

November 30, 2012

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

**Re: NERC Full Notice of Penalty regarding Willmar Municipal Utilities,  
FERC Docket No. NP13-\_-000**

Dear Ms. Bose:

The North American Electric Reliability Corporation (NERC) hereby provides this Notice of Penalty<sup>1</sup> regarding Willmar Municipal Utilities (WLMRWL), NERC Registry ID# NCR01038,<sup>2</sup> in accordance with the Federal Energy Regulatory Commission's (Commission or FERC) rules, regulations and orders, as well as NERC's Rules of Procedure including Appendix 4C (NERC Compliance Monitoring and Enforcement Program (CMEP)).<sup>3</sup>

WLMRWL is headquartered in Willmar, Minnesota. WLMRWL's electric division consists of five substations which step down voltage from 69 kV to 12.47 kV. The current is then distributed through 18 feeder lines to neighborhood transformers to serve approximately 9,200 electric customers. The system has 217 miles of power lines. The peak demand city-wide in 2006 was 60.9 MW.

This Notice of Penalty is being filed with the Commission because Midwest Reliability Organization (MRO) and WLMRWL have entered into a Settlement Agreement to resolve all outstanding issues

<sup>1</sup> *Rules Concerning Certification of the Electric Reliability Organization; and Procedures for the Establishment, Approval, and Enforcement of Electric Reliability Standards* (Order No. 672), 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 (2011). *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).

<sup>2</sup> Midwest Reliability Organization (MRO) confirmed that WLMRWL was included on the NERC Compliance Registry as a Distribution Provider (DP) and a Load Serving Entity on May 30, 2007 and as a Transmission Owner (TO) on August 30, 2010. As a DP and TO, WLMRWL is subject to the requirements of NERC Reliability Standard PRC-005-1.

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

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arising from MRO’s determination and findings of the violations<sup>4</sup> of PRC-005-1<sup>5</sup> R1 and R2. According to the Settlement Agreement, WLMRWL admits to the violations and has agreed to the assessed penalty of two thousand five hundred dollars (\$2,500), in addition to other remedies and actions to mitigate the instant violations and to facilitate future compliance under the terms and conditions of the Settlement Agreement. Accordingly, the violations identified as NERC Violation Tracking Identification Numbers MRO201100256 and MRO201100389 are being filed in accordance with the NERC Rules of Procedure and the CMEP.

**Statement of Findings Underlying the Violations**

This Notice of Penalty incorporates the findings and justifications set forth in the Settlement Agreement executed on August 28, 2012, by and between MRO and WLMRWL, which is included as Attachment a. The details of the findings and the basis for the penalty are set forth in the Settlement Agreement and herein. This Notice of Penalty 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 (2012), 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
Midwest Reliability Organization	Willmar Municipal Utilities	NOC-1556	MRO201100256	PRC-005-1	R1	High <sup>6</sup>	\$2,500
			MRO201100389	PRC-005-1	R2	High <sup>7</sup>	

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

<sup>5</sup> The Spreadsheet attachment to the Settlement Agreement lists the violation as PRC-005-1b, which refers to the FERC-approved interpretation of the Standard that became effective on March 14, 2012.

<sup>6</sup> When NERC filed Violation Risk Factors (VRFs) for PRC-005-1, NERC originally assigned a “Medium” VRF to PRC-005-1 R1. In the Commission’s May 18, 2007 Order on Violation Risk Factors, the Commission approved the VRF as filed but directed modifications. On June 1, 2007, NERC filed a modified “High” VRF for PRC-005 R1 for approval. On August 9, 2007, the Commission issued an Order approving the modified VRF. Therefore, the “Medium” VRF was in effect from June 18, 2007 until August 9, 2007 and the “High” VRF has been in effect since August 9, 2007.

<sup>7</sup> PRC-005-1 R2 has a “Lower” 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 included 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. In the context of this case, MRO determined that the violation related to both R2.1 and R2.2, and therefore a “High” VRF is appropriate.

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MRO201100256 PRC-005-1 R1

The purpose statement of Reliability Standard PRC-005-1 provides: “To ensure all transmission and generation Protection Systems<sup>[8]</sup> affecting the reliability of the Bulk Electric System (BES) are maintained and tested.”

[Footnote added.]

PRC-005-1 R1 provides:

R1. Each Transmission Owner and any Distribution Provider that owns a transmission Protection System and each Generator Owner that owns a generation Protection System shall have a Protection System maintenance and testing program for Protection Systems that affect the reliability of the BES. The program shall include:

R1.1. Maintenance and testing intervals and their basis.

R1.2. Summary of maintenance and testing procedures.

PRC-005-1 has a “High” Violation Risk Factor (VRF) and a “Severe” Violation Severity Level (VSL). The subject violation applies to WLMRWL’s Distribution Provider (DP) and Transmission Owner (TO) functions.

On November 22, 2010, WLMRWL, as a DP and TO, self-reported a violation of PRC-005-1 R1 because it failed to have a Protection System maintenance and testing program that identified the maintenance and testing intervals and their basis, and a summary of maintenance and testing procedures. WLMRWL provided evidence of maintenance and testing schedules, but it did not provide any corresponding basis for the intervals.

MRO determined that the violation lasted from June 18, 2007, the date that the Standard became mandatory and enforceable, through December 27, 2010, when WLMRWL adopted a Protection System maintenance and testing program with maintenance and testing intervals and their basis, and a summary of the procedures.

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<sup>8</sup> 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.”

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MRO determined that this violation posed a minimal risk and did not pose a serious or substantial risk to the reliability of the bulk power system (BPS) because although WLMRWL failed to have a documented Protection System maintenance and testing program, WLMRWL provided maintenance and testing schedules for all of its devices which did provide some structure and assurance that the devices were tested. WLMRWL has 36 Protection System maintenance and testing devices subject to PRC-005-1. Additionally, WLMRWL is connected to the BPS by two 230 kV transmission lines, collectively totaling 13 miles, and has a peak load of 60 MW. Based on the size and location of WLMRWL, MRO determined that failure of WLMRWL's Protection Systems would not have an impact on the BPS beyond WLMRWL's own load.

MRO201100389 PRC-005-1 R2

PRC-005-1 R2 provides:

R2. Each Transmission Owner and any Distribution Provider that owns a transmission Protection System and each Generator Owner that owns a generation Protection System shall provide documentation of its Protection System maintenance and testing program and the implementation of that program to its Regional Reliability Organization<sup>[9]</sup> 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.

[Footnote added.]

PRC-005-1 R2 has a "Medium" VRF; PRC-005-1 R2.1 and R2.2 each have a "High" VRF and a "Severe" VSL. The subject violation applies to WLMRWL's DP and TO functions.

During a scheduled Compliance Audit conducted between July 25, 2011 through August 3, 2011, MRO determined that WLMRWL, as a DP and TO, failed to provide evidence of maintenance and testing records in accordance with its Protection System maintenance and testing program. WLMRWL's failure to maintain and test a station battery bank resulted in delayed power restoration of its system after a scheduled switching procedure triggered transmission relay events which ultimately led to the loss of

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<sup>9</sup> Consistent with applicable FERC precedent, the term "Regional Reliability Organization" in this context refers to MRO.

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firm load to the city of Willmar, Minnesota on May 18, 2010. WLMRWL experienced a firm load loss for two hours for more than 50% of its load. The power outage resulted in a loss of direct current (DC). One of WLMRWL's 230 kV relays unexpectedly operated for loss of DC, thus opening a 230 kV circuit.

Although the loss of DC prevented WLMRWL from immediately restoring power, the station battery bank did not cause the event or the loss of firm load. WLMRWL replaced the battery bank following the event. Although at the time of the event WLMRWL did not have a Protection System maintenance and testing program, it did have maintenance and testing schedules for its devices. WLMRWL provided a copy of its battery maintenance and testing schedule. The schedule indicated that WLMRWL failed to perform maintenance and testing records prior to the event. Specifically, WLMRWL failed to perform DC voltage tests for its station battery bank on October 8, 2009, January 11, 2010 and March 2, 2010. WLMRWL has 36 Protection System devices (10 relays, 1 station battery bank, 10 current transformers (CTs)/potential transformers (PTs), 10 DC control circuits and 5 associated communication devices) subject to PRC-005-1 R2. Of the 36 devices, WLMRWL failed to provide maintenance and testing records for 44.4% of its devices, including 5 relays, 1 station battery bank, 5 CTs and 5 DC control circuits.

MRO determined the duration of the violation to be from June 18, 2007, the date the Standard became mandatory and enforceable, through May 24, 2011, when WLMRWL performed battery testing in accordance with its Protection System maintenance and testing program.

MRO determined that this violation posed a minimal risk and did not pose a serious or substantial risk to the reliability of the BPS. Although the failure to maintain and test the station battery bank resulted in delayed restoration of firm load, WLMRWL did not shed any load as a result of its failure to maintain and test the equipment. Even with the misoperation and loss of power to its only substation, WLMRWL could not have affected, and did not affect, BPS lines outside of its 13 miles of 230 kV transmission lines. The failure to restore power only affected its own load of 60 MW, and a potential failure of all of its Protection System devices could have only affected its 60 MW of load. WLMRWL also provided maintenance and testing schedules for all 36 of its Protection System devices subject to PRC-005-1. Additionally, WLMRWL is connected to the BPS by two 230 kV transmission lines, collectively totaling 13 miles, and has a peak load of 60 MW. WLMRWL's size and location were taken into account in the penalty determination and assessment of risk.

#### Regional Entity's Basis for Penalty

According to the Settlement Agreement, MRO has assessed a penalty of two thousand five hundred dollars (\$2,500) for the referenced violations. In reaching this determination, MRO considered the following factors:

1. WLMRWL's failure to maintain and test a station battery bank resulted in a delayed restoration time for a system event. MRO considered this as an aggravating factor in its penalty determination;
2. WLMRWL self-reported the PRC-005-1 R1 violation;
3. MRO considered the following expenditures by WLMRWL in offsetting the penalty amount:
  - a. WLMRWL will hire a Compliance Officer by December 31, 2012. The Compliance Officer will report directly to the General Manager, and will be responsible for ensuring compliance with NERC Reliability Standards;
  - b. WLMRWL developed a comprehensive internal compliance program (ICP). The ICP was approved by the Utilities Commission, which directs the General Manager in policy matters. An integral part of the ICP is developing and implementing a communications plan which will communicate NERC and MRO compliance requirements quarterly to employees and the Utilities Commission. The communications plan acknowledges documentation issues to help demonstrate compliance with Reliability Standards. The ICP also emphasizes the development of a strong culture of compliance throughout the organization; and
  - c. WLMRWL has subscribed to a NERC compliance reporting service offered by an industry vendor. The service will provide a monthly report and analysis to WLMRWL related to NERC and Regional Entity committee activities, compliance activities and educational material related to standards and compliance. The service provides case studies of "lessons learned" through analysis and review of audit reports and violation and penalty findings. In addition, the service provides a quarterly report that shows standard versions in effect, and progress of pending revisions. WLMRWL has subscribed to the service on September 1, 2011 for a minimum term of one year. The annual subscription cost is three thousand seven hundred twenty dollars (\$3,720).
4. The violations constituted WLMRWL's first occurrence of violations of the subject NERC Reliability Standards;<sup>10</sup>

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<sup>10</sup> A Find, Fix, Track and Report (FFT) informational filing addressing remediated issues for certain registered entities, including noncompliance with CIP-001-1 R2 for WLMRWL, was filed with FERC under RC12-7-000 on January 31, 2012. On March 15, 2012, FERC issued an order stating it considered the informational filing closed. MRO determined that the prior remediated issue should not serve as a basis for aggravating the penalty because it involved a standard that is not the same or similar to the instant standard. Moreover, there was nothing in the record to suggest that broader corporate issues were implicated.

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5. WLMRWL was cooperative throughout the compliance enforcement process;
6. There was no evidence of any attempt to conceal a violation nor evidence of an intent to do so;
7. MRO determined that the violations posed a minimal risk and did not pose a serious or substantial risk to the reliability of the BPS, as discussed above; and
8. There were no other mitigating or aggravating factors or extenuating circumstances that would affect the assessed penalty.

After consideration of the above factors, MRO determined that, in this instance, the penalty amount of two thousand five hundred dollars (\$2,500) is appropriate and bears a reasonable relation to the seriousness and duration of the violations.

#### **Status of Mitigation Plan<sup>11</sup>**

##### MRO201100256 PRC-005-1 R1

WLMRWL's Mitigation Plan to address its violation of PRC-005-1 R1 was submitted to MRO on September 20, 2011 with a completion date of December 27, 2010. The Mitigation Plan was accepted by MRO on September 21, 2011 and approved by NERC on October 4, 2011. The Mitigation Plan for this violation is designated as MROMIT005905 and was submitted as non-public information to FERC on October 4, 2011 in accordance with FERC orders.

WLMRWL's Mitigation Plan stated that WLMRWL had adopted a Protection System maintenance and testing program with maintenance and testing intervals and their basis, and a summary of maintenance and testing procedures.

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A FFT informational filing addressing remediated issues for certain registered entities, including noncompliance with EOP-004-1 R3 for WLMRWL, was filed with FERC under RC12-6-000 on December 30, 2011. On March 15, 2012, FERC issued an order stating it considered the informational filing closed. The EOP-004-1 R3 issue arose from the entity's failure to notify MRO and NERC with a preliminary written report of a scheduled switching procedure which triggered transmission relay events which ultimately led to the loss of firm load to the city of Willmar, Minnesota on May 18, 2010. This underlying event was the same event as discussed in the instant violation of PRC-005-1 R2, and was therefore not an aggravating factor in determining the penalty.

<sup>11</sup> See 18 C.F.R § 39.7(d)(7).

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WLMRWL certified on October 25, 2011 that the above Mitigation Plan requirements were completed on December 27, 2010. As evidence of completion of its Mitigation Plan, WLMRWL submitted the following:

1. *WMU PSMP r1.doc*; and
2. *GRE PSMP.pdf*.

On October 26, 2011, after reviewing WLMRWL's submitted evidence, MRO verified that WLMRWL's Mitigation Plan was completed on December 27, 2010.

MRO201100389 PRC-005-1 R2

WLMRWL's Mitigation Plan to address its violation of PRC-005-1 R2 was submitted to MRO on December 9, 2011 with a proposed completion date of April 10, 2012. The Mitigation Plan was accepted by MRO on December 12, 2011 and approved by NERC on December 23, 2011. The Mitigation Plan for this violation is designated as MROMIT006215 and was submitted as non-public information to FERC on December 23, 2011 in accordance with FERC orders.

WLMRWL's Mitigation Plan required WLMRWL to adopt a Protection System maintenance and testing program which includes intervals, their bases and a summary. Additionally, WLMRWL performed a comprehensive review of all Protection System maintenance and testing records. Upon completion of the equipment review, WLMRWL performed maintenance and testing on devices lacking records. Finally, WLMRWL created a control document that describes the procedures to identify what tests need to be scheduled and how those tests will be conducted and by whom.

WLMRWL certified on April 9, 2012 that the above Mitigation Plan requirements were completed on April 9, 2012. As evidence of completion of its Mitigation Plan, WLMRWL submitted the following:

1. *WMU signed O&M.pdf* (Operation and Maintenance Agreement with a third party);
2. *O&M signature sheet.pdf* (Operation and Maintenance Agreement with a third party);
3. *WMU PSMP r1.3.pdf* (Protection System Maintenance and Testing Program, Version 1.3);
4. *WMU\_PRC-005 R2 Compliance\_Docs.zip* (maintenance and testing records);
5. *WSInventory[1].xls* (maintenance and testing record dates for Protection System devices);
6. *167251\_13NB6[1].pdf* (Protection System testing program memo); and
7. *WMU\_Test\_Schedule.xls* (Protection System testing schedules for 2010 and 2011).

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On April 9, 2012, after reviewing WLMRWL's submitted evidence, MRO verified that WLMRWL's Mitigation Plan was completed on April 9, 2012.

### **Statement Describing the Assessed Penalty, Sanction or Enforcement Action Imposed<sup>12</sup>**

#### **Basis for Determination**

Taking into consideration the Commission's direction in Order No. 693, the NERC Sanction Guidelines and the Commission's July 3, 2008, October 26, 2009 and August 27, 2010 Guidance Orders,<sup>13</sup> the NERC BOTCC reviewed the Settlement Agreement and supporting documentation on November 5, 2012. The NERC BOTCC approved the Settlement Agreement, including MRO's assessment of a two thousand five hundred dollar (\$2,500) financial penalty against WLMRWL 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 violations at issue.

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

1. The violations constituted WLMRWL's first occurrence of violations of the subject NERC Reliability Standards;<sup>14</sup>
2. WLMRWL self-reported the violation of PRC-005-1 R1;
3. MRO reported that WLMRWL was cooperative throughout the compliance enforcement process;
4. WLMRWL did not have a compliance program at the time of the violation but completed above and beyond activities, including creating a compliance program, hiring a Compliance Officer and subscribing to a NERC compliance reporting service, which MRO considered mitigating factors, as discussed above;
5. There was no evidence of any attempt to conceal a violation nor evidence of intent to do so;

<sup>12</sup> See 18 C.F.R. § 39.7(d)(4).

<sup>13</sup> *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); *North American Electric Reliability Corporation*, "Notice of No Further Review and Guidance Order," 132 FERC ¶ 61,182 (2010).

<sup>14</sup> See n. 10.

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6. MRO determined that the violations posed a minimal risk and did not pose a serious or substantial risk to the reliability of the BPS, as discussed above; and
7. MRO reported that the delayed restoration caused by WLMRWL's failure to test and maintain its battery was an aggravating factor in determining the penalty.

For the foregoing reasons, the NERC BOTCC approved the Settlement Agreement and believes that the assessed penalty of two thousand five hundred dollars (\$2,500) is appropriate for the violations 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 Notice of Penalty with FERC, or, if FERC decides to review the penalty, upon final determination by FERC.

#### **Attachments to be Included as Part of this Notice of Penalty**

The attachments to be included as part of this Notice of Penalty are the following documents:

- a) Settlement Agreement by and between MRO and WLMRWL executed August 28, 2012, included as Attachment a:
  1. Spreadsheet Notice of Penalty, included as Attachment 1 to the Settlement Agreement.<sup>15</sup>
- b) Record documents for the violation of PRC-005-1 R1, included as Attachment b:
  1. WLMRWL's Self-Report dated November 22, 2010;
  2. WLMRWL's Mitigation Plan designated as MROMIT005905 submitted September 20, 2011;
  3. WLMRWL's Certification of Mitigation Plan Completion dated October 25, 2011; and
  4. MRO's Verification of Mitigation Plan Completion dated October 26, 2011.

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<sup>15</sup> The Spreadsheet Notice of Penalty was executed with the Settlement Agreement; however, the information in the Full Notice of Penalty supersedes the information in the Spreadsheet Notice of Penalty because it includes corrected and updated information.

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- c) Record documents for the violation of PRC-005-1 R2, included as Attachment c:
1. WLMRWL's Source Document dated August 3, 2011;
  2. WLMRWL's Mitigation Plan designated as MROMIT006215 submitted December 9, 2011;
  3. WLMRWL's Certification of Mitigation Plan Completion dated April 9, 2012; and
  4. MRO's Verification of Mitigation Plan Completion dated April 9, 2012.

**A Form of Notice Suitable for Publication<sup>16</sup>**

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

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<sup>16</sup> See 18 C.F.R § 39.7(d)(6).

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**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                  North American Electric Reliability Corporation                  3353 Peachtree Road NE                  Suite 600, North Tower                  Atlanta, GA 30326                  (404) 446-2560</p>	<p>Rebecca J. Michael*                  Associate General Counsel for Corporate and                  Regulatory Matters                  North American Electric Reliability Corporation                  1325 G Street N.W.                  Suite 600                  Washington, DC 20005                  (202) 400-3000                  (202) 644-8099 – facsimile                  rebecca.michael@nerc.net</p>
<p>Charles A. Berardesco*                  Senior Vice President and General Counsel                  North American Electric Reliability Corporation                  1325 G Street N.W., Suite 600                  Washington, DC 20005                  (202) 400-3000                  (202) 644-8099 – facsimile                  charles.berardesco@nerc.net</p>	<p>Wesley Hompe*                  Interim Co-Manager                  Willmar Municipal Utilities                  P.O. Box 937                  700 SW Litchfield Avenue                  Willmar, MN 56201                  (320) 235-4422                  whompe@wmu.willmar.mn.us</p>
<p>Daniel P. Skaar*                  President                  Midwest Reliability Organization                  380 St. Peter Street, Suite 800                  St. Paul, MN 55102                  (651) 855-1731                  dp.skaar@midwestreliability.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>Sara E. Patrick*                  Vice President of Regulatory Affairs and                  Enforcement                  Midwest Reliability Organization                  380 St. Peter Street, Suite 800                  St. Paul, MN 55102                  (651) 855-1708                  se.patrick@midwestreliability.org</p>	

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**Conclusion**

NERC respectfully requests that the Commission accept this Notice of Penalty as compliant with its rules, regulations and orders.

Respectfully submitted,

*/s/ Rebecca J. Michael*

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and Regulatory Matters  
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cc: Willmar Municipal Utilities  
Midwest Reliability Organization

Attachments

## **Attachment a**

### **Settlement Agreement by and between MRO and WLMRWL executed August 28, 2012**

#### **a-1. Spreadsheet Notice of Penalty as Attachment 1 to the Settlement Agreement**

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**SETTLEMENT AGREEMENT  
OF  
MIDWEST RELIABILITY ORGANIZATION  
AND  
WILLMAR MUNICIPAL UTILITIES**

**I. Introduction**

1. MIDWEST RELIABILITY ORGANIZATION (MRO) and WILLMAR MUNICIPAL UTILITIES (WLMRWL) (NERC Compliance Registry ID#01038) 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 violations by WLMRWL of NERC Reliability Standard PRC-005-1, Requirement 1 (R1) (MRO201100256) and PRC-005-1, Requirement 2 (R2) (MRO201100389).
2. WLMRWL admits the violations of NERC Reliability Standard PRC-005-1, R1 and R2 and has agreed to take remedial and mitigation actions to mitigate the instant violations and facilitate future compliance under the terms and conditions of this Agreement.

**II. Stipulation**

3. The facts stipulated herein are stipulated solely for the purpose of resolving, between WLMRWL and MRO, the matters discussed herein and do not constitute stipulations or admissions for any other purpose. WLMRWL and MRO hereby stipulate and agree to the description of the violations set forth in the Spreadsheet Notice of Penalty.

**III. PARTIES' SEPARATE REPRESENTATIONS**

**STATEMENT OF MRO AND SUMMARY OF FINDINGS**

4. On November 22, 2010 WLMRWL self-reported noncompliance with PRC-005-1, R1. MRO also discovered a PRC-005-1, R2 violation during a scheduled Compliance Audit conducted between July 25, 2011 through August 3, 2011.
5. MRO concluded that these violations did not pose a serious or substantial risk to the Bulk Power System (BPS), as discussed in the Spreadsheet Notice of Penalty. However, MRO determined that WLMRWL's failure to maintain its Protection System devices resulted in delayed restoration of power for the city of Willmar, Minnesota. MRO considered the delayed restoration as factor in its penalty determination.

6. MRO agrees that this Agreement is in the best interest of the parties and in the best interest of BPS reliability.

#### **STATEMENT OF WLMRWL**

7. WLMRWL admits that the facts set forth and agreed to by the parties for purposes of this Agreement constitute violations of Reliability Standard PRC-005-1, R1 and R2.
8. WLMRWL has agreed to enter into this 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. WLMRWL agrees that this Agreement is in the best interest of the parties and in the best interest of BPS reliability.

#### **IV. MITIGATING ACTIONS, REMEDIES AND SANCTIONS**

9. For purposes of settling any and all disputes arising from MRO's assessment of the self-report and matters discovered during the Compliance Audit, MRO and WLMRWL agree that on and after the effective date of this Agreement, WLMRWL shall take the following actions:
  - i. WLMRWL will pay a monetary penalty of \$2,500 to MRO via wire transfer or check to an MRO account that will be outlined in an invoice sent to WLMRWL within thirty (30) days after the Agreement is approved by the Federal Energy Regulatory Commission. Payment of this invoice shall be made within thirty (30) days after receipt of the invoice, and MRO shall notify NERC if the payment is not received.
  - ii. WLMRWL will hire a Compliance Officer by December 31, 2012. The Compliance Officer will report directly to the General Manager, and will be responsible for ensuring compliance with NERC Reliability Standards.
  - iii. WLMRWL has subscribed to a NERC compliance reporting service offered by an industry vendor. The service will provide a monthly report and analysis to WLMRWL related to NERC and Regional Entity committee activities, compliance activities and educational material related to standards and compliance. The service provides case studies of "lessons learned" through analysis and review of audit reports and violation and penalty findings. In addition, the service provides a quarterly report that shows standard versions in effect, and progress of pending revisions. WLMRWL has subscribed to the service on September 1, 2011 for a minimum term of one year. The annual subscription cost is \$3,720.
  - iv. WLMRWL will also develop a comprehensive internal compliance program (ICP). The ICP will be approved by the Utilities Commission, which directs the General Manager in policy matters. An integral part of the ICP is developing and implementing a communications plan which will communicate NERC and MRO compliance requirements quarterly to employees and the Utilities Commission. The communications plan will acknowledge documentation issues to help demonstrate compliance with Reliability Standards. The ICP will also emphasize the development of a

strong culture of compliance throughout the organization. Review and adoption of the ICP will be complete by September 30, 2012.

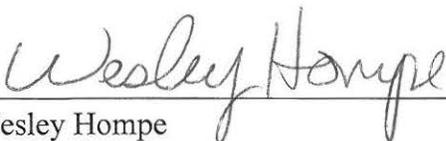
10. In order to facilitate MRO's need to communicate the status and provide accountability to NERC, WLMRWL will provide written notice to MRO within thirty (30) days of completion of the agreed upon remedies. WLMRWL will submit this notice to MRO in accordance with the confidentiality provisions of Section 1500 of the NERC Rules of Procedure.
11. MRO also considered the specific facts and circumstances of the violations and WLMRWL'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 WLMRWL 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.
12. 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 violation that initiated this Agreement and/or additional violation(s) and may subject WLMRWL to new or additional enforcement, penalty or sanction actions in accordance with the NERC Rules of Procedure. WLMRWL shall retain all rights to defend against such additional enforcement actions in accordance with NERC Rules of Procedure.

## V. ADDITIONAL TERMS

13. The signatories to this 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 WLMRWL has been made to induce the signatories or any other party to enter into this Agreement.
14. 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 WLMRWL 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 WLMRWL 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 violation and the terms provided for in the settlement.
15. This Agreement will be submitted to the Commission and will be subject to Commission review pursuant to Section 39.7 of the Commission's regulations.

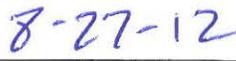
16. This Agreement shall become effective upon NERC and the Commission's approval of the Agreement by order or operation of law as submitted to it or as modified in a manner acceptable to the parties.
17. WLMRWL agrees that this Agreement, when approved by NERC and the Commission, shall represent a final settlement of all matters set forth herein and WLMRWL waives its right to further hearings and appeal, unless and only to the extent that WLMRWL 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 WLMRWL in accordance with the NERC Rules of Procedure in the event that WLMRWL fails to comply with the mitigation plan and compliance program agreed to in this Agreement. In the event WLMRWL 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 WLMRWL to the maximum extent allowed by the NERC Rules of Procedure, up to the maximum statutorily allowed penalty. WLMRWL shall retain all rights to defend against such enforcement actions, also according to the NERC Rules of Procedure.
18. WLMRWL 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 WLMRWL 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 WLMRWL consent to the use of this Agreement by any other party in any other action or proceeding.
19. 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 this Agreement on the entity's behalf.
20. The undersigned representative of each party affirms that he or she has read this Agreement, that all of the matters set forth in this Agreement are true and correct to the best of his or her knowledge, information and belief, and that he or she understands that this 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.
21. This Agreement may be signed in counterparts.
22. This Agreement is executed in duplicate, each of which so executed shall be deemed to be an original.

Agreed to and accepted:

  
\_\_\_\_\_  
Wesley Hompe  
Interim Co-Manager  
Willmar Municipal Utilities

  
\_\_\_\_\_  
Date

  
\_\_\_\_\_  
Daniel P. Skaar  
President and Chief Executive Officer  
Midwest Reliability Organization

  
\_\_\_\_\_  
Date

CONFIDENTIAL  
 Spreadsheet Notice of Penalty  
 For Public Release - November 30, 2012

Region	Registered Entity	NCR_ID	NERC Violation ID #	Notice of Confirmed Violation or Settlement Agreement	Description of the Violation	Reliability Standard	Req.	Violation Risk Factor	Violation Severity Level	Risk Assessment	Violation Start Date	Violation End Date	Total Penalty or Sanction (\$)	Method of Discovery	Description of Mitigation Activity	Mitigation Completion Date	Date Regional Entity Verified Completion of Mitigation	"Admits" "Neither Admits nor Denies" "Agrees and Stipulates to the Facts" or "Does Not Contest"	Factors Affecting the Penalty and Other Considerations
Midwest Reliability Organization (MRO)	Willmar Municipal Utilities (WLMRWL)	NCR01038	MRO20110626		On November 22, 2010, WLMRWL, registered as a Transmission Owner and Distribution Provider, self-reported noncompliant with PRC-005-1, R1 because it failed to have a Protection System maintenance and testing program that identified the maintenance and testing intervals and their basis, and a summary of maintenance and testing procedures. WLMRWL provided evidence of maintenance and testing schedules, but did not provide any corresponding basis for the intervals. WLMRWL adopted a Protection System maintenance and testing program with maintenance and testing intervals and their basis, and a summary of the procedures on December 27, 2010.	PRC-005-1b	R1.1; R1.2	High	Severe	This violation posed a minimal and not serious or substantial risk to the reliability of the bulk power system (BPS) because although WLMRWL failed to have a documented Protection System maintenance and testing program, WLMRWL provided maintenance and testing schedules for all of its devices, and it only has 36 Protection System maintenance and testing devices subject to PRC-005-1. Additionally, WLMRWL is connected to the BPS by two 230 kV transmission lines, collectively totaling 13 miles, and has a peak load of 60 MW. Therefore, based on the size and location of WLMRWL, it would have a minimal impact to the BPS.	6/18/07	12/27/10	\$0	Self-Report	WLMRWL adopted a Protection System maintenance and testing program with maintenance and testing intervals and their basis, and a summary of maintenance and testing procedures on December 27, 2010.	12/27/10	10/26/11	Admits	
Midwest Reliability Organization (MRO)	Willmar Municipal Utilities (WLMRWL)	NCR01038	MRO201100389		During a regularly scheduled compliance audit conducted between July 25, 2011 through August 3, 2011, MRO determined that WLMRWL, registered as a Distribution Provider and Transmission Owner, failed to provide evidence of maintenance and testing records in accordance with its Protection System maintenance and testing program. WLMRWL's failure to maintain and test a station battery resulted in delayed power restoration of its system after a scheduled switching procedure triggered transmission relay events which ultimately led to the loss of firm load to the city of Willmar, Minnesota on May 18, 2010. WLMRWL experienced a firm load loss for two hours for more than 50% of its load. The power outage resulted in a loss of DC. One of WLMRWL's 230 kV relays unexpectedly operated for loss of DC, thus opening a 230 kV circuit. Although the loss of DC prevented WLMRWL from immediately restoring power, the station battery did not cause the event or the loss of load. WLMRWL replaced the battery bank following the event. Although at the time of the event WLMRWL did not have a Protection System maintenance and testing program, it did have maintenance and testing schedules for its devices. WLMRWL provided a copy of its battery maintenance and testing schedule. The schedule indicated that WLMRWL failed to perform maintenance and testing records prior to the event. Specifically, WLMRWL failed to perform DC voltage tests for its station battery on October 8, 2009, January 11, 2010, and March 2, 2010. WLMRWL has 36 Protection System devices (10 relays, 1 station battery, 10 CTs/PTs, 10 DC control circuits, and 5 associated communication devices) subject to PRC-005-1, R2. Of the 36 devices, WLMRWL failed to provide maintenance and testing records for 44.4% of its devices, including 5 relays, 1 station battery, 5 CTs, and 5 DC control circuits.	PRC-005-1b	R2.1	High	Severe	This violation posed a minimal and not serious or substantial risk to the reliability of the bulk power system (BPS) because although the failure to maintain and test the station battery resulted in delayed restoration of firm load, WLMRWL did not shed any load as a result of its failure to maintain and test the equipment. WLMRWL also provided maintenance and testing schedules for all of its devices, and it only has 36 Protection System maintenance and testing devices subject to PRC-005-1. Additionally, WLMRWL is connected to the BPS by two 230 kV transmission lines, collectively totaling 13 miles, and has a peak load of 60 MW. Therefore, based on the size and location of WLMRWL, it would have a minimal impact to the BPS.	6/18/07	5/24/11	\$2,500	Compliance Audit	WLMRWL adopted a Protection System maintenance and testing program which included intervals, basis, and a summary on December 27, 2010. Additionally, WLMRWL performed a comprehensive review of all Protection System maintenance and testing records. Upon completion of the equipment review, WLMRWL performed maintenance and testing on devices lacking records. WLMRWL created a control document that describes the procedures to identify what tests need to be scheduled and how those tests will be conducted and by whom.	4/9/12	4/9/12	Admits	WLMRWL's failure to maintain and test a station battery resulted in a delayed restoration time for a system event. MRO considered this as a factor in its penalty determination. MRO also considered above and beyond remedies as described in the Settlement Agreement to offset the penalty.

## **Attachment b**

### **Record documents for the violation of PRC-005-1 R1**

**b-1. WLMRWL's Self-Report dated  
November 22, 2010**

**b-2. WLMRWL's Mitigation Plan  
designated as MROMIT005905 submitted  
September 20, 2011**

**b-3. WLMRWL's Certification of Mitigation  
Plan Completion dated October 25, 2011**

**b-4. MRO's Verification of Mitigation Plan  
Completion dated October 26, 2011**

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**Self Report - 2010**

Willmar Municipal Utilities  
PO Box 937  
Willmar MN 56201

**NERC Registry ID:** NCR01038

**Standard Requirement:** PRC-005-1 R1

Each Transmission Owner and any Distribution Provider that owns a transmission Protection System and each Generator Owner that owns a generation Protection System shall have a Protection System maintenance and testing program for Protection Systems that affect the reliability of the BES. The program shall include:

**Date of Alleged Violation:** May 08, 2010

**Date Submitted:** November 22, 2010

**Self Report Status:** Self Report has been submitted

**Description and Cause:** Willmar sub battery failed upon loss of both the main and emergency station powers. Battery test results were found, but a formal, documented procedure was not.

**Potential Impact to the Bulk Power System:** Documentation of battery bank test procedure may have helped predict bad cell and bank failure prior to loss of station power.

<b>Additional Comments</b>		
<b>From</b>	<b>Comment</b>	<b>User Name</b>
Entity	PRC-005 R1 Failure to document battery test procedure. WMU does monthly tests on the Willmar 230kv battery that we own. We have records of battery specific gravity tests, which constitute the WMU battery testing program. After review, it was determined that WMU did not have the proper documentation of the battery test procedure. Since that time, WMU has adopted the GRE Protective System Maintenance Program (PSMP) which includes battery and relay testing.	Wesley Hompe

<b>Additional Documents</b>			
<b>From</b>	<b>Document Name</b>	<b>Description</b>	<b>Size in Bytes</b>
Entity	Action Items from 5-18-10		15,137

## Mitigation Plan

Registered Entity: Willmar Municipal Utilities

<u>NERC Violation ID</u>	<u>Requirement</u>	<u>Violation Validated On</u>
MRO201100256	PRC-005-1 R1	01/28/2011

Mitigation Plan Submitted On: September 20, 2011

Mitigation Plan Accepted On: September 21, 2011

Mitigation Plan Proposed Completion Date: December 27, 2010

Actual Completion Date of Mitigation Plan:

Mitigation Plan Certified Complete by WLMRWL On:

Mitigation Plan Completion Validated by MRO On:

Mitigation Plan Completed? (Yes/No): No

## Section A: Compliance Notices

Section 6.2 of the NERC CMEP 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.
- (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.
- 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.

Section B: Registered Entity Information

B.1 Identify your organization:

Entity Name: Willmar Municipal Utilities  
NERC Compliance Registry ID: NCR01038  
Address: PO Box 937  
Willmar MN 56201

B.2 Identify the individual in your organization who will serve as the Contact to the 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: Wesley Hompe  
Title: Staff Electrical Engineer  
Email: whompe@wmu.willmar.mn.us  
Phone: 320-235-4422

**Section C: Identification of Reliability Standard Violation(s) Associated with this Mitigation Plan**

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

Violation ID	Date of Violation	Requirement
Requirement Description		
MRO201100256	06/18/2007	PRC-005-1 R1
Each Transmission Owner and any Distribution Provider that owns a transmission Protection System and each Generator Owner that owns a generation Protection System shall have a Protection System maintenance and testing program for Protection Systems that affect the reliability of the BES. The program shall include:		

C.2 Identify the cause of the violation(s) identified above:

WMU discovered that we did not have documented protection system Maintenance program as required by the above standard.

C.3 Provide any relevant information regarding the violation(s) associated with this Mitigation Plan: [If known]

WMU did not have a printed, documented Protective System Maintenance Program (PMSP) until registration as a Transmission Owner (TO), then WMU accepted ac opy of GRE's Protective System Maintenance Program (PMSP) August 27, 2010. During the Fall of 2010, WMU reviewed and revised the document for our use and adopted it December 27,2010.

**Section D: Details of Proposed Mitigation Plan**

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:

WMU received the GRE PSMP on August 27, 2010.  
WMU recieved the complete copy of the GRE PSMP 10/19/2010.  
WMU reviewed and revised PMSP for WMU use and adopted on 12/27/2010.

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:

Proposed Completion date of Mitigation Plan:December 27, 2010

D.3 Milestone Activities, with completion dates, that your organization is proposing for this Mitigation Plan:

Milestone Activity	Description	*Proposed Completion Date (Shall not be greater than 3 months apart)	Actual Completion Date
Develop and review internal of WMU PSMP	WMU requested a copy the Great River Energy Protective System Maintenance Program prior to registration as a TO on August 27, 2010. After recieving a copy of the GRE PSMP and associate documents, WMU will review and revise for our own use to adopt.	10/20/2010	October 20, 2010
Finalize and adopt Protective System Maintenace Program for WMU	Revise names and add appendices to document to customize for WMU use. Company staff review, approve and adopt.	12/27/2010	December 27, 2010

D.4 Additional Relevant Information (Optional)  
None

## Section E: Interim and Future Reliability Risk

### E.1 Abatement of Interim BES Reliability Risk

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:

- (i) There are no risks or impacts to be considered, WMU's new plan is compliant.
- (ii) As such, there are no proposed actions to address the risks.

### E.2 Prevention of Future BES Reliability Risk

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:

By adopting the program, WMU will remain compliant.

### 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:

net.sourceforge.jtds.jdbc.ClobImpl@1da87db

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 Staff Electrical Engineer of Willmar Municipal Utilities
- 2. I am qualified to sign this Mitigation Plan on behalf of Willmar Municipal Utilities
- 3. I have read and understand Willmar Municipal Utilities'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. Willmar Municipal Utilities 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: Wesley Hompe

Title: Staff Electrical Engineer

Authorized On: September 20, 2011

## Certification of Mitigation Plan Completion

Submittal of a Certification of Mitigation Plan Completion shall include data or information sufficient for the Regional Entity to verify completion of the Mitigation Plan. The Regional Entity 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: Willmar Municipal Utilities

NERC Registry ID: NCR01038

NERC Violation ID(s): MRO201100256

Mitigated Standard Requirement(s): PRC-005-1 R1,

Scheduled Completion as per Accepted Mitigation Plan: December 27, 2010

Date Mitigation Plan completed: December 27, 2010

MRO Notified of Completion on Date: October 25, 2011

Entity Comment:

Additional Documents			
From	Document Name	Description	Size in Bytes
Entity	WMU PSMP r1.doc		254,464
Entity	GRE PSMP.pdf		132,637

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

Name: Wesley Hompe

Title: Staff Electrical Engineer

Email: whompe@wmu.willmar.mn.us

Phone: 1 (320) 235-4422

Authorized Signature \_\_\_\_\_ Date \_\_\_\_\_

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

**From:** noreply@oati.net  
**Sent:** 10/26/2011 14:14:33  
**To:** cdms-mpstatus@midwestreliability.org  
**Subject:** A Mitigation Plan has been verified as completed for Entity: Willmar Municipal Utilities - Violation#MRO201100256

---

**Please do not REPLY to this message. It was sent from an unattended mailbox and replies are not monitored.**

The following Mitigation Plan has been verified as completed by MRO.

**Entity: Willmar Municipal Utilities - NCR01038**  
**NERC Violation ID:MRO201100256**  
**Standard Requirement: PRC-005-1 R1**  
**Proposed Completion Date: 12/27/2010**  
**Verification Date: 10/26/2011**  
**Mitigation Plan submitted on: 09/20/2011 (Version 1), for Program Year: 2010**

*If you have any questions regarding this notification, please contact:*[enforcement@midwestreliability.org](mailto:enforcement@midwestreliability.org).

*Note: This is a webCDMS application generated message. Please Do NOT respond to this email. CONFIDENTIAL INFORMATION: This email and any attachment(s) contain confidential and/or proprietary information of Open Access Technology International, Inc. Do not copy or distribute without the prior written consent of OATI. If you are not a named recipient to the message, please notify the sender immediately and do not retain the message in any form, printed or electronic.*

*[OATI Information - Email Template: MitPlan Completed]*

## **Attachment c**

### **Record documents for the violation of PRC-005-1 R2**

**c-1. WLMRWL's Source Document dated  
August 3, 2011**

**c-2. WLMRWL's Mitigation Plan  
designated as MROMIT006215 submitted  
December 9, 2011**

**c-3. WLMRWL's Certification of Mitigation  
Plan Completion dated April 9, 2012**

**c-4. MRO's Verification of Mitigation Plan  
Completion dated April 9, 2012**

---

**Compliance Audit Worksheet - 2011  
Willmar Municipal Utilities**

**Audit Type:** 6 Year Audit

**Conducted On:** August 03, 2011

**Lead Auditor:** Julie Sikes

**Phone No:** 651-855-1747

**Email:** jr.sikes@midwestreliability.org

**Entity:** Willmar Municipal Utilities

**Address:** PO Box 937, Willmar, MN 56201

**NERC Registry ID:** NCR01038

Standard Requirement	Finding	Auditor Summary Notes and Additional Information (if any ...)
PRC-005-1 R1	OEA	Willmar Municipal Utilities Self Reported on this Standard/Requirement on Nov. 22, 2010.
PRC-005-1 R2	Possible Violation	Willmar Municipal Utilities provided the maintenance and testing records for their transmission protection system relays and the associated communication systems, current and voltage sensing devices, DC control circuitry and station batteries. Retired relays listed in the initial sample were not part of the BES due to the fact they are on the 69kV system. The remaining 4 electromechanical relays were all tested in the summer of 2003 when a reconfiguration was built. Willmar provided an attestation of the 2003 testing and an additional attestation of the 3 breaker failure relays on the 69kV system as not part of the BES. Willmar followed the GRE PSMP program and until a change was made in GRE's document in 2009 there was an eight year interval for electromechanical relays. Willmar provided this document as evidence, GRE 502 Electrical Maintenance and Inspection on the GRE System2.pdf. Testing and maintenance of microprocessor relays were completed within the program intervals.

## Mitigation Plan

Registered Entity: Willmar Municipal Utilities

<u>NERC Violation ID</u>	<u>Requirement</u>	<u>Violation Validated On</u>
MRO201100389	PRC-005-1 R2	09/29/2011

Mitigation Plan Submitted On: December 09, 2011

Mitigation Plan Accepted On: December 12, 2011

Mitigation Plan Proposed Completion Date: April 10, 2012

Actual Completion Date of Mitigation Plan:

Mitigation Plan Certified Complete by WLMRWL On:

Mitigation Plan Completion Validated by MRO On:

Mitigation Plan Completed? (Yes/No): No

## Section A: Compliance Notices

Section 6.2 of the NERC CMEP 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.
- (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.
- 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.

Section B: Registered Entity Information

B.1 Identify your organization:

Entity Name: Willmar Municipal Utilities  
NERC Compliance Registry ID: NCR01038  
Address: PO Box 937  
Willmar MN 56201

B.2 Identify the individual in your organization who will serve as the Contact to the 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: Wesley Hompe  
Title: Staff Electrical Engineer  
Email: whompe@wmu.willmar.mn.us  
Phone: 320-235-4422

**Section C: Identification of Reliability Standard Violation(s) Associated with this Mitigation Plan**

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

Violation ID	Date of Violation	Requirement
Requirement Description		
MRO201100389	07/15/2009	PRC-005-1 R2
Each Transmission Owner and any Distribution Provider that owns a transmission Protection System and each Generator Owner that owns a generation Protection System shall provide documentation of its Protection System maintenance and testing program and the implementation of that program to its Regional Reliability Organization on request (within 30 calendar days). The documentation of the program implementation shall include:		

C.2 Identify the cause of the violation(s) identified above:

WMU failed to complete voltage testing of substation batteries consistent with our substation inspection worksheet. This worksheet was representative of our maintenance and testing program used prior to adoption current maintenance and testing program of our protection system on December 27, 2010. The old battery testing program was to test the batteries as least 6 times per year. The violation was identified during the 2011 audit by MRO.

C.3 Provide any relevant information regarding the violation(s) associated with this Mitigation Plan: [If known]

Records submitted to MRO for the audit showed that during the normal substation inspection and testing visits, the battery voltage was not tested.

**Section D: Details of Proposed Mitigation Plan**

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:

WMU adopted a protective system maintenance and testing program (PSMP) based on the GRE program on December 27, 2010, but had GRE periodically test the batteries since the replacement of the substation batteries occurred on July 8, 2010. The last test prior to the August, 2011 audit was May 24, 2011. WMU has an agreement with GRE that includes GRE tasked with testing the battery banks according to the WMU Protective System Maintenance and Testing Program. A copy of the agreement is included in documents. WMU will contact MRO to formulate a mitigation plan. WMU will make a comprehensive review of all protective system equipment and testing applicable to the BES. Upon completion of the equipment review, WMU will follow up with any testing that may not have been completed. WMU will submit all test records of applicable equipment in the WMU comprehensive protective equipment list for MRO review. WMU will create a control document that describes the procedures to identify what tests need to be scheduled and how those tests will be conducted and by whom.

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:

Proposed Completion date of Mitigation Plan: April 10, 2012

D.3 Milestone Activities, with completion dates, that your organization is proposing for this Mitigation Plan:

Milestone Activity	Description	*Proposed Completion Date (Shall not be greater than 3 months apart)	Actual Completion Date
Issue Identified during Audit was mitigated prior to Audit	Battery testing records were found incomplete for Willmar Substation for a period of time in 2010. Testing completed in May of 2011.	05/24/2011	May 24, 2011
WMU and GRE sign testing agreement	WMU and GRE will sign an agreement that clearly lists responsibilities for testing and maintenance of protective systems owned by each entity at the Willmar substation.	06/29/2011	June 29, 2011
Work with MRO to formulate plan	Contact enforcement at MRO to create acceptable plan.	09/27/2011	September 27, 2011
Review test records of protective system	Complete a comprehensive review of all protective system records. This includes Relays, PTs CTs, communications system and batteries.	12/26/2011	
Follow up of test record review	After full review of all test records, follow up and test any equipment not already tested or that have no documents that show testing has been done per PSMP.	01/28/2012	

Milestone Activity	Description	*Proposed Completion Date (Shall not be greater than 3 months apart)	Actual Completion Date
Test record submission to MRO	WMU will submit all test records of applicable equipment in the WMU comprehensive protective equipment list for MRO review.	03/07/2012	
Relay testing Control Document	WMU will create a control document that describes the procedures to identify what tests need to be scheduled and how those tests will be conducted and by whom	04/10/2012	

D.4 Additional Relevant Information (Optional)

## Section E: Interim and Future Reliability Risk

### E.1 Abatement of Interim BES Reliability Risk

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:

WMU owns and GRE operates 13.5 miles of 230KV line and the Willmar substation end of this line. An outage of the line does not cause a significant impact of the BES. Peak load for WMU is 62 MW, loss of the entire load does not cause a significant impact to the BES. Therefore, there is no critical asset identified in the WMU responsibility area. Risk to reliability is low.

### E.2 Prevention of Future BES Reliability Risk

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:

WMU will create a control document that describes the procedures to identify what tests need to be scheduled and how those tests will be conducted and by whom.

### 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:

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 Staff Electrical Engineer of Willmar Municipal Utilities
  - 2. I am qualified to sign this Mitigation Plan on behalf of Willmar Municipal Utilities
  - 3. I have read and understand Willmar Municipal Utilities'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. Willmar Municipal Utilities 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: Wesley K Hompe

Title: Staff Electrical Engineer

Authorized On: December 09, 2011

## Certification of Mitigation Plan Completion

Submittal of a Certification of Mitigation Plan Completion shall include data or information sufficient for the Regional Entity to verify completion of the Mitigation Plan. The Regional Entity 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: Willmar Municipal Utilities

NERC Registry ID: NCR01038

NERC Violation ID(s): MRO201100389

Mitigated Standard Requirement(s): PRC-005-1 R2,

Scheduled Completion as per Accepted Mitigation Plan: April 10, 2012

Date Mitigation Plan completed: April 09, 2012

MRO Notified of Completion on Date: April 09, 2012

Entity Comment:

Additional Documents			
From	Document Name	Description	Size in Bytes
Entity	WMU signed O&M.pdf		356,912
Entity	O&M signiture sheet.pdf		21,901
Entity	WMU PSMP r1.3.pdf		540,878
Entity	WMU_PRC-005 R2 Compliance_Docs.zip		24,348,126
Entity	WSInventory[1].xls		37,376
Entity	167251_13NB6[1].pdf		6,009,820
Entity	MRO Mitigation for PRC-005- R2 Milestone 7.doc		24,064
Entity	WMU_Test_Schedule.xls		35,840

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

Name: Wesley K Hompe

Title: Staff Electrical Engineer

Email: whompe@wmu.willmar.mn.us

Phone: 1 (320) 235-4422

Authorized Signature \_\_\_\_\_ Date \_\_\_\_\_

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

**From:** [noreply@oati.net](mailto:noreply@oati.net)  
**To:** [cdms-mpstatus@midwestreliability.org](mailto:cdms-mpstatus@midwestreliability.org)  
**Subject:** [cdms-mpstatus] A Mitigation Plan has been verified as completed for Entity: Willmar Municipal Utilities - Violation#MRO201100389  
**Date:** Monday, April 09, 2012 9:34:34 AM

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**Please do not REPLY to this message. It was sent from an unattended mailbox and replies are not monitored.**

The following Mitigation Plan has been verified as completed by MRO.

Entity: **Willmar Municipal Utilities - NCR01038**  
NERC Violation ID: **MRO201100389**  
Standard Requirement: **PRC-005-1 R2**  
Mitigation Plan submitted on: **12/09/2011** (Version **1**), for Program Year: **2011**  
Proposed Completion Date: **04/10/2012**  
Actual Completion Date: **04/09/2012**  
MRO Verified Completion Date on: **04/09/2012**  
If you have any questions regarding this notification, please contact: [mitigation@midwestreliability.org](mailto:mitigation@midwestreliability.org).

Note: This is a webCDMS application generated message. Please Do NOT respond to this email.

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[OATI Information - Email Template: MitPlan\_Completed]

**Attachment d**

**Notice of Filing**

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UNITED STATES OF AMERICA  
FEDERAL ENERGY REGULATORY COMMISSION

Willmar Municipal Utilities

Docket No. NP13-\_\_\_\_-000

NOTICE OF FILING  
November 30, 2012

Take notice that on November 30, 2012, the North American Electric Reliability Corporation (NERC) filed a Notice of Penalty regarding Willmar Municipal Utilities 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](mailto:FERCOnlineSupport@ferc.gov), or call (866) 208-3676 (toll free). For TTY, call (202) 502-8659.

Comment Date: [BLANK]

Kimberly D. Bose,  
Secretary