were performed.

The combination of the above:

- a. Provided evidence that the last test dates were within the defined testing interval (R2.1.), i.e., no subsequent tests were required,
- b. Provided evidence that the outstanding maintenance tasks were completed,
- c. Addressed the stated violation, and
- d. Brought Dynegy into Compliance with PRC-005-1 R2.1.

The Mitigation Plan further stated that Dynegy would take three additional steps in order to prevent similar violations from arising in the future. Each of these steps and the evidence demonstrating completion of these steps is discussed below. Each step was completed on or before the respective completion date indicated in the Mitigation Plan.

Mitigation Plan Sections D.1(1) – Equipment Sharing

Dynegy approved sharing battery testing equipment between the Renaissance, Kendall and Riverside Plants in the event of testing equipment failure. ReliabilityFirst verified this action as complete by reviewing *Sharing of Battery Testing Equipment* – dated September 28, 2009. This document indicates that the three plants own and utilize the same the same model of battery testing equipment and they are approved to share this equipment with the other plants to ensure all applicable battery testing required by NERC requirements is completed on a timely basis. (Testing equipment failure was the cause of 1 missed quarterly battery test.)

Mitigation Plan Sections D.(2) – Ownership

Dynegy established a "Compliance Owner" at each RFC Plant for battery inspection and testing work that is charged with ensuring timely scheduling, completion and documentation of the required work. ReliabilityFirst verified this action as complete by reviewing *Compliance Owner for Battery Inspection Completion and Documentation* – dated September 28, 2009. This document lists the name and title of the individual at each plant who is responsible for ensuring that battery inspections and documentation are completed as required by NERC requirements. (Lack of adequate compliance ownership and controls for battery maintenance and testing was the cause of 6 missed quarterly battery tests.)

Mitigation Plan Sections D.(3) – Procedures

Dynegy revised Dynegy Generation Procedure G6-15 to clarify that "quarterly" testing means every 90 days plus a "grace period" of 21 days. ReliabilityFirst verified this action as complete by reviewing *Dynegy Generation Operations – Procedure G6-15, Revision 3 – Station Battery Bank Maintenance & Testing* – dated July 13, 2009. The revised procedure

specifically defines testing deadlines. (Misinterpretation of the procedure's intent of timing for quarterly testing was the cause of 16 late quarterly battery tests.)

V. PENALTY INFORMATION

TOTAL ASSESSED PENALTY OR SANCTION OF **\$12,500** FOR **ONE VIOLATION** OF A RELIABILITY STANDARD.

(1) REGISTERED ENTITY'S COMPLIANCE HISTORY⁷

PRIOR VIOLATIONS OF ANY OF THE INSTANT RELIABILITY STANDARD(S) OR REQUIREMENT(S) THEREUNDER

YES ☒ NO ☐

LIST ANY CONFIRMED OR SETTLED VIOLATIONS AND STATUS
Concurrently being filed is a Notice of Penalty designated as NOC-590 regarding a separate Settlement Agreement between Western Electricity Coordinating Council and Dynegy for a violation of the same Reliability Standard, PRC-005-1 R2.

On July 30, 2010, NERC filed a Notice of Penalty (NOC-568) under NP10-152-000 which addressed Dynegy's first violation of PRC-005-1 R2.1 in the SERC region. On August 27, 2010, FERC issued an order stating it would not engage in further review of the Notice of Penalty.

ADDITIONAL COMMENTS

PRIOR VIOLATIONS OF OTHER RELIABILITY STANDARD(S) OR REQUIREMENTS THEREUNDER

YES ☒ NO ☐

LIST ANY PRIOR CONFIRMED OR SETTLED VIOLATIONS AND STATUS⁸

A Settlement Agreement covering violations of FAC-008-1 R1 for Dynegy in the ReliabilityFirst region (NOC-432) was approved by the BOTCC on March 10, 2010 and filed with FERC under NP10-98-000

⁷ ReliabilityFirst did consider the prior violation of PRC-005-1 R2 that was filed at FERC in the SERC region, as well as the PRC-005-1 R2 violation in the WECC region, as evidence of a systematic PRC-005-1 compliance issue and considered this an aggravating factor during its penalty determination.

⁸ ReliabilityFirst determined that the other prior violations of VAR-002-1 R2 and FAC-008-1 R1 should not serve as a basis for aggravating the penalty because the subject violations are unrelated standards and the Mitigation Plans would not have resolved or prevented the instant violation.

on April 28, 2010. On May 28, 2010, FERC issued an order stating it would not engage in further review of the Notice of Penalty.

On October 14, 2009, NERC submitted an Omnibus filing under NP10-2-000 which addressed violations for certain registered entities including one violation of VAR-002-1 R2 for Dynegy in the WECC region. On November 13, 2009, FERC issued an order stating it would not engage in further review of the violations addressed in the Omnibus Notice of Penalty.

On March 31, 2009, NERC filed a Notice of Penalty (NOC-010) under NP09-16-000 which addressed two violations of VAR-002-1 R2 by Dynegy registered in the SERC region. On April 30, 2009, FERC issued an order stating it would not engage in further review of the March 31, 2009 Notice of Penalty.

On July 30, 2010, NERC filed a Notice of Penalty (NOC-425) under NP10-144-000 which addressed two violations of VAR-002-1 R2 by Dynegy registered in the WECC region. On August 27, 2010, FERC issued an order stating it would not engage in further review of the July 30, 2010 Notice of Penalty.

ADDITIONAL COMMENTS

(2) THE DEGREE AND QUALITY OF COOPERATION BY THE REGISTERED ENTITY (IF THE RESPONSE TO FULL COOPERATION IS "NO," THE ABBREVIATED NOP FORM MAY NOT BE USED.)

FULL COOPERATION YES ☒ NO ☐
IF NO, EXPLAIN

(3) THE PRESENCE AND QUALITY OF THE REGISTERED ENTITY'S COMPLIANCE PROGRAM

IS THERE A DOCUMENTED COMPLIANCE PROGRAM⁹
YES ☒ NO ☐
EXPLAIN

The program has the support of internal management. Dynegy's Director-Electric System Operations and Compliance reports directly to the Managing Director-Asset Management and Trading and directly interfaces with him on compliance related issues. Dynegy's Internal Compliance Program is addressed in *Dynegy Generation*

⁹ ReliabilityFirst gave mitigating credit for the aspects of the compliance program in the penalty determination.

Procedure G9-04 and the Dynegy Code of Business Conduct and Ethics. These documents are available to all Dynegy employees via the company Intranet. In addition, *Dynegy Generation Procedure G9-04* has been distributed specifically to applicable Dynegy Plant and Commercial Operation personnel. Dynegy's Internal Compliance Program personnel have had numerous forms of training related to the NERC Reliability Standards including both formal and informal in-house training and meetings and external training provided through regional compliance seminars.

EXPLAIN SENIOR MANAGEMENT'S ROLE AND INVOLVEMENT WITH RESPECT TO THE REGISTERED ENTITY'S COMPLIANCE PROGRAM, INCLUDING WHETHER SENIOR MANAGEMENT TAKES ACTIONS THAT SUPPORT THE COMPLIANCE PROGRAM, SUCH AS TRAINING, COMPLIANCE AS A FACTOR IN EMPLOYEE EVALUATIONS, OR OTHERWISE.

See above

(4) ANY ATTEMPT BY THE REGISTERED ENTITY TO CONCEAL THE VIOLATION(S) OR INFORMATION NEEDED TO REVIEW, EVALUATE OR INVESTIGATE THE VIOLATION.

YES ☐ NO ☒
IF YES, EXPLAIN

(5) ANY EVIDENCE THE VIOLATION(S) WERE INTENTIONAL (IF THE RESPONSE IS "YES," THE ABBREVIATED NOP FORM MAY NOT BE USED.)

YES ☐ NO ☒
IF YES, EXPLAIN

(6) ANY OTHER MITIGATING FACTORS FOR CONSIDERATION

YES ☐ NO ☒
IF YES, EXPLAIN

(7) ANY OTHER AGGRAVATING FACTORS FOR CONSIDERATION

YES ☐ NO ☒
IF YES, EXPLAIN

(8) ANY OTHER EXTENUATING CIRCUMSTANCES

YES ☐ NO ☒
IF YES, EXPLAIN

EXHIBITS:

SOURCE DOCUMENT

Dynegy's Self Report dated September 16, 2009

MITIGATION PLAN

Dynegy's Mitigation Plan MIT-08-2053 submitted September 16, 2009

CERTIFICATION BY REGISTERED ENTITY

Dynegy's Certification of Mitigation Plan Completion dated September 29, 2009

OTHER RELEVANT INFORMATION:

NOTICE OF ALLEGED VIOLATION AND PROPOSED PENALTY OR
SANCTION ISSUED

DATE: OR N/A ☒

SETTLEMENT DISCUSSIONS COMMENCED

DATE: **3/24/10** OR N/A ☐

NOTICE OF CONFIRMED VIOLATION ISSUED

DATE: OR N/A ☐

SUPPLEMENTAL RECORD INFORMATION

DATE(S) OR N/A ☐

REGISTERED ENTITY RESPONSE CONTESTED

FINDINGS ☐ PENALTY ☐ BOTH ☐ NO CONTEST ☒

HEARING REQUESTED

YES ☐ NO ☒

DATE

OUTCOME

APPEAL REQUESTED

August 30, 2010

Summary and Review of Evidence of Mitigation Plan Completion

NERC Violation ID #:	RFC200900171
NERC Plan ID:	MIT-08-2053
Registered Entity;	Dynegy Inc
NERC Registry ID:	NCR00200
Standard:	PRC-005-1
Requirement:	2.1
Status:	Mitigation Plan Verified Complete

Relevant Background:

Dynegy Inc (“Dynegy”) submitted a Self Report of noncompliance with NERC Reliability Standard PRC-005-1, Requirement 2.1, on September 16, 2009. Specifically, Dynegy reported that the Renaissance, Rocky Road, Kendall and Riverside Plants in the ReliabilityFirst Region perform battery maintenance and testing in accordance with “Dynegy Generation Operations Procedure No. G6-15– Station Battery Bank Maintenance & Testing”. This Procedure requires monthly battery inspections, quarterly electrical diagnostic battery tests, and five year battery performance/load tests to be completed at each Plant. Dynegy completed a review that identified battery maintenance and testing deficiencies at some of its Plants in other regions. In order to determine if these battery testing deficiencies were limited to those Plants, and in preparation for the upcoming ReliabilityFirst Self Certification, Dynegy Inc. initiated a detailed review of the battery maintenance and testing practices at all of its Plants within the ReliabilityFirst region. The results of that review identified the following deficiencies with battery maintenance and testing that represent an alleged violation of NERC Standard PRC-005-1, R2.1:

1. Missed/Not Completed Quarterly Battery Tests at the Renaissance, Rocky Road and Riverside Plants for the period during the 3Q and 4Q 2008:

- Renaissance Plant - A total of 1 quarterly battery test was missed/not completed in 4Q 2008 due to equipment failure.
- Rocky Road Plant - A total of 4 quarterly battery tests were missed/not completed in 4Q 2008 because the Plant did not have adequate compliance ownership and controls for battery maintenance and testing activities to ensure completion of the required battery work and proper documentation of that work (i.e. relied on the battery testing contractor to complete the work and document battery test results).
- Riverside Plant - A total of 2 quarterly battery tests were missed/not completed in 3Q 2008 because the Plant did not have adequate compliance ownership and controls for battery maintenance and testing activities to ensure the completion of the required battery work and proper

Summary and Review of Mitigation Plan Completion

MIT-08-2053

Dynegy Inc

August 30, 2010

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documentation of that work (i.e. could not locate battery test records and the employee responsible for the work is no longer employed).

2. Late Quarterly Battery Tests at the Renaissance, Rocky Road, Kendall and Riverside Plants for the period from 4Q 2008 through 2Q 2009, due to the Plants making a broad interpretation that the “quarterly” testing requirement in Dynegy Generation Operations Procedure G6-15 meant testing could be completed anytime during a quarter. The intent of the Procedure was to complete the battery tests approximately every 90 days (with an additional grace period of about 3 weeks):

- Renaissance Plant - A total of 4 battery tests were late.
- Rocky Road Plant - A total of 5 battery tests were late.
- Kendall Plant - A total of 4 battery tests were late.
- Riverside Plant - A total of 3 battery tests were late.

Dynegy submitted a Proposed Mitigation Plan to ReliabilityFirst on September 16, 2009, whereby stating Dynegy would complete all mitigating actions on October 15, 2009. This Mitigation Plan, designated MIT-08-2053, was accepted by ReliabilityFirst on October 13, 2009, and approved by NERC on October 20, 2009.

Review Process:

On September 29, 2009, Dynegy certified that Mitigation Plan for PRC-005-1, Requirement 2.1, was completed as of September 28, 2009. ReliabilityFirst requested and received evidence of completion for actions taken by Dynegy as specified in the Mitigation Plan. ReliabilityFirst performed an in depth review of the information provided to verify that all actions specified in the Mitigation Plan were successfully completed.

PRC-005-1, Requirement 2 states: “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.”

Evidence Submitted:

Requirement 2.1:

Schedule A – Actual Quarterly Test Dates, undated.
(Submitted October 6, 2009.)

Summary and Review of Mitigation Plan Completion

MIT-08-2053

Dynegy Inc

August 30, 2010

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This summary lists each station's batteries, showing quarterly test dates from 2008 Q3 through 2009 Q3. It indicates which test dates were missed or late and assists in tracking the devices for which maintenance and testing evidence was provided.

Quarterly Test Forms, dated August 18, 2009 – September 29, 2009.

(Submitted October 6, 2009.)

These test forms provide documentation that includes the dates on which the 2009 Q3 battery tests were performed.

Quarterly Test Forms, dated November 5, 2009 – December 14, 2009.

(Submitted April 15-16, 2010.)

These test forms provide documentation that includes the dates on which the 2009 Q4 battery tests were performed.

The combination of the above:

- a. Provided evidence that the last test dates were within the defined testing interval (R2.1.), i.e., no subsequent tests were required,
- b. Provided evidence that the outstanding maintenance tasks were completed,
- c. Addressed the stated violation, and
- d. Brought Dynegy into Compliance with PRC-005-1 R2.1.

Mitigation Plan Completion

The Mitigation Plan further stated that Dynegy would take three additional steps in order to prevent similar violations from arising in the future. Each of these steps and the evidence demonstrating completion of these steps is discussed below. All evidence was received on September 29, 2009. Each step was completed on or before the respective completion date indicated in the Mitigation Plan.

Mitigation Plan Sections D.1(1) – Equipment Sharing

Dynegy approved sharing battery testing equipment between the Renaissance, Kendall and Riverside Plants in the event of testing equipment failure. ReliabilityFirst verified this action as complete by reviewing *Sharing of Battery Testing Equipment* – dated September 28, 2009. This document indicates that the three plants own and utilize the same the same model of battery testing equipment and they are approved to share this equipment with the other plants to ensure all applicable battery testing required by NERC requirements is completed on a timely basis. (Testing equipment failure was the cause of 1 missed quarterly battery test.)

Summary and Review of Mitigation Plan Completion

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Dynegy Inc

August 30, 2010

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Mitigation Plan Sections D.(2) – Ownership

Dynegy established a "Compliance Owner" at each Plant in the ReliabilityFirst region for battery inspection and testing work who is charged with ensuring timely scheduling, completion and documentation of the required work. ReliabilityFirst verified this action as complete by reviewing *Compliance Owner for Battery Inspection Completion and Documentation* – dated September 28, 2009. This document lists the name and title of the individual at each plant who is responsible for ensuring that battery inspections and documentation are completed as required by NERC requirements. (Lack of adequate compliance ownership and controls for battery maintenance and testing was the cause of 6 missed quarterly battery tests.)

Mitigation Plan Sections D.(3) – Procedures

Dynegy revised Dynegy Generation Procedure G6-15 to clarify that "quarterly" testing means every 90 days plus a "grace period" of 21 days. ReliabilityFirst verified this action as complete by reviewing *Dynegy Generation Operations – Procedure G6-15, Revision 3 – Station Battery Bank Maintenance & Testing* – dated July 13, 2009. The revised procedure specifically defines testing deadlines. (Misinterpretation of the procedure's intent of timing for quarterly testing was the cause of 16 late quarterly battery tests.)

Review Results:

ReliabilityFirst Corporation reviewed the evidence Dynegy submitted in support of its Certification of Completion. On August 30, 2010, ReliabilityFirst verified that the Mitigation Plan was completed in accordance with its terms and has therefore deemed Dynegy compliant to the aforementioned NERC Reliability Standard.

Respectfully Submitted,



Robert K. Wargo
Manager of Compliance Enforcement
ReliabilityFirst Corporation

Attachment c

Notice of Filing

UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Dynegy Inc.

Docket No. NP10-____-000

NOTICE OF FILING
September 52. 2010

Take notice that on Septmeber 52, 2010, the North American Electric Reliability Corporation (NERC) filed a Notice of Penalty regarding Dynegy Inc. in the Reliability*First* Corporation region.

Any person desiring to intervene or to protest this filing must file in accordance with Rules 211 and 214 of the Commission's Rules of Practice and Procedure (18 CFR 385.211, 385.214). Protests will be considered by the Commission in determining the appropriate action to be taken, but will not serve to make protestants parties to the proceeding. Any person wishing to become a party must file a notice of intervention or motion to intervene, as appropriate. Such notices, motions, or protests must be filed on or before the comment date. On or before the comment date, it is not necessary to serve motions to intervene or protests on persons other than the Applicant.

The Commission encourages electronic submission of protests and interventions in lieu of paper using the "eFiling" link at <http://www.ferc.gov>. Persons unable to file electronically should submit an original and 14 copies of the protest or intervention to the Federal Energy Regulatory Commission, 888 First Street, N.E., Washington, D.C. 20426.

This filing is accessible on-line at <http://www.ferc.gov>, using the "eLibrary" link and is available for review in the Commission's Public Reference Room in Washington, D.C. There is an "eSubscription" link on the web site that enables subscribers to receive email notification when a document is added to a subscribed docket(s). For assistance with any FERC Online service, please email FERCOnlineSupport@ferc.gov, or call (866) 208-3676 (toll free). For TTY, call (202) 502-8659.

Comment Date: [BLANK]

Kimberly D. Bose,
Secretary