



NORTH AMERICAN ELECTRIC
RELIABILITY CORPORATION

March 1, 2010

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

**Re: NERC Notice of Penalty regarding PPL Montana, LLC,
FERC Docket No. NP10-_-000**

Dear Ms. Bose:

The North American Electric Reliability Corporation (NERC) hereby provides this Notice of Penalty¹ regarding PPL Montana, LLC (PPLM),² NERC Registry ID NCR05329,³ 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)).⁴

On July 9, 2009, PPLM self-reported to Western Electricity Coordinating Council (WECC) a violation of VAR-002-1.1a Requirement (R) 3 for its failure, on eight occasions, to notify its associated Transmission Operator that automatic voltage regulators (AVRs) at three of its generating facilities were out-of-service. This Notice of Penalty is being filed with the Commission because, based on information from WECC, PPLM does not dispute the violation of VAR-002-1 R3 and the proposed seven thousand dollar (\$7,000) financial penalty to be assessed to PPLM. Accordingly, the violation identified as NERC Violation Tracking Identification Number WECC200901508 is a Confirmed Violation, as that term is defined in the NERC Rules of Procedure and the CMEP.

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 (2009). *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).

² NERC is submitting concurrently with this Notice of Penalty a second Notice of Penalty regarding PPL Montana, LLC related to the NERC Reliability Standard PRC-005-1.

³ Western Electricity Coordinating Council confirmed that PPLM was included on the NERC Compliance Registry as a Generator Operator, Generator Owner and Purchasing-Selling Entity on June 17, 2007. As a Generator Operator, PPLM is subject to the requirements of NERC Reliability Standard VAR-002.

⁴ See 18 C.F.R § 39.7(c)(2).

Statement of Findings Underlying the Violation

This Notice of Penalty incorporates the findings and justifications set forth in the Notice of Confirmed Violation and Proposed Penalty or Sanction (NOCV) issued on October 19, 2009, by WECC. The details of the findings and basis for the penalty are set forth herein. This Notice of Penalty filing contains the basis for approval of this Notice of Penalty by the NERC Board of Trustees Compliance Committee (BOTCC). In accordance with Section 39.7 of the Commission's Regulations, 18 C.F.R. § 39.7 (2007), NERC provides the following summary table identifying the Reliability Standard at issue in this Notice of Penalty.

Region	Registered Entity	NOC ID	NERC Violation ID	Reliability Std.	Req. (R)	VRF	Total Penalty (\$)
WECC	PPL Montana, LLC	NOC-399	WECC200901508	VAR-002-1	3	Medium	\$7,000

The purpose of Reliability Standard VAR-002-1⁵ 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 a Generator Operator, such as PPLM, to notify its associated Transmission Operator as soon as practical, but within 30 minutes of: (R3.1) a status or capability change on any generator Reactive Power resource, including the status of each automatic voltage regulator 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. VAR-002-1 R3 has a Violation Risk Factor (VRF) of "Medium."

On April 10, 2009, as a result of an internal review of PPLM's compliance with WECC Regional Standard VAR-STD-002a-1,⁶ PPLM discovered that, although compliant with VAR-STD-002a-1, it had a possible violation of VAR-002-1 R3 from June 2007 until the date of the self-report on July 9, 2009. Specifically, PPLM discovered that there were eight instances of non-compliance with VAR-002-1 R3 where PPLM failed to notify NorthWestern Energy (NWE), its associated Transmission Operator, within 30 minutes that AVRs at three of its hydroelectric generating facilities were out of service. During this period, NWE reported AVR status on behalf of PPLM to WECC. PPLM's procedure, *PPL-NERC-MT-013, PPLM Reliability*

⁵ This violation is subject to compliance with VAR-002-1 as it was the enforceable standard at the time the violation began. VAR-002-1a was approved by the Commission and became enforceable on August 27, 2008. VAR-002-1.1a was approved by the Commission and became enforceable on May 13, 2009. The interpretation and subsequent errata provide clarity regarding the responsibilities of a registered entity. These do not change the meaning or language of the NERC Reliability Standard and its requirements.

⁶ This WECC Regional Standard contains specific limits on duration of operation with AVR out of service and is not dependent on and is without regard to criteria established by the entity. The Audit Team found that PPLM's total duration of operation with AVR out of service did not violate the limits set forth in the WECC Regional Standard VAR-STD-002a-1.

Standards Communication and Coordination Procedure, contains specific guidance for reporting AVR outages to the Transmission Operator, but some plant employees did not fully understand the application of these reporting requirements to all hydroelectric facilities; the process for reporting the outages; and the entities responsible for reporting to the Transmission Operator. As a result, some AVR outages at some PPLM facilities were not reported as required by the Standard. The internal review discovered the following unreported outages:

1. Kerr Dam: one AVR out of service event
 - June 2008: The AVR was out of service for a total of 2 hours 41 minutes over three days.
2. Cochrane Dam: four AVR out of service events
 - July 6, 2007: 40 minutes due to governor trouble
 - August 15, 2007: 38 minutes due to a plant computer system software change
 - January 7, 2008: 3 hours 18 minutes
 - June 3, 2008: 3 hours 5 minutes for generator testing for WECC constants
3. Morony Dam: three AVR out of service events
 - June 3, 2007 through June 26, 2007: total time 132 hours due to AVR equipment problems (partially prior to the date the standard became mandatory and enforceable)
 - April 3, 2008: 9 hours when printout changed to reflect static excitation
 - April 18, 2008 through April 21, 2008: 18 minutes to set up AVR parameters

PPLM reviewed the AVR status and reporting for other generating facilities and found no additional discrepancies.

On July 9, 2009, PPLM self-reported to WECC a violation of VAR-002-1 R3 because it failed to notify its associated Transmission Operator of the above listed eight occasions when its AVRs were out of service. PPLM based this determination on routine reporting that incorrectly showed the AVR in service 100% of the time for these facilities.

PPLM reported that PPLM's marketing affiliate, PPL EnergyPlus, performed an impact review of plant bus voltages for the period when the AVRs were out of service. The analysis included 15-minute voltage data provided by the Transmission Operator, NWE. The analysis of the data shows that voltage levels were within expected range on the electrical system to which these plants are connected, throughout the duration of the AVR outages. WECC subject matter experts reviewed PPLM's Self-Report and determined that PPLM had a possible violation of VAR-002-1 R3.

WECC Enforcement (Enforcement) reviewed PPLM's Self-Report and confirmed that a violation occurred because there were eight occasions when PPLM did not notify its associated Transmission Operator that AVRs at three of its generating facilities were out of service.

Enforcement also reviewed the impact analysis performed by PPL EnergyPlus of the voltages for the period when the AVRs were out of service, and confirmed that voltage levels were within the expected range for the electrical system to which the three plants are connected. For this reason,

WECC determined that this violation posed a minimal risk to the reliability of the bulk power system (BPS).

Enforcement determined the duration of the subject violation to be from June 18, 2007, the date the standard became enforceable, through September 15, 2009, when PPLM completed its Mitigation Plan.

WECC's Determination of Penalty

WECC assessed a penalty of seven thousand dollars (\$7,000) for the referenced violation. In reaching this determination, WECC considered the following mitigating factors:

1. the violation was self-reported based on an internal review of compliance with applicable standards;
2. the violation was deemed by WECC not to be a violation that put BPS reliability at serious or substantial risk as discussed above;
3. the violation was PPLM's first violation of this Reliability Standard;
4. PPLM was cooperative throughout the compliance process;
5. PPLM provided a comprehensive and detailed analysis of both the violation and its impact;
6. there was no evidence of any attempt by PPLM to conceal the violation; and
7. there was no evidence that PPLM's violation was intentional.

Therefore, WECC determined that, in this instance, the penalty amount of seven thousand dollars (\$7,000) is appropriate and bears a reasonable relation to the seriousness and duration of the VAR-002-1 R3 violation.

Status of Mitigation Plan⁷

PPLM's Mitigation Plan to address the referenced violation was submitted to WECC on July 9, 2009, was accepted by WECC on September 2, 2009 and was approved by NERC on September 11, 2009. The Mitigation Plan for the violation of VAR-002-1 R3 is designated as MIT-07-1965 and was submitted as non-public information to FERC on September 11, 2009, in accordance with FERC orders.

PPLM's Mitigation Plan had an approved completion date of September 30, 2009 and required PPLM to take the following actions to ensure compliance with VAR-002-1: (1) Plant Management immediately discussed the details of this violation with appropriate personnel to highlight the need for communications on the status of AVR equipment and Plant Managers and Operations Supervisors sent e-mails to clarify the reporting requirements, responsibilities and reinforce expectations; (2) the PPL Generation Compliance Committee members discussed this event to share lessons learned across the PPL Generation fleet, these work group discussions emphasized the importance of required communication activities for NERC related equipment; (3) PPLM initiated training, NERC03, on Procedure *PPL-NERC-MT-013, PPLM Reliability Standards Communication and Coordination Procedure*, this procedure included steps for reporting AVR outages. The training for this procedure emphasizes the importance of

⁷ See 18 C.F.R § 39.7(d)(7).

communications for compliance to applicable NERC Reliability Standards, including VAR-002-1. The training seeks to ensure that employees are familiar with the process for reporting and understanding the expectations for communicating to ensure compliance to the NERC Reliability Standards. PPLM must confirm that the procedure had been reviewed and made available to the proper employees by August 31, 2009; and (4) PPL Generation, the upstream owner of PPLM, developed a NERC awareness video, NERC02, to be presented to applicable PPLM employees. The deployment of this training was required to be completed for applicable PPLM employees by the end of third quarter 2009. As discussed below, it was completed ahead of schedule. This training emphasizes the importance of complying with NERC Reporting Requirements.

On September 30, 2009, PPLM certified to WECC that its Mitigation Plan had been completed on September 15, 2009, fifteen days ahead of the approved completion date. PPLM submitted a training agenda, training attendance reports and its revised procedures. Specifically, PPLM submitted:

Communication evidence showing plant management discussed the details of the violation with appropriate personnel to highlight the need for communications on the status of AVR equipment and to share lessons learned. These work group discussions emphasized the importance of required communication activities for NERC-related equipment. Plant Managers and Operations Supervisors also sent e-mails clarifying reporting requirements, responsibilities and reinforce expectations. PPLM submitted the following evidence:

- E-mails, dated April 2, 2009 and April 3, 2009 to Hydro Staff. The purpose was to communicate the violation and detail the appropriate protocol for reporting AVR outages to PPL's Transmission Operator.
- *Compliance Committee Agenda*, dated May 7, 2009. A bi-weekly meeting with PPL Compliance professionals to discuss compliance activities.

Procedure change evidence showing PPLM initiated training on the *PPL-NERC-MT-013, PPLM Reliability Standards Communication and Coordination Procedure*. This procedure includes steps for reporting AVR outages and the training for this procedure emphasized the importance of communications for compliance to all applicable NERC Reliability Standards including VAR-002. The training ensures that employees are familiar with the process for reporting and understand the expectations for communicating to ensure compliance. PPLM has confirmed that all proper employees have attained the training except two employees who are on extended personal or medical leave.⁸ PPLM submitted the following evidence:

- *NERC Electric Reliability Communications and Coordination Procedure*, revision 2, dated April 27, 2009. The revised procedure included requirements for reporting AVR outages.
- E-mail dated June 2, 2009. This announced the *NERC Electric Reliability Communications and Coordination* procedure.

⁸ One of the two employees who was on short term disability leave at the time PPLM submitted its Mitigation Plan Completion Form on September 30, 2009, returned to work on February 16, 2010, and completed the procedure training on February 22, 2010. The second employee is now on long term disability leave, and has not returned to work. If and when this employee returns to work, they will receive training prior to conducting functions relating to compliance with VAR-002.

- *Talking Points - Reliability Standards Communication and Coordination Procedure*, dated June 2, 2009. This document accompanied the previous e-mail and outlined supervisor talking points on how to discuss the procedure.
- Training materials dated September 28, 2009. This spreadsheet was a six page attendance training roster.

NERC awareness training evidence showing PPLM emphasized the importance of complying with NERC reporting requirements. The video that was developed has been presented to applicable PPLM employees. PPLM has confirmed that all proper employees have attained the training except two employees who are on extended personal or medical leave. PPLM submitted the following evidence:

- E-mail dated May 20, 2009. This announced NERC awareness training availability and expectations.
- Training materials dated September 28, 2009. This spreadsheet was a thirteen page training attendance roster.
- *NERC02 NERC Electric Reliability Standards* DVD created April 8, 2009. This NERC awareness training video was sent to WECC on September 30, 2009.
- Pamphlet. This pamphlet was distributed to employees when the training video was viewed and sent to WECC on September 30, 2009.

On October 2, 2009, after WECC's review of PPLM's submitted evidence, WECC verified that the Mitigation Plan was completed and notified PPLM in a letter dated November 6, 2009, that it was in compliance with VAR-002-1 R3.

Statement Describing the Proposed Penalty, Sanction or Enforcement Action Imposed⁹ 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 Guidance Order,¹⁰ the NERC BOTCC reviewed the NOCV and supporting documentation on January 15, 2010. The NERC BOTCC approved the assessment of a seven thousand dollar (\$7,000) financial penalty against PPLM based upon WECC's findings and determinations, the NERC BOTCC's review of the applicable requirements of the Commission-approved Reliability Standards and the underlying facts and circumstances of the violation at issue.

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

1. The violation was self-reported;
2. WECC reported that PPLM was cooperative throughout the enforcement process;
3. The violation is the first violation of VAR-002-1 R3 by PPLM;
4. there was no evidence of any attempt by PPLM to conceal the violation;
5. there was no evidence that PPLM's violation was intentional; and

⁹ See 18 C.F.R. § 39.7(d)(4).

¹⁰ *North American Electric Reliability Corporation*, "Guidance Order on Reliability Notices of Penalty," 124 FERC ¶ 61,015 (2008).

6. The violation was deemed not to be a violation that put BPS reliability at serious or substantial risk, as discussed above.

For the foregoing reasons, the NERC BOTCC believes that the proposed seven thousand dollar (\$7,000) penalty amount is appropriate for the violation and circumstances in question, and is consistent with NERC's goal to promote and ensure reliability of the bulk power system. Pursuant to Order No. 693, the penalty will be effective upon expiration of the thirty (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 Included as Part of the Notice of Penalty

The attachments included as part of this Notice of Penalty are the following documents and material:

- a) PPLM's Self-Report dated July 9, 2009, included as Attachment a;
- b) PPLM's Response to the Notice of Alleged Violation and Proposed Penalty or Sanction dated October 13, 2009, included as Attachment b;
- c) PPLM's Response to the Notice of Confirmed Violation dated October 23, 2009, included as Attachment c;
- d) Mitigation Plan designated as MIT-07-1965 submitted July 9, 2009, included as Attachment d;
- e) PPLM's Certification of Completion of the Mitigation Plan dated September 30, 2009, included as Attachment e; and
- f) WECC's Verification of Completion of the Mitigation Plan dated November 6, 2009, included as Attachment f.

A Form of Notice Suitable for Publication¹¹

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

¹¹ 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, N.J. 08540-5721 (609) 452-8060 (609) 452-9550 – facsimile gerry.cauley@nerc.net david.cook@nerc.net</p> <p>PPL Montana, LLC 303 N. Broadway, Suite 400 Billings, MT 59101</p> <p>Thomas E. Lehman* Compliance Specialist (406) 237-6966 (406) 237-6901 – facsimile telehman@pplweb.com</p> <p>Bradley E. Spencer* Vice President & COO – MT (406) 237-6902 (406) 237-6901 – facsimile bspencer@pplweb.com</p> <p>*Persons to be included on the Commission’s service list are indicated with an asterisk. NERC requests waiver of the Commission’s rules and regulations to permit the inclusion of more than two people on the service list.</p>	<p>Rebecca J. Michael* Assistant General Counsel Holly A. Hawkins* Attorney North American Electric Reliability Corporation 1120 G Street, N.W. Suite 990 Washington, D.C. 20005-3801 (202) 393-3998 (202) 393-3955 – facsimile rebecca.michael@nerc.net holly.hawkins@nerc.net</p> <p>Western Electricity Coordinating Council 615 Arapeen Drive, Suite 210 Salt Lake City, UT 84108-1262</p> <p>Louise McCarren* Chief Executive Officer (801) 883-6868 (801) 582-3918 – facsimile Louise@wecc.biz</p> <p>Steven Goodwill* Associate General Counsel (801) 883-6857 (801) 883-6894 – facsimile SGoodwill@wecc.biz</p> <p>Constance White* Vice President of Compliance (801) 883-6885 (801) 883-6894 – facsimile CWhite@wecc.biz</p> <p>Christopher Luras* Manager of Compliance Enforcement (801) 883-6887 (801) 883-6894 – facsimile CLuras@wecc.biz</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,

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
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(609) 452-9550 – facsimile
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/s/ Rebecca J. Michael
Rebecca J. Michael
Assistant General Counsel
Holly A. Hawkins
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cc: PPL Montana, LLC
Western Electricity Coordinating Council

Attachments

Attachment a

PPLM's Self-Report dated July 9, 2009



CONFIDENTIAL

Compliance Violation Self-Reporting Form

Please complete an individual Self-Reporting Form for each NERC Reliability Standard that indicates any level(s) of non-compliance and submit via the WECC Compliance Web Portal File Upload

Registered Entity Name: PPL Montana, LLC

Contact Name: Annette M. Bannon

Contact Phone: 610-774-2064

Contact email: ambannon@pplweb.com

Date noncompliance was discovered: 4/10/2009

Date noncompliance was reported: 07/09/2009

Standard Title: Generator Operation for Maintaining Network Voltage Schedules

Standard Number: VAR-002-1.1a

Requirement Number(s)¹: **R3.1**

How was the noncompliance found? (e.g. Routine Readiness Evaluation, Self-evaluation, Internal Audit, etc.)

PPL Montana, LLC (PPLM) discovered a potential non-compliance with R3.1 of VAR-002-1.1a, which requires Generation Operators to notify their associated Transmission Operator as soon as practical, but within 30 minutes, if the status or capability changes on any generator Reactive Power resource, including the status of each automatic voltage regulator and power system stabilizer and to provide the expected duration of the change in status or capability. PPLM discovered this potential non-compliance during an annual internal review of compliance to WECC Regional Reliability Standard VAR-STD-002a-1. During the WECC VAR-STD-002a-1 review, PPLM noted that the automatic voltage regulator (AVR) out of service times at all of the facilities for which it is registered as the GOP, met the requirements of the regional standard. However, it discovered that the AVR out of service times had not been reported to the relevant Transmission Operator. PPLM reported compliance to VAR-STD-002a-1 during the 2008 WECC Self-certification. PPLM based the determination on routine reporting that incorrectly showed the AVR in service 100% for these facilities.

¹ Violations are on a per requirement basis.

Describe the cause of non-compliance:

PPLM is registered as a Generator Owner (GO) and Generator Operator (GOP). PPLM owns and/or operates multiple facilities including three Hydroelectric Plants; Kerr Dam, Cochrane Dam, and Morony Dam.

- Cochrane Dam ("Cochrane") is a two-unit hydroelectric plant on the Missouri River, about eight miles downstream from Great Falls, Mont.
- Morony Dam ("Morony") is a two-unit hydroelectric plant on the Missouri River, about 15 miles northeast of Great Falls, Mont.
- Kerr Dam ("Kerr") is a three-unit hydroelectric plant on the Flathead River about five miles southwest of Polson and the natural outlet of Flathead Lake.

From June 2007 through the present, these three plants experienced outages of the automatic voltage regulators (AVR) that were not reported to NWE, the registered Transmission Operator (TOP), as required by VAR-002-1.1a Requirement 3.1. During this period, NWE reported AVR status on behalf of PPL Montana to WECC. The reports for this period were compiled based on reporting by the GOP to the TOP and indicated that the AVRs for these facilities were in service 100% of the time.

The AVR out of service events not reported to NWE include:

Kerr: Kerr had one AVR out of service event in June 2008. The AVR was out of service for a total of 2 hours 41 minutes over three days.

Cochrane: Cochrane had four AVR out of service events

- July 6, 2007: 40 minutes due to governor trouble
- August 15, 2007: 38 minutes due to PCS software change
- January 7, 2008: 3 hours 18 minutes
- June 3, 2008: 3 hours 5 minutes for generator testing for WECC constants

Morony: Morony had three AVR out of service events

- June 3-26, 2007: total time 132 hours due to AVR equipment problems (partially prior to the date the standard became mandatory and enforceable)
- April 3, 2008: 9 hours when printout changed to reflect static excitation
- April 18-21, 2008: 18 minutes to set up AVR parameters

PPLM reviewed the AVR status and reporting for other generating facilities and found no additional discrepancies:

J.E. Corette: No AVR outages

Colstrip: One AVR outage reported to NWE with operator logs as evidence of communication

Thompson Falls: No AVR outages

PPLM discovered this discrepancy during a routine, annual review of compliance to WECC Regional Reliability Standard VAR-STD-002a-1. During the WECC VAR-STD-002a-1 review, PPLM noted that the AVR out of service time met the requirements of the standard. However, the review highlighted that PPLM has not reported these out of service times to NWE.

PPLM reported compliance to this standard during the 2008 WECC Self-certification. PPLM based the determination on PPLM's reporting to NWE that showed the AVR in service 100% for these facilities. PPLM did not perform an independent verification of the reporting to NWE in 2008.

Describe the reliability impact of this non-compliance:

PPLM's affiliate PPL EnergyPlus performed an impact review of plant bus voltages for the period when the AVR was out of service. The analysis included 15-minute voltage data provided by the Transmission Operator, NWE. The analysis of the data shows that voltage levels were within expected range on the electrical system to which these plants are connected, throughout the duration of the AVR outages. Although PPLM did not report the outages as required by the standard, for the events identified in this self-report, it appears the AVR outages and PPLM's failure to report them caused no adverse reliability impact.

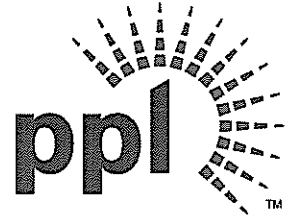
Expected date of Mitigation Plan submittal: The Mitigation Plan is included with this Self-Report.

Attachment b

PPLM's Response to the Notice of Alleged Violation and Proposed Penalty or Sanction dated October 13, 2009

Thomas E. Lehman
Compliance Specialist

PPL Montana, LLC
303 N. Broadway, Suite 400
Billings, MT 59101
Tel. 406.237.6966 Fax 406.237.6901
telehman@pplweb.com



October 13, 2009

Michael Dalebout
Senior Compliance Enforcement Analyst
Western Electricity Coordinating Council
615 Arapeen Drive
Suite 210
Salt Lake City, UT 84108-1262

RE: NERC Violation Tracking Identification Number – WECC200901508
WECC Tracking Identification Number – PPLM_WECC20091578

Dear Mr. Dalebout:

PPL Montana, LLC ("PPLM") is in receipt of the Western Electricity Coordinating Council's ("WECC") September 14, 2009 Notice of Alleged Violation and Proposed Penalty or Sanction (the "NOAV") relating to the tracking numbers captioned above. While PPLM does not contest the proposed penalty or sanction for the Alleged Violation, as previously discussed with you, it respectfully requests that WECC correct certain statements when it issues its Notice of Confirmed Violation in this proceeding.

In particular, PPLM requests that the Notice of Confirmed Violation amend the statement in Attachment 1 to the NOAV, at page 7, that "no mitigation plan has been filed at this time." PPLM submitted a mitigation plan on July 9, 2009, together with its self-report relating to the matter at issue. Indeed, several days prior to the issuance of the NOAV, the North American Electric Reliability Corporation ("NERC") indicated that it approved the PPLM mitigation plan. As of this time, PPLM has confirmed completion of its mitigation plan to WECC.

PPLM understands that, in indicating that the violation had been ongoing for over 750 days, WECC applied a general presumption that the violation began on the effective date of the Reliability Standards and was ongoing at the time the NOAV issued. PPLM wants to assure WECC that it promptly conducted training on its pre-existing AVR outage reporting procedure upon learning of the failures to report the eight discrete AVR out-of-service events at issue here and has not experienced any failures to report AVR outages since it filed its self-report and mitigation plan on July 9, 2009.

PPLM has a strong commitment to compliance and took prompt steps to remedy this situation, as set forth in its mitigation plan. Please let us know if you should wish to discuss the issues raised in this correspondence. Thank you.

Sincerely,

A handwritten signature in cursive script that reads "Thomas Lehman".

Thomas Lehman
Compliance Specialist

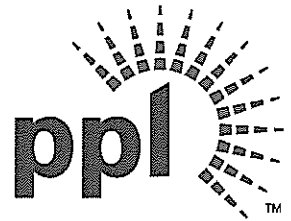
cc: Constance B. White, Vice President of Compliance
Steven Goodwill, WECC Counsel
Melissa Thompson, WECC Counsel
Louise McCarren, WECC CEO

Attachment c

PPLM's Response to the Notice of Confirmed Violation dated October 23, 2009

Peter J. Simonich
Vice President and C.O.O.

PPL Montana
303 N. Broadway, Suite 400
Billings, MT 59101
Tel. 406.237.6900 Fax 406.237.6901
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October 23, 2009

David W. Hilt
Vice President and Director of Compliance
North American Electric Reliability Corporation
116-390 Village Boulevard
Princeton, NJ 08540-5721

RE: Statement of PPL Montana, LLC
NERC Violation Tracking Identification Number: WECC200901508
WECC Tracking Identification Number: PPLM_WECC20091680

Dear Mr. Hilt:

Thank you for the opportunity to submit this statement to the North American Electric Reliability Corporation ("NERC") regarding the Notice of Confirmed Violation and Proposed Penalty or Sanction ("NOCV") issued by the Western Electricity Coordinating Council ("WECC") on October 19, 2009 in the proceeding involving the above-captioned identification numbers.

PPL Montana, LLC ("PPLM") takes extremely seriously its obligation to comply with NERC Reliability Standards and appreciates the acknowledgement in the NOCV of PPLM's demonstrated commitment to compliance. PPLM is submitting this statement to ensure that the record reflects that its violation has been mitigated fully and is not ongoing. While the NOCV states in several places that the violation was fully mitigated,¹ one reference states the violation is ongoing.² PPLM has completed its Mitigation Plan and the violation should not be characterized as ongoing.

Indeed, PPLM took actions that included promptly discussing the details of the potential violation with appropriate personnel to highlight the need for timely communications on the status of automatic voltage regulation ("AVR") equipment, as required by NERC Standard VAR-002. This communication included clarifying reporting requirements, clarifying responsibilities, and reinforcing expectations. Since that communication in April 2009, PPLM has been compliant with this standard. Additionally, PPLM completed the following actions as part of its Mitigation Plan:

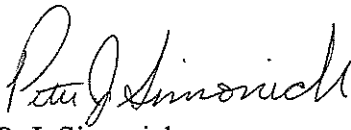
¹ Id. at pp. 3, 6.

² NOCV, Table A of Attachment 1, at p. 5.

- (i) NERC Communication and Coordination Procedure Training -- PPLM provided specific training to appropriate personnel related to required steps for reporting AVR outages; and
- (ii) NERC Awareness Training -- PPLM provided an awareness training video to applicable employees to emphasize the importance of complying with NERC requirements.

We would be happy to discuss this matter further or answer any questions you may have.

Sincerely,



P. J. Simonich
Vice President and Chief Operating Officer
PPL Montana, LLC

Copies to:

Michael Dalebout	WECC	Annette Bannon	PPL
Steven Goodwill	WECC	Robert Hoopes	PPL
Tim Kucey	NERC	Robert Grassi	PPL
Louise McCarren	WECC	David Kinnard	PPL
Melissa Thompson	WECC	Thomas Lehman	PPL
Constance B. White	WECC	Dustin Wertheimer	PPL

Attachment d

**Mitigation Plan designated as MIT-07-1965
submitted July 9, 2009**



Mitigation Plan Submittal Form

New ☒ or Revised ☐

Date of submittal: 07/09/2009

If this Mitigation Plan is complete:

- Check this box ☐
- Provide the Date of the Mitigation Plan Completion:
- In order for the Mitigation Plan to be accepted for review the following items must be submitted along with this Mitigation Plan Submittal Form:
 - Evidence supporting full compliance
 - Sections A, B, C, D.1, E.2, E.3, and F must be completed in their entirety

Section A: Compliance Notices & Mitigation Plan Requirements

- A.1 Notices and requirements applicable to Mitigation Plans and this Submittal Form are set forth in "Attachment A - Compliance Notices & Mitigation Plan Requirements" to this form. **Review Attachment A and check this box ☒ to indicate that you have reviewed and understand the information provided therein.** This Submittal Form and the Mitigation Plan submitted herein are incomplete and cannot be accepted unless the box is checked.

Section B: Registered Entity Information

- B.1 Identify your organization:

Registered Entity Name: PPL Montana, LLC
Registered Entity Address: 303 North Broadway, Suite 400
Billings, MT 59101-1255
NERC Compliance Registry ID: NCR05329

- B.2 Identify the individual in your organization who will be the Entity Contact regarding this Mitigation Plan. Please see Section 6.2 of the WECC Compliance Monitoring and Enforcement Program (CMEP) for a description of the qualifications required of the Entity Contact.¹

¹ A copy of the WECC CMEP is posted on WECC's website at [http://compliance.wecc.biz/Documents/Forms/03.06%20-%20WECC%20Mitigaton%20Plan%](http://compliance.wecc.biz/Documents/Forms/03.06%20-%20WECC%20Mitigaton%20Plan%20Form.pdf)
Registered Entities are responsible for following all applicable WECC CMEP procedures. WECC



Name: Annette M. Bannon
 Title: Compliance Program Manager Supply
 Email: ambannon@pplweb.com
 Phone: 610-774-2064

Section C: Identity of Alleged or Confirmed Reliability Standard Violations Associated with this Mitigation Plan

This Mitigation Plan is associated with the alleged or confirmed violation(s) of the reliability standard/requirements listed below:

C.1 Standard: VAR-002-1.1a
[Identify by Standard Acronym (e.g. FAC-001-1)]

C.2 Requirement(s) violated and violation dates:
[Enter information in the following Table]

NERC Violation ID # [if known]	WECC Violation ID # [if known]	Requirement Violated (e.g. R3)	Violation Risk Factor	Alleged or confirmed Violation Date ^(*) (MM/DD/YY)	Method of Detection (e.g. audit, self-report, investigation)
		R3.1	Medium	07/09/09	self-report

(*) Note: The Alleged or Confirmed Violation Date shall be: (i) the date the violation occurred; (ii) the date that the violation was self-reported; or (iii) the date upon which WECC has deemed the violation to have occurred. Please contact WECC if you have questions regarding which date to use.

C.3 Identify the cause of the alleged or confirmed violation(s) identified above:

PPL Montana, LLC (PPLM) discovered a potential non-compliance with R3.1 of VAR-002-1.1a, which requires Generation Operators to notify their associated Transmission Operator as soon as practical, but within

strongly recommends that registered entities become familiar with the WECC CMEP and its requirements, as they may be amended from time to time.



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30 minutes, if the status or capability changes on any generator Reactive Power resource, including the status of each automatic voltage regulator and power system stabilizer and to provide the expected duration of the change in status or capability. Procedure PPL-NERC-MT-013, PPLM Reliability Standards Communication and Coordination Procedure, contains specific guidance for reporting Automatic Voltage Regulator (AVR) outages to the Transmission Operator. Some plant employees did not fully understand the application of these reporting requirements to all hydro facilities; the process for reporting the outages; and the entities responsible for reporting to the Transmission Operator. As a result, some AVR outages at some PPL Montana facilities were not reported as required by VAR-002.

[Provide your response here; additional detailed information may be provided as an attachment as necessary]

C.4 [Optional] Provide any relevant additional information regarding the alleged or confirmed violations associated with this Mitigation Plan:

PPLM is registered as a Generator Owner (GO) and Generator Operator (GOP). PPLM owns and/or operates multiple facilities including three Hydroelectric Plants; Kerr Dam, Cochrane Dam, and Morony Dam.

- Cochrane Dam ("Cochrane") is a two-unit hydroelectric plant on the Missouri River, about eight miles downstream from Great Falls, Mont.
- Morony Dam ("Morony") is a two-unit hydroelectric plant on the Missouri River, about 15 miles northeast of Great Falls, Mont.
- Kerr Dam ("Kerr") is a three-unit hydroelectric plant on the Flathead River about five miles southwest of Polson and the natural outlet of Flathead Lake.

From June 2007 through the present, these three plants experienced outages of the automatic voltage regulators (AVR) that were not reported to NWE, the registered Transmission Operator (TOP), as required by VAR-002-1.1a Requirement 3.1. During this period, NWE reported AVR status on behalf of PPL Montana to WECC. The reports for this period were compiled based on reporting by the GOP to the TOP and indicated that the AVRs for these facilities were in service 100% of the time.

The AVR out of service events not reported to NWE include:

Kerr: Kerr had one AVR out of service event in June 2008. The AVR was out of service for a total of 2 hours 41 minutes over three days.

Cochrane: Cochrane had four AVR out of service events

- July 6, 2007: 40 minutes due to governor trouble



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- August 15, 2007: 38 minutes due to PCS software change
- January 7, 2008: 3 hours 18 minutes
- June 3, 2008: 3 hours 5 minutes for generator testing for WECC constants

Morony: Morony had three AVR out of service events

- June 3-26, 2007: total time 132 hours due to AVR equipment problems (partially prior to the date the standard became mandatory and enforceable)
- April 3, 2008: 9 hours when printout changed to reflect static excitation
- April 18-21, 2008: 18 minutes to set up AVR parameters

PPLM reviewed the AVR status and reporting for other generating facilities and found no additional discrepancies:

J.E. Corette: No AVR outages

Colstrip: One AVR outage reported to NWE with operator logs as evidence of communication

Thompson Falls: No AVR outages

PPLM discovered this discrepancy during a routine, annual review of compliance to WECC Regional Reliability Standard VAR-STD-002a-1. During the WECC VAR-STD-002a-1 review, PPLM noted that the AVR out of service time met the requirements of the standard. However, the review highlighted that PPLM has not reported these out of service times to NWE.

PPLM reported compliance to this standard during the 2008 WECC Self-certification. PPLM based the determination on PPLM's reporting to NWE that showed the AVR in service 100% for these facilities. PPLM did not perform an independent verification of the reporting to NWE in 2008.

[Provide your response here; additional detailed information may be provided as an attachment as necessary]

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 violations identified above in Part C.2 of this form:

PPL Montana has taken/plans to take the following actions to ensure compliance to the applicable requirements of NERC Standard VAR-002-1.1a.



A. Plant management immediately discussed the details of this potential violation with appropriate personnel to highlight the need for communications on the status of AVR equipment. Plant Managers and Operations Supervisors sent e-mails to clarify reporting requirements, clarify responsibilities, and reinforce expectations.

Action Complete

B. The PPL Generation Compliance Committee members also discussed this event to share lessons learned across the PPL Generation fleet. These work group discussions emphasize the importance of required communication activities for NERC related equipment.

Action Complete

C. PPLM initiated training, NERC03, on Procedure PPL-NERC-MT-013, PPLM Reliability Standards Communication and Coordination Procedure. This procedure includes steps for reporting AVR outages. The training for this procedure will emphasize the importance of communications for compliance to all applicable NERC Electric Reliability standards including, VAR-002. The training will ensure that employees are familiar with the process for reporting and understand the expectations for communicating to ensure compliance to the NERC standards. PPLM will confirm that the procedure has been reviewed and made available to the proper employees.

Due Date: August 31, 2009

D. PPL Generation, the upstream owner of PPL Montana, developed a NERC awareness video, NERC02, to be presented to applicable PPL Montana employees. The deployment of this training has started and will be completed for applicable PPLM employees by the end of the third quarter 2009. This training emphasizes the importance of complying with NERC Reporting Requirements.

Due Date: September 30, 2009

[Provide your response here; additional detailed information may be provided as an attachment as necessary]

Check this box ☐ and proceed to Section E of this form if this Mitigation Plan, as set forth in Part D.1, has already been completed; otherwise respond to Part D.2, D.3 and, optionally, Part D.4, below.

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



Western Electricity Coordinating Council



and the alleged or confirmed violations associated with this Mitigation Plan corrected: PPLM will complete all Open Actions of this Mitigation Plan by September 30, 2009

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

Milestone Activity	Proposed Completion Date* (milestones cannot be more than 3 months apart)
D.1.C Complete NERC03 Training	August 31, 2009
D.1.D Complete NERC02 Training	September 30, 2009
Notify WECC of Mitigation Plan Completion	September 30, 2009

(*) Note: Implementation milestones should be no more than three (3) months apart for Mitigation Plans with expected completion dates more than three (3) months from the date of submission. As set forth in CMEP section 6.6, adverse consequences could result from failure to complete, on a timely basis, all required actions in this Mitigation Plan, including implementation of milestones. A request for an extension of the completion date of any milestone or of the Mitigation Plan must be received by WECC at least five (5) business days before the relevant milestone or completion date.

[Note: Provide your response here; additional detailed information may be provided as an attachment as necessary]

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:

PPL Montana has completed two of the four actions identified in the Mitigation Plan. The other remaining actions are two training courses, NERC02, Awareness Video and NERC03, Communication Procedure Training. Although these actions are not complete, both training courses have been rolled out to some employees. The NERC02 was initiated in May and NERC03 in June.

[Provide your response here; additional detailed information may be provided as an attachment as necessary]



Section E: Interim and Future Reliability Risk

Check this box ☐ and proceed and respond to Part E.2, below, if this Mitigation Plan, as set forth in Part D.1, has already been completed.

Abatement of Interim BPS Reliability Risk

- E.1 While your organization is implementing the Mitigation Plan proposed in Part 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 known, reasonably suspected 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:

The initial communications noted in the Mitigation Plan, specifically D.1.A, provided employees with a clear understanding of the reporting process and the responsibilities for providing the AVR outage notification. This communication to employees provided an immediate understanding of the expectations for reporting AVR outages to the Transmission Operator.

[Provide your response here; additional detailed information may be provided as an attachment as necessary]

Prevention of Future BPS Reliability Risk

- E.2 Describe how successful completion of the Mitigation Plan as laid out in Part D of this form has or will prevent or minimize the probability that your organization will incur further violations of the same or similar reliability standards requirements in the future:

The NERC03, Communication Procedure Training, emphasizes to employees the requirements for reporting AVR outages and the need for plant personnel to follow the reporting steps included in the procedure. The NERC02, Awareness Video, will give employees a general overview of NERC Electric Reliability Compliance and help reiterate the need to maintain a culture of compliance. The video highlights the importance of following procedures, providing accurate and timely communications, and completing documentation.



[Provide your response here; additional detailed information may be provided as an attachment as necessary]

- E.3 Your organization may be taking or planning other action, beyond that listed in the Mitigation Plan, as proposed in Part D.1, to prevent or minimize the probability of incurring further violations of the same or similar standards requirements listed in Part C.2, or of other reliability standards. If so, identify and describe any such action, including milestones and completion dates:

N/A

[Provide your response here; additional detailed information may be provided as an attachment as necessary]



Section F: Authorization

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

- a) Submits the Mitigation Plan, as laid out in Section D of this form, to WECC for acceptance by WECC 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 Vice President and COO of PPL Montana, LLC.
 2. I am an officer, employee, attorney or other person authorized to sign this Mitigation Plan on behalf of PPL Montana, LLC.
 3. I understand PPL Montana, LLC's obligations to comply with Mitigation Plan requirements and WECC or ERO remedial action directives and I have reviewed the WECC and ERO documents related to these obligations, including, but not limited to, the WECC CMEP and the NERC Rules of Procedure.
 4. I have read and am familiar with the contents of the foregoing Mitigation Plan.
 5. PPL Montana agrees to be bound by, and comply with, the Mitigation Plan, including the timetable completion date, as approved by WECC and approved by NERC.

Authorized Signature: 
(Electronic signatures are acceptable; see CMEP Section 3.0)

Name (Print): Bradley E. Spencer
Title: Vice President and COO
Date: July 9, 2009



Western Electricity Coordinating Council



Section G: Comments and Additional Information

You may use this area to provide comments or any additional relevant information not previously addressed in this form.

N/A

[Provide your response here; additional detailed information may be provided as an attachment as necessary]

Section H: WECC Contact and Instructions for Submission

Please direct any questions regarding completion of this form to:

Mike Wells, Sr. Compliance Engineer

Email: mike@wecc.biz

Phone: (801) 883-6884

For guidance on submitting this form, please refer to the "*WECC Compliance Data Submittal Policy*". This policy can be found on the Compliance Manuals website as Manual 2.12:

<http://compliance.wecc.biz/Application/Documents/Forms/WECC%20Compliance%20Data%20Submittal%20Policy.pdf>



Attachment A – Compliance Notices & Mitigation Plan Requirements

- I. Section 6.2 of the WECC 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 2.0.
 - (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.
 - (9) Any other information deemed necessary or appropriate.
 - (10) The Mitigation Plan shall be signed by an officer, employee, attorney or other authorized representative of the Registered Entity, which if applicable, shall be the person that signed the Self-Certification or Self Reporting submittals.
- II. This submittal form may be used to provide a required Mitigation Plan for review and approval by WECC and NERC.



Western Electricity Coordinating Council



- III. The Mitigation Plan shall be submitted to the WECC and NERC as confidential information in accordance with Section 9.3 of the WECC CMEP and Section 1500 of the NERC Rules of Procedure.
- IV. 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 violations with respect to each additional Reliability Standard, as applicable.
- V. If the Mitigation Plan is approved by WECC and NERC, a copy of the Mitigation Plan will be provided to the Federal Energy Regulatory Commission in accordance with applicable Commission rules, regulations and orders.
- VI. Either WECC or NERC may reject a Mitigation Plan that it determines to be incomplete or inadequate. If the Mitigation Plan is rejected by either WECC or NERC, the Registered Entity will be notified and required to submit a revised Mitigation Plan.
- VII. In accordance with Section 7.0 of the WECC CMEP, remedial action directives also may be issued as necessary to ensure reliability of the bulk power system.

Attachment e

PPLM's Certification of Completion of the Mitigation Plan dated September 30, 2009



Non-Public and CONFIDENTIAL

Certification of Mitigation Plan Completion Form

Submittal of a Certification of Mitigation Plan Completion shall include data or information sufficient for Western Electricity Coordinating Council (WECC) to verify completion of the Mitigation Plan. WECC 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: PPL Montana, LLC

NERC Registry ID: NCR 05329

Date of Submittal of Certification: September 30, 2009

NERC Violation ID No(s) (if known): WECC200901508

Standard: VAR-002-1.1a

Requirement(s): R3.1

**Date Mitigation Plan was scheduled to be completed per accepted Mitigation Plan:
September 30, 2009**

Date Mitigation Plan was actually completed: September 15, 2009

Additional Comments (or List of Documents Attached):

PPL Montana, LLC Communication: Plant management promptly discussed the details of this potential violation with appropriate personnel to highlight the need for communications on the status of AVR equipment. Plant Managers and Operations Supervisors sent e-mails to clarify reporting requirements, clarify responsibilities, and reinforce expectations.

Evidence-

Exhibit 1: Email to Hydro Staff clarifying communication expectations for Automatic Voltage Regulator (AVR) outage reporting.

PPL Generation Communication: The PPL Generation Compliance Committee members also discussed this event to share lessons learned across the PPL Generation fleet. These work group discussions emphasized the importance of required communication activities for NERC related equipment.

Evidence-

Exhibit 2: Compliance Committee Agenda, May 7, 2009. A biweekly meeting with PPL Compliance Professionals to discuss compliance activities. Subsequently discussed in the Managers' Compliance Update Agenda, a monthly meeting with PPL managers to discuss compliance activity status.



Western Electricity Coordinating Council

Non-Public and CONFIDENTIAL

Procedure Training: PPLM initiated training, NERC03, on Procedure PPL-NERC-MT-013, PPLM Reliability Standards Communication and Coordination Procedure. This procedure includes steps for reporting AVR outages. The training for this procedure emphasized the importance of communications for compliance to all applicable NERC Electric Reliability standards including, VAR-002. The training ensures that employees are familiar with the process for reporting and understand the expectations for communicating to ensure compliance to the NERC standards. PPLM has confirmed that all proper employees have attained the training except two employees who are on extended personal or medical leave.

Evidence-

- Exhibit 3: NERC Electric Reliability Communications and Coordination Procedure, including requirements for reporting AVR outages.
- Exhibit 4: Email: NERC03 - NERC Electric Reliability Communications and Coordination Procedure Announcement
- Exhibit 5: PPL-NERC-MT-013 - Talking points that accompanied the email announcement.
- Exhibit 6: NERC03 Training Roster

NERC Awareness Training: PPL Generation, the upstream owner of PPL Montana, developed a NERC awareness video, NERC02, that has been presented to applicable PPL Montana employees. This training emphasizes the importance of complying with NERC Reporting Requirements. PPLM has confirmed that all proper employees have attained the training except three employees who are on extended personal or medical leave.

Evidence-

- Exhibit 7: Email: NERC02 - NERC Electric Reliability Standards Training, May 20, 2009. Announced NERC Awareness training availability and expectations.
- Exhibit 8: NERC02 Training Roster
- Exhibit 9*: NERC02 NERC Electric Reliability Standards DVD, April 8, 2009. NERC Awareness Training video.
- Exhibit 10*: Pamphlet: NERC Awareness Training, 2009. Distributed to employees when training video was viewed.

* Exhibits 9 and 10 sent via FedEx, September 30, 2009

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

Name: Pete Simonich

Title: Vice President and COO, PPL Montana, LLC

Email: pjsimonich@pplweb.com

Phone: 406-237-6924

Authorized Signature:

Date: 9/30/09

Attachment f

WECC's Verification of Completion of the Mitigation Plan dated November 6, 2009

CONFIDENTIAL



Laura Scholl
Managing Director of Compliance

801.819.7619
lscholl@wecc.biz

November 6, 2009

Thomas E. Lehman
Compliance Specialist
PPL Montana, LLC
303 N. Broadway, Suite 400
Billings, Montana 59101

NERC Registration ID: NCR05329

Subject: Certification of Completion Response Letter

Dear Thomas E. Lehman,

The Western Electricity Coordinating Council (WECC) received the Certification of Completion and supporting evidence of PPL Montana, LLC (PPLM) on 9/30/2009 for the alleged violation of Reliability Standard VAR-002-1 Requirement 3.

WECC has accepted the Certification of Completion for Requirement 3 of the Reliability Standard VAR-002-1 and has found this requirement to be fully mitigated. No further mitigation of these requirements will be required at this time.

If you have any questions or concerns, please contact Mike Wells at mike@wecc.biz. Thank you for your assistance in this effort.

Sincerely,



Laura Scholl
Managing Director of Compliance

LS:rh

cc: Annette M. Bannon, PPLM Alternate Compliance Contact
Lisa Milanes, WECC Manager of Compliance Program Administration
Mike Wells, WECC Senior Compliance Engineer

Attachment g

Notice of Filing

UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

PPL Montana, LLC

Docket No. NP10-____-000

NOTICE OF FILING
March 1, 2010

Take notice that on March 1, 2010, the North American Electric Reliability Corporation (NERC) filed a Notice of Penalty regarding PPL Montana, LLC in the Western Electricity Coordinating Council 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