



NORTH AMERICAN ELECTRIC
RELIABILITY CORPORATION

July 6, 2010

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

**Re: NERC Abbreviated Notice of Penalty regarding Board of Public Utilities, City of
McPherson, Kansas (McPherson),
FERC Docket No. NP10-__-000**

Dear Ms. Bose:

The North American Electric Reliability Corporation (NERC) hereby provides this Abbreviated Notice of Penalty (NOP)¹ regarding the Registered Entity listed in 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

Taking into consideration the Commission's direction in Order No. 693, the NERC Sanction Guidelines and the Commission's July 3, 2008 and October 26, 2009 Guidance Orders,³ the NERC BOTCC reviewed the findings and proposed penalty or sanction and approved the Abbreviated NOP and the attachments thereto on May 14, 2010, for filing with the Commission. Pursuant to 18 C.F.R. §39.7(e), the zero dollar penalty will be effective upon expiration of the 30 day period following the filing of this NOP with the Commission, or, if the Commission decides to review the penalty, upon final determination by the Commission.

¹ *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).

² See 18 C.F.R. § 39.7(c)(2).

³ *North American Electric Reliability Corporation*, "Guidance Order on Reliability Notices of Penalty," 124 FERC ¶ 61,015 (2008); *North American Electric Reliability Corporation*, "Guidance Order on Reliability Notices of Penalty," 129 FERC ¶ 61,069 (2009).

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 and material:

- a) Disposition of Violation, included as Attachment a;
- b) McPherson's Self-Report dated July 1, 2009, included as Attachment b;
- c) McPherson's Response to the Notice of Alleged Violation and Proposed Penalty or Sanction dated February 17, 2010, included as Attachment c;
- d) McPherson's Mitigation Plan submitted August 6, 2009, included as Attachment d;
- e) McPherson's Certification of Mitigation Plan Completion dated August 6, 2009, included as Attachment e; and
- f) SPP's Verification of Completion of the Mitigation Plan dated January 22, 2010, included as Attachment f.

A Form of Notice Suitable for Publication⁴

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

⁴ 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* 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 david.cook@nerc.net</p> <p>Tim Maier* General Manager Board of Public Utilities, City of McPherson, Kansas 400 East Kansas Avenue P.O. Box 1008 McPherson, Kansas 67460 timm@mcpbpu.com (620) 245-2525 (620) 245-2551 – facsimile</p> <p>Mark Wurm* Assistant General Manager Board of Public Utilities, City of McPherson, Kansas 400 East Kansas Avenue P.O. Box 1008 McPherson, Kansas 67460 markw@mcpbpu.com (620) 245-2525 (620) 245-2551 – facsimile</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 Holly A. Hawkins* Attorney V. Davis Smith* Attorney (admitted in IN; application pending in NJ; not admitted in D.C.) 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 holly.hawkins@nerc.net davis.smith@nerc.net</p> <p>Stacy Dochoda* General Manager Southwest Power Pool Regional Entity 16101 La Grande, Ste 103 Little Rock, AR 72223 sdochoda@spp.org (501) 688-1730 (501) 821-8726 – facsimile</p> <p>Joe Gertsch* Manager Enforcement Southwest Power Pool Regional Entity 16101 La Grande, Ste 103 Little Rock, AR 72223 jgertsch@spp.org (501) 688-1672 (501) 821-8726 – facsimile</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
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
david.cook@nerc.net

/s/ Rebecca J. Michael
Rebecca J. Michael
Assistant General Counsel
Holly A. Hawkins
Attorney
V. Davis Smith
Attorney (admitted in IN; application
pending in NJ; not admitted in D.C.)
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
holly.hawkins@nerc.net
davis.smith@nerc.net

cc: Board of Public Utilities, City of McPherson, Kansas
Southwest Power Pool Regional Entity

Attachments

Attachment a

Disposition of Violation

DISPOSITION OF VIOLATION¹

NERC TRACKING
NO.
SPP200900085

REGIONAL ENTITY TRACKING
NO.
2009-015

NOC#

NOC-250

REGISTERED ENTITY
**Board of Public Utilities, City of McPherson, Kansas
(McPherson)**

NERC REGISTRY ID
NCR10319

I. REGISTRATION INFORMATION

ENTITY IS REGISTERED FOR THE FOLLOWING FUNCTIONS:

BA	DP	GO	GOP	IA	LSE	PA	PSE	RC	RP	RSG	TO	TOP	TP	TSP
	X	X	X		X						X			
	4/17/2009	4/17/2009	4/17/2009		4/17/2009						4/17/2009			

* VIOLATION APPLIES TO SHADED FUNCTIONS

DESCRIPTION OF THE REGISTERED ENTITY

McPherson has a three member Board designated by the City of McPherson, Kansas, to operate, as a separate unit of City Government, its water and electric utilities. McPherson owns 18 miles of 115 kV transmission line and 235.3 MW of generating capacity consisting of Plant 2 (PP2) Unit 1, Unit 2 and Unit 3 at 52 MW each, and Plant 3 (PP3) Unit 1, at 79.3 MW. McPherson has a peak load of 140 MW.

I. VIOLATION INFORMATION

RELIABILITY STANDARD	REQUIREMENT(S)	SUB- REQUIREMENT(S)	VRF(S)	VSL(S)
VAR-002-1²	3		Medium	Moderate

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

² 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-002-1.1a is the current enforceable Standard as of May 13, 2009. 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

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

The purpose of VAR-002-1 is 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.

VAR-002-1 R3 requires that:

Each Generator Operator shall notify its associated Transmission Operator as soon as practical, but within 30 minutes of any of the following:

- R3.1. A status or capability change on any generator Reactive Power resource, including the status of each automatic voltage regulator (AVR) and power system stabilizer and the expected duration of the change in status or capability; and**
- R3.2. A status or capability change on any other Reactive Power resources under the Generator Operator's control and the expected duration of the change in status or capability.**

VIOLATION DESCRIPTION

On June 18, 2009, and again on June 19, 2009, a McPherson generator operator switched the PP2 Unit 1 generator AVR to MVAR control mode for approximately two minutes on each day.³ McPherson's generator operator switched the PP2 Unit 1 generator to MVAR control mode during unit startup because PP2 Unit 1 is more responsive to control system changes at low load in the MVAR control mode. The generator operator did not notify the McPherson Transmission Operator, Westar, on either occasion that the PP2 Unit 1 generator was momentarily switched from automatic voltage control mode to MVAR control mode and back.

On June 23, 2009, McPherson's NERC Compliance Coordinator became aware of the aforementioned events and took immediate steps to correct the violation of VAR-002-1 R3 and prevent any further occurrence. After conducting an initial investigation of the operator's actions and upon concluding the generator operator had not followed McPherson's internal procedures, McPherson's NERC Compliance Coordinator submitted a Self-Report to SPP RE for a violation of VAR-002-1 R3 on July 1, 2009.

RELIABILITY IMPACT STATEMENT- POTENTIAL AND ACTUAL

and its requirements. For consistency in this filing, the original NERC Reliability Standard, VAR-002-1, is used throughout.

³ On June 18, 2009, when the PP2 Unit 1 switched modes, the PP2 Unit 3 and Plant 3 Unit 1 generators were online and operating in AVR mode. On June 19, 2009, when the PP2 Unit 1 switched modes, Plant 3 Unit 1 was online and operating in AVR mode.

SPP RE determined⁴ that this violation did not pose a serious or substantial risk to the bulk power system (BPS) because, during the time the Units were not operating in AVR mode, McPherson had another Unit or Units operating that would have been able to respond to a BPS voltage excursion.

On June 18, 2009, when the McPherson generator operator momentarily switched the PP2 Unit 1 generator to MVAR control mode, the PP2 Unit 3 and Plant 3 Unit 1 generators were online and operating in the automatic voltage control mode. PP2 Unit 3 and PP3 Unit 1 would have responded to a BPS voltage excursion. Additionally, McPherson's system load at the time was 123 MW with a 99% power factor.

On June 19, 2009, when the McPherson generator operator momentarily switched the PP2 Unit 1 generator to MVAR control mode, PP3 Unit 1 was online and operating in automatic voltage control mode. PP3 Unit 1 would have responded to a BPS voltage excursion. Additionally, McPherson's system load at the time was 112 MW and 0.99 power factor.

Additionally, McPherson's non-compliance did not pose a serious or substantial risk to the bulk power system (BPS) because of the size of the generating unit (52 MW) and the short period of time (approximately 2 minutes) the unit was incapable of responding to system voltage executions.

IS THERE A SETTLEMENT AGREEMENT YES ☐ NO ☒

WITH RESPECT TO THE VIOLATION(S), 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 checked="" type="checkbox"/>

WITH RESPECT TO THE PROPOSED PENALTY OR SANCTION, REGISTERED ENTITY

ACCEPTS IT/DOES NOT CONTEST IT YES ☒

III. DISCOVERY INFORMATION

⁴ McPherson's policy requires it to operate its generators in automatic voltage control mode. In both of the instant cases the PP2 Unit 1 was originally being operated in automatic voltage control mode. Because the PP2 Unit 1 exciter is slow to respond to manual increases in load during unit start up, the operator switched the unit to MVAR mode to expedite an increase in unit generation. The circumstances of the two occurrences are identical – unit start up, low load, switch from AVR to MVAR for two minutes, return to AVR mode, failure to notify the TOP of switch and return. The facts would support a violation of both R1 and R3. SPP RE determined that R3 was more appropriate because McPherson normally operates its units in AVR mode and the occurrences were of short duration.

METHOD OF DISCOVERY

SELF-REPORT ⁵	<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)

June 18, 2009 (the date of the first instance of PP2 Unit 1 operating in MVAR mode) through July 10, 2009 (Mitigation Plan completion).

DATE DISCOVERED BY OR REPORTED TO REGIONAL ENTITY **July 1, 2009**

IS THE VIOLATION STILL OCCURRING

YES ☐ NO ☒

IF YES, EXPLAIN

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

IV. MITIGATION INFORMATION

MITIGATION PLAN NO. **MIT-09-1863**

DATE SUBMITTED TO REGIONAL ENTITY **August 6, 2009**

DATE ACCEPTED BY REGIONAL ENTITY **August 7, 2009**

DATE APPROVED BY NERC **August 13, 2009**

DATE PROVIDED TO FERC **August 13, 2009**

IDENTIFY AND EXPLAIN VERSIONS THAT WERE REJECTED, IF APPLICABLE

N/A

MITIGATION PLAN COMPLETED YES ☒ NO ☐

EXPECTED COMPLETION DATE **July 10, 2009**

EXTENSIONS GRANTED **N/A**

ACTUAL COMPLETION DATE **July 10, 2009**

⁵ McPherson incorrectly identified June 23, 2009, as the date the violation occurred in the self-report.

DATE OF CERTIFICATION LETTER **August 6, 2009**
CERTIFIED COMPLETE BY REGISTERED ENTITY AS OF **July 10, 2009**

DATE OF VERIFICATION LETTER **January 22, 2010**
VERIFIED COMPLETE BY REGIONAL ENTITY AS OF **August 6, 2009**

ACTIONS TAKEN TO MITIGATE THE ISSUE AND PREVENT
RECURRENCE

McPherson's Mitigation Plan, Sections D1 and E2, required it to:

- (1) Have the NERC Compliance Coordinator outline the steps to remedy the violation;**
- (2) perform a review of McPherson's policy and operating procedure for NERC Standard VAR-002-1.1a;**
- (3) review its operating procedures with all operating personnel; and**
- (4) complete disciplinary action against the generator operator who failed to notify the Transmission Operator of the switch out from AVR mode and the return thereto.**

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

SPP RE reviewed the following documents:

- (1) *Memorandum* from the McPherson NERC Compliance Coordinator to McPherson management documenting the review of the applicable McPherson procedures with the McPherson system operators.**
- (2) *McPherson Violation Report Form, NERC Reliability Standard: VAR-002-1.1a*, dated July 1, 2009, identifying the underlying facts and circumstances of McPherson's NERC Compliance Coordinator's investigation and action items for addressing the mitigation of the violation.**
- (3) *McPherson NERC Compliance Policy*, approved December 22, 2008, outlining McPherson's NERC compliance policy and identifying the steps to be followed in the event of a violation of the Reliability Standards.**
- (4) *McPherson procedure, Generator Operation for Maintaining Network Voltage Schedules, Rev. 1*, dated April 28, 2009, requiring McPherson operators to operate its generators in automatic voltage control mode and to notify its Transmission Operator within 30 minutes if a generator is switched from automatic voltage control mode.**

V. PENALTY INFORMATION

TOTAL PROPOSED PENALTY OR SANCTION OF \$0 FOR ONE VIOLATION.

(1) 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))

(2) REGISTERED ENTITY'S COMPLIANCE HISTORY

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

YES ☐ NO ☒

LIST ANY CONFIRMED OR SETTLED VIOLATIONS AND STATUS

ADDITIONAL COMMENTS

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

YES ☐ NO ☒

LIST ANY PRIOR CONFIRMED OR SETTLED VIOLATIONS AND STATUS

ADDITIONAL COMMENTS

(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 ☐
IF NO, EXPLAIN

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

IS THERE A DOCUMENTED COMPLIANCE PROGRAM

YES ☒ NO ☐

EXPLAIN

McPherson has established an internal compliance program. The program appears to be supported by all levels of management. In addition to the General Manager being designated, by procedure, with ultimate responsibility for McPherson's compliance with the NERC Reliability Standards, McPherson has also designated a Reliability Compliance Officer and a NERC Compliance Coordinator. These individuals have direct access to the General Manager regarding compliance matters. According to McPherson, the McPherson internal compliance program is adequately staffed and funded. Internal reviews are periodically performed and necessary changes are made to ensure continued compliance with the NERC Reliability Standards. Disciplinary action is taken against those employees who violate NERC Standards. SPP RE found the McPherson compliance program to be robust, responsive and well organized.

DOES SENIOR MANAGEMENT TAKE ACTIONS THAT SUPPORT THE COMPLIANCE PROGRAM, SUCH AS TRAINING, COMPLIANCE AS A FACTOR IN EMPLOYEE EVALUATIONS, OR OTHERWISE

YES ☒ NO ☐

EXPLAIN

See above.

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

Per McPherson's *NERC Compliance Policy*, McPherson's NERC Compliance Coordinator advises the General Manager and the Assistant General Manager of any alleged violation with recommendation of best plan to cease and report the violation. Steps are then outlined to remedy the violation and ensure future compliance. These steps are outlined by memo or other suitable means by McPherson's NERC Compliance Coordinator and saved to an internal compliance file.

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

YES ☐ NO ☒
IF YES, EXPLAIN

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

YES ☐ NO ☒
IF YES, EXPLAIN

(7) ANY OTHER MITIGATING FACTORS FOR CONSIDERATION

YES ☐ NO ☒
IF YES, EXPLAIN

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

YES ☐ NO ☒
IF YES, EXPLAIN

(9) ANY OTHER EXTENUATING CIRCUMSTANCES

YES ☐ NO ☒
IF YES, EXPLAIN

(10) ADDITIONAL SUPPORT FOR PROPOSED PENALTY OR SANCTION

EXHIBITS (SEE ATTACHMENTS TO THE NOTICE OF PENALTY):

SOURCE DOCUMENT
McPherson's Self-Report dated July 1, 2009

MITIGATION PLAN
McPherson's Mitigation Plan submitted August 6, 2009

CERTIFICATION BY REGISTERED ENTITY
McPherson's Certification of Mitigation Plan Completion dated August 6, 2009

OTHER RELEVANT INFORMATION:

NOTICE OF ALLEGED VIOLATION AND PROPOSED PENALTY OR
SANCTION ISSUED

DATE: **February 5, 2010** OR N/A ☐

SETTLEMENT DISCUSSIONS COMMENCED

DATE: **July 29, 2009** OR N/A ☐

Settlement discussions commenced on July 29, 2009 but were terminated and a Notice of Confirmed Violation was issued because McPherson agreed to the violation, the proposed penalty in the Notice of Alleged Violation and Proposed Penalty or Sanction (NAVAPS) and completed the mitigation of the violation.

NOTICE OF CONFIRMED VIOLATION ISSUED

DATE: **March 23, 2010** OR N/A ☐

SUPPLEMENTAL RECORD INFORMATION

DATE(S) OR N/A ☒

REGISTERED ENTITY RESPONSE CONTESTED

FINDINGS ☐ PENALTY ☐ BOTH ☐ NO CONTEST ☒

HEARING REQUESTED

YES ☐ NO ☒

DATE

OUTCOME

APPEAL REQUESTED

Attachment b

McPherson's Self-Report dated July 1, 2009



Compliance Data Management System

v4.0.0 © Midwest Reliability Organization, 2007

Regional Entity: Southwest Power Pool RE

Thursday, January 28, 2010

Logged in as JGertsch

Southwest Power Pool Regional Entity

Program Year 2009

Administrator

Self Report Maintenance

Self Report Details

* Standard Requirement VAR-002-1.1A R3 * Date Alleged Violation Occurred Jun 23, 2009

* Alleged Violation Description and Cause

On June 23, 2009 the NERC Compliance Coordinator was made aware that an Operator had selected MVAR Control on June 18 and 19, 2009 to control the voltage on Power Plant 2 Unit 1 generator without notifying the Transmission Operator (Westar) or documenting any such change in the NERC log book. When confronted the operator did confirm that he had briefly selected MVAR

* Potential Impact to the Bulk Power System

If the BES had a massive problem in which the voltage became unstable or drooped it would be important for all generation to be operating in AVR mode so the generator can automatically support voltage. For the McPherson PP2 Unit 1 generator to not be in AVR mode for this time period meant it would not of been responsive to a massive BES problem. Given the size of the integrated SPP

Fields marked with * are required!

Toggle Entity Comments and Documents Section

Entity Comments And Documents

Entity Comments

Made On	Made By	Updated On	Updated By	Comment	Button
Jul 1, 2009 8:20:35 AM	MCPHER_L	Jul 1, 2009 2:39:57 PM	MCPHER_L	It is 6.4 of McPherson BPU's NERC Compliance Policy that when violations are detected McPherson BPU reviews the NERC Reliability Standard and the BPU Operating Procedure to the NERC Standard. VAR -002-1.1a was reviewed and BPU has decided to make no changes to the procedure. However, BPU did find that a revision will need to be made to TOP-002-2a Operating Procedure R14.1 to	Edit

Documents

Name	Type	Description	Button	Button
Violation Report Form VAR-002-1.1A.pdf	application/pdf	Violation Report Form	Edit	Delete

Attachment c

McPherson's Response to the Notice of Alleged Violation and Proposed Penalty or Sanction dated February 17, 2010

BOARD OF PUBLIC UTILITIES

CITY OF McPHERSON

P.O. BOX 1008 • McPherson, KS 67460 • 620-245-2525

Vernon L. Dossett, Chairman
John G. Holthus, Vice-Chairman
Paul Z. Anderson, Member
City Commissioner Ex-Officio
Timothy S. Maler, P.E. General Manager
Mark W. Wurm, P.E. Ass't. General Manager
Laurence R. Swenson, CPA, Sec'y Comptroller

February 17, 2010

Mr. Joe Gertsch, Manager Enforcement and Legal
Southwest Power Pool Regional Entity
415 McKinley, Suite 140
Little Rock, Arkansas 72205

Re: NERC Violation Identification Number: **SPP200900085**

NERC Standard: **VAR-002-1 R3**

SPP RE Violation Identification Number: **2009-015**

Dear Mr. Gertsch:

The Board of Public Utilities, City of McPherson (BPU) has received the Notice of Alleged Violation and Proposed Penalty or Sanction issued by the Southwest Power Pool Regional Entity, dated February 5, 2010. This is in reference to the SPPRE Violation Identification Number 2009-015. Section 5.1 of the NERC CMEP requires a response within thirty (30) days of the date of notification, and this letter serves as BPU's response, and this letter is to advise that BPU elects Option #1 as BPU's response. Specifically, BPU agrees with or does not contest the Alleged Violation and Proposed Penalty or Sanction, and agrees to submit and implement a mitigation plan to correct the violation and its underlying causes.

For completeness, I note that BPU submitted a mitigation plan which has been accepted by SPP and NERC. This is noted in paragraph VI. of the Notice of Alleged Violation and Proposed Penalty or Sanction letter.

The BPU maintains an internal NERC Compliance Policy, with a stated purpose that is "to insure that the BPU maintains full compliance with all compliance standards published by the North American Electric Reliability Corporation (NERC)." I want to affirm that compliance remains a primary goal of the BPU.

Please contact Sean Simpson at 620-245-2555 if you have any questions regarding this matter. Sean is BPU's NERC Compliance Coordinator; he serves as BPU's representative and is authorized to respond to questions. As an alternate you may contact me directly at 620-245-2533.

Sincerely,

BOARD OF PUBLIC UTILITIES



Mark W. Wurm, Assistant General Manager

Attachment d

**McPherson's Mitigation Plan submitted August 6,
2009**

Mitigation Plan

Mitigation Plan submitted on: **Aug 06, 2009**

Mitigation Plan Completed (Yes/No):

Mitigation Plan Completed On:

Southwest Power Pool RE

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) Key implementation milestones no more than three (3) months apart for Mitigation Plans with expected completion dates more than three (3) months from the date of submission. Additional violations could be determined or recommended to the Applicable Governmental Authority 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.

- 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

1. 'Uniform Compliance Monitoring and Enforcement Program 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.

Southwest Power Pool RE



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 in accordance with applicable Commission rules, regulations and orders.
- 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: **Board Of Public Utilities, City Of McPherson, Kansas**

Address: **400 East Kansas Avenue, P.O. Box 1008, McPherson, Kansas 67460, United States**

NERC Compliance Registry ID: *[If known]* **NCR10319**

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: **Sean Simpson**

Title: **NERC Compliance Coordinator**

Email: **SEANS@MCPBPU.COM**

Phone: **620-245-2555**

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 R3**

Description: ***Each Generator Operator shall notify its associated Transmission Operator as soon as practical, but within 30 minutes of any of the following:***

Violation Date: **Jun 18, 2009**

C.2

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

On June 23, 2009 the NERC Compliance Coordinator for the McPherson Board of Public Utilities was made aware that an Operator had selected MVAR Control on June 18 and 19, 2009 to control the voltage on Power Plant 2 Unit 1 generator without notifying the Transmission Operator (Westar) or documenting any such change in the NERC log book. When confronted the operator did confirm that he had selected MVAR Control on PP2 Unit 1 generator to adjust voltage for a couple of minutes and then he would deactivate the MVAR Control or put the generator back in AVR mode. The operator has been made aware that by switching the generator to MVAR Control and not notifying the Transmission Operator (Westar) as soon as practical but within 30 minutes caused McPherson BPU to be out of compliance with the BPU Operations Procedure that corresponds with the NERC Reliability Standard VAR-002-1.1a R3.

C.3

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

Unit 1 has logged 9 starts, 2,353 MWhr, and 54 run hours the first six months of 2009. June 18 when the operator switched Unit 1 to MVAR control on PP2 Unit 1 generator for two minutes BPU also had Unit 3 and Plant 3 Unit 1 on line, operating in AVR mode and the BPU System per Scada historian was at 123 MW and .99 PF. June 19 when the operator switched Unit 1 to MVAR control on PP2 Unit 1 generator for two minutes BPU also had Plant 3 Unit 1 on line, operating in AVR mode and the BPU System per Scada historian was at 112 MW and .99 PF. For both dates, PP2 Unit 1 generator was operating at part load, and this generator when running at lower loads is more responsive to control system changes in MVAR control mode than in AVR mode. To clarify, AVR mode requires several raise / lower control system input actions to effect a change, especially at lower loads. The operator has been with the BPU for 32 years, and typical historical operation, until implementation of present Operations Procedure, was to run the generators in Power Factor or MVAR control mode with no feedback to Westar regarding excitation control mode being used. At the time of the alleged violation, the operator was trained and aware that the current Procedure is to operate in AVR mode, which is different from Power Factor or MVAR control mode that was used since the machines were installed in the 70's and 90's. The operator was also trained and aware that notification was to be provided to the

Southwest Power Pool RE



TOP (Westar) within 30 minutes if the mode is other than AVR, even if it is to adjust the voltage on a machine using MVAR control for two minutes or 120 seconds.

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:

Once it was determined by McPherson BPU that a violation had taken place, per the BPU NERC Compliance Policy, the NERC Compliance Coordinator advises the General Manager and the Asst, General Manager of the alleged violation with recommendation of best plan to cease and report the violation. Steps shall also be outlined to remedy the violation and ensure future compliance. These steps shall be outlined by memo or other suitable means by the NERC Compliance Coordinator and saved to the NERC file. In the matter of the violation to VAR-002-1 R3 a BPU Violation Report Form was completed on 6/23/2009, which was the day that the operator had confirmed with the NERC Compliance Coordinator that he had switched PP2 Unit 1 generator to MVAR control for a couple of minutes on June 18 and 19 and then switched back to AVR mode, and on June 26 the operator was issued an oral written warning and placed employee's file, and the operator was advised that should he continue to disregard and not comply with the BPU Procedures that correspond with the NERC standards, then further disciplinary action would be taken. In addition, the written oral warning includes a review to be conducted in 30 days.

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: ***Jul 10, 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
--------------------	---	------------------------

(*) 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:

Southwest Power Pool RE



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:

If the BES had a massive problem in which the voltage became unstable or drooped it would be important for all generation to be operating in AVR mode so the generator can automatically support voltage, and it is important in such events that the TOP (Westar) be aware what resources are available for voltage support and also that the TOP (Westar) be aware what mode generation resources may be in (AVR or another mode). The purpose of this would be so that the TOP (Westar) would not have false beliefs in which units may be able to automatically respond to such a BES problem, and so that his actions could correspond to the actual resources available. For the McPherson PP2 Unit 1 generator to not be in AVR mode for this time period meant it would not of been responsive, as regards voltage support, to a massive BES problem. Given the size of the integrated SPP system the impact as regards this single unit may not of itself have constituted a significant threat, but should several similar units have been similarly placed off AVR the combined effect could be very measurable. Because they were not advised otherwise, in the event of a massive BES problem in which the voltage did become unstable on the BES, the Transmission Operator (Westar) would have expected the the PP2 Unit 1 generator excitation system to be ready to automatically react and support voltage, as he would have expected it to be in the AVR mode.

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:

As stated in Section 6 of the BPU NERC Compliance Policy, paragraph 6.3 and 6.4, should a violation be detected the NERC Compliance Coordinator shall advise the General Manager and Asst. General Manager, with recommendation of best plan to cease and report the violation. In the event a violation is detected and reported steps shall be outlined to remedy the violation and ensure future compliance. The Asst. General Manager and the NERC Compliance Coordinator reviewed the BPU NERC Compliance Policy and BPU Operations Procedure to the NERC Reliability Standard VAR-002-1.1a. The NERC Compliance Coordinator documented the violation in the violation report form and the NERC Compliance Coordinator reviewed again with operations personnel the BPU Operations Procedure to NERC Reliability Standard VAR-002-1.1a, which is documented by email.

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:

McPherson Board of Public Utilities self reported the alleged violation to SPP RE, thru the SPP CDMS tool, on July 1, 2009 for VAR-002-1 R3. Since then the NERC Compliance Coordinator has reviewed again with the operators the BPU NERC Compliance Policy, BPU Operations Procedure to the NERC Reliability Standard VAR-002-1 R3 and instructed all operators that it is critical to follow the BPU Operations Procedures to the NERC Reliability Standards and that failure to comply with the reliability standards can impair the Bulk Electric System. Disciplinary action has been taken against the operator directly involved with the alleged violation in the form of an oral written warning.

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 **Assistant General Manager** of **Board Of Public Utilities, City Of McPherson, Kansas**.
- 2. I am qualified to sign this Mitigation Plan on behalf of **Board Of Public Utilities, City Of McPherson, Kansas**.
- 3. I have read and understand **Board Of Public Utilities, City Of McPherson, Kansas'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 applicable NERC CMEP.
- 4. I have read and am familiar with the contents of the foregoing Mitigation Plan.
- 5. **Board Of Public Utilities, City Of McPherson, Kansas** 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 Authority.

Authorized Individual Signature _____

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

Name: **Mark Wurm**

Title: **Assistant General Manager**

Authorized On: **Aug 06, 2009**

Attachment e

McPherson's Certification of Mitigation Plan Completion dated August 6, 2009



CONFIDENTIAL NON-PUBLIC INFORMATION

Certification of a Completed Mitigation Plan

All Mitigation Plan Completion Certification submittals shall include data or information sufficient for SPP RE to verify completion of the Mitigation Plan. SPP RE may request such 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 Information

Company Name: Board of Public Utilities, City of McPherson

Company Address: P.O. Box 1008, McPherson, Kansas 67460

NERC Compliance Registry ID (*if known*): NCR10319

Date Original Mitigation Plan was submitted to SPP RE: August 6, 2009

Date Mitigation Plan was completed: July 10, 2009

Name of Standard and the Requirement(s) covered under the accepted Mitigation Plan:
VAR-002-1 R3

NERC Violation ID # (*if known*): SPP200900085

Date of Certification: August 6, 2009

I certify that the mitigation plan for the above named alleged or confirmed violation has been completed on the date shown above, and that all information submitted is complete and correct to the best of my knowledge.

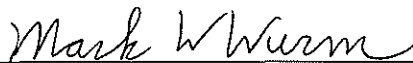
Name: Mark Wurm

Title: Asst. General Manager/Compliance Officer

Email: markw@mcpbpu.com

Phone: 620-245-2533

Authorized Individual Signature



To close out a completed Mitigation Plan, fill out this form, save and email it to:
SPP_Regional_Entity_File_Clerk@spp.org

Attachment f

SPP's Verification of Mitigation Plan Completion dated January 22, 2010



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Mr. Joe Gertsch
Manager, Enforcement and Legal
jgertsch@spp.org

Southwest Power Pool Regional Entity
415 N. McKinley, Ste 140
Little Rock, AR 72205-3020
P 501.688.1672
F 501.821.8726

January 22, 2010

VIA E-MAIL ONLY

Mr. Sean Simpson
NERC Compliance Coordinator
Board of Public Utilities, City of McPherson, Kansas
400 East Kansas Avenue
P.O. Box 1008
McPherson, KS 67460
seans@mcppmpu.com

Re: MITIGATION PLAN COMPLETION NOTICE

City of McPherson, Kansas; NCR10319

NERC Violation Identification Numbers: **SPP200900085**

NERC Standard: **VAR-002-1 R3**

SPP RE Violation Identification Number: **2009-015**

Mitigation Plan Number: **MIT-09-1863**

Dear Mr. Simpson:

The Southwest Power Pool Regional Entity (SPP RE) has completed its review of the evidence in support of completion of the Mitigation Plan for the subject violation. SPP RE finds the Board of Public Utilities, City of McPherson (MCPHER) has successfully completed the above referenced Mitigation Plan on July 10, 2009.

If you have any questions you may contact me at the contact information shown above.

Very Respectfully,

A handwritten signature in black ink, appearing to read "Joe Gertsch", written over a light gray rectangular background.

Joe Gertsch

JG/ms

cc: (via e-mail only)

McPherson
Mark Wurm

SPP RE
Stacy Dochoda
Enforcement

Attachment g

Notice of Filing

UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Board of Public Utilities, City of McPherson, Kansas

Docket No. NP10-____-000

NOTICE OF FILING
July 6, 2010

Take notice that on July 6, 2010, the North American Electric Reliability Corporation (NERC) filed a Notice of Penalty regarding Board of Public Utilities, City of McPherson, Kansas in the Southwest Power Pool Regional Entity 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