



NORTH AMERICAN ELECTRIC  
RELIABILITY CORPORATION

March 31, 2010

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

**Re: NERC Notice of Penalty regarding Michigan Electric Coordinated Systems  
FERC Docket No. NP10-\_-000**

Dear Ms. Bose:

The North American Electric Reliability Corporation (NERC) hereby provides this Notice of Penalty<sup>1</sup> regarding Michigan Electric Coordinated Systems (MECS), NERC Registry ID Number NCR08023,<sup>2</sup> 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)).<sup>3</sup>

During an on-site Compliance Audit conducted from September 16, 2008 through September 18, 2008 (Audit), ReliabilityFirst Corporation (ReliabilityFirst) identified a possible violation of Reliability Standards BAL-003-0<sup>4</sup> Requirement (R) 2.1 for MECS's failure to determine the fixed value by observing and averaging the Frequency Response for several disturbances during

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<sup>1</sup> *Rules Concerning Certification of the Electric Reliability Organization; and Procedures for the Establishment, Approval, and Enforcement of Electric Reliability Standards* (Order No. 672), III FERC Stats. & Regs. ¶ 31,204 (2006); *Notice of New Docket Prefix "NP" for Notices of Penalty Filed by the North American Electric Reliability Corporation*, Docket No. RM05-30-000 (February 7, 2008). See also 18 C.F.R. Part 39 (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). See 18 C.F.R. § 39.7(c)(2).

<sup>2</sup> ReliabilityFirst Corporation confirmed that Michigan Electric Coordinated Systems was included on the NERC Compliance Registry on June 27, 2007 as a Balancing Authority ("BA"), and as such was subject to the requirements of NERC Reliability Standards BAL-003-0 R2.1 and BAL-005-0 R17. MECS also had additional responsibilities under the Joint Registration Organization (JRO ID# JRO00001) which was effective on September 11, 2009.

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

<sup>4</sup> BAL-003-0 was enforceable from June 18, 2007 through August 27, 2008. BAL-003-0a was approved by the Commission and became enforceable on August 28, 2008. BAL-003-0.1b is the current enforceable Standard as of May 13, 2009. BAL-003-0b was approved by the Commission and implemented as of May 21, 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 and its requirements. For consistency in this filing, the original Standard, BAL-003-0, is used throughout.

on-peak hours as required by the Standard, and BAL-005-0<sup>5</sup> R17 for MECS's failure to provide sufficient evidence that it annually checked and calibrated its time error and frequency devices against a common reference. This Notice of Penalty is being filed with the Commission because, based on information from ReliabilityFirst, ReliabilityFirst and MECS have entered into a Settlement Agreement to resolve all outstanding issues arising from a preliminary and non-public assessment resulting in ReliabilityFirst's determination and findings of the enforceable alleged violations of BAL-003-0 R2.1 and BAL-005-0 R17. According to the Settlement Agreement, MECS neither admits nor denies the alleged violations of BAL-003-0 R2.1, and BAL-005-0 R17, but has agreed to the proposed penalty of five thousand dollars (\$5,000) to be assessed to MECS, in addition to other remedies and actions to mitigate the instant alleged violations and facilitate future compliance under the terms and conditions of the Settlement Agreement. Accordingly, the alleged violations identified as NERC Violation Tracking Identification Numbers RFC200800112 and RFC200800113 are being filed in accordance with the NERC Rules of Procedure and the CMEP.

### Statement of Findings Underlying the Alleged Violations

This Notice of Penalty incorporates the findings and justifications set forth in the Settlement Agreement executed on November 6, 2009 by and between ReliabilityFirst and MECS, which is included as Attachment b. The details of the findings and basis for the penalty are set forth in the Settlement Agreement and herein. This Notice of Penalty filing contains the basis for approval of the Settlement Agreement by the NERC Board of Trustees Compliance Committee (NERC BOTCC). In accordance with Section 39.7 of the Commission's regulations, 18 C.F.R. § 39.7 (2007), NERC provides the following summary table identifying each alleged violation of a Reliability Standard resolved by the Settlement Agreement, as discussed in greater detail below.

Region	Registered Entity	NOC ID	NERC Violation ID	Reliability Std.	Req. (R)	VRF	Total Penalty (\$)
Reliability First Corporation	Michigan Electric Coordinated Systems	NOC-414	RFC200800112	BAL-003-0	2.1	Lower <sup>6</sup>	5,000

<sup>5</sup> BAL-005-0 was enforceable from June 18, 2007 through August 27, 2008. BAL-005-0 was approved by the Commission and became enforceable on June 18, 2007. BAL-005-0b was approved by the Commission and became enforceable on August 28, 2008. BAL-005-0.1b 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 and its requirements. For consistency in this filing, the original Standard, BAL-005-0, is used throughout.

<sup>6</sup> When NERC filed Violation Risk Factors (VRF) it originally assigned BAL-003-0 R2 a "Lower" VRF. The Commission approved the VRF as filed; however, it directed NERC to submit modifications. NERC submitted the modified "Medium" VRF and on February 6, 2008, the Commission approved the modified "Medium" VRF. Therefore, the "Lower" VRF for BAL-003-0 R2 was in effect from June 18, 2007 until February 6, 2008 when the "Medium" VRF became effective. BAL-003-0 R2.1 and R2.2 have "Lower" VRFs.

Reliability <i>First</i> Corporation	Michigan Electric Coordinated Systems	NOC- 414	RFC200800113	BAL-005-0	17	Medium <sup>7</sup>	
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#### BAL-003-0

The purpose of Reliability Standard BAL-003-0 is to provide a consistent method for calculating the Frequency Bias component of Area Control Error (ACE).

BAL-003-0 R2 requires each Balancing Authority, such as MECS, to establish and maintain a Frequency Bias Setting that is as close as practical to, or greater than, the Balancing Authority's Frequency Response. Frequency Bias may be calculated several ways:

(R2.1) a Balancing Authority, such as MECS, may use a fixed Frequency Bias value which is based on a fixed, straight-line function of Tie Line deviation versus Frequency Deviation. The Balancing Authority shall determine the fixed value by observing and averaging the Frequency Response for several Disturbances during on-peak hours.

(R2.2) a Balancing Authority may use a variable (linear or non-linear) bias value, which is based on a variable function of Tie Line deviation to Frequency Deviation. The Balancing Authority shall determine the variable frequency bias value by analyzing Frequency Response as it varies with factors such as load, generation, governor characteristics, and frequency.

R2 has a "Medium" Violation Risk Factor (VRF) and its sub-requirements (R2.1 and R2.2) each have a "Lower" VRF.

During the Audit, the Reliability *First* Compliance Audit Team (Audit Team) identified a possible violation of BAL-003-0 R2.1. Specifically, the evidence showed that MECS utilized the fixed Frequency Bias but did not determine the fixed value by observing and averaging the Frequency Response for several disturbances during on-peak hours as required by NERC Standard BAL-003-0 R2.1. MECS had been using a Frequency Bias Setting of 1% of the estimated yearly peak demand per 0.1 Hz, which is the minimum Frequency Bias Setting required by NERC Standard BAL-003-0 R5.

The Audit Team reviewed the following documents:

- MECS's *Annual Frequency Bias L & Sub 10*; dated 2007
- MECS's *Frequency Bias Worksheet*; dated 2008
- *OCR-041 Frequency Bias Calculation Process; Rev 000*; dated August 18, 2008

<sup>7</sup> When NERC filed VRFs it originally assigned BAL-005-0 R17 a "Lower" VRF. The Commission approved the VRF as filed; however, it directed NERC to submit modifications. NERC submitted the modified "Medium" VRF and on February 6, 2008, the Commission approved the modified "Medium" VRF. Therefore, the "Lower" VRF for BAL-005-0 R17 was in effect from June 18, 2007 until February 6, 2008 when the "Medium" VRF became effective.

- *Annual Frequency Bias Submittal Email re: 2008 Frequency Bias & Peak Load Data-MECS; 2008*

The Audit Team determined that in the MECS *Annual Frequency Bias L & Sub 10* dated 2007 and MECS's *Frequency Bias Worksheet* dated 2008, MECS utilized and reported frequency bias as 1% of the estimated peak load forecast per 0.1 Hz. MECS's *OCR-041 Frequency Bias Calculation Process Procedure* uses the 'Fixed Frequency Bias Value' method. The document did not state that the actual frequency bias response was calculated as specified in this requirement. The 1% minimum from R5 of this Standard was being applied as a calculation method. Additionally, MECS's *Annual Frequency Bias Submittal Email re: 2008 Frequency Bias & Peak Load Data-MECS* shows MECS submitted the 1% of peak load forecast frequency bias value.

The Audit Team requested evidence demonstrating the actual MECS frequency bias. MECS produced its automated Energy Management System (EMS) calculation showing that its bias response was less than 1%. However, the Audit Team determined this bias response was based on a 2-month limited sample that included events not normally indicative of actual frequency response and so was inadequate to meet this requirement. MECS had not done a formal analysis of actual frequency bias in the recent past and adopted the 1% calculation in the early 1990's based on the frequency response at that time of less than 1%. Therefore, the Audit Team determined that MECS had a possible alleged violation of this Standard since MECS utilized the fixed Frequency Bias but did not determine the fixed value bias by observing and averaging the Frequency Response for several disturbances during on-peak hours as required by NERC Standard BAL-003-0 R2.1.

ReliabilityFirst reviewed the Audit Team's findings and determined that MECS had a possible alleged violation of BAL-003-0 R2.1. ReliabilityFirst also determined that the alleged violation did not create a serious or substantial risk to the bulk power system (BPS) because, based on NERC's 2008 CPS2 Bounds Report, MECS' Frequency Bias comprised only 3.44% of the total Eastern Interconnection Frequency Bias. Moreover, MECS 2007 and 2008 Frequency Response calculations, performed as part of the Mitigation Plan, confirmed that the MECS Frequency Bias Setting monthly average was greater than MECS's Frequency Response, even though MECS did not calculate the Frequency Bias by observing and averaging the Frequency Response for several Disturbances during on peak hours until after the Compliance Audit began.

ReliabilityFirst determined that MECS had an alleged violation of BAL-003-0 R2.1 because, although MECS stated that it uses the 'Fixed Frequency Bias Value' method, it did not determine the fixed value by observing and averaging the Frequency Response for several disturbances during on-peak hours as required by NERC Standard BAL-003-0 R2.1.

ReliabilityFirst determined the duration of the alleged violation to be from June 27, 2008, the date MECS was included on the NERC Compliance Registry, through October 29, 2008, when MECS completed its Mitigation Plan.<sup>8</sup>

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<sup>8</sup> The Settlement Agreement incorrectly states that the alleged violation began on June 18, 2007.

#### BAL-005-0 R17

The purpose of Reliability Standard BAL-005-0 is to establish requirements for Balancing Authority Automatic Generation Control (AGC) necessary to calculate ACE and to routinely deploy the Regulating Reserve. The Standard also ensures that all facilities and load electrically synchronized to the Interconnection are included within the metered boundary of a Balancing Area so that balancing of resources and demand can be achieved.

BAL-005-0 R17 requires each Balancing Authority, such as MECS, to at least annually check and calibrate its time error and frequency devices against a common reference. The Balancing Authority shall adhere to the minimum values for measuring devices as listed below:

Device	Accuracy
Digital frequency transducer	$\leq 0.001$ Hz
MW, MVAR, and voltage transducer	$\leq 0.25$ % of full scale
Remote terminal unit	$\leq 0.25$ % of full scale
Potential transformer	$\leq 0.30$ % of full scale
Current transformer	$\leq 0.50$ % of full scale

BAL-005-0 R17 has a “Medium” VRF.

During the Audit, the Audit Team also identified a possible violation of BAL-005-0 R17. Specifically, for BAL-005-0 R17, the evidence presented showed that MECS has a Global Positioning System (GPS) based frequency device to measure system frequency that does not require calibration as per manufacturer’s specifications. However, MECS did not have verification that it annually checked its time error and frequency devices against a common reference as required by NERC Standard BAL-005-0 R17.

On April 21, 2009, MECS requested reconsideration of the alleged violation because it had participated in the Balance Resources and Demand Standard Proof of Concept Field Trial (BAAL) since 2005<sup>9</sup> and submitted monthly data to the BAAL team in accordance with the Field Trial Document. The data included clock minute frequency average for every minute in the month. The BAAL team conducted monthly reviews of the data and compared the frequency for consistency via review of graphed data. Any anomaly or suspect data was brought to the affected participant’s attention by the BAAL team. At the time of the Compliance Audit, there were sixteen (16) BAAL field trial participants. MECS stated that through its participation in the BAAL, the MECS frequency source was checked against fifteen (15) other sources, not just one as required by the Standard. MECS submitted a formal comparison report after the Compliance Audit that demonstrated that the frequency device data was consistent and accurate.

On May 29, 2009, ReliabilityFirst and MECS discussed via telephone conference MECS’s position regarding BAL-005-0 R17 and the BAAL. ReliabilityFirst stated that the Standard required each Balancing Authority to check and calibrate the time error and frequency devices against a common reference. During the time of the audit no evidence was presented validating

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<sup>9</sup> Proof of Concept Field Trial only waived compliance with BAL-001-0.



that a check was performed, or that a check was performed annually, and there was no operator's log to substantiate that a check was performed. ReliabilityFirst informed MECS that the BAL-005-0, Requirement 17 was in effect, therefore the field Trial did not replace the need to be compliant with BAL-005-0, Requirement 17. ReliabilityFirst denied reconsideration of the alleged violation, because: (1) the Proof of Concept Field Trial only waived compliance with BAL-001-0, (2) the standard requires each Balancing Authority to check and calibrate the time error and frequency devices against a common reference and (3) MECS was unable to present any evidence validating that a check was performed, or that a check was performed annually, and there were no operators' log to substantiate that a check was performed.

The Audit Team reviewed the following documents:

- MECS's *FERC Reliability Standards Order-Interpretation of Calibration Requirements*. (Paragraph 32); RM08; dated July 2007
- MECS's *Arbiter\_Model\_1088\_Manual* (See c 19.5, Page 197)
- *REL-526; Rev 000*; dated March 17, 2008

*FERC Reliability Standards Order No. 693 -Interpretation of Calibration Requirements*, Paragraph 32 is referenced as evidence that calibration of digital devices is not required but paragraphs 24 and 33 state that they should still be cross-checked against other properly calibrated equipment. MECS did not have a procedure to check or calibrate its time error and frequency devices against a common reference, as specified by this requirement. MECS system operators have a screen to observe and compare various frequency values in real time.

*Arbiter\_Model\_1088\_Manual* OEM document confirmed that the device cannot be calibrated (See c 19.5, Page 197).

*REL-526* Refers to GPS time sync of RTUs, frequency devices, *etc.*

The Audit Team determined that MECS did not have a procedure to check and calibrate its time error and frequency devices against a common reference. The MECS Subject Matter Expert stated that MECS did not have a procedure or signed confirmation to verify the frequency device against a known standard. MECS system operators have screens with various frequency sources which are used to monitor frequency. Therefore, the Audit Team determined that this was a potential alleged violation since its frequency device is not formally checked against other properly calibrated devices.

ReliabilityFirst reviewed the Audit Team's findings and MECS's formal comparison report and determined that MECS had a possible alleged violation of BAL-005-0 R17 because MECS failed to provide sufficient evidence that it annually checked and calibrated its time error and frequency devices against a common reference.

ReliabilityFirst also determined that the alleged violation did not create a serious or substantial risk to the BPS because MECS operators had an online EMS screen for comparison of the ACE frequency source against several other frequency sources in real time, with an alarm point for differences greater than 0.01 Hz. In addition, MECS's one minute clock average frequency was

reported monthly to the BAAL field trial and compared against fifteen (15) other Balancing Authority frequency data.

#### Regional Entity's Basis for Penalty

According to the Settlement Agreement, ReliabilityFirst has assessed a penalty of five thousand dollars (\$5,000) for the referenced alleged violations. In reaching this determination, ReliabilityFirst considered the following factors:

- (1) this was the first assessed non-compliance with Reliability Standards BAL-003-0 and BAL-005-0 for MECS;
- (2) MECS was cooperative throughout ReliabilityFirst's enforcement process;
- (3) there was no evidence of any attempt to conceal a violation nor evidence of intent;
- (4) ReliabilityFirst determined that the alleged violations did not create a serious or substantial risk to the BPS, as discussed above; and
- (5) there were no aggravating circumstances.

After consideration of the above factors, ReliabilityFirst determined that, in this instance, the penalty amount of five thousand dollars (\$5,000) is appropriate and bears a reasonable relation to the seriousness and duration of the alleged violations.

#### **Status of Mitigation Plans<sup>10</sup>**

##### BAL-003-0

MECS's completed Mitigation Plan to address its alleged violation of BAL-003-0 R2.1 was submitted to ReliabilityFirst on March 30, 2009, stating that it had been completed on October 29, 2008. The Mitigation Plan was accepted by ReliabilityFirst on May 26, 2009 and approved by NERC on June 8, 2009. The Mitigation Plan for this alleged violation is designated as MIT-09-1730 and was submitted as non-public information to FERC on June 8, 2009 in accordance with FERC orders.

MECS stated in its Mitigation Plan that it had completed the following actions:

1. A Frequency Response calculation as specified in BAL-003-0 R2.1 was performed for 2007 and 2008 to confirm our system frequency response characteristics were below the minimum threshold specified in BAL-003-0 R5. The Frequency Response was observed and averaged for several 2007 and 2008 on-peak disturbances by September 19, 2008.<sup>11</sup>
2. The internal procedure OCR-041 Frequency Bias Calculation Process was revised to include review of the actual Frequency Responses and selection of the actual average

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<sup>10</sup> See 18 C.F.R. § 39.7(d)(7).

<sup>11</sup> Although not required by the Mitigation Plan, MECS updated the Frequency Response again on December 19, 2008.

Frequency Response or the minimum Bias Setting. The internal procedure OCR-041 Frequency Bias Calculation Process was revised on October 29, 2008.

On January 6, 2009, the Midwest Independent System Operator (MISO) assumed responsibility for the function on MECS's behalf. On January 6, 2009, coincident with the start of the MISO Ancillary Services Market and the related implementation of the MISO Balancing Authority Joint Registration Organization (JRO00001), MISO assumed responsibility for the performance of BAL-003-0 R2 and R2.1 for the entire MISO Balancing Authority footprint, including MECS.

MECS certified on March 30, 2009 that its Mitigation Plan was completed on October 29, 2008. As evidence of completion of its Mitigation Plan, MECS submitted the following:

1. *2007 DCS Events: MECS Frequency Response Characteristic Analysis (September 19, 2009).* MECS went back into the year 2007 and recalculated their physical system response to demonstrate that their current frequency response is adequate to meet the requirements of this Standard.
2. *2008 DCS Events: MECS Frequency Response Characteristic Analysis (September 19, 2009).* MECS went back into the year 2008 and recalculated their physical system response to demonstrate that their current frequency response is adequate to meet the requirements of this Standard.
3. *Frequency Bias Calculation Process (OCR-041 - Effective Date: 10/29/2008 – Rev # 001).* MECS updated their OCR-041 Operations Control Room Practices document that addresses the Frequency Bias Calculation process to include a specific wording that requires their BA Operators to perform the checks required in this Standard.

On August 25, 2009, after reviewing MECS's submitted evidence, ReliabilityFirst verified that MECS's Mitigation Plan was completed on October 29, 2008 and that MECS was in compliance with BAL-003-0 R2.1.

#### BAL-005-0

MECS's Mitigation Plan to address its alleged violation of BAL-005-0 R17 was submitted to ReliabilityFirst on April 20, 2009, stating that it had been completed on December 23, 2008. The Mitigation Plan was accepted by ReliabilityFirst on May 26, 2009 and approved by NERC on June 8, 2009. The Mitigation Plan for this alleged violation is designated as MIT-09-1731 and was submitted as non-public information to FERC on June 8, 2009 in accordance with FERC orders.

MECS stated in its Mitigation Plan that it had completed the following actions:

1. The internal procedure *OCR-041 Frequency Bias Calculation Process* was revised to include a step to check the time error and frequency device against the best available frequency reference device. The internal procedure *OCR-041 Frequency Bias Calculation Process* was revised on October 28, 2008.



2. A report was created to provide an hourly comparison of the independent frequency sources for the Michigan Transmission Management System (MTMS) and the Midwest Transmission Management System (MWTMS). These are two independent systems in use in the control room which MECS operators share with ITC transmission operations. The report was created by December 23, 2008.

MISO assumed responsibility for the function on MECS's behalf. On January 6, 2009, coincident with the start of the MISO Ancillary Services Market and the related implementation of the MISO Balancing Authority Joint Registration Organization (JRO00001), MISO assumed responsibility for the performance of ACE calculation and AGC. As of April 20, 2009, the JRO00001 document posted on NERC's website indicated that BAL-005-0 R17 is a shared responsibility among MISO and the Local Balancing Authorities (LBA). However, MISO and LBA have agreed that BAL-005-0 R17 should be the sole responsibility of MISO. This is reflected in the annual update of the JRO Matrix that was submitted by MISO to ReliabilityFirst on April 16, 2009.

MECS certified on April 20, 2009 that its Mitigation Plan was completed on December 23, 2008. As evidence of completion of its Mitigation Plan, MECS submitted the following:

1. *Frequency Comparison Report (December 23, 2008)*. MECS provided a frequency comparison table of its frequency meter to a common alternate source located in one of its sister companies. This comparison on an ongoing basis meets and surpasses the requirement to at least annually check and calibrate this device.
2. *Frequency Bias Calculation Process (OCR-041 – Effective Date: 10/29/2008 – Rev # 001)*. MECS updated their OCR-041 Operations Control Room Practices document that addresses the Frequency Bias Calculation process to include a specific wording that requires their BA Operators to perform the checks specified in the Standard.

On August 25, 2009, after reviewing MECS's submitted evidence, ReliabilityFirst verified that MECS's Mitigation Plan was completed on December 23, 2008 and that MECS was in compliance with BAL-005-0 R17.

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

### **Basis for Determination**

Taking into consideration the Commission's direction in Order No. 693, the NERC Sanction Guidelines and the Commission's July 3, 2008 Guidance Order,<sup>13</sup> the NERC BOTCC reviewed the Settlement Agreement and supporting documentation on February 10, 2010. The NERC BOTCC approved the Settlement Agreement, including ReliabilityFirst's imposition of a financial penalty, assessing a penalty of five thousand dollars (\$5,000) against MECS and other

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

<sup>13</sup> *North American Electric Reliability Corporation*, "Guidance Order on Reliability Notices of Penalty," 124 FERC ¶ 61,015 (2008).

actions to facilitate future compliance required under the terms and conditions of the Settlement Agreement. In approving the Settlement Agreement, the NERC BOTCC reviewed the applicable requirements of the Commission-approved Reliability Standards and the underlying facts and circumstances of the alleged violations at issue.

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

- (1) MECS had no prior violations of these Standards or any closely related Standards;
- (2) MECS was cooperative throughout the compliance enforcement process;
- (3) there was no evidence of any attempt to conceal a violation nor evidence of intent to do so;
- (4) ReliabilityFirst determined that there were no aggravating circumstances; and
- (5) the alleged violations did not create a serious or substantial risk to the BPS, as discussed above.

For the foregoing reasons, the NERC BOTCC approves the Settlement Agreement and believes that the proposed five thousand dollar (\$5,000) penalty is appropriate for the violation and circumstances in question, and consistent with NERC's goal to promote and ensure reliability of the BPS.

Pursuant to Order No. 693, the penalty will be effective upon expiration of the 30 day period following the filing of this Notice of Penalty with FERC, or, if FERC decides to review the penalty, upon final determination by FERC.

**Attachments to be included as Part of this Notice of Penalty**

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

- a) ReliabilityFirst's Compliance Audit Report – Public Version for MECS dated November 8, 2008, included as Attachment a;
- b) Settlement Agreement by and between MECS and ReliabilityFirst executed November 6, 2009, included as Attachment b;
  - i. MECS' Mitigation Plan for BAL-003-0 R2.1 designated as MIT-09-1730 and Certification of Completion therein submitted March 30, 2009, included as Attachment A to the Settlement Agreement;
  - ii. MECS' Mitigation Plan for BAL-005-0 R17 designated as MIT-09-1731 and Certification of Completion therein submitted April 20, 2009, included as Attachment B to the Settlement Agreement;
  - iii. ReliabilityFirst's Verification of Completion of Mitigation Plan MIT-09-1730 for BAL-003-0 R2.1 dated August 25, 2009, included as Attachment C to the Settlement Agreement; and
  - iv. ReliabilityFirst's Verification of Completion of Mitigation Plan MIT-09-1731 for BAL-005-0 R17 dated August 25, 2009, included as Attachment D to the Settlement Agreement.

**A Form of Notice Suitable for Publication<sup>14</sup>**

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

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<sup>14</sup> 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, New Jersey 08540-5721 (609) 452-8060 (609) 452-9550 – facsimile gerry.cauley@nerc.net david.cook@nerc.net</p> <p>Elizabeth A. Howell* Vice President, Operations ITC Holdings Corp. 2175 Energy Way Novi, MI 48377 (248) 946-3120 ehowell@itctransco.com</p> <p>Michael Ayotte* Director Compliance &amp; Training ITC Holdings Corp. 2175 Energy Way Novi, MI 48377 (248) 946-3092 Mayotte@itctransco.com</p> <p>Christine Mason Soneral* Vice President, General Counsel Utility Operations ITC Holdings Corp. 2175 Energy Way Novi, MI 48377 (248) 946-3000 csoneral@itctransco.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>Timothy R. Gallagher* President and Chief Executive Officer ReliabilityFirst Corporation 320 Springside Drive, Suite 300 Akron, Ohio 44333 (330) 456-2488 tim.gallagher@rfirst.org</p> <p>Raymond J. Palmieri* Vice President and Director of Compliance ReliabilityFirst Corporation 320 Springside Drive, Suite 300 Akron, Ohio 44333 (330) 456-2488 ray.palmieri@rfirst.org</p> <p>Robert K. Wargo* Manager of Compliance Enforcement ReliabilityFirst Corporation 320 Springside Drive, Suite 300 Akron, Ohio 44333 (330) 456-2488 bob.wargo@rfirst.org</p> <p>David J. Coyle* Compliance Specialist ReliabilityFirst Corporation 320 Springside Drive, Suite 300 Akron, Ohio 44333 (330) 456-2488 dave.coyle@rfirst.org</p>
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## Conclusion

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

Respectfully submitted,

/s/ Rebecca J. Michael

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cc: Michigan Electric Coordinated Systems  
ReliabilityFirst Corporation

Attachments

## **Attachment a**

### **Reliability*First's* Compliance Audit Report Public Version for MECS dated November 8, 2008**





# **Compliance Audit Report Public Version**

**Confidential Information (including Privileged and  
Critical Energy Infrastructure Information)  
Has Been Removed**

**Michigan Electric Coordinated Systems  
NERC ID # - NCR008023**

**Date of Audit  
September 16-18, 2008**

**Date of Report  
November 8, 2008**

Confidential Information (including Privileged and  
Critical Energy Infrastructure Information) Has Been Removed

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## Executive Summary

This final compliance audit report is the public version. Confidential information (including privileged and critical energy infrastructure information) has been redacted from this report. The full final compliance audit report was submitted to the audited entity and NERC.

ReliabilityFirst scheduled Michigan Electric Coordinated Systems (MECS) for an onsite audit of its compliance to the NERC Reliability Standards and the ReliabilityFirst Regional Standards that apply to MECS for the functions that it performs within the ReliabilityFirst area as part of the NERC Compliance Monitoring and Enforcement Program (CMEP). The audit team reviewed the material provided by MECS in response to the 60 day notification ReliabilityFirst provided requesting data and information to develop its compliance findings. The ReliabilityFirst audit team reviewed the material and developed the preliminary results on MECS's compliance to the standards.

The Audit Team reviewed 27 NERC Standards that apply to MECS as a Balancing Authority (BA) as registered in the ReliabilityFirst area which include 109 requirements. No regional standards were reviewed as a part of this Audit of MECS. Of the 109 requirements that were reviewed, 11 were determined to be not applicable to MECS.

MECS was prepared for the audit and presented its documentation in a complete and concise manner.

After reviewing all of the evidence presented, MECS was found to be compliant with 25 out of 27 the NERC standards reviewed that apply to the function which it is registered in the ReliabilityFirst area. MECS was found to have Possible Alleged Violation (PAV) with NERC Standard BAL-003-0, R2.1 (Frequency Response and Bias) and BAL-005-0, R17 (Automatic Generation Control).

For BAL-003-0 R2.1, the evidence showed that MECS uses the fixed Frequency Bias, but MECS has not made a calculation to determine the fixed frequency value by observing and averaging the Frequency Response of actual disturbances during on-peak hours as required by NERC Standard BAL-003-0, R2.1. MECS had the data available, but had not done the calculation until asked by the audit team. MECS has been using the Frequency Bias Setting of 1% of the estimated yearly peak demand per 0.1 Hz which is the minimum Frequency Bias Setting required by NERC Standard BAL-003, R5.

Evidence presented for BAL-005-0 R17 showed that MECS has a GPS based frequency device to measure system frequency that cannot be calibrated, but MECS does not have verification that it annually checked its time error and frequency devices against a common reference as required by NERC Standard BAL-005-0, R17.

The two Possible Alleged Violations, mentioned above will be reported to the ReliabilityFirst Vice President and Director of Compliance and NERC. The PAV will be processed through the ReliabilityFirst's Compliance Monitoring and Enforcement Program.

## Audit Process

The compliance audit process steps are detailed in the NERC CMEP. The NERC CMEP generally conforms to the United States Government Accountability Office Government Auditing Standards and other generally accepted audit practices.

### **Objectives**

All Registered Entities are subject to audit for compliance with all reliability standards applicable to the functions for which the Registered Entity is registered.<sup>1</sup> The audit objectives are:

- Review MECS's compliance with the requirements of the reliability standards that are applicable to MECS based on MECS's registered functions
- Validate compliance with applicable reliability standards from the NERC 2008 Implementation Plan list of actively monitored standards
- Validate evidence of self-reported violations and previous self-certifications, confirm compliance with other requirements of the reliability standard, and review the status of associated mitigation plans
- Document MECS's compliance culture
- Validate compliance with other NERC standards outside the 2008 implementation plan as selected by *ReliabilityFirst*
- Validate compliance with applicable *ReliabilityFirst* reliability standards that apply to MECS

### **Scope**

This audit was conducted on those standards which were provided by NERC for monitoring in the 2008 CMEP Implementation Plan. *ReliabilityFirst* also monitors all applicable *ReliabilityFirst* standards, self certifications, and mitigation plans as appropriate. This audit of MECS did not include any regional standards.

### **Confidentiality and Conflict of Interest**

Confidentiality and Conflict of Interest of the audit team are governed under the *ReliabilityFirst* Delegation Agreement with NERC and the NERC Rules of Procedure Section 1500. The audited entity was informed of the *ReliabilityFirst* obligations and responsibilities under the agreement and procedures. The work history for each audit team member was provided to the audited entity. The audited entity was given an opportunity to object to an audit team member on the basis of a possible conflict of interest or the existence of other circumstances that could interfere with the audit team member's impartial performance of duties. The audited entity did not submit any objections by the stated fifteen day objection due date and by this action has

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<sup>1</sup> North American Electric Reliability Corporation CMEP, paragraph 3.1, Compliance Audits

accepted the audit team member participants without objections. ReliabilityFirst found no conflict of interest for any of the audit team members.

### ***On-site Audit***

MECS is subject to an audit once every three years as provided by the NERC Rules of Procedure. Every RC, TOP and BA registered in the NERC Functional Registration Data Base is required to have an on-site audit once every three years. MECS was provided 60 day notification of this scheduled audit and at that time all necessary documents required by the NERC and ReliabilityFirst audit process were provided. The following documents were provided as part of the notification:

- 60 day Notification letter which contained request for evidence , information, and date submittals
- Audit Survey
- Audit Agenda as applicable
- Internal Compliance Survey
- Audit Team Work History with discussion of objection process
- General Instructions of Data or Information Submittals
- Reliability Standard Auditor Worksheets (RSAWs)
- Reliability Standard Questionnaires

Documents were provided to MECS in both electronic and hardcopy format.

ReliabilityFirst discussed the use of technical experts with the MECS primary compliance contact and indicated that ReliabilityFirst would welcome the use of technical experts by MECS as it deems necessary to explain their compliance to the standards. As such, MECS has been notified to provide any technical experts or personnel that it deems necessary in order to provide the Audit Team an understanding of the evidence provided to meet compliance.

An audit agenda and/or schedule were provided to MECS in advance to allow the necessary time to prepare for the audit. MECS cooperation and flexibility with the agenda was appreciated by the audit team.

This audit was conducted in the ITC offices using material provided by MECS. The audit team reviewed MECS compliance processes for all applicable standards with MECS technical experts and requested additional information to clarify information previously supplied to the team. These interviews in conjunction with evidence provided, supplied the audit team with a basis for using professional judgment when validating compliance to the reliability standards.

### ***Methodology***

The audit team reviewed the evidence provided by MECS for each of the requirements that apply to the functions performed by the company to determine if the company complied with those standards and associated requirements. The team reviewed each requirement, discussed the

levels of compliance and addressed each team member's observations from the audit to determine its findings from the review.

### ***Audit Overview***

An Opening Briefing was conducted to discuss the following:

- Introduction of audit team
- Audit Objective and Scope
- Team Audit Expectations
- Discussion on Clarification Calls
- Audit Process
- Exit Briefing and schedule

### ***Audit***

The audit team worked in two sub-groups. The applicable standards were divided between the two groups and each group reviewed each requirement assigned to it to determine if MECS was compliant to the requirements. Each of the two groups shared its findings with the other to determine MECS's compliance to each of the standards. The audit followed the agenda closely. Upon request, MECS provided additional information or clarified existing information during the review of its material with their subject matter experts.

### ***Exit Briefing***

The audit team presented its preliminary findings to the MECS staff. The team lead explained the findings from the audit. The presentation was attended by the following MECS staff:

<b>Title</b>	<b>ITC</b>
Supervisor – Control Area Operations	ITC
Director – Compliance & Training	ITC
Director – Operations Engineering	ITC
VP – IT & Facilities & CIO	ITC
VP – Operations	ITC
VP – General Counsel Utility Operations	ITC
Director – Real Time Operations	ITC
Principal System Analyst TMS – ATF	ITC
Manager – Control Area Operations	ITC
Operations Consultant	ITC
Compliance Manager	ITC
Director – Asset Management	ITC
VP – Planning	ITC



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The presentation was open for comments and discussion about the findings. The exit presentation also covered any possible violations and mitigation requirements, the reporting process going forward, and audit feedback forms that the region is using to improve their audit process.

### **Company Profile**

MECS performs the following NERC function in the ReliabilityFirst region and is registered with NERC/ReliabilityFirst for the following function:

- Balancing Authority (BA)

MECS performs the Balancing Authority function for the area covered by the ITC Transmission (ITCT) and Michigan Electric Transmission Company (METC) plus other systems embedded in the ITCT and METC transmission systems. MECS is jointly operated by ITCT and METC, both subsidiaries of ITC Holdings Corp (ITC). All three entities operate out of the same control room and share the same energy management system. While each entity has procedures for its individual responsibilities, they all share and are working towards a common set of procedures. The operators often operate and progress through positions in all three of the registered entities (MECS, ITCT and METC).

In this report when the acronym ITC is used, it refers to the operations that cover all three entities or processes and procedures common to all three. The compliance audits of ITCT, METC, and MECS were conducted concurrently. Three reports were written, each covering the areas of responsibility for the organization in its individual audit report. ITCT, METC, and MECS operate as different divisions of the ITC organization. The separate reports often cover common operations, procedures, documentation, equipment, and personnel.

The MECS area covers most of Lower Peninsula of Michigan with the exception of the southwest corner. MECS is interconnected with Northern Indiana Public Service, FirstEnergy, Independent Electric System Operator, PJM, and Wisconsin Electric Power Company balancing authorities. MISO is its Reliability Coordinator and it operates in the MISO market area. MECS peak was 22,369 MW and it has a total generation capacity of 24,370 MW. Other information about the MECS area is shown in the table below:

	METC	ITCT	Total MECS
Service Territory (Square Miles)	18,800	7,600	26,200
Transmission (Line Miles)	5,400	2,700	9,100
Substations	81	155	236
Peak Load (MW)	9,607	12,762	22,369
Generation (MW)	11,300	13,070	24,370

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### **Audit Specifics**

The compliance audit was conducted on September 16 - 18, 2008 at the ITC office in Novi, MI.

### **Audit Team**

<b>Audit Team Role</b>	<b>Title</b>	<b>Company</b>
Lead	Manager of Compliance Audits	ReliabilityFirst Corporation
Member	Manager of Compliance Program Implementation	ReliabilityFirst Corporation
Member	Senior Consultant	ReliabilityFirst Corporation
Member	Senior Engineer	ReliabilityFirst Corporation
Member	Consultant	Sander-Reber
Member	Consultant	Scott Porteous & Associates
Observer	Regional Compliance Program Coordinator	NERC
Observer	Manager of Organization Registration and Certification	NERC

### **MECS Audit Participants**

<b>Title</b>	<b>ITC</b>
Supervisor – Control Area Operations	ITC
Director – Compliance & Training	ITC
Director – Operations Engineering	ITC
Manager – Security	ITC
Manager – Operations	ITC
Sr. Engineer – Relay Performance	ITC
VP – IT & Facilities & CIO	ITC
Manager – Maintenance & Equipment	ITC
TMS Support Principal Engineer	ITC
Engineer – Sys & Interconnection Planning	ITC
VP – Operations	ITC
Principal Engineer – Telecom Support	ITC
Manager – Sys & Interconnection Planning	ITC
Sr. Transmission System Coordinator	ITC
VP – General Counsel Utility Operations	ITC
Director – Real Time Operations	ITC
Principal Engineer	ITC
Principal System Analyst TMS – ATF	ITC
Manager – Control Area Operations	ITC

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<b>Title</b>	<b>ITC</b>
Sr. Staff Engineer – EMSYS Support SCADA	ITC
Manager – Information Security/IT Governance	ITC
Operations Consultant	ITC
Compliance Manager	ITC
Training Administrator	ITC
Principal Engineer – Relay Performance	ITC
Director – Asset Management	ITC
VP – Planning	ITC
Sr. Staff Engineer – Operations Engineering	ITC
Manager – Training	ITC
Principal Engineer – Relay Performance	ITC

## Audit Results

After reviewing all of the evidence presented, MECS was found to be compliant with 25 out of 27 of the NERC standards reviewed that apply to its operations for which it is registered in the ReliabilityFirst area. MECS was found to have a Possible Alleged Violation (PAV) with NERC Standard BAL-003-0, R2.1 (Frequency Response and Bias) and BAL-005-0, R17 (Automatic Generation Control).

For BAL-003-0, R2.1, the evidence shows that MECS uses the fixed Frequency Bias but has not determined the fixed value by observing and averaging the Frequency Response of actual for several Disturbances during on-peak hours as required by NERC Standard BAL-003-0, R2.1. MECS has been using a Frequency Bias Setting of 1% of the estimated yearly peak demand per 0.1 Hz which is the minimum Frequency Bias Setting required by NERC Standard BAL-003, R5.

Evidence presented for BAL-005-0, R17 showed that MECS has a GPS based frequency device to measure system frequency that cannot be calibrated, however MECS does not have verification that it annually checked its time error and frequency devices against a common reference as required by NERC Standard BAP-005-0, R17.

Senior management attended the opening and exit briefing presentations. MECS was prepared for the audit and presented its documentation in a complete and concise manner.

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## Findings

The following table details the auditor findings relating to evidence reviewed for compliance with the reliability standards listed in the NERC 2008 Implementation Plan. The table includes details, section and page numbers noted by the auditor relating to the evidence reviewed for compliance to the reliability standard and associated requirements.

### MECS On-site Audit Findings Table

Reliability Standard	Requirement	Finding
BAL-001-0	R1	Compliant
BAL-001-0	R2	NA
BAL-001-0	R3	NA
BAL-001-0	R4	NA
BAL-002-0	R1	Compliant
BAL-002-0	R3	Compliant
BAL-002-0	R4	Compliant
BAL-002-0	R6	Compliant
BAL-003-0	R1	Compliant
BAL-003-0	R2	PAV
BAL-003-0	R3.	Compliant
BAL-003-0	R4	NA
BAL-003-0	R5	Compliant
BAL-003-0	R6.	NA
BAL-004-0	R3	Compliant
BAL-004-0	R4	Compliant
BAL-005-0	R2.	Compliant
BAL-005-0	R3.	NA
BAL-005-0	R4.	NA
BAL-005-0	R5.	NA
BAL-005-0	R6.	Compliant
BAL-005-0	R7.	Compliant
BAL-005-0	R8	Compliant
BAL-005-0	R9	NA
BAL-005-0	R10.	NA
BAL-005-0	R11.	Compliant
BAL-005-0	R12	Compliant
BAL-005-0	R13	Compliant
BAL-005-0	R14	Compliant
BAL-005-0	R15	Compliant
BAL-005-0	R16	Compliant
BAL-005-0	R17	PAV

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<b>Reliability Standard</b>	<b>Requirement</b>	<b>Finding</b>
BAL-006-1	R1	Compliant
BAL-006-1	R2	Compliant
BAL-006-1	R3	Compliant
BAL-006-1	R4	Compliant
BAL-006-1	R5	Compliant
CIP-001-1	R1	Compliant
CIP-001-1	R2	Compliant
CIP-001-1	R3	Compliant
CIP-001-1	R4	Compliant
COM-001-1	R1	Compliant
COM-001-1	R2	Compliant
COM-001-1	R3	Compliant
COM-001-1	R4	Compliant
COM-001-1	R5	Compliant
COM-002-2	R1	Compliant
COM-002-2	R2	Compliant
EOP-001-0	R1	Compliant
EOP-001-0	R3	Compliant
EOP-001-0	R4	Compliant
EOP-001-0	R5	Compliant
EOP-001-0	R6	Compliant
EOP-001-0	R7	Compliant
EOP-002-2	R1	Compliant
EOP-002-2	R2	Compliant
EOP-002-2	R3	Compliant
EOP-002-2	R4	Compliant
EOP-002-2	R5	Compliant
EOP-002-2	R6	Compliant
EOP-002-2	R7	Compliant
EOP-003-1	R1	Compliant
EOP-003-1	R2	Compliant
EOP-003-1	R3	Compliant
EOP-003-1	R4	Compliant
EOP-003-1	R5	Compliant
EOP-003-1	R6	Compliant
EOP-003-1	R7	Compliant
EOP-003-1	R8	Compliant
EOP-004-1	R2	Compliant
EOP-004-1	R3	Compliant
EOP-005-1	R5	Compliant

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<b>Reliability Standard</b>	<b>Requirement</b>	<b>Finding</b>
EOP-005-1	R6	Compliant
EOP-005-1	R7	Compliant
EOP-005-1	R11	Compliant
EOP-008-0	R1	Compliant
INT-001-2	R2	Compliant
INT-003-2	R1	Compliant
INT-004-1	R1	Compliant
IRO-001-1	R8	Compliant
IRO-004-1	R3	Compliant
IRO-004-1	R4	Compliant
IRO-004-1	R7	Compliant
IRO-005-1	R8	Compliant
IRO-005-1	R13	Compliant
IRO-006-3	R6	Compliant
PER-002-0	R1	Compliant
PER-002-0	R2	Compliant
PER-002-0	R3	Compliant
PER-002-0	R4	Compliant
PER-003-0	R1	Compliant
TOP-002-2	R1	Compliant
TOP-002-2	R2	Compliant
TOP-002-2	R3	Compliant
TOP-002-2	R4	Compliant
TOP-002-2	R5	Compliant
TOP-002-2	R6	Compliant
TOP-002-2	R7	Compliant
TOP-002-2	R8	Compliant
TOP-002-2	R9	Compliant
TOP-002-2	R10	Compliant
TOP-002-2	R17	Compliant
TOP-002-2	R18	Compliant
TOP-002-2	R19	Compliant
TOP-003-0	R2	Compliant
TOP-003-0	R3	Compliant
TOP-005-1	R1	Compliant
TOP-005-1	R2	NA
TOP-005-1	R3	Compliant



### ***Compliance Culture***

MECS provided documentation to demonstrate its compliance to the requirements of the applicable standards. The documentation was complete and in order such that the audit team could reasonably determine MECS compliance to the applicable requirements. MECS provided additional evidence and clarifications in a timely manner when requested by the audit team. MECS completed the Compliance Audit Questionnaire, individual Pre-Audit Questionnaires for each applicable standard, and the documentation section of the NERC Reliability Standard Audit Worksheets.

ITC has appointed a Corporate Compliance Officer. The ITC Organizational chart indicated that the Corporate Compliance Officer has direct access to the CEO and the Board of Directors if needed. The board of Directors has appointed a committee that has monitoring and oversight of the ITC compliance program.

ITC hired an independent contractor to review and assess its compliance program in meeting compliance to every NERC Standard. ITC purchased a software product to track the documentation for its compliance program.

MECS staff was able to supply additional evidence of compliance in a timely manner when requested by the audit team. Its quick response to additional questions is evidence of a comprehensive compliance program.

ITC also showed its in-house compliance training program that it conducts for its employees to the Audit Team.

The guidance by corporate management and training provided strengthen the MECS compliance program.

## **Attachment b**

**Settlement Agreement by and between MECS and  
ReliabilityFirst executed November 6, 2009**



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**In re**

**MICHIGAN ELECTRIC  
COORDINATED SYSTEMS**

**NERC Registry ID # NCR08023**

**) DOCKET NUMBER**

**)**

**)**

**RFC200800112**

**)**

**RFC200800113**

**SETTLEMENT AGREEMENT  
OF  
RELIABILITYFIRST CORPORATION  
AND  
MICHIGAN ELECTRIC COORDINATED SYSTEMS**

**I. Introduction**

1. ReliabilityFirst Corporation (“ReliabilityFirst”) and Michigan Electric Coordinated Systems (“MECS”) enter into this Settlement Agreement ("Agreement") to resolve all outstanding issues arising from a preliminary and non-public investigation resulting in ReliabilityFirst’s determination and findings, pursuant to the North American Electric Reliability Corporation (“NERC”) Rules of Procedure, of a violation by MECS of the NERC Reliability Standards BAL-003-0b, Requirement 2.1 and BAL-005-0b, Requirement 17.

**II. Stipulated Facts**

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

**A. Background**

3. At the time of the alleged violations, MECS performed the Balancing Authority (BA) function for the area covered by ITC-Transmission (“ITCT”) and Michigan Electric Transmission Company (“METC”) plus other systems embedded in the ITCT and METC transmission systems. MECS is jointly operated by ITCT and METC, both of which are subsidiaries of ITC Holdings Corp. (“ITC”). ITCT, METC and MECS operate as separate entities of the ITC.

4. The MECS area covers most of the Lower Peninsula of Michigan with the exception of the southwest corner. MECS is interconnected with several external balancing authorities via fourteen (14) transmission interconnection tie lines. Midwest ISO (“MISO”) is MECS’ Reliability Coordinator and MECS operates in the MISO market area. MECS peak load was approximately 22,000 MW and it had a total generation capacity of approximately 24,000 MW at the time of the Compliance Audit in September, 2008.
5. During the time period the alleged violation occurred, MECS was registered on the NERC Compliance Registry as a Balancing Authority in the ReliabilityFirst region with the NERC Registry Identification Number NCR08023, and therefore, is subject to compliance with NERC Reliability Standards BAL-003-0b, Requirement 2.1 and BAL-005-0b, Requirement 17.

**B. Alleged Violation of BAL-003-0b, Requirement 2.1 – RFC200800112**

6. NERC Reliability Standard BAL-003-0b, “*Frequency Response and Bias*”, Requirement 2 states, “Each Balancing Authority shall establish and maintain a Frequency Bias Setting that is as close as practical to, or greater than, the Balancing Authority’s Frequency Response. Frequency Bias may be calculated several ways:” Requirement 2.1 states, “The Balancing Authority may use a fixed Frequency Bias value which is based on a fixed, straight-line function of Tie Line deviation versus Frequency Deviation. The Balancing Authority shall determine the fixed value by observing and averaging the Frequency Response for several Disturbances during on-peak hours.”
7. On September 16-18, 2008, ReliabilityFirst Compliance Staff performed a Compliance Audit of MECS. The ReliabilityFirst Audit Team, upon review of all evidence presented, reported a Possible Alleged Violation of NERC Standard BAL-003-0b, Requirement 2.1, Frequency Response and Bias.
8. Specifically, for BAL-003-0b, R 2.1, the evidence showed that MECS utilized the fixed Frequency Bias but did not determine the fixed value by observing and averaging the Frequency Response for several disturbances during on-peak hours as required by NERC Standard BAL-003-0b, R 2.1. MECS had been using a Frequency Bias Setting of 1% of the estimated yearly peak demand per 0.1 Hz which is the minimum Frequency Bias Setting required by NERC Standard BAL-003-0b, R 5.
9. On March 13, 2009, ReliabilityFirst and MECS met to discuss the Alleged Violation RFC200800112 of NERC Standard BAL-003-0b, R 2.1. MECS presented its interpretation of the Standard as not requiring a calculation to determine the fixed frequency value by observing and averaging the Frequency Response of actual disturbances during on-peak hours as required by NERC Standard BAL-003-0b, R 2.1. Instead, MECS used the Frequency Bias Setting of 1% of the estimated yearly peak demand per 0.1 Hz which is the minimum

Frequency Bias Setting required by NERC Standard BAL-003-0b, R 5. MECS made the argument that due to the interrelationship between BAL-003-0b, R 2.1 and BAL-003-0b, R 5, R 5, and the use of the word “may” in BAL-003-0b, R 2.1, could be used as an alternative method to the calculation specified in R 2.1. ReliabilityFirst responded that NERC Standard BAL-003-0b, R 2.1 is sufficiently clear that the fixed Frequency Value shall be calculated annually.

10. At the time of the Compliance Audit, ReliabilityFirst required that MECS complete the annual calculations for 2007 and 2008 and submit them to ReliabilityFirst. The calculations were completed on September 19, 2008.
11. On March 13, 2009, ReliabilityFirst requested that MECS complete and submit a Mitigation Plan and take all actions to mitigate Possible Alleged Violation RFC200800112. MECS submitted a Mitigation Plan on March 30, 2009. The Mitigation Plan was completed and fully implemented on October 29, 2008.
12. On January 6, 2009, coincident with the start of the MISO Ancillary Services Market and the related implementation of the MISO Balancing Authority Joint Registration Organization (JRO00001), MISO assumed responsibility for the performance of BAL-003-0b, Requirements 2 and 2.1 for the Midwest ISO Balancing Authority footprint, including MECS.
13. There was minimal risk to reliability the Bulk Power System as a result of this alleged violation. The MECS 2007 and 2008 Frequency Response calculations performed as part of the Mitigation Plan confirmed that the MECS Frequency Bias Setting monthly average met the 1% minimum in Requirement 5. Therefore, the MECS Frequency Bias Setting based on the 1% estimated yearly peak demand calculation utilized was the correct Frequency Bias Setting that would have been calculated in accordance with BAL-003-0b, Requirement 2.1 if the proper determination process had been used.
14. ReliabilityFirst alleges that MECS failed to provide sufficient evidence that it determined the fixed value by observing and averaging the Frequency Response for several disturbances during on-peak hours as required by NERC Standard BAL-003-0b, R 2.1.

#### **C. Alleged Violation of BAL-005-0b, Requirement 17 – RFC200800113**

15. NERC Reliability Standard BAL-005-0b “Automatic Generation Control”, Requirement 17 states “Each Balancing Authority shall at least annually check and calibrate its time error and frequency devices against a common reference. The balancing Authority shall adhere to the minimum values for measuring devices as listed below...”
16. On September 16-18, 2008, ReliabilityFirst Compliance Staff performed a Compliance Audit of MECS. The ReliabilityFirst Audit Team upon review of all

evidence presented reported a Possible Alleged Violation of NERC Standard BAL-005-0b, Requirement 17, Automatic Generation Control.

17. Specifically, for BAL-005-0b, the evidence presented showed that MECS has a Global Positioning System (GPS) based frequency device to measure system frequency that does not require calibration as per manufacturer's specifications. However, MECS does not have verification that it annually checked its time error and frequency devices against a common reference as required by NERC Standard BAL-005-0b, R 17.
18. On March 13, 2009, ReliabilityFirst and MECS met to discuss the Possible Alleged Violation of NERC Standard BAL-005-0b, R 17 (RFC200800113). MECS stated its belief that BAL-005-0b, R 17 is being met through its participation in the Balance Resources and Demand Standard Proof of Concept Field Trial ("BAAL") in which data is submitted and comparisons are done to other frequency devices. Therefore, MECS believed itself to be compliant with BAL-005-0b, R 17. ReliabilityFirst advised MECS that persuasive additional information would have to be presented as to verification of compliance with the standard at the time of the Compliance Audit.
19. On April 20, 2009, MECS submitted a Mitigation Plan for Possible Alleged Violation RFC200800113. The Mitigation Plan was completed and fully implemented on December 23, 2008.
20. On April 21, 2009, ReliabilityFirst received a request from MECS that ReliabilityFirst find MECS in compliance with BAL-005-0b, R 17 based on participation in the BAAL. MECS has participated in the BAAL since 2005 and has submitted monthly data to the BAAL team in accordance with the Field Trial Document. The data included clock minute frequency average for every minute in the month. The BAAL team conducted monthly reviews of the data and compared the frequency for consistency via review of graphed data. Any anomaly or suspect data was brought to the affected participant's attention by the BAAL team. At the time of the Compliance Audit, there were sixteen (16) BAAL field trial participants. MECS stated that through its participation in the BAAL, the MECS frequency source was checked against fifteen (15) other sources, not just one as required by the standard. Therefore, MECS should be found compliant with BAL-005-0b, R 17.
21. On May 29, 2009, ReliabilityFirst and MECS discussed via telephone conference MECS' position regarding BAL-005-0b, R 17 and the BAAL. ReliabilityFirst stated that the Standard requires each Balancing Authority to check and calibrate the time error and frequency devices against a common reference. During the time of the audit no evidence was presented validating that a check was performed, or that a check was performed annually, and there was no operators' log to substantiate that a check was performed. MECS stated that EMS versus field devices should be acceptable, even though both are digital and cannot be calibrated.



22. On January 6, 2009, coincident with the start of the Midwest ISO Ancillary Services Market and the related implementation of the Midwest ISO Balancing Authority Joint Registration Organization (JRO00001), the Midwest ISO assumed responsibility for the performance of ACE calculation and AGC. As of April 20, 2009, the JRO00001 document posted on NERC's website indicated that BAL-005-0b, R 17 is a shared responsibility among the Midwest ISO and the Local Balancing Authorities ("LBA"). However, the Midwest ISO and LBA have agreed that BAL-005-0b, R 17 should be the sole responsibility of the Midwest ISO. This is reflected in the annual update of the JRO Matrix that was submitted by MISO to ReliabilityFirst on April 16, 2009.
23. There was minimal risk to reliability of the Bulk Power System as a result of this alleged violation. MECS operators had an online EMS screen for comparison of the ACE frequency source against several other frequency sources in real time, with an alarm point for differences greater than 0.01 Hz. In addition, MECS' one minute clock average frequency was reported monthly to the BAAL field trial and compared against fifteen (15) other Balancing Authority frequency data. The MECS formal comparison report developed after the Compliance Audit demonstrated that the frequency device data was consistent and accurate.
24. ReliabilityFirst alleges that MECS failed to provide sufficient evidence that it annually checked and calibrated its time error and frequency devices against a common reference.

### **III. PARTIES' SEPARATE REPRESENTATIONS**

#### **STATEMENT OF RELIABILITYFIRST AND SUMMARY OF FINDINGS**

25. ReliabilityFirst considers this Agreement as the resolution of all issues in connection with the above captioned docket and binding on MECS in its commitment to perform actions hereafter enumerated and listed as conditions for this agreement.
26. BAL-003-0b, R 2.1 has a Violation Risk Factor (VRF) of Lower as evidenced by the Violation Risk Factor Matrix. The duration of this violation, for the purposes of penalty determination, is from June 18, 2007 until October 29, 2008, the date MECS completed and fully implemented the Mitigation Plan. Pursuant to the rulings of the Commission, such penalties may be applied on a daily basis for the duration of the violation.
27. BAL-005-0b, R 17 has a Violation Risk Factor (VRF) of Medium as evidenced by the Violation Risk Factor Matrix. The duration of this violation, for the purposes of penalty determination, is from June 18, 2007 until December 23, 2008, the date MECS completed and fully implemented the Mitigation Plan. Pursuant to the

rulings of the Commission, such penalties may be applied on a daily basis for the duration of the violation.

28. ReliabilityFirst found noteworthy and commendable the compliance program and compliance culture at ITC Holdings Corp (“ITC”) which governs MECS. ITC’s internal compliance program, “ITC Reliability Compliance Program”, includes ITC Board of Director Committee oversight and monitoring of MECS’ compliance with Reliability Standards. ITC has appointed a Corporate Compliance Officer for Reliability Standards; has a Reliability Compliance Steering Committee, comprised of Senior Management, which establishes the overall direction of the compliance program including accountabilities; and has assigned Subject Matter Experts to each requirement contained in the standards. The Director of Compliance and Training is in frequent contact with ReliabilityFirst. ReliabilityFirst has determined that the internal compliance program at MECS is excellent in strength and quality.
29. ReliabilityFirst agrees that this agreement is in the best interest of the parties and in the best interest of bulk power system reliability.

#### **STATEMENT OF MECS**

30. MECS neither admits nor denies that the facts set forth and agreed to by the parties for purposes of this Agreement constitute violations of Reliability Standards BAL-003-0b, R 2.1 and BAL-005-0b, R 17. MECS believes that a lack of clarity in the plain language of these Standards contributed to MECS interpreting the Requirements differently than ReliabilityFirst.
31. Although MECS does not admit to, nor does it deny, the alleged violation, MECS has agreed to enter into this Settlement Agreement with ReliabilityFirst to avoid extended litigation with respect to the matters described or referred to herein, to avoid uncertainty, and to effectuate a complete and final resolution of the issues set forth herein. MECS agrees that this agreement is in the best interest of the parties and in the best interest of maintaining a reliable electric infrastructure.

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

##### **A. Mitigating Actions for BAL-003-0.1b, Requirement 2.1 – RFC200800112**

32. On March 30, 2009, MECS submitted to ReliabilityFirst a Mitigation Plan (Mitigation Plan Tracking # MIT-09-1730, *see* Attachment A) to address the alleged violation of BAL-003-0b, R 2.1. On May 26, 2009, ReliabilityFirst accepted the Mitigation Plan. On May 29, 2009, ReliabilityFirst submitted the Mitigation Plan to NERC. NERC approved the Mitigation Plan on June 8, 2009 and submitted the Mitigation Plan to FERC as confidential, nonpublic information on June 8, 2009. Certification of Mitigation Plan Completion was acknowledged through the Mitigation Plan submission and its completion date of October 29,

2008. On August 25, 2009, ReliabilityFirst verified that the Mitigation Plan was completed in accordance with its terms (*see* Attachment B, Evidence and Review of Mitigation Completion, MIT-08-1730).

33. MECS took immediate action to reduce the risk to the reliability of the Bulk Power System. The Frequency Response was observed and averaged for several 2007 and 2008 on-peak disturbances by September 19, 2008. Internal procedure OCR-0041 Frequency Bias Calculation Process was revised on October 29, 2008.

#### **B. Mitigating Actions for BAL-005-0.1b, Requirement 17 – RFC200800113**

34. On April 20, 2009, MECS submitted to ReliabilityFirst a Mitigation Plan (Mitigation Plan Tracking # MIT-09-1731, *see* Attachment C) to address the alleged violation of BAL-005-0b, R 17. On May 26, 2009, ReliabilityFirst accepted the Mitigation Plan. On May 29, 2009, ReliabilityFirst submitted the Mitigation Plan to NERC. NERC approved the Mitigation Plan on June 8, 2009 and submitted the Mitigation Plan to FERC as confidential, nonpublic information on June 8, 2009. Certification of Mitigation Plan Completion was acknowledged through the Mitigation Plan submission and its completion date of December 23, 2008. On August 25, 2009, ReliabilityFirst verified that the Mitigation Plan was completed in accordance with its terms (*see* Attachment D, Evidence and Review of Mitigation Completion, MIT-08-1731).
35. MECS took immediate action to reduce the risk to the reliability of the Bulk Power System. Internal procedure OCR-0041 Frequency Bias Calculation Process was revised on October 28, 2008. A report was created to compare independent frequency sources by December 23, 2008.
36. In order to facilitate ReliabilityFirst's need to communicate the status and provide accountability to NERC, MECS will provide status updates at a minimum quarterly or, if requested by ReliabilityFirst, more frequently. MECS will submit these status updates to ReliabilityFirst in accordance with the confidentiality provisions of Section 1500 of the NERC Rules of Procedure.
37. It is understood that ReliabilityFirst staff shall audit the progress of mitigation plans and any other remedies of this Agreement, including, but not limited to site inspection, interviews, and request other documentation to validate progress and/or completion of the mitigation plans and any other remedies of this Settlement Agreement. ReliabilityFirst shall reasonably coordinate audits and information requests with MECS related to this Settlement Agreement.
38. MECS shall pay a monetary penalty of \$5,000 to ReliabilityFirst. ReliabilityFirst will provide MECS with an invoice within twenty days after the Agreement is either approved by the Federal Energy Regulatory Commission or by operation of law, and ReliabilityFirst shall notify NERC if the payment is not received.

39. Failure to make a timely penalty payment or to comply with any of the terms and conditions agreed to herein, or any other conditions of this Settlement Agreement, shall be deemed to be either the same alleged violations that initiated this Settlement and/or additional violation(s) and may subject MECS to new or additional enforcement, penalty or sanction actions in accordance with the NERC Rules of Procedure.
40. If MECS does not make the monetary penalty payment above at the times agreed by the parties, interest payable to ReliabilityFirst will begin to accrue pursuant to the Commission's regulations at 18 C.F.R. § 35.19(a)(2)(iii) from the date that payment is due, in addition to the penalty specified above.

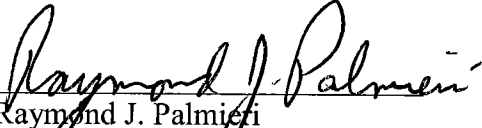
## **V. ADDITIONAL TERMS**

41. The signatories to the Agreement agree that they enter into the Agreement voluntarily and that, other than the recitations set forth herein, no tender, offer or promise of any kind by any member, employee, officer, director, agent or representative of ReliabilityFirst or MECS has been made to induce the signatories or any other party to enter into the Agreement.
42. ReliabilityFirst shall report the terms of all settlements of compliance matters to NERC. NERC will review the Agreement for the purpose of evaluating its consistency with other settlements entered into for similar violations or under other, similar circumstances. Based on this review, NERC will either approve the settlement or reject the settlement and notify ReliabilityFirst and the MECS of changes to the settlement that would result in approval. If NERC rejects the settlement, NERC will provide specific written reasons for such rejection and ReliabilityFirst will attempt to negotiate a revised settlement agreement with the MECS including any changes to the settlement specified by NERC. If a settlement cannot be reached, the enforcement process shall continue to conclusion. If NERC approves the settlement, NERC will (i) report the approved settlement to the Commission for the Commission's review and approval by order or operation of law and (ii) publicly post the alleged violation and the terms provided for in the settlement.
43. This Agreement shall become effective upon the Commission's approval of the Agreement by order or operation of law as submitted to it or as modified in a manner acceptable to the parties.
44. MECS agrees that this Agreement, when approved by NERC and the Commission, shall represent a final settlement of all matters set forth herein and MECS waives its right to further hearings and appeal, unless and only to the extent that MECS contends that any NERC or Commission action on the Agreement contains one or more material modifications to the Agreement. ReliabilityFirst reserves all rights to initiate enforcement, penalty or sanction actions against MECS in accordance with the NERC Rules of Procedure in the event that MECS fails to comply with the

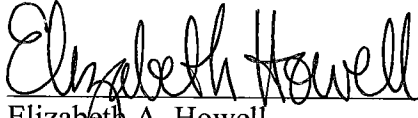
mitigation plan and compliance program agreed to in this Agreement. In the event MECS fails to comply with any of the stipulations, remedies, sanctions or additional terms, as set forth in this Agreement, ReliabilityFirst will initiate enforcement, penalty, or sanction actions against MECS to the maximum extent allowed by the NERC Rules of Procedure, up to the maximum statutorily allowed penalty. MECS shall retain all rights to defend against such enforcement actions, also according to the NERC Rules of Procedure.

45. MECS consents to the use of ReliabilityFirst's determinations, findings, and conclusions set forth in this Agreement for the purpose of assessing the factors, including the factor of determining the company's history of violations, in accordance with the NERC Sanction Guidelines and applicable Commission orders and policy statements. Such use may be in any enforcement action or compliance proceeding under taken by NERC and/or any Regional Entity; provided however, that MECS does not consent to the use of the specific acts set forth in this Agreement as the sole basis for any other action or proceeding brought by NERC and/or ReliabilityFirst, nor does MECS consent to the use of this Agreement by any other party in any other action or proceeding.
46. Each of the undersigned warrants that he or she is an authorized representative of the entity designated, is authorized to bind such entity and accepts the Agreement on the entity's behalf.
47. The undersigned representative of each party affirms that he or she has read the Agreement, that all of the matters set forth in the Agreement are true and correct to the best of his or her knowledge, information and belief, and that he or she understands that the Agreement is entered into by such party in express reliance on those representations, provided, however, that such affirmation by each party's representative shall not apply to the other party's statements of position set forth in Section III of this Agreement.
48. The Agreement may be signed in counterparts.
49. The Agreement is executed in duplicate, each of which so executed shall be deemed to be an original.

Agreed to and accepted:

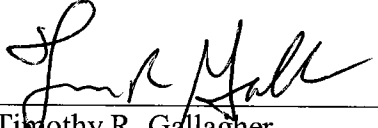
  
Raymond J. Palmieri  
Vice President and Director of Compliance  
ReliabilityFirst Corporation

10/19/09  
Date

  
Elizabeth A. Howell  
Vice President, Operations  
ITC

10/30/09  
Date

Approved by:

  
Timothy R. Gallagher  
President and Chief Executive Officer  
ReliabilityFirst Corporation

11/10/09  
Date

# Attachment A

## Mitigation Plan with Certification of Completion

(RFC200800112, dated March 30, 2009)



Mit Plan ID #:  
MIT-09-1730



RFC200800112

## Mitigation Plan Submittal Form

Date this Mitigation Plan is being submitted: March 30, 2009

### Section A: Compliance Notices & Mitigation Plan Requirements

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

### Section B: Registered Entity Information

- B.1 Identify your organization.

Company Name: Michigan Electric Coordinated Systems (MECS)

Company Address: 27175 Energy Way, Novi, MI 48377

NERC Compliance Registry ID: **NCR08023**

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

Name: Michael Ayotte

Title: Director Compliance & Training

Email: Mayotte@itctransco.com

Phone: 248-946-3092



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

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

NERC Violation ID #	Reliability Standard	Requirement Number	Violation Risk Factor	Alleged or Confirmed Violation Date <sup>(*)</sup>	Method of Detection (e.g., Audit, Self-report, Investigation)
RFC200800112	BAL-003-0	2.1	Lower	9/18/2008	Audit

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

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

**Requirement 5 of BAL-003 establishes a minimum Frequency Bias Setting. MECS applied the calculation method (1% of estimated yearly peak demand) in Requirement 5 to determine our Bias Setting. MECS interpreted and applied Standard BAL-003 such that the method in Requirement 5 overrode Requirement R2.1. Based on historic operating experience, the frequency response of our system was consistently less than the 1% minimum threshold, therefore MECS only performed the Requirement 5 calculation, and not the calculation described in Requirement 2.1.**

**The Requirement 2 text says “Frequency Bias may be calculated several ways” [emphasis added] rather than “Frequency Bias must be calculated one of two ways”. The lack of specificity in the text led to our interpretation that the calculation method in Requirement 5 was an**



# RELIABILITY FIRST

acceptable method to use in lieu of Requirement 2.1 or Requirement 2.2. Under general rules of interpretation, the term “may” is discretionary while the term “must” is mandatory.

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

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

On January 6<sup>th</sup>, 2009, coincident with the start of the Midwest ISO Ancillary Services Market and the related implementation of the Midwest ISO Balancing Authority Joint Registration Organization (JRO00001), the Midwest ISO assumed responsibility for the performance of BAL-003 Requirements 2 and 2.1 for the Midwest ISO Balancing Authority footprint, including MECS.

See attached document for MECS assessment of potential harm and risk to reliability of the bulk power system.

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

### **Mitigation Plan Contents**

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

#### **Actions:**

1. A Frequency Response calculation as specified in Requirement 2.1 was performed for 2007 and 2008 to confirm our system frequency response characteristics were below the minimum threshold specified in BAL-003 Requirement 5.
2. The internal procedure OCR-041 Frequency Bias Calculation Process was revised to include review of the actual Frequency Responses and selection of the actual average Frequency Response or the minimum Bias Setting.

### **Mitigation Plan Timeline and Milestones**

# RELIABILITY FIRST

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

**The Mitigation Plan was completed and fully implemented on October 29, 2008.**

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

Key Milestone Activity	Proposed/Actual Completion Date* (shall not be more than 3 months apart)
Frequency Response observed and averaged for several 2007 and 2008 on-peak Disturbances	Complete – 9/19/2008, updated ~ 12/19/2008.
Internal procedure OCR-041 Frequency Bias Calculation Process revised	Complete – 10/29/2008

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

# RELIABILITY FIRST

## **Section E: Interim and Future Reliability Risk**

### **Abatement of Interim BPS Reliability Risk**

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

**There was no risk during implementation of the Mitigation Plan. Calculations performed directly after discovery of the alleged violation confirmed that the frequency bias in place was correct.**

### **Prevention of Future BPS Reliability Risk**

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

**As noted in C3 above, under JRO00001, the Midwest ISO assumed responsibility for performing Requirement 2 of BAL-003 as of January 6, 2009. However, MECS promptly revised its procedure to ensure that future determinations of the Frequency Bias setting did consider the actual average Frequency Response from Disturbances and then select the minimum Setting, as appropriate.**



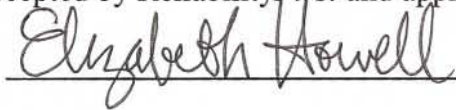
# RELIABILITY *FIRST*

## Section F: Authorization

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

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

**Authorized Individual Signature**



Name (Print): Elizabeth Howell

Title: Vice President, Operations

Date: March 30, 2009

## Section G: Regional Entity Contact

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

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



## **Attachment A – Compliance Notices & Mitigation Plan Requirements**

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

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

# RELIABILITY *FIRST*

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

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



# RELIABILITY FIRST

## DOCUMENT CONTROL

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

## DOCUMENT APPROVAL

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

## DOCUMENT CHANGE/REVISION HISTORY

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

# Attachment B

## Mitigation Plan with Certification of Completion

(RFC200800113, dated April 20, 2009)

Mit Plan ID #:  
MIT-09-1731



RFC200800113

## Mitigation Plan Submittal Form

Date this Mitigation Plan is being submitted: April 20, 2009

### **Section A: Compliance Notices & Mitigation Plan Requirements**

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

### **Section B: Registered Entity Information**

- B.1 Identify your organization.

Company Name: Michigan Electric Coordinated Systems (MECS)

Company Address: 27175 Energy Way, Novi, MI 48377

NERC Compliance Registry ID: **NCR08023**

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

Name: Michael Ayotte

Title: Director Compliance & Training

Email: Mayotte@itctransco.com

Phone: 248-946-3092

# RELIABILITY FIRST

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

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

NERC Violation ID #	Reliability Standard	Requirement Number	Violation Risk Factor	Alleged or Confirmed Violation Date <sup>(*)</sup>	Method of Detection (e.g., Audit, Self-report, Investigation)
RFC200800113	BAL-005-0	17	Medium	9/18/2008	Audit

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

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

**MECS did not have a documented procedure to annually cross-check its frequency device against a common reference as described in the Interpretation (Effective Date: August 27, 2008) of BAL-005 Requirement 17.**

**The frequency device(s) used by MECS in the AGC/ACE equation cannot be calibrated. The interpretation states in part, "Some devices used for time error and frequency measurement cannot be calibrated as such. In this case, these devices should be cross-checked against other properly calibrated equipment and replaced if the devices do not meet the required level of accuracy."**

**MECS operators have an EMS display to monitor and compare frequency sources. Based on MECS interpretation of the interpretation of BAL-005**



# RELIABILITY FIRST

**Requirement 17, we believed our real time monitoring constituted a “cross-check” and therefore met the specified requirement.**

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

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

**On January 6<sup>th</sup>, 2009, coincident with the start of the Midwest ISO Ancillary Services Market and the related implementation of the Midwest ISO Balancing Authority Joint Registration Organization (JRO00001), the Midwest ISO assumed responsibility for the performance of ACE calculation and AGC. As of the date of submitting this Mitigation Plan, the JRO00001 document posted on NERC’s website indicates that BAL-005 Requirement 17 is a shared responsibility among the Midwest ISO and the LBAs. However, the Midwest ISO and the LBAs have agreed that BAL-005 Requirement 17 should be the sole responsibility of the Midwest ISO. This is reflected in the annual update of the JRO Matrix that was submitted by MISO to RFC on April 16th, 2009.**

**See attached document for MECS assessment of potential harm and risk to reliability of the bulk power system.**

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

### **Mitigation Plan Contents**

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

#### **Actions:**

- 1. The internal procedure OCR-041 Frequency Bias Calculation Process was revised to include a step to check the time error and frequency device against the best available frequency reference device.**
- 2. A report was created to provide an hourly comparison of the independent frequency sources for the Michigan Transmission Management System**

# RELIABILITY FIRST

(EMS) and the Midwest Transmission Management System (EMS). These are two independent EMSs in use in the control room which MECS operators share with ITC transmission operations.

## Mitigation Plan Timeline and Milestones

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

**The Mitigation Plan was completed and fully implemented on December 23, 2008.**

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

Key Milestone Activity	Proposed/Actual Completion Date* (shall not be more than 3 months apart)
Internal procedure OCR-041 Frequency Bias Calculation Process revised	10/28/2008
Report created to compare independent frequency sources	12/23/2008

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



# RELIABILITY FIRST

## **Section E: Interim and Future Reliability Risk**

### **Abatement of Interim BPS Reliability Risk**

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

**There was no risk during implementation of the Mitigation Plan. Comparison of the frequency device to other frequency devices using the online EMS screen during the audit confirmed that the device was accurate. Subsequent development and execution of the formal comparison report also confirmed that the frequency device was accurate.**

### **Prevention of Future BPS Reliability Risk**

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

**MECS promptly revised its procedure to ensure that a formal comparison of the frequency device(s) output is performed. Development of the formal comparison report will provide additional validation beyond the online screens of the accuracy of MECS frequency device and identify any problems with accuracy so they can be corrected.**

**As noted in C3 above, under JRO00001 the Midwest ISO assumed responsibility for performing the ACE calculations and AGC function. However, MECS plans to continue to utilize the comparison report for frequency devices even if BAL-005 Requirement 17 is ultimately defined as Midwest ISO's responsibility.**



## Section F: Authorization

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

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

**Authorized Individual Signature**

A handwritten signature in cursive script that reads "Elizabeth Howell".

Name (Print): Elizabeth A. Howell

Title: Vice President, Operations

Date: April 20, 2009

## Section G: Regional Entity Contact

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

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





## **Attachment A – Compliance Notices & Mitigation Plan Requirements**

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

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

# RELIABILITY *FIRST*

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

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

# RELIABILITY FIRST

## DOCUMENT CONTROL

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

## DOCUMENT APPROVAL

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

## DOCUMENT CHANGE/REVISION HISTORY

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

# Attachment C

## Summary and Review of Evidence of Mitigation Plan Completion

(RFC200800112, dated August 25, 2009)



August 25, 2009

**Summary and Review of Evidence of Mitigation Plan Completion**

NERC Violation ID #:	RFC200800112
NERC Plan ID:	MIT-09-1730
Registered Entity;	MECS
NERC Registry ID:	NCR08023
Standard:	BAL-003-0
Requirement:	2.1
Status:	Complete

**Review Process:**

MECS certified through submission of their Mitigation Plan that Mitigation Plan for BAL-003-0, R2.1 has been completed. ReliabilityFirst requested and received evidence of completion for actions taken by MECS as specified in the Mitigation Plan. ReliabilityFirst performed an audit-like review to verify that all actions specified in the Mitigation Plan were successfully completed.

**NERC Standard BAL-003-0, “Frequency Response and Bias”, Requirement 2.1** states: “The Balancing Authority may use a fixed Frequency Bias which is based on a fixed, straight-line function of Tie Line deviation versus Frequency Deviation. The Balancing Authority shall determine the fixed value by observing and averaging the Frequency Response for several Disturbances during on-peak hours.”

**Evidence Submitted:**

**Requirement 2.1: 2007 DCS Events: ME CS Frequency Response Characteristic Analysis (September 19, 2009).** MECS went back into the year 2007 and recalculated their physical system response to demonstrate that their current frequency response is adequate to meet the requirements of this standard.

**Evidence Submitted:**

**Requirement 2.1: 2008 DCS Events: ME CS Frequency Response Characteristic Analysis (September 19, 2009).** MECS went back into the year 2008 and recalculated their physical system response to demonstrate that their current frequency response is adequate to meet the requirements of this standard.

Note: The Midwest ISO assumed the BA role on January 6, 2009 and MECS BA is no longer required to perform this requirement.

Summary and Review of Evidence of Mitigation Plan Completion  
Michigan Electric Coordinated Systems  
August 25, 2009  
Page 2 of 2

**Evidence Submitted:**

**Requirement 2.1: *Frequency Bias Calculation Process (OCR-041 - Effective Date: 10/29/2008 – Rev # 001)*.** MECS updated their OCR-041 Operations Control Room Practices document that addresses the Frequency Bias Calculation process to include a specific wording that requires their BA Operators to perform the checks required in Requirement 2.1 of BAL-003.

**Review Results:**

ReliabilityFirst Corporation reviewed the evidence MECS submitted in support of its Certification of Completion. On August 25, 2009 ReliabilityFirst that the Mitigation Plan was completed in accordance with its terms and has therefore MECS deemed compliant to the aforementioned NERC Reliability Standard.

Respectfully Submitted,

A handwritten signature in black ink, appearing to read "Robert K. Wargo", with a stylized flourish at the end.

Robert K. Wargo  
Manager of Compliance Enforcement  
ReliabilityFirst Corporation



# Attachment D

## Summary and Review of Evidence of Mitigation Plan Completion

(RFC200800112, dated August 25, 2009)



August 25, 2009

**Summary and Review of Evidence of Mitigation Plan Completion**

<b>NERC Violation ID #:</b>	<b>RFC200800113</b>
<b>NERC Plan ID:</b>	<b>MIT-09-1731</b>
<b>Registered Entity;</b>	<b>MECS</b>
<b>NERC Registry ID:</b>	<b>NCR08023</b>
<b>Standard:</b>	<b>BAL-005-0.1b</b>
<b>Requirement:</b>	<b>17</b>
<b>Status:</b>	<b>Complete</b>

**Review Process:**

MECS certified through submission of their Mitigation Plan that Mitigation Plan for BAL-005-0.1b, R17 has been completed. ReliabilityFirst requested and received evidence of completion for actions taken by MECS as specified in the Mitigation Plan. ReliabilityFirst performed an audit-like review to verify that all actions specified in the Mitigation Plan were successfully completed.

**NERC Standard BAL-005-0.1b, “Automatic Generation Control”, Requirement 17** states: “Each Balancing Authority shall at least annually check and calibrate its time error and frequency devices against a common reference. The Balancing Authority shall adhere to minimum values for measuring devices as listed below...”

**Evidence Submitted:**

**Requirement 17: *Frequency Comparison Report (December 23, 2008).***

MECS provided a frequency comparison table of its frequency meter to a common alternate source located in one of its sister companies. This comparison on an ongoing basis meets and surpasses the requirement to at least annually check and calibrate this device.

Note: The Midwest ISO assumed the BA role on January 6, 2009, and MECS BA is no longer required to perform this requirement.

**Evidence Submitted:**

**Requirement 17: *Frequency Bias Calculation Process (OCR-041 – Effective Date: 10/29/2008 – Rev # 001).*** MECS updated their OCR-041 Operations Control Room Practices document that addresses the Frequency Bias Calculation process to include a specific wording that requires their BA Operators to perform the checks required in Requirement 17 of BAL-005.



Summary and Review of Evidence of Mitigation Plan Completion  
Michigan Electric Coordinated Systems  
August 25, 2009  
Page 2 of 2

**Review Results:**

ReliabilityFirst Corporation reviewed the evidence MECS submitted in support of its Certification of Completion. On August 25, 2009 ReliabilityFirst verified that the Mitigation Plan was completed in accordance with its terms and has therefore deemed MECS compliant to the aforementioned NERC Reliability Standard.

Respectfully Submitted,

A handwritten signature in black ink, appearing to read "Robert K. Wargo", with a long horizontal flourish extending to the right.

Robert K. Wargo  
Manager of Compliance Enforcement  
ReliabilityFirst Corporation

**Attachment e**

**Notice of Filing**

UNITED STATES OF AMERICA  
FEDERAL ENERGY REGULATORY COMMISSION

Michigan Electric Coordinated Systems

Docket No. NP10-\_\_\_\_-000

NOTICE OF FILING  
March 31, 2010

Take notice that on March 31, 2010, the North American Electric Reliability Corporation (NERC) filed a Notice of Penalty regarding Michigan Electric Coordinated Systems in the Reliability *First* Corporation region.

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

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

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

Comment Date: [BLANK]

Kimberly D. Bose,  
Secretary