

April 3, 2008

Mr. Dan Schoenecker Enforcement and Mitigation Manager Midwest Reliability Organization 2774 Cleveland Ave N Roseville, MN 55113

By Fax: 651-855-1712 By DHL Express

Dear Mr. Schoenecker:

SUBJECT: Notice of Alleged Violation

NERC Violation Tracking Identification Numbers:

MRO200800047, MRO200800048

Registered Entity: Dairyland Power Cooperative

Dairyland Power Cooperative ("Dairyland") is in receipt of a Notice of Alleged Violation and Proposed Penalty or Sanction dated March 7, 2008, referencing the above NERC Violation Tracking Identification Numbers. Dairyland hereby contests the Alleged Violations and the proposed penalty and sanction for the Alleged Violations.

MRO200800047:

With respect to the allegations that Dairyland has violated Standard PRC-005-1, Requirement 1, Dairyland respectfully contends that at all relevant times it has been in compliance. Standard PRC-005-1, Requirement R1, requires that Dairyland have a Protection System maintenance and testing program in place which includes maintenance and testing intervals and a summary of maintenance and testing procedures. As the Notice of Alleged Violation recognizes, during the audit in question, Dairyland personnel were able to confirm and document the existence of a satisfactory, substantive program for testing and maintenance activity. In fact, at the time of the audit, we provided the auditors with a high level overview document of all of our test and maintenance programs, which includes relay testing. The auditors told us at the time it was presented that they would accept it as adequate documentation.

The Alleged Violation is based on Dairyland's inability to produce a document that allegedly met the requirements of Standard PRC-005-1, Requirement R1. However, Standard PRC-005-1, Requirement R1, as drafted, does not require the Registered Entity to create a unified document



to outline or memorialize the maintenance and testing practices it employs. It simply requires that a program be in place. If there is a requirement in Standard PRC-005-1, Requirement R1, that a Registered Entity create and keep a unified document summarizing its maintenance and testing practices, it is so vaguely and ambiguously stated that a finding of violation for failure to have such a document in hand at the time of audit cannot be fairly maintained.

Moreover, Standard PRC-005-1, Requirement R2, provides that the Registered Entity shall provide "documentation of its Protection System maintenance and testing program...on request (within 30 calendar days)." Thus, if there be any requirement that a program summary document be maintained, PRC-005-01 only requires that it be produced within a reasonable time (30 days) of a formal request.

While Dairyland does not concede, and specifically denies any violation, we also now recognize that MRO desires that a summary document be maintained that describes the Protection System maintenance and testing program, and we treat the Notice of Alleged Violation as a request pursuant to Standard PRC-005-1, Requirement R2, for that documentation. In that interest, we enclose a copy of a document we have prepared entitled "Dairyland Power Cooperative Protection System Testing and Maintenance Procedures" that outlines the nature of our Protection System maintenance and testing program. We believe this document satisfies the inquiry at the time of the audit even as we contest our obligation to have had such a document in hand at the time of the audit.

MRO200800048:

With respect to the allegations that Dairyland has violated Standard PRC-008-0, Requirement 1, Dairyland respectfully contends that it is, and at all relevant times, has been in compliance with said Standard.

This Alleged Violation is also based on Dairyland's failure to produce a "document" that summarizes or memorializes Dairyland's UFLS equipment and maintenance program. Standard PRC-008-0, Requirement 1, requires Dairyland to have such a program in place, and, as recognized in the Notice of Alleged Violation, Dairyland satisfactorily substantiated the existence and implementation of such a program during the audit. At the time of the audit, we provided the auditors with a high level overview document of all of our test and maintenance programs. The auditors told us at the time it was presented that they would accept it as adequate documentation. However, Standard PRC-008-0, Requirement 1, as drafted, also does not articulate a requirement that the Registered Entity maintain a "document" which memorializes the program as much as it requires such a program to be in place.

Standard PRC-008-0, Requirement 2, provides that UFLS equipment maintenance and testing results must be produced on request. However, the Registered Entity has 30 calendar days from the request to provide documentation.

Once again, any requirement that a document summarizing the program be created and maintained in the absence of request (as opposed to the creating and implementation of the program itself) is so vaguely and ambiguously stated in the Standard that a finding of violation cannot be fairly maintained for not having such a document at the time of audit. At the same time, we are including the document "Dairyland Power Cooperative Protection System Testing and Maintenance Procedures." We believe this document satisfies the inquiry made at the time of the audit even as we contest our obligation to have had such a document in hand at the time of the audit.

With respect to both Alleged Violations, we note that in the past, Dairyland has been audited under what we understand to be similar standards, and that our level of documentation has been satisfactory.

Primary Contact:

The primary contact for answering questions regarding this or any related matter including discussions of settlement is:

Mr. Chuck Callies
Vice President, Power Delivery
Dairyland Power Cooperative
3200 East Avenue South
P.O. Box 817
La Crosse, WI 54602-0817

(608)-787-1474 office (608)-787-1475 fax (608)-792-5871 cell csc@dairynet.com

Request for Hearing:

Please take notice that in the event this matter is not resolved by withdrawal of the allegations or other satisfactory disposition, Dairyland requests a full hearing to contest the alleged violations and any imposition of sanctions or penalty.

Anticipated Conference:

We understand that within ten business days of receipt of this objection, a conference will be scheduled with us to review further proceedings and potential options. We look forward to that opportunity to review the situation with you further.

Mr. Dan Schoenecker

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Thank you for your consideration. Please contact us with any questions.

Sincerely,

DAIRYLAND POWER COOPERATIVE

Chuck Callées

Chuck Callies

Vice President, Power Delivery

CSC:daj

Enclosure



November 10, 2008

Mr. Dan Schoenecker Enforcement and Mitigation Manager Midwest Reliability Organization 2774 Cleveland Ave N Roseville, MN 55113

Notice of Alleged Violation NERC Violation Tracking Identification Numbers: MR0200800047, MR0200800048 Registered Entity: Dairyland Power Cooperative

Dear Mr. Schoenecker:

Dairyland Power Cooperative has considered the procedural status of this matter along with the cost and distraction that continued resistance to the allegations of violations and hearing will present. Once again, we note the administrative burden that the hearing and appeal process would create. Contesting the charges under the circumstances would distract Dairyland personnel and expend Dairyland resources that otherwise should be directed towards tasks essential to maintaining system reliability, and would in effect degrade efforts to maintain system reliability rather than promote system reliability.

Dairyland Power Cooperative is concerned that the current administration of the audit and compliance enforcement process has taken on the appearance of being "heavy handed." The determination of violation in this particular matter was apparently not based on the reliability standard itself, but rather on a document (Reliability Standard Audit Worksheets, RSAWS) developed specifically to help auditors "interpret" reliability standards. The audit team in this instance very specifically noted that DPC had a well defined process, including comprehensive relay testing documentation, but at the same time lacked a summary document describing the relay testing program. As a result of this interpretation, Dairyland must now contend with allegations of violations relating to the relay testing program that we have been diligent in administering for many years before there was a standard. Dairyland and the interests of promoting system reliability would have benefited more from an administrative clarification of the standard, including an associated fine if appropriate, than from these allegations of what were at worst technical and not substantive violations, with the accompanying procedural waste of resources. Such a clarification from the Midwest Reliability Organization (MRO) would have enhanced the clarity and effectiveness of important reliability standards. Unfortunately, because resources are best applied to productive efforts, Dairyland is left to accept "violations" that imply a lack of awareness or a casual attitude regarding reliability when the reality is that the standards on which the violations are based are vague.



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Utilities historically have respected and appreciated the help and input of the audit teams when it was recognized that there were areas that needed improvements or that standards have been clarified. That is put at risk when a serious violation can arise from such a minor rule interpretation and the audit team is left to defend the violation based on a new perspective grounded in documentation, or direction from something other than the standard itself. This is unfair to both the utility and the audit team. Dairyland urges NERC and the Regional Entities to explore the creation of an additional non-compliance category for minor infractions, such as those identified technicalities that do not implicate a critical reliability issue. Such a category would provide audit teams a mechanism for providing clarification, guidance and interpretation of standards while still formally documenting the infraction and addressing reliability concerns. Dairyland believes that such a category would re-enforce the cooperative and helpful environment that has historically benefited the audit process and compliance efforts for both the auditors and utilities.

Dairyland respects the demands that the compliance and enforcement programs have placed on NERC and the Regional Entities. Those demands have resulted in significant documentation efforts for the utilities as well. Dairyland appreciates the opportunity to express our concern as well as advance a recommendation that would help ensure that the documentation effort does not overshadow, or impair the intended goal of system reliability, and would, we believe, help foster a cooperative approach to a mutual goal.

Notwithstanding our belief that the violations in this case were not justified, Dairyland will no longer contest the allegations. Please accept this letter as Dairyland's withdrawal of its previously filed denial and resistance to the allegations, withdrawal of its request for Hearing, and as acknowledgement and acceptance of the alleged violations.

Contemporaneous with our sending this letter, we are submitting our Mitigation Plan using the MRO Compliance Database Management System (CDMS). We believe that the plan is in compliance with Section 6.2 of the NERC CMEP as required.

Please confirm receipt of this withdrawal of our objection to the above referenced violations and related request for hearing. We look forward to hearing from you with regard to formalizing any further documentation related to this withdrawal.

Sincerely,

DAIRYLAND POWER COOPERATIVE

Chuck Callie

Chuck Callies

Vice President, Power Delivery

CSC:daj