



NORTH AMERICAN ELECTRIC
RELIABILITY CORPORATION

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 Minnesota Municipal Power Agency, FERC Docket No. NP10-__-000

Dear Ms. Bose:

The North American Electric Reliability Corporation (NERC) hereby provides this Abbreviated Notice of Penalty (NOP) regarding Minnesota Municipal Power Agency (MMPA), with information and details regarding the nature and resolution of the violation¹ discussed in detail in the Settlement Agreement (Attachment c) and the Disposition Document (Attachment a), in accordance with the Federal Energy Regulatory Commission's (Commission or FERC) rules, regulations and orders, as well as NERC Rules of Procedure including Appendix 4C (NERC Compliance Monitoring and Enforcement Program (CMEP)).²

On January 30, 2009, MMPA self reported to the Midwest Reliability Organization (MRO) a violation of VAR-002-1,³ Requirement (R) 1 because it was operating its Automatic Voltage Regulating (AVR) system at the Faribault Energy Park generation facility with a VAR set point without evidence that it had notified its Transmission Operator. This NOP is being filed with the Commission because MRO and MMPA have entered into a Settlement Agreement to resolve all outstanding issues arising from MRO's determination and findings of the enforceable violation

¹ 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.

² *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).

³ VAR-002-1 was enforceable from August 2 2007 through August 27, 2008. VAR-002-1a was approved by the Commission and became enforceable on August 28, 2008. VAR-002-1.1b was approved by the Commission and became enforceable on September 16, 2010. The subsequent interpretations provide clarity regarding the responsibilities of a registered entity and do not change the meaning or language of the original NERC Reliability Standard and its requirements. The self report and Mitigation Plan both reference the violation as VAR-002-1.1a. For consistency in this filing, the original Standard, VAR-002-1, is used throughout.

of VAR-002-1, R1. According to the Settlement Agreement, MMPA admits the violation and has agreed to the assessed penalty of zero dollars (\$0), 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 Numbers MRO200900082 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 24, 2010, by and between MRO and MMPA. 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 (\$)
MRO	Minnesota Municipal Power Agency	NOC-569	MRO200900082	VAR-002-1	1	Medium	0

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

VAR-002-1 - OVERVIEW⁴

MRO determined that MMPA, as a Generator Operator, was not operating the Faribault Energy Park generator with its AVR in a voltage set point and had not notified its Transmission Operator as required by Reliability Standard VAR-002-1, R1.

The duration of the VAR-002-1, R1 violation was from August 2, 2007, when the Standard became enforceable, through January 16, 2009, when MMPA successfully operated the Faribault Energy Park generator AVR with a voltage set point.⁵

MRO concluded that this violation did not pose a serious or substantial risk to the reliability of the bulk power system (BPS) because the VAR set point instructions effectively kept the generator within the correct voltage schedule of 118 kV +/- 3 kV. Additionally, MRO considered the size and location of the FEP generation facility. Located 50 miles south of Minneapolis, the 256 MW FEP generation facility is interconnected to the Bulk Power System at 115 kV and MRO determined that it posed minimal risk to Bulk Power System reliability by virtue of its size and location. Further, MMPA's Transmission Operator, NSP, indicated that it would have contacted MMPA if it identified any concerns with the voltage levels at the FEP

⁴ Further information on this violation is contained in the Disposition Document included as Attachment a.

⁵ The Disposition Document incorrectly states that the violation began on July 31, 2007 when the Faribault Energy Park generator began commercial operation.

generation facility. As the voltage schedule was maintained and no concerns were identified, MRO determined that the risk to the bulk power system was minimal.

Statement Describing the Assessed Penalty, Sanction or Enforcement Action Imposed⁶

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,⁷ the NERC BOTCC reviewed the Settlement Agreement and supporting documentation on August 3, 2010. The NERC BOTCC approved the Settlement Agreement, including MRO's assessment of a zero dollar (\$0) financial penalty against MMPA 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 MMPA's first occurrence of violation of the subject NERC Reliability Standards;
2. MMPA self-reported the violation;
3. MRO reported that MMPA was cooperative throughout the compliance enforcement process;
4. MMPA has a compliance program,⁸ 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. MRO 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. MRO 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 zero dollars (\$0) is appropriate for the violation and circumstances at issue, and is consistent with NERC's goal to promote and ensure reliability of the BPS.

⁶ See 18 C.F.R. § 39.7(d)(4).

⁷ *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).

⁸ MRO considered the "performance pay" incentive portion of the compliance program instituted as an above and beyond remedy in Paragraph 11.c. of the Settlement Agreement as a mitigating factor.

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 MRO and MMPA executed May 24, 2010, included as Attachment a;
 - i. Disposition Document;⁹
 - ii. Exhibit a to the Settlement Agreement - MMPA's Self-Report for VAR-002-1 R1 dated January 30, 2009;
 - iii. Exhibit b to the Settlement Agreement - MMPA's Mitigation Plan submitted March 24, 2009;
 - iv. Exhibit c to the Settlement Agreement - MMPA'S Certification of Mitigation Plan Completion dated April 22, 2009; and
 - v. Exhibit d to the Settlement Agreement - MRO's Verification of Mitigation Plan Completion.

A Form of Notice Suitable for Publication¹⁰

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

⁹ The Minnesota Municipal Power Agency (MMPA) is a municipal agency established under Sections 453.51 – 453.62 of the Minnesota Statutes. The statutes allow for MMPA, among other things, to secure an adequate, economical and reliable supply of energy for its members. MMPA consists of 11 member cities surrounding Minneapolis. MMPA is a virtual agency; it has no staff or office building. It has contracted with Avant Energy, Inc. to act on its behalf and to manage its power business, including compliance with NERC standards. Avant Energy meets monthly with the MMPA board to report on results and discuss strategic planning issues. Key items are voted on or undertaken by board resolution. With regard to Avant and whether other clients had violations, MRO did not inquire as this violation was very specific to the Faribault Energy Park generator and MMPA maintained that it had notified NSP, but neither MMPA or NSP were able to produce evidence that notice of operating in VAR mode had been provided to NSP.

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>James Larson* Vice President of Regulatory Affairs Avant Energy, Inc. 200 S 6th Street Suite 300 Minneapolis, MN 55402 Phone: 612-252-6524 Email: james.larson@dahlen-berg.com</p> <p>Joe Fulliero* Vice President of Operations Avant Energy, Inc. 200 S 6th Street Suite 300 Minneapolis, MN 55402 Phone: 612-252-6514 Email: Joe.Fulliero@avantenergy.com</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>Daniel P. Skaar* President Midwest Reliability Organization 2774 Cleveland Avenue North Roseville, MN 55113 Phone: 651-855-1731 Email: dp.skaar@midwestreliability.org</p> <p>Sara E. Patrick* Director of Regulatory Affairs and Enforcement Midwest Reliability Organization 2774 Cleveland Avenue North Roseville, MN 55113 Phone: 651-855-1708 Email: se.patrick@midwestreliability.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: Minnesota Municipal Power Agency
Midwest Reliability Organization

Attachments

Attachment a

Settlement Agreement by and between MRO and MMPA executed May 24, 2010

**SETTLEMENT AGREEMENT
OF
MIDWEST RELIABILITY ORGANIZATION
AND
MINNESOTA MUNICIPAL POWER AGENCY**

I. Introduction

1. MIDWEST RELIABILITY ORGANIZATION (MRO) and MINNESOTA MUNICIPAL POWER AGENCY (MMPA) (NERC Compliance Registry ID# NCR01012) enter into this Settlement Agreement ("Agreement") to resolve all outstanding issues arising from a non-public assessment resulting in MRO'S determination and findings, pursuant to the North American Electric Reliability Corporation (NERC) Rules of Procedure, of a violation by MMPA of NERC Reliability Standard VAR-002-1, R1.
2. MMPA admits the violation of NERC Reliability Standard VAR-002-1, R1 and has agreed to the proposed remedial and mitigation actions to mitigate the instant alleged violations and facilitate future compliance under the terms and conditions of the Agreement.

II. Stipulation

3. The facts stipulated herein are stipulated solely for the purpose of resolving, between MMPA and MRO, the matters discussed herein and do not constitute stipulations or admissions for any other purpose. MMPA and MRO hereby stipulate and agree to the following:

Background

4. See section I of the Disposition document for a description of MMPA.

**Alleged Violation of NERC Reliability Standard VAR-002-1,
Requirement 1**

5. See Section II of the Disposition document for the description of the violation.

III. PARTIES' SEPARATE REPRESENTATIONS

STATEMENT OF MRO AND SUMMARY OF FINDINGS

6. On January 30, 2009, MMPA self reported a violation of Reliability Standard VAR-002-1, R1 because it was not operating its Automatic Voltage Regulating (AVR) system at the Faribault Energy Park (FEP) generation facility with a voltage set point, but instead had its AVR based on a VAR set point since going into commercial operation in July 2007. MRO staff conducted a compliance assessment resulting in the facts and conclusions described in the Disposition Document.
7. MRO concluded that the violation did not pose a serious or substantial risk to the bulk-power system, as discussed in the Disposition document.
8. MRO agrees that this Settlement Agreement is in the best interest of the parties and in the best interest of bulk-power system reliability.

STATEMENT OF MMPA

9. MMPA admits that the facts set forth and agreed to by the parties for purposes of this Agreement constitute a violation of Reliability Standard VAR-002-1, R1.
10. MMPA has agreed to enter into this Settlement Agreement with MRO 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. MMPA agrees that this agreement is in the best interest of the parties and in the best interest of bulk-power system reliability.

IV. MITIGATING ACTIONS, REMEDIES AND SANCTIONS

11. For purposes of settling any and all disputes arising from MRO's assessment into the matter self reported by MMPA, MRO and MMPA agree that on and after the effective date of this Agreement, MMPA has or shall take the following actions to prevent recurrence of these alleged violations and increase the reliability of the bulk electric system:
 - a. MMPA will support NERC training of the North American Energy Services (NAES) management staff for the Faribault Energy Park and Minnesota River Station generating plants. MMPA has confirmed that training is provided for in the 2010 NAES operations budget for the plants and that training is conducted on an annual basis.
 - b. MMPA will continue to support the training of the Avant staff through participation in training conducted by third parties, including MRO, and by participation in the Mid-Continent Compliance Forum. MMPA has provided registration confirmation

receipts from third parties evidencing that NERC compliance training is being regularly provided to Avant staff.

- c. MMPA and NAES are in the process of a contract modification that will tie a portion of NAES corporate and plant staff performance bonus based on compliance with NERC standards. Under this system, violations discovered through audits would impact performance pay, and violations self reported by NAES plant staff would not impact performance pay. It is anticipated that the modified contract will be executed by May 31, 2010.
 - d. MMPA required that NAES share lessons learned at the Faribault Energy Park and Minnesota River Station plants with operators at other NAES operated plants. A lesson learned message was shared by NAES with all of its plant managers on April 9, 2010.
 - e. MMPA will arrange for audits of NAES performance of NERC standards through Avant and/or third parties. MMPA will conduct internal "spot checks" of NAES performance throughout 2010 on at least 8 of the most frequently violated Standards.
12. MRO and MMPA agree that MMPA has completed and MRO has verified completion of the mitigating actions set forth in Section IV of the Disposition document.
13. MRO also considered the specific facts and circumstances of the violation and MMPA's actions in response to the violations in determining a proposed penalty that meets the requirement in Section 215 of the Federal Power Act that "[a]ny penalty imposed under this section shall bear a reasonable relation to the seriousness of the violation and shall take into consideration the efforts of [MMPA] to remedy the violation in a timely manner." The factors considered by MRO in the determination of the appropriate penalty are set forth in Section V of the Disposition document.
14. Failure to comply with any of the terms and conditions agreed to herein, or any other conditions of this Agreement shall be deemed to be either the same alleged violation that initiated this Agreement and/or additional violation(s) and may subject MMPA to new or additional enforcement, penalty or sanction actions in accordance with the NERC Rules of Procedure. MMPA shall retain all rights to defend against such additional enforcement actions in accordance with NERC Rules of Procedure.
15. In order to ensure accountability for the action plans addressed above, MMPA shall provide to MRO a written report every three months until complete, for each of the items listed in Paragraph 11 of this

Agreement. MMPA shall maintain records and other evidentiary material to support completion of the mitigation and remedies in this Agreement. The written report shall include scope, progress, and actual expenditures for each of the mitigation and remedies. MRO staff will audit the progress, as necessary, within its discretion and adequately coordinate with MMPA personnel. The purpose of the audit is to validate that the actions resulting from this settlement are performed in accordance with the terms and conditions of this Agreement.

V. ADDITIONAL TERMS

16. The signatories to the Agreement agree that they enter into the 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 MRO or MMPA has been made to induce the signatories or any other party to enter into the Agreement.
17. MRO shall report the terms of all settlements of compliance matters to NERC. NERC will review the settlement for the purpose of evaluating its consistency with other settlements entered into for similar violations or under other, similar circumstances. Based on this review, NERC will either approve the settlement or reject the settlement and notify MRO and MMPA of changes to the settlement that would result in approval. If NERC rejects the settlement, NERC will provide specific written reasons for such rejection and MRO will attempt to negotiate a revised settlement agreement with MMPA including any changes to the settlement specified by NERC. If a settlement cannot be reached, the enforcement process shall continue to conclusion. If NERC approves the settlement, NERC will (i) report the approved settlement to the Commission for the Commission's review and approval by order or operation of law and (ii) publicly post the alleged violation and the terms provided for in the settlement.
18. The Agreement will be submitted to the Commission and will be subject to Commission review pursuant to section 39.7 of the Commission's regulations.
19. This Agreement shall become effective upon NERC and the Commission's approval of the Agreement by order or operation of law as submitted to it or as modified in a manner acceptable to the parties.
20. MMPA agrees that this Agreement, when approved by NERC and the Commission, shall represent a final settlement of all matters set forth herein and MMPA waives its right to further hearings and appeal,

unless and only to the extent that MMPA contends that any NERC or Commission action on the Agreement contains one or more material modifications to the Agreement. MRO reserves all rights to initiate enforcement, penalty or sanction actions against MMPA in accordance with the NERC Rules of Procedure in the event that MMPA fails to comply with the mitigation plan and compliance program agreed to in this Agreement. In the event MMPA fails to comply with any of the stipulations, remedies, sanctions or additional terms, as set forth in this Agreement, MRO will initiate enforcement, penalty, or sanction actions against MMPA to the maximum extent allowed by the NERC Rules of Procedure, up to the maximum statutorily allowed penalty. MMPA shall retain all rights to defend against such enforcement actions, also according to the NERC Rules of Procedure.

21. MMPA consents to the use of MRO'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 in any enforcement action or compliance proceeding undertaken by NERC and/or any Regional Entity; provided, however, that MMPA 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 MRO, nor does MMPA consent to the use of this Agreement by any other party in any other action or proceeding.
22. 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 Agreement on the entity's behalf.
23. The undersigned representative of each party affirms that he or she has read the Agreement, that all of the matters set forth in the Agreement are true and correct to the best of his or her knowledge, information and belief, and that he or she understands that the Agreement is entered into by such party in express reliance on those representations, provided, however, that such affirmation by each party's representative shall not apply to the other party's statements of position set forth in Section III of this Agreement.
24. The Agreement may be signed in counterparts.
25. This Agreement is executed in duplicate, each of which so executed shall be deemed to be an original.

***Remainder of page intentionally blank.
Signatures to be affixed to the following page.***

Agreed to and accepted:



Mr. James D. Larson
Vice President of Regulatory Affairs
Avant Energy¹ for
Minnesota Municipal Power Agency

5-24-2010

Date



Daniel P. Skaar
President
Midwest Reliability Organization

5-20-2010

Date



Sara E. Patrick
Dir. of Regulatory Affairs and Enforcement
Midwest Reliability Organization

5-20-2010

Date

¹ MMPA has contracted with Avant Energy to provide for all of its service needs, including compliance with NERC standards. Avant Energy is duly authorized to sign this Settlement Agreement on behalf of MMPA.



DISPOSITION OF ALLEGED/CONFIRMED VIOLATION

NERC TRACKING NO. REGIONAL ENTITY TRACKING NO. NOC#

MRO200900082 MRO013009_MMPA_VAR-002-1_R1

REGISTERED ENTITY NERC REGISTRY ID.

Minnesota Municipal Power Agency NCR01012

I. REGISTRATION INFORMATION

ENTITY IS REGISTERED FOR THE FOLLOWING FUNCTIONS:

BA	DP	GO	<i>GOP</i>	IA	LSE	PA	PSE	RC	RP	RSG	TO	TOP	TP	TSP
	X	X	X		X		X				X			

*ALLEGED/CONFIRMED VIOLATION APPLIES TO ITALICIZED FUNCTIONS

DESCRIPTION OF REGISTERED ENTITY

MMPA is a municipal power agency that provides wholesale electric service to 11 municipal utilities. MMPA's provision of wholesale service involves contracting for the purchase and sale of power in the bulk power market and owning/leasing and operating generation.

MMPA is a virtual agency with no employees. The agency has contracted with Avant Energy, Inc, to provide for all of its service needs, including compliance with NERC standards for both the agency and its members, as applicable.

MMPA member cities own distribution substations that interconnect to transmission lines. The following substations connect to 115 kV line owned by Northern States Power (NSP): Champlain substation (Anoka), Crooked Lake substation (Anoka), Oakdale substation (North Saint Paul), Bluff Creek substation (Chaska), Dean Lake substation (Shakopee), and the Shakopee South substation (Shakopee). The following substations connect to 69 kV line owned by Northern States Power (NSP): Arlington substation, Buffalo substation, Brownton substation, Chaska substation, Main substation (Le Sueur), Boright substation (Le Sueur), Olivia City substation, Olivia West substation (Olivia), Winthrop substation, Shakopee substation, Central substation (East Grand Forks), Park substation (East Grand Forks), and the Sugar Hills substation (East Grand Forks). Shakopee also has the Blue Lake substation that connects to 13.8 kV distribution line owned by the city. The Enterprise substation (Anoka) connects to the 69 kV line owned by Great River Energy (GRE). The Industrial Park substation (East Grand Forks) interconnects with WAPA's 115 kV line.





MMPA owns the Faribault Energy Park (FEP) and leases the Minnesota River Station (MRS). MMPA has contracted the operation and maintenance of the facilities to a third party – North American Energy Services (NAES) and has contracted with Avant Energy to oversee the day to day operations of the contract. In this relationship, NAES is accountable to MMPA to ensure compliance with NERC standards and Avant Energy is accountable to MMPA to ensure NAES' contractual commitment.

The FEP generation facility is located in Faribault MN, approximately 50 miles south of Minneapolis. The facility is a combined cycle plant that has an accreditation of 256 MW (summer) and 291 MW (winter). The plant is fueled by interruptible natural gas supply and has #2 diesel fuel oil as a back-up fuel. The FEP gas turbine operates at 18 kV and the steam turbine operates at 13.8 kV. The combined unit is interconnected to a 115 kV transmission line owned by Northern States Power (NSP).

II. VIOLATION INFORMATION

RELIABILITY STANDARD	REQUIREMENT(S)	SUB-REQUIREMENT(S)	VRF(S)	VSL(S)
VAR-002-1	R1		Medium	High¹

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

Standard: To ensure generators provide reactive and voltage control necessary to ensure voltage levels, reactive flows, and reactive resources are maintained within applicable Facility Ratings to protect equipment and the reliable operation of the Interconnection.

Requirement: The Generator Operator shall operate each generator connected to the interconnected transmission system in the automatic voltage control mode (automatic voltage regulator in service and controlling voltage) unless the Generator Operator has notified the Transmission Operator.

ALLEGED/CONFIRMED VIOLATION DESCRIPTION

On January 30, 2009, MMPA self reported a violation of Reliability Standard VAR-002-1, R1 because it was not operating its Automatic Voltage Regulating (AVR) system at the FEP generation facility with a voltage set point, but instead had its AVR based on a VAR set point since going into commercial operation in July 2007.

¹ As MMPA operates two generators, the FEP generator represents 50% of the MMPA generators.





MMPA's Transmission Operator is Northern States Power (NSP). NSP sent a letter to MMPA on May 16, 2007 stating that the assigned voltage schedule for the Faribault Energy Park Generation is 118 kV +/- 3 kV. The letter further indicated that the voltage schedule shall be followed with the generator with AVR system in automatic at the voltage set point, and controlling voltage. This information was forwarded to NAES promptly and NAES took over control of the facility effective September 15, 2007, but had been there assisting in the startup of the plant prior to May 2007.

The FEP generator AVR setting was initially configured to regulate voltage based on a VAR set point rather than a voltage set point. MMPA reported to MRO that it understood that the NAES Operations and Maintenance Manager contacted NSP to confirm MMPA had permission to operate the FEP generator with AVR based on a VAR set point. The NAES Operations and Maintenance Manager and the NSP Control Center Manager were no longer working in their positions at these companies, and therefore, MMPA was not able to provide evidence confirming this conversation either through its own records or those of NSP.

Between January 13-15, 2009, MMPA underwent an audit of its NERC compliance program performed by a third party consultant. Through this assessment, MMPA discovered that it was not operating the FEP generator with its AVR in a voltage set point and had not notified its Transmission Operator as required by Reliability Standard VAR-002-1, R1. On January 16, 2009, MMPA provided training and revised its procedure to instruct its generator operators to run AVR with a voltage set point. Also on January 16, 2009, FEP successfully operated its AVR with a 118 kV +/- 3 kV voltage set point.

RELIABILITY IMPACT STATEMENT- POTENTIAL AND ACTUAL
(IF THE VIOLATION POSED A SERIOUS OR SUBSTANTIAL RISK, THE ABBREVIATED
NOP FORM MAY NOT BE USED.)

MRO determined that this violation did not pose a serious or significant risk to the bulk power system for the following reasons. Although FEP was operating its AVR based on a VAR set point instead of the required voltage schedule, the VAR set point instructions effectively kept the generator within the correct voltage schedule of 118 kV +/- 3 kV.

Further, MMPA took immediate action to correct the violation upon discovery. On January 16, 2009, MMPA revised its instructions to generator operators to run AVR with a voltage set point and FEP successfully operated its AVR with a voltage set point.

IS THERE A SETTLEMENT AGREEMENT YES ☒ NO ☐





WITH RESPECT TO THE ALLEGED/CONFIRMED VIOLATION, REGISTERED ENTITY

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

WITH RESPECT TO THE PROPOSED PENALTY OR SANCTION, REGISTERED ENTITY

ACCEPTS IT	YES	<input checked="" type="checkbox"/>
DOES NOT CONTEST IT (INCLUDING WITHIN 30 DAYS)	YES	<input type="checkbox"/>

III. DISCOVERY INFORMATION

METHOD OF DISCOVERY

SELF-REPORT	<input checked="" type="checkbox"/>
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 31, 2007 when the FEP generator began commercial operation through January 16, 2009

DATE DISCOVERED BY OR REPORTED TO REGIONAL ENTITY

January 30, 2009

IS THE ALLEGED/CONFIRMED VIOLATION STILL OCCURRING

YES ☐ NO ☒

EXPLAIN

MMPA provided its Generator Operating Guide demonstrating that the start-up procedures and training were modified to instruct staff to operate the AVR on a voltage set point as of January 16, 2009.

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 INFORMATIONMITIGATION PLAN NO. **MIT-08-1549**



DATE ACCEPTED BY REGIONAL ENTITY **March 30, 2009**
DATE APPROVED BY NERC **April 13, 2009**
DATE PROVIDED TO FERC **April 13, 2009**
IDENTIFY AND EXPLAIN VERSIONS THAT WERE REJECTED
N/A

MITIGATION PLAN COMPLETED YES ☒ NO ☐

EXPECTED COMPLETION DATE **March 31, 2009**
EXTENSIONS GRANTED **N/A**
ACTUAL COMPLETION DATE **March 31, 2009**

DATE CERTIFIED AS COMPLETE BY REGISTERED ENTITY

MMPA submitted Certification of Completion dated April 22, 2009 indicating Mitigation Plan completion as of March 31, 2009.

DATE VERIFIED AS COMPLETE BY REGIONAL ENTITY

On April 28, 2009, MRO verified MMPA's Mitigation Plan was completed as of March 31, 2009.

ACTIONS TAKEN TO MITIGATE THE ISSUE AND PREVENT RECURRENCE

MMPA's Mitigation Plan to address the referenced violation was accepted by MRO on March 30, 2009 and approved by NERC on April 13, 2009. The Mitigation Plan for the violation listed is designated as MIT-08-1549 and was submitted as non-public information to FERC on April 13, 2009 in accordance with FERC orders.

MMPA certified on April 22, 2009 that its Mitigation Plan was completed as of March 31, 2009. MMPA provided a revised Generator Operating Guide which instructs the operator upon start up to set and operate the FEP unit in the automatic voltage control mode. MMPA also provided Supervisory screen shots of the voltage control display verifying the AVR was in service and controlling to voltage. Finally, email correspondence with the transmission operator requesting a schedule of Operations Meetings to review generator operating instructions being provided to the generator operator was provided to MRO.

MRO reviewed the evidence and documentation submitted by MMPA and on April 28, 2009 verified completion of the Mitigation Plan as of March 31, 2009.





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

1. **Example of previous Generator Operating Guide (without AVR instructions), dated January 6, 2009.**
2. **Generator Operating Guide (with AVR instructions), Revised January 16, 2009.**
3. **Supervisory screen shots of the voltage control display**
4. **MMPA NERC Reliability Standard Compliance Philosophy, revised February 2, 2009.**
5. **Email correspondence verifying a January 2009 conversation with NSP Transmission Control Center regarding the control mode of FEP's voltage regulator.**
6. **"Safety First" Training Schedule for the week of January 19 – 26, 2009.**

V. **PENALTY INFORMATION**

PROPOSED PENALTY OR SANCTION

\$0

For purposes of settling any and all disputes arising from MRO's assessment into the matter self reported by MMPA, MRO and MMPA agree that on and after the effective date of this Agreement, MMPA has or shall take the following actions to prevent recurrence of these alleged violations and increase the reliability of the bulk electric system:

- a. **MMPA will support NERC training of the North American Energy Services (NAES) management staff for the Faribault Energy Park and Minnesota River Station generating plants. MMPA has confirmed that training is provided for in the 2010 NAES operations budget for the plants and that training is conducted on an annual basis.**
- b. **MMPA will continue to support the training of the Avant staff through participation in training conducted by third parties, including MRO, and by participation in the Mid-Continent Compliance Forum. MMPA has provided registration confirmation receipts from third parties evidencing that NERC compliance training is being regularly provided to Avant staff.**
- c. **MMPA and NAES are in the process of a contract modification that will tie a portion of NAES corporate and plant staff performance bonus based on compliance with NERC standards. Under this system, violations discovered through audits would impact performance pay,**





and violations self reported by NAES plant staff would not impact performance pay. It is anticipated that the modified contract will be executed by May 31, 2010.

- d. MMPA required that NAES share lessons learned at the Faribault Energy Park and Minnesota River Station plants with operators at other NAES operated plants. A lesson learned message was shared by NAES with all of its plant managers on April 9, 2010.**
- e. MMPA will arrange for audits of NAES performance of NERC standards through Avant and/or third parties. MMPA will conduct internal "spot checks" of NAES performance throughout 2010 on at least 8 of the most frequently violated Standards.**

ADDITIONAL SUPPORT FOR PROPOSED PENALTY OR SANCTION

A violation of Reliability Standard VAR-002-1, Requirement 1 has a "Medium" Violation Risk Factor (VRF), and MRO assessed the violation of Reliability Standard VAR-002-1, Requirement 1 to be a "High" Violation Severity Level (VSL) based on the percentage of MMPA's generators for which AVR was utilizing the VAR set point rather than the voltage set point. According to the Base Penalty Table of the NERC Sanction Guidelines the ERO base penalty range for a "medium" VRF violation with a "high" VSL is \$6,000 to \$200,000.

Upon review of the evidence, MRO determined the violation of VAR-002-1, Requirement 1 began on July 31, 2007 (the date FEP generator went into commercial operation) and continued until January 16, 2009 (the date that the FEP generator was successfully operated in the automatic voltage control mode).

MRO determined that this violation did not pose a serious or significant risk to the bulk power system for the following reason:

- Although MMPA was operating FEP with a VAR set point, instead of the required voltage set point, the VAR set point did effectively keep the generator within its voltage schedule.**

(1) THE RELATION OF THE PENALTY TO THE SERIOUSNESS OF THE VIOLATION

MRO has determined that a penalty of \$0 bears a reasonable relationship to the severity of the violation and considers the actions taken by MMPA to mitigate the violation. This determination is based on the following facts:

- MMPA took immediate action to correct the noncompliance upon discovery;**
- MMPA made no attempt to conceal the alleged violation;**





- **MMPA fully cooperated with MRO and willingly discussed the alleged violation and provided additional information in a timely manner;**
- **MRO determined the violation did not pose a serious or significant risk to the bulk power system based on the size and location of the FEP generation facility. Located 50 miles south of Minneapolis, the 265 MW FEP generation facility is interconnected to the Bulk Power System at 115kV and MRO determined that it posed minimal risk to Bulk Power System reliability by virtue of its size and location.**
- **Additionally, MRO considered that MMPA maintained its voltage schedule of 118 kV +/- 3 kV, even though it was maintaining the AVR with a VAR set point. Further, MMPA's Transmission Operator, NSP, indicated that it would have contacted MMPA if it identified any concerns with the voltage levels at the FEP generation facility. As the voltage schedule was maintained and no concerns were identified, MRO determined that the risk to the bulk power system was minimal.**
- **This is the first violation of Reliability Standard VAR-002-1, R1 by MMPA.**

This proposed penalty or sanction is subject to review and possible revision by NERC and FERC. NERC will include its determination of the proposed penalty or sanction in a Notice of Penalty to be filed with FERC.

DOCUMENTATION ☐ PERFORMANCE ☒ BOTH ☐

EXPLAIN (FOR DOCUMENTATION-TYPE VIOLATIONS, INCLUDE A DESCRIPTION OF HOW THE REGIONAL ENTITY VERIFIED THAT THE REGISTERED ENTITY HAD PERFORMED IN ACCORDANCE WITH THE RELIABILITY STANDARD(S)/REQUIREMENT(S))

See above.

(2) REGISTERED ENTITY'S COMPLIANCE HISTORY

PRIOR VIOLATIONS OF THIS RELIABILITY STANDARD OR REQUIREMENT(S) THEREUNDER

YES ☐ NO ☒

NUMBER OF SUCH VIOLATIONS

N/A

LIST ANY CONFIRMED OR SETTLED VIOLATIONS AND STATUS

N/A

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

YES ☐ NO ☒

NUMBER OF SUCH VIOLATIONS

N/A





LIST ANY PRIOR CONFIRMED OR SETTLED VIOLATIONS AND STATUS
N/A

(3) 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 ☐
 EXPLAIN

MMPA cooperated in a timely and satisfactory manner with MRO staff at all times during the processing of this self-reporting of noncompliance with Reliability Standard VAR-002-1, R1. MMPA provided prompt responses to MRO data requests.

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

IS THERE A DOCUMENTED COMPLIANCE PROGRAM
 YES ☒ NO ☐
 EXPLAIN

Avant has implemented a management document describing its internal compliance program and the actions it has undertaken on behalf of MMPA to ensure compliance with NERC Reliability Standards. The management document provides for: staff organization and responsibilities; communications and coordination with NAES, NSP, Midwest ISO, and MRO; document review; documentation; plan development; audits; training; accountability; self reporting; and management oversight. Additionally, NAES has a documented internal compliance program. Avant measures its compliance program through a periodic internal assessment process.

EXPLAIN SENIOR MANAGEMENT'S ROLE AND INVOLVEMENT WITH RESPECT TO THE REGISTERED ENTITY'S COMPLIANCE PROGRAM

Avant's internal compliance program is made available to all staff involved in NERC compliance activities conducted on behalf of MMPA. Avant's senior management ensures that NERC training is made available to staff responsible for NERC compliance. Avant's senior management ensures that the NAES budget includes a provision for NERC training. Avant discusses NERC compliance issues at its monthly risk committee meetings and Avant keeps MMPA board members apprised of NERC compliance issues at its monthly board meetings.





(5) ANY ATTEMPT BY THE REGISTERED ENTITY TO CONCEAL THE VIOLATION OR INFORMATION NEEDED TO REVIEW, EVALUATE OR INVESTIGATE THE VIOLATION (IF THE RESPONSE IS "NO," THE ABBREVIATED NOP FORM MAY NOT BE USED.)

YES ☐ NO ☒
EXPLAIN

There was no attempt by MMPA to conceal the violation. The violation was self-reported.

(6) ANY EVIDENCE THIS WAS AN INTENTIONAL VIOLATION (IF THE RESPONSE IS "YES," THE ABBREVIATED NOP FORM MAY NOT BE USED.)

YES ☐ NO ☒
EXPLAIN

No evidence was present to suggest this violation was intentional.

(7) ANY OTHER MITIGATING FACTORS FOR CONSIDERATION

YES ☐ NO ☒
EXPLAIN

No other mitigating factors were considered.

(8) ANY OTHER AGGRAVATING FACTORS FOR CONSIDERATION (IF THE RESPONSE IS "YES," THE ABBREVIATED NOP FORM MAY NOT BE USED.)

YES ☐ NO ☒
EXPLAIN

No aggravating factors were present.

(9) ANY OTHER EXTENUATING CIRCUMSTANCES (IF THE RESPONSE IS "YES," THE ABBREVIATED NOP FORM MAY NOT BE USED.)

YES ☐ NO ☒
EXPLAIN

There were no extenuating circumstances to consider.

VI. OTHER RELEVANT INFORMATION:

NOTICE OF ALLEGED VIOLATION AND PROPOSED PENALTY OR SANCTION ISSUED
DATE : 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 ☐

HEARING REQUESTED

YES ☐ NO ☒

DATE

OUTCOME

APPEAL REQUESTED

EXHIBITS:

- a. MMPA Self Report, dated January 30, 2009**
- b. MMPA Mitigation Plan, submitted March 24, 2009**
- c. MMPA's Certification of Mitigation Completion, dated April 22, 2009**
- d. MRO's Verification of Mitigation Completion, dated May 1, 2009**





Exhibit a MMPA Self Report, dated January 30, 2009

<u>Registered Entity</u>	<u>Requirement</u>	<u>Description</u>	<u>Violation Risk Factor</u>	<u>Date Of Occurrence</u>	<u>Submitted On</u>	<u>Status</u>
Minnesota Municipal Power Agency	VAR-002- 1.1A R1	The Generator Operator shall operate each generator connected to the interconnected transmission system in the automatic voltage control mode (automatic voltage regulator in service and controlling voltage) unless the Generator Operator has notified the Transmission Operator.	Medium	Jul 31, 2007	Jan 30, 2009	Validated

Self Report Details

* Standard Requirement
VAR-002-1.1A R1

* Date Alleged Violation
Occurred Jul 31, 2007

* Alleged Violation Description and Cause:

Minnesota Municipal Power Agency (MMPA) believes that it may have violated the NERC Voltage and Reactive standard VAR-002 requirement 1.

Requirement 1 is as follows:

The Generator Operator shall operate each generator connected to the interconnected transmission system in the automatic voltage control mode (automatic voltage regulator in service and controlling voltage) unless the Generator Operator has notified the Transmission Operator.

MMPA's Transmission Operator is Northern States Power (NSP).

NSP sent a letter to MMPA on 5/16/07 (during construction of the plant from simple cycle to combined cycle) stating the following (see attachment 1):

Xcel Energy-NSP's practice is to assign a voltage schedule to a generator to follow when the generator is on-line. The schedule for Faribault Energy Park Generation is as follows: 118kV +/- 3kV.

The voltage schedule shall be followed with the generator with Automatic Voltage Regulating system (AVR) in automatic at the voltage set point, and controlling voltage.





This information was forwarded to North American Energy Services (NAES), the contracted operation and maintenance service provided for the plant.

The Faribault Energy Park (FEP) generator went commercial in July 2007 under the operator control of the construction start-up crew. NAES did not officially take over FEP until September 15, 2007.

The FEP generator AVR setting was initially configured to regulate voltage based on a VAR set point rather than a Voltage set point.

The then FEP Operations and Maintenance (O&M) Manager contacted the NSP Transmission Operator Manager, Robert Staton, to confirm that MMPA had permission to operate the FEP AVR based on a VAR set point. There is no evidence confirming the conversation.

The then O&M Manager instructed the operators to maintain the AVR with a VAR set point. This instruction did effectively keep the generator within its voltage schedule of 118 kV +/- 3kV.

No entity ever contacted MMPA stating that there was a problem with the AVR VAR set point.

A new Plant Manager was hired in October 2007. The new Plant Manager inquired about the AVR settings. The then O&M Manager maintained that the AVR VAR set point was not violating any requirements.

The aforementioned O&M Manager no longer works for MMPA. The then Transmission Operator Manager for Xcel, Robert Staton, no longer works in the Minnesota region.

A new Operations Manager at FEP was hired in September 2008. The new Operations Manager reviewed MMPA's procedure for VAR-002-1 and found that MMPA was not in violation of its own procedure. However, he noted that the procedure was possibly not consistent with the NERC standard.

MMPA hired outside consultants to do an audit of MMPA's NERC compliance program. The audit took place on January 13th - 15th in 2009. The outside consultants confirmed that MMPA was not following the NERC standard VAR-002 requirement 1 correctly, and should report the issue to the Midwest Reliability Organization (see attachment 2).

The MMPA VAR-002 procedure was revised on January 16th, 2009 to instruct the generator operators to run AVR with a voltage set point. Initial training was also held on January 16th, 2009 and FEP successfully operated its AVR with a Voltage set point.

The FEP Operations Manager contacted NSP about the issue on January 16th, but the Transmission Operator Manager was not available. On January 19th, the new NSP Transmission Operator Manager, Todd Sarkinen, confirmed that the AVR at FEP should operate with a Voltage set point. Todd also stated that NSP did not notice FEP was not operating its AVR with a Voltage set point. If NSP had noticed the issue, the Transmission Operator would have contacted MMPA.


*** Potential Impact to the Bulk Power System:**

The Transmission Operator did not notice any impact of MMPA's AVR settings on the Bulk Electric System. MMPA maintained its voltage at 118 kV +/- 3 kV. MMPA's violation had no impact on the Bulk Electric System.





Exhibit b MMPA Mitigation Plan, submitted March 24, 2009

<i>Midwest Reliability Organization Confidential Non Public Information</i>	
Mitigation Plan	
Mitigation Plan submitted on: Mar 24, 2009	
Mitigation Plan Completed (Yes/No): Yes	
Mitigation Plan Completed On: Apr 28, 2009	
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Section A: Compliance Notices

• Section 6.2 of the NERC 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. This person may be the Registered Entity's point of contact described in Section B.
- (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) 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 or recommended to the applicable governmental authorities for not completing work associated with accepted milestones.²
- (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.
- (11) This submittal form may be used to provide a required Mitigation Plan for review and approval by regional entity(ies) and NERC.

• The Mitigation Plan shall be submitted to the regional entity(ies) and NERC as confidential information in accordance with Section 1500 of the NERC Rules of Procedure.

1. Uniform Compliance Monitoring and Enforcement Program ("NERC CMEP") of the North American Electric Reliability Corporation (a copy of the current version approved by the Federal Energy Regulatory Commission is posted on NERC's website) or the North American Electric Reliability Corporation Compliance Monitoring and Enforcement Program - Resource Confidentiality Schedule "B" to the Interim Agreement on Compliance Monitoring and Enforcement in Manitoba between NERC, the Regional Entity, and Manitoba Hydro (available upon request from the Regional Entity).

2. Implementation milestones that precede the date that a Mitigation Plan becomes effective in Manitoba will be considered to be extended until the date that the Mitigation Plan becomes effective.





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- This Mitigation Plan form may be used to address one or more related alleged or confirmed violations of one Reliability Standard. A separate mitigation plan is required to address alleged or confirmed violations with respect to each additional Reliability Standard, as applicable.
- If the Mitigation Plan is accepted by regional entity(ies) and approved by NERC, a copy of this Mitigation Plan will be provided to the Federal Energy Regulatory Commission or filed with the applicable governmental authorities for approval in Canada.
- Regional Entity(ies) or NERC may reject Mitigation Plans that they determine to be incomplete or inadequate.
- Remedial action directives also may be issued as necessary to ensure reliability of the bulk power system.
- The user has read and accepts the conditions set forth in these Compliance Notices.

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Section B: Registered Entity Information

B.1

Identify your organization:

Entity Name: ***Minnesota Municipal Power Agency***

Address: ***200 S 6th Street, Suite 300, Minneapolis, Minnesota 55402, United States***

NERC Compliance Registry ID: *[If known]* ***NCR01012***

B.2

Identify the individual in your organization who will serve as the Contact to Regional Entity regarding this Mitigation Plan. This person shall be technically knowledgeable regarding this Mitigation Plan and authorized to respond to Regional Entity regarding this Mitigation Plan.:

Name: ***Joe Fulliero***

Title: ***Vice President of Operations***

Email: ***Joe.Fulliero@avantenergy.com***

Phone: ***612-252-6514***





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Section C: Identity of Reliability Standard Violation associated with this Mitigation Plan

C.1

This Mitigation Plan is associated with the following violation(s) of the reliability standard listed below:

Standard Requirement: **VAR-002-1.1A R1**

Description: *The Generator Operator shall operate each generator connected to the interconnected transmission system in the automatic voltage control mode (automatic voltage regulator in service and controlling voltage) unless the Generator Operator has notified the Transmission Operator.*

Violation Date: *Jul 31, 2007*

C.2

Identify the cause of the violation(s) identified above:

Situation:

VAR 002 requires that if an Automatic Voltage Regulator (AVR) is available at a generating facility, the AVR is to be operated in the automatic mode based on a voltage set point, unless otherwise directed by the Transmission Operator (TO, in this case NSP).

North American Energy Services (NAES), our generation operator for the Faribault Energy Park power plant had been operating the plant with the understanding that the TO had advised the plant to operate the AVR based on a VAR set point. In fact, NAES prepared a procedure to this effect and had trained all plant operators to run the facility accordingly.

In preparation for MMPA's upcoming NERC audit, Avant Energy, Inc, agent for MMPA, arranged for a self initiated audit by an external party. On January 15th 2009, the audit revealed that there was insufficient file documentation to support running the AVR in the VAR set point. The auditor discussed the situation with Avant, who instructed the plant to change the AVR mode to the voltage set point as soon as practicable. Hence, this matter was discovered through a self initiated audit.

Avant, on behalf of MMPA, self reported this possible violation to the MRO on January 30th, 2009 (15 days prior to 30 day deadline).

Factors contributing to this situation include, but may not be limited to:

- * Changes in staff between the period of 07/31/07 and today, at both the plant and at NSP*
- * Less than desirable documentation of prior discussions between NAES and NSP*
- * Less than facilitative set up for the Mark VI computer screens displaying AVR*
- * Less frequent than desired meetings and communications with NSP*

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C.3

Provide any relevant information regarding the violations associated with this Mitigation Plan: *[If known]*

** MMPA's compliance program is extremely proactive (see Attachment 1 for MMPA's compliance philosophy).*

** MMPA's contract with North American Energy Services (NAES) requires NAES to operate the plants in accordance with all applicable laws and prudent operation and maintenance practices. In its oversight of the contract responsibilities, Avant required NAES to ensure it had all compliance documentation in place.*

** In furtherance of this contract oversight, Avant required an independent third party review of NAES' compliance documentation.*

** As part of MMPA's documentation process, MMPA required that NAES initiate contact with the Transmission Operator, NSP to verify the mode for the AVR. (See Attachment 2 for evidence of communication with NSP).*





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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 violation(s) identified above in Section C.1 of this form:

Action 1: Modify start-up procedure to instruct staff to operate the AVR on the automatic setting, "OFF" (See Attachment 3 for previously provided explanation of "OFF" setting).

Action 2: Train plant operators to follow revised start-up procedure.

Action 3: Change Mark VI configuration to accommodate AVR in an automatic setting. Revise screen description from "Off" to "Voltage".

Action 4: Contact NSP and discuss situation. Follow any additional recommendations from NSP.

Action 5: Continue vendor oversight via monthly onsite meetings. Visits will include spot audits and discussions of pending NERC rules.

Action 6: Contact NSP and request regularly scheduled meetings.

Mitigation Plan Timeline and Milestones

D.2

Provide the timetable for completion of the Mitigation Plan, including the completion date by which the Mitigation Plan will be fully implemented and the violations associated with this Mitigation Plan are corrected: **Mar 31, 2009**

D.3

Milestone Activities, with completion dates, that your organization is proposing for this Mitigation Plan:

Milestone Activity	*Proposed Completion Date (Shall not be greater than 3 months apart)	Actual Completion Date
Action 1	Jan 16, 2009	Jan 16, 2009
Action 5	Jan 16, 2009	Jan 16, 2009
Action 2	Feb 12, 2009	Feb 12, 2009
Action 4	Mar 12, 2009	Mar 12, 2009
Action 3	Mar 24, 2009	Mar 24, 2009
Action 6	Mar 31, 2009	Mar 31, 2009

(*) Note: 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.

Additional Relevant Information (Optional)

D.4

If you have any relevant additional information that you wish to include regarding the mitigation plan, milestones, milestones dates and completion date proposed above you may include it here:





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- * Action 1 was completed within 24 hours of identification of alleged violation. (See Attachment 4 for evidence of procedural revision).*
- * Action 2 was initiated within 24 hours of identification of alleged violation, and was conducted over the course of several days to accommodate shift schedules, vacation, sick-time, etc. (See Attachment 5 for evidence of training).*
- * Action 3 was initiated within 24 hours of identification of alleged violation and completed by March 24, 2009. (See Attachment 6 for screenshot view of revised setting and related correspondence).*
- * Action 4 was initiated within 24 hours and completed the following business day. Formal documentation obtained on March 12, 2009. (See Attachment 2 for evidence of communication with NSP).*
- * Action 5 was initiated immediately and will continue for the remainder of the vendor's contract.*
- * Action 6 will be initiated before the end of quarter 1 in 2009.*

Proposed Completion Date:

Action 1: January 16th, 2009

Action 2: Training will also be ongoing.

Action 3: March 24, 2009

Action 4: March 12, 2009

Action 5: Vendor oversight will be ongoing.

Action 6: Request to NSP will be made prior to the end of quarter 1 in 2009.





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Section E: Interim and Future Reliability Risk

Abatement of Interim BPS Reliability Risk

E.1

While your organization is implementing the Mitigation Plan proposed in Section D of this form, the reliability of the Bulk Power System 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 or is proposing as part of the Mitigation Plan to mitigate any increased risk to the reliability of the bulk power system while the Mitigation Plan is being implemented:

Any risk from operating the AVR with a VAR setpoint has been alleviated. NAES now operates the AVR in automatic with a Voltage setpoint, and therefore there is no risk to the Bulk Power System.

Prevention of Future BPS Reliability Risk

E.2

Describe how successful completion of the Mitigation Plan as laid out in Section D of this form will prevent or minimize the probability that your organization incurs further violations of the same or similar reliability standards requirements in the future:

Action 1 will change the official plant procedure to eliminate any confusion on how to run the AVR. All existing and new employees will have an official document for reference.

Action 2 confirms that all employees are aware of the procedure change.

Action 3 will prevent the issue from reoccurring due to system settings.

Action 4 provides the required documentation of the Transmission Operator requirement.

Action 5, as evidenced by the self report, will ensure compliance through the continuation of internal and outside audits.

Action 6 results in a process to identify potential problems between the Transmission Operator and the Generator Operator.

E.3

Your organization may be taking or planning other action, beyond that listed in the Mitigation Plan, as proposed in Section D.1, to prevent or minimize the probability of incurring further violations of the same or similar standards requirements listed in Section C.1, or of other reliability standards. If so, identify and describe any such action, including milestones and completion dates:

**** MMPA will have regular conversations with NSP regarding applicable generating procedures.***

**** MMPA will work with the NAES corporate office to share its procedures with other generation facilities.***

**** MMPA will continue to exercise oversight of its contractor and conduct periodic audits of its compliance program.***

**** MMPA will continue to emphasize the importance of self-reporting.***

**** MMPA will ask for clarification from the MRO, NERC, and the TO.***

**** MMPA will emphasize the need for proper documentation and evidence.***





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Section F: Authorization

An authorized individual must sign and date the signature page. By doing so, this individual, on behalf of your organization:

- (a) Submits the Mitigation Plan, as laid out in Section D, to the Regional Entity for acceptance and approval by NERC, and
- (b) If applicable, certifies that the Mitigation Plan, as laid out in Section D of this form, was completed (i) as laid out in Section D of this form and (ii) on or before the date provided as the 'Date of Completion of the Mitigation Plan' on this form, and
- (c) Acknowledges:

- 1. I am **Avant Energy** of **Minnesota Municipal Power Agency**.
- 2. I am qualified to sign this Mitigation Plan on behalf of **Minnesota Municipal Power Agency**.
- 3. I have read and understand **Minnesota Municipal Power Agency's** obligations to comply with Mitigation Plan requirements and ERO remedial action directives as well as ERO documents, including, but not limited to, the NERC Rules of Procedure and the NERC CMEP currently in effect or the NERC CMEP-Province of Manitoba, Schedule B currently in effect, whichever is applicable.
- 4. I have read and am familiar with the contents of the foregoing Mitigation Plan.
- 5. **Minnesota Municipal Power Agency** agrees to be bound by, and comply with, this Mitigation Plan, including the timetable completion date, as accepted by the Regional Entity, NERC, and if required, the applicable governmental authorities in Canada.

Authorized Individual Signature _____

(Electronic signature was received by the Regional Office via CDMS. For Electronic Signature Policy see CMEP.)

Name: **Jim Larson**

Title: **Avant Energy**

Authorized On: **Mar 29, 2009**





Exhibit c

MMPA's Certification of Mitigation Completion, dated April 22, 2009



MIDWEST
RELIABILITY
ORGANIZATION



Certification of Mitigation Plan Completion

Submittal of a Certification of Mitigation Plan Completion shall include data or information sufficient for Midwest Reliability Organization to verify completion of the Mitigation Plan. Midwest Reliability Organization 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: Minnesota Municipal Power Agency

NERC Registry ID: NCR01012

Date of Submittal of Certification: 4/22/09

NERC Violation ID No(s): MRO200900082

Reliability Standard and the Requirement(s) of which a violation was mitigated: VAR-002-1 R1

Date Mitigation Plan was scheduled to be completed per accepted Mitigation Plan: 3/31/09

Date Mitigation Plan was actually completed: 3/31/09

Additional Comments (or List of Documents Attached):

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: James D. Larson

Title: Vice President of Regulatory Affairs, Authorized Contact

Email: James.Larson@avantenergy.com

Phone: 612-252-6524

Authorized Signature

Date 4/22/09

Please direct any questions regarding completion of this form to the Midwest Reliability Organization e-mail address mco@midwestreliability.org

Please submit the completed form via CDSM at www.midwestreliability.org



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Exhibit d MRO's Verification of Mitigation Completion, dated May 1, 2009



MIDWEST
RELIABILITY
ORGANIZATION



Date: May 1, 2009

To: Mr. Jim Larson
Minnesota Municipal Power Agency
200 S. 6th Street, Suite 300
Minneapolis, MN 55402

Re: MRO Verification of Mitigation Plan Completion: MR0200900082

Dear Mr. Larson,

MRO completed its review on April 28, 2009, of evidence of completion and compliance provided by Minnesota Municipal Power Agency's (MMPA) for the mitigation plan addressing the above violation.

It was discovered and Self-Reported by MMPA upon conducting an internal review that the Faribault Energy Park Generator was not operating in the automatic voltage control mode (automatic voltage regulator in service and controlling voltage) as required by VAR-002-1,R1(MRO200900082).

LES provided the following supporting evidence:

RELIABILITY STANDARD VAR-002-1, R1: MMPA provided a revised Generator Operating Guide which instructs the operator upon start up to set and operate the FEP unit in the automatic voltage control mode. MMPA also provided Supervisory screen shots of the voltage control display verifying the AVR was in service and controlling to voltage. Finally, email correspondence with the transmission operator requesting a schedule of Operations Meetings to review generator operating instructions being provided to the generator operator was provided to MRO

MRO's review of the documents provided by MMPA show that MMPA had completed the required revision to the generator operating guide with instruction to the operators to operate the FEP unit in the automatic voltage control mode.

The evidence submitted by MMPA meets the requirements of NERC RELIABILITY STANDARD VAR-002-1, R1.

Sincerely,

James D. Burley
Manager of Enforcement and Mitigation

cc: Joe Fulliero, MMPA



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Attachment b

Notice of Filing

UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Minnesota Municipal Power Agency

Docket No. NP10-____-000

NOTICE OF FILING
September 30, 2010

Take notice that on September 30, 2010, the North American Electric Reliability Corporation (NERC) filed a Notice of Penalty regarding Minnesota Municipal Power Agency in the Midwest Reliability Organization 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