June 29, 2011

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

Re: NERC Abbreviated Notice of Penalty regarding Black Hills/Colorado Electric Utility Company, LP, FERC Docket No. NP11-__-000

Dear Ms. Bose:

The North American Electric Reliability Corporation (NERC) hereby provides this Abbreviated Notice of Penalty (NOP) regarding Black Hills/Colorado Electric Utility Company, LP (BHCE), with information and details regarding the nature and resolution of the violation discussed in detail in the Settlement Agreement (Attachment a) and the Disposition Document (Attachment b), 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)).

This NOP is being filed with the Commission because Western Electricity Coordinating Council (WECC) and BHCE have entered into a Settlement Agreement to resolve all outstanding issues arising from WECC’s determination and findings of the violation of PRC-005-1 Requirement (R) 2.1. According to the Settlement Agreement, BHCE agrees to the stipulated facts of the violation, and has agreed to the assessed penalty of eight thousand dollars ($8,000), in addition to other remedies and actions to mitigate the instant violation and facilitate future compliance under the terms and conditions of the Settlement Agreement. Accordingly, the violation identified as NERC Violation Tracking Identification Number WECC200901691 is being filed in accordance with the NERC Rules of Procedure and the CMEP.

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

NERC Notice of Penalty
Black Hills/Colorado Electric Utility Company, LP
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Statement of Findings Underlying the Violation
This NOP incorporates the findings and justifications set forth in the Settlement Agreement executed on December 15, 2010 by and between WECC and BHCE. The details of the findings and the basis for the penalty are set forth in the Disposition Document. This NOP 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, NERC provides the following summary table identifying each violation of a Reliability Standard resolved by the Settlement Agreement, as discussed in greater detail below.

<table>
<thead>
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<th>NOC ID</th>
<th>NERC Violation ID</th>
<th>Reliability Std.</th>
<th>Req. (R)</th>
<th>VRF</th>
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<th>Total Penalty ($)</th>
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<td>PRC-005-1</td>
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<td>High³</td>
<td>9/18/08 – 12/1/10</td>
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The text of the Reliability Standard at issue and further information on the subject violation is set forth in the Disposition Document.

PRC-005-1 R2.1- OVERVIEW
On August 24, 2009 through August 28, 2009, WECC conducted an on-site compliance audit of BHCE. WECC requested maintenance and testing records for 65 out of 146 BHCE protective devices. Records showed that 63 out of 65 of the Protection System⁵ devices were tested and maintained within the defined intervals in compliance with PRC-005-1 R2.1. WECC found BHCE to be in violation of the Standard as it could not provide evidence that the remaining two transmission Protection System devices were maintained and tested within the defined five-year interval.

Statement Describing the Assessed Penalty, Sanction or Enforcement Action Imposed⁶

   Basis for Determination

Taking into consideration the Commission’s direction in Order No. 693, the NERC Sanction Guidelines, the Commission’s July 3, 2008, October 26, 2009 and August 27, 2010 Guidance Orders,⁷ the NERC BOTCC reviewed the Settlement Agreement and supporting documentation

³ PRC-005-1 R2 has a “Lower” Violation Risk Factor (VRF); R2.1 and R2.2 each have a “High” VRF. During a final review of the standards subsequent to the March 23, 2007 filing of the Version 1 VRFs, NERC identified that some standards requirements were missing VRFs; one of these include PRC-005-1 R2.1. On May 4, 2007, NERC assigned PRC-005 R2.1 a “High” VRF. In the Commission’s June 26, 2007 Order on Violation Risk Factors, the Commission approved the PRC-005-1 R2.1 “High” VRF as filed. Therefore, the “High” VRF was in effect from June 26, 2007. In the context of this case WECC determined that the violation related to R2.1, and therefore a “High” VRF is appropriate.

⁴ On September 18, 2008, BHCE acquired facilities from Aquila, Inc. and assumed the violation in the acquisition.

⁵ The NERC Glossary of Terms Used in Reliability Standards defines Protection System as “Protective relays, associated communication systems, voltage and current sensing devices, station batteries and DC control circuitry.”

⁶ See 18 C.F.R. § 39.7(d)(4).

on June 10, 2011. The NERC BOTCC approved the Settlement Agreement, including WECC’s assessment of an eight thousand dollar ($8,000) financial penalty against BHCE and other actions to facilitate future compliance required under the terms and conditions of the Settlement Agreement. In approving the Settlement Agreement, the NERC BOTCC reviewed the applicable requirements of the Commission-approved Reliability Standards and the underlying facts and circumstances of the violation at issue.

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

1. the violation constituted BHCE’s second occurrence of violation of the subject NERC Reliability Standards;  
2. WECC reported that BHCE was cooperative throughout the compliance enforcement process;  
3. BHCE had a compliance program at the time of the violation which WECC considered a mitigating factor, as discussed in the Disposition Document;  
4. there was no evidence of any attempt to conceal a violation nor evidence of intent to do so;  
5. WECC determined that the violation posed a minimal risk and did not pose a serious or substantial risk to the reliability of the bulk power system (BPS), as discussed in the Disposition Document; and  
6. WECC reported that there were no other mitigating or aggravating factors or extenuating circumstances that would affect the assessed penalty.

For the foregoing reasons, the NERC BOTCC approved the Settlement Agreement and believes that the assessed penalty of eight thousand dollars ($8,000) is appropriate for the violation and circumstances at issue, and is consistent with NERC’s goal to promote and ensure reliability of the BPS.

Pursuant to 18 C.F.R. § 39.7(e), the penalty will be effective upon expiration of the 30 day period following the filing of this NOP with FERC, or, if FERC decides to review the penalty, upon final determination by FERC.

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8 WECC did not consider the previous violation of the subject NERC Reliability Standards to be an aggravating factor because BHCE had assumed the violation when it acquired the facilities from another entity. Violations of BHCE’s affiliates, which are not viewed as the same or similar to the instant violation, are identified and addressed in the Disposition Document.
Attachments to be included as Part of this Notice of Penalty

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

a) Settlement Agreement by and between WECC and BHCE executed December 15, 2010, included as Attachment a;

b) Disposition Document, included as Attachment b;

c) WECC’s Regional Determination of Alleged Violation Summary for PRC-005-1 R2.1 with report date of August 28, 2009, included as Attachment c;

d) BHCE’s Mitigation Plan MIT-07-2266 for PRC-005-1 R2.1 submitted January 5, 2010, included as Attachment d;

e) BHCE’s Certification of Mitigation Plan Completion for PRC-005-1 R2.1 dated December 22, 2010, included as Attachment e; and

f) WECC’s Verification of Mitigation Plan Completion for PRC-005-1 R2.1 dated January 13, 2011, included as Attachment f.

A Form of Notice Suitable for Publication

A copy of a notice suitable for publication is included in Attachment g.
** Notices and Communications **

Notices and communications with respect to this filing may be addressed to the following:

<table>
<thead>
<tr>
<th>Name</th>
<th>Title/Role</th>
<th>Company/Address</th>
<th>Contact Information</th>
</tr>
</thead>
</table>
| Gerald W. Cauley              | President and Chief Executive Officer               | North American Electric Reliability Corporation      | Gerald W. Cauley, President and Chief Executive Officer  
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Princeton, NJ 08540-5721  
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(609) 452-9550 – facsimile  
david.cook@nerc.net |
| David N. Cook*                | Sr. Vice President and General Counsel              | North American Electric Reliability Corporation      | David N. Cook, Sr. Vice President and General Counsel  
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| Stuart Wevik*                 | Vice President, Electric Utilities                  | Black Hills/Colorado Electric Utility Company, LP   | Stuart Wevik, Vice President, Electric Utilities  
P.O. Box 1400  
Rapid City, SD 57709-1400  
(605) 721-2222  
Stuart.Wevik@BlackHillsCorp.com |

*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.
Conclusion

Accordingly, NERC respectfully requests that the Commission accept this Abbreviated NOP as compliant with its rules, regulations and orders.

Respectfully submitted,

/s/ Rebecca J. Michael
Rebecca J. Michael
Associate General Counsel for Corporate
and Regulatory Matters
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cc: Black Hills/Colorado Electric Utility Company, LP
Western Electricity Coordinating Council

Attachments
Attachment a

Settlement Agreement by and between WECC and BHCE executed December 15, 2010
SETTLEMENT AGREEMENT
OF
WESTERN ELECTRICITY COORDINATING COUNCIL
AND
BLACK HILLS/COLORADO ELECTRIC UTILITY COMPANY, LP

Western Electricity Coordinating Council ("WECC") and Black Hills/Colorado Electric Utility Company, LP ("BHCE") (collectively the "Parties") hereby enter into this Settlement Agreement ("Agreement") on the 14th day of December, 2010.

RECITALS

A. The Parties desire to enter into this Agreement to resolve all outstanding issues between them arising from a non-public, preliminary assessment of BHCE by WECC that resulted in certain WECC determinations and findings regarding one alleged BHCE violation of the following North American Electric Reliability Corporation ("NERC") Reliability Standard ("Reliability Standard" or "Standard"):

NERC ID: WECC200901691 PRC-005-1 R2 Transmission and Generation Protection System Maintenance and Testing

B. BHCE is an investor-owned utility organized under the laws of the state of South Dakota. Its principal offices are located in Rapid City, South Dakota. BHCE, a wholly-owned subsidiary of Black Hills Corporation, is a franchised electric generation, transmission and distribution utility that provides retail electric service to approximately 93,400 customers in Colorado in a service territory that covers approximately 5,000 square miles. Black Hills Colorado Electric retail customer base is a mix of residential, commercial, and industrial customers. Black Hills Colorado Electric owns approximately 104.1 MW of generating facilities with a peak summer load of 376 MW. Black Hills Colorado Electric owns and operates a transmission system located in Southeast Colorado comprising approximately 210 miles of transmission lines > 100 kV (115kV) and associated substations and other equipment. In addition, Black Hills Colorado Electric owns and operates 3,307 miles of distribution and transmission lines from 4.16kV through 69kV. Black Hills Colorado Electric’s 115kV transmission system is part of the Western Interconnect.

BHCE was registered on the NERC Compliance Registry on June 17, 2007 as a Distribution Provider ("DP"), Generator Owner ("GO"), Generator Operator ("GOP"), Load Serving Entity ("LSE"), Purchase-Selling Entity ("PSE"), Resource Planner ("RP"), Transmission Operator ("TOP"), Transmission Owner ("TO"), Transmission Planner ("TP") and Transmission Service Provider ("TSP").
C. WECC was formed on April 18, 2002 by the merger of the Western Systems Coordinating Council, Southwest Regional Transmission Association and Western Regional Transmission Association. WECC is one of eight Regional Entities in the United States responsible for coordinating and promoting electric system reliability and enforcing the mandatory Reliability Standards created by NERC under the authority granted in Section 215 of the Federal Power Act. In addition, WECC supports efficient competitive power markets, assures open and non-discriminatory transmission access among members, provides a forum for resolving transmission access disputes, and provides an environment for coordinating the operating and planning activities of its members. WECC’s region encompasses a vast area of nearly 1.8 million square miles extending from Canada to Mexico and including 14 western states. It is the largest and most diverse of the eight Regional Entities in the United States.

D. The Parties are entering into this Agreement to settle the disputed matters between them. It is in the Parties’ and the public’s best interests to resolve this matter efficiently without the delay and burden associated with a contested proceeding. Nothing contained in this Agreement shall be construed as a waiver of either party’s rights. Except, however, nothing in this Agreement shall limit or prevent WECC from evaluating BHCE for subsequent violations of the same Reliability Standards addressed herein and taking enforcement action, if necessary. Such enforcement action can include assessing penalties against BHCE for subsequent violations of the Reliability Standards addressed herein in accordance with NERC Rules of Procedure.

NOW, THEREFORE, in consideration of the terms set forth herein WECC and BHCE hereby agree and stipulate to the following:

I. Stipulated Violation Facts

NERC Reliability Standard PRC-005-1 Requirement 2

R.2: Each Transmission Owner and any Distribution Provider that owns a transmission Protection System and each Generator Owner that owns a generation Protection System shall provide documentation of its Protection System maintenance and testing program and the implementation of that program to its Regional Reliability Organization on request (within 30 calendar days). The documentation of the program implementation shall include:

2.1: Evidence Protection System devices were maintained and tested within the defined intervals.

BHCE is subject to this Standard because it was registered on the NERC Compliance Registry as a TO, DP and GO, on September 18, 2008. On August 24, 2009, WECC conducted an On-Site Compliance Audit ("Audit") of BHCE. The WECC Audit Team reviewed the Black Hills Colorado Electric Protection Systems Devices Detail and the Black Hills Corporation Protection Systems Test/Maintenance Policy,
documents provided by BHCE as proof of compliance with PRC-005-1 R2.1. The WECC Audit Team requested maintenance and testing records for 65 out of 146 BHCE protective devices, identified by a random number generator. For 63 of these devices, the records showed that the Protection System devices were tested and maintained within the defined intervals. However, maintenance and testing records for two sets of Protective System devices located at the Fountain Valley Substation, the bank differential system (87T A, B & C) and bank overload system (51 A & C), showed that these devices were last tested in June, 1982. This date last tested is outside the five year interval stated in BHCE’s Protection System maintenance and testing program. The WECC Audit Team determined that BHCE had a possible violation of PRC-005-1 R2.1 because it could not provide evidence that all of its Protection System devices were maintained and tested within the defined intervals. The Audit Team forwarded these findings to the WECC Enforcement Department (“Enforcement”) for its review and consideration.

On December 18, 2009, Enforcement reviewed the Audit Team’s findings and determined that for two sets of protective devices at the Fountain Valley Substation, the date BHCE last tested the devices was June, 1982. Therefore, Enforcement concluded BHCE had an Alleged Violation of PRC-005-1 R2.1.

On January 5, 2010, coincident with the receipt of the NAVAPS from WECC, BHCE submitted a mitigation plan with a proposed completion date of December 31, 2010. In the mitigation plan, BHCE proposed to mitigate the alleged violation by completing the following specific tasks and actions, including appropriate milestones:

A. Fountain Valley Sub – Testing of differential relay scheme (87T A, B & C), bank overload scheme or overcurrent relay back-up (51A & C), by October 13, 2009;
B. Northridge #1 – Transformer differential relay testing, overcurrent back-up, circuit switcher 115-1, CT’s, by October 6, 2009;
C. Northridge #2 – Transformer differential relay testing, overcurrent back-up; by October 12, 2009;
D. Skala Federal Prison - Transformer differential scheme, overcurrent back-up, circuit switcher 115-1, and CT’s, by January 29, 2010;
E. Review of the BHCE one-line system drawing to identify other possible transformer differential schemes attached as radial taps to the BES, by September 18, 2009;
F. Management approval of addition of these new sites and schemes to the BHCE protection system tracking sheet, by January 29, 2010;
G. Provide 2010 Q1 testing status on newly identified items, by March 31, 2010;
H. Provide 2010 Q2 testing status on newly identified items, by June 30, 2010;
I. Provide 2010 Q3 testing status on newly identified items, by September 30, 2010; and
J. Completion of testing of all additional BES radial tap transformer differential schemes, by December 31, 2010.
On January 8, 2010 a WECC SME reviewed BHCE’s mitigation plan and determined that the proposed plan adequately identified BHCE’s actions to correct the violation and identified an appropriate timetable for completion.

II. Settlement Terms

A. Payment. To settle this matter, BHCE hereby agrees to pay $8,000.00 to WECC via wire transfer or cashier’s check. BHCE shall make the funds payable to a WECC account identified in a Notice of Payment Due that WECC will send to BHCE upon approval of this Agreement by NERC and the Federal Energy Regulatory Commission ("FERC"). BHCE shall issue the payment to WECC no later than thirty days after receipt of the Notice of Payment Due. If this payment is not timely received, WECC shall assess, and BHCE agrees to pay, an interest charge calculated according to the method set forth at 18 CFR §35.19(a)(2)(iii) beginning on the 31st day following issuance of the Notice of Payment Due.

The terms of this Agreement, including the agreed upon payment, are subject to review and possible revision by NERC and FERC. Upon NERC approval of the Agreement, NERC will file a Notice of Penalty with FERC. If FERC approves the Agreement, NERC will post the Agreement publicly. If either NERC or FERC rejects the Agreement, then WECC will attempt to negotiate a revised settlement agreement with BHCE that includes any changes to the Agreement specified by NERC or FERC. If the Parties cannot reach a settlement agreement, the CMEP governs the enforcement process.

B. Settlement Rationale. WECC’s determination of penalties in an enforcement action is guided by the statutory requirement codified at 16 U.S.C. § 8240(e)(6) that any penalty imposed "shall bear a reasonable relation to the seriousness of the violation and shall take into consideration the efforts of such user, owner, or operator to remedy the violation in a timely manner". Additionally, WECC considers the guidance provided by the NERC Sanction Guidelines and by the FERC in Order No. 693 and in its July 3, 2008 Guidance Order on Reliability Notices of Penalty.

Specifically, to determine penalty assessment, WECC considers the following factors: (1) the seriousness of the violation, including the applicable Violation Risk Factor and Violation Severity Level, and the risk to the reliability of the BPS; (2) the violation’s duration; (3) the Registered Entity’s compliance history; (4) the Registered Entity’s self-reports and voluntary corrective action; (5) the degree and quality of cooperation by the Registered Entity in the audit or investigation process, and in any remedial action; (6) the quality of the Registered Entity’s compliance program; (7) any attempt by the Registered Entity to conceal the violation or any related information; (8) whether the violation was intentional; (9) any other relevant information or extenuating circumstances; and (10) the Registered Entity’s ability to pay a penalty.

In accordance with NERC’s VRF Matrix dated February 17, 2010, a "High" VRF applies to BHCE’s Alleged Violation of PRC-005-1 R2. WECC determined that this
violation posed a minimal risk to the reliability of the BPS. At the Audit, the WECC Audit Team identified nineteen BHCE substations as BPS facilities, and reviewed the maintenance and testing records of 65 Protection System devices at eight of these stations. At the Fountain Valley Substation, BHCE had two Protection System devices that were not maintained and tested within the five-year defined interval. The failure of either of these two protective systems could only affect a single 115kV transmission line at Fountain Valley Substation. WECC determined that this violation posed a minimal risk to the reliability of the BPS because only two protective devices were deficient, of the 65 separate devices reviewed at the Audit, representing approximately 3 percent of the audit sample. For these reasons, WECC determined this violation did not pose a serious or substantial risk to the reliability of the BPS.

In addition to the factors listed above, WECC considered several factors in reaching an agreement with BHCE regarding the penalty amount. First, the Alleged Violation addressed by this Agreement is BHCE's first assessed noncompliance with the applicable Reliability Standards. Second, BHCE completed the Fountain Valley portion of its mitigation plan on October 13, 2009. Third, BHCE was cooperative throughout WECC's evaluation of its compliance with the Reliability Standards and the enforcement process.

Finally, during the on-site Compliance Audit, the Audit Team evaluated BHCE's Internal Compliance Program ("ICP") using the Compliance Program Audit Worksheet. The Audit Team determined that BHCE has a fully documented ICP that has been reviewed and approved by an Authorized Entity Officer or equivalent, and disseminated to all employees. It is fully staffed and budgeted. BHCE's ICP oversight position is identified and staffed. It is supervised by a high level position in the entity, with direct access to the CEO and/or Board of Directors. The ICP is managed and operated fully independent of the work groups that are responsible for complying with reliability standards. The ICP includes detailed training for employees that have a direct responsibility for compliance with reliability standards and also includes overview awareness training for other employees. The ICP includes internal self auditing for compliance on an annual basis for full compliance with all Reliability Standards applicable to the entity. BHCE's ICP includes disciplinary action for employees involved in reliability standard violations, and has internal controls including self-assessment and self-enforcement to prevent reoccurrence of reliability standard violations.

In reaching this Agreement, WECC considered that there were no aggravating factors warranting a higher payment amount. Specifically, BHCE did not have any negative compliance history. There was no failure by BHCE to comply with applicable compliance directives, nor any evidence of an attempt by BHCE to conceal a violation. Finally, there was no evidence that BHCE's violations were intentional.
III. Additional Terms

A. Authority. The undersigned representative of each party warrants that he or she is authorized to represent and bind the designated party.

B. Representations. The undersigned representative of each party affirms that he or she has read the Agreement, that all matters set forth in the Agreement are true and correct to the best of his or her knowledge, information, or belief, and that he or she understands that the Agreement is entered into by each party in express reliance on the representations set forth herein.

C. Review. Each party agrees that it has had the opportunity to consult with legal counsel regarding the Agreement and to review it carefully. Each party enters the Agreement voluntarily. No presumption or rule that ambiguities shall be construed against the drafting party shall apply to the interpretation or enforcement of this Agreement.

D. Entire Agreement. The Agreement represents the entire agreement between the Parties. No tender, offer, or promise of any kind outside the terms of the Agreement by any member, employee, officer, director, agent, or representative of BHCE or WECC has been made to induce the signatories or the Parties to enter into the Agreement. No oral representations shall be considered a part of the Agreement.

E. Effective Date. The Agreement shall become effective upon FERC's approval of the Agreement by order or operation of law.

F. Waiver of Right to Further Proceedings. BHCE agrees that the Agreement, upon approval by NERC and FERC, is a final settlement of all matters set forth herein. BHCE waives its right to further hearings and appeal, unless and only to the extent that BHCE contends that any NERC or FERC action concerning the Agreement contains one or more material modifications to the Agreement.

G. Reservation of Rights. WECC reserves all of its rights to initiate enforcement, penalty or sanction actions against BHCE in accordance with the Agreement, the CMEP and the NERC Rules of Procedure. In the event that BHCE fails to comply with any of the terms of this Agreement, WECC shall have the right to pursue enforcement, penalty or sanction actions against BHCE up to the maximum penalty allowed by the NERC Rules of Procedure. BHCE shall retain all of its rights to defend against such enforcement actions in accordance with the CMEP and the NERC Rules of Procedure. Failure by WECC to enforce any provision hereof on occasion shall not constitute a waiver by WECC of its enforcement rights or be binding on WECC on any other occasion.

H. Consent. BHCE consents to the use of WECC’s determinations, findings, and conclusions set forth in this Agreement for the purpose of assessing the factors, including the factor of determining the company’s history of violations, in accordance
with the NERC Sanction Guidelines and applicable Commission orders and policy statements. Such use may be in any enforcement action or compliance proceeding undertaken by NERC and/or any Regional Entity; provided, however, that Registered Entity 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 WECC, nor does BHCE consent to the use of this Agreement by any other party in any other action or proceeding.

I. Amendments. Any amendments to the Agreement shall be in writing. No amendment to the Agreement shall be effective unless it is in writing and executed by the Parties.

J. Successors and Assigns. The Agreement shall be binding on successors or assigns of the Parties.

K. Governing Law. The Agreement shall be governed by and construed under the laws of the State of Utah.

L. Captions. The Agreement’s titles, headings and captions are for the purpose of convenience only and in no way define, describe or limit the scope or intent of the Agreement.

M. Counterparts and Facsimiles. The Agreement may be executed in counterparts, in which case each of the counterparts shall be deemed to be an original. Also, the Agreement may be executed via facsimile, in which case a facsimile shall be deemed to be an original.

N. Agreement Contingent. This Agreement is contingent upon WECC’s review and approval of a Completed Mitigation Plan for the Alleged Violation addressed herein.

[Remainder of page intentionally left blank - signatures affixed to following page]
Agreed to and accepted:

WESTERN ELECTRICITY COORDINATING COUNCIL

Constance B. White 12/15/10
Vice President of Compliance

BLACK HILLS/COLORADO ELECTRIC UTILITY COMPANY, LP

Todd L. Brink 12/14/2010
Senior Counsel & Director of Corporate Compliance
Attachment b

Disposition Document


DISPOSITION OF VIOLATION

Dated June 10, 2011

NERC TRACKING NO.
WECC200901691

REGIONAL ENTITY TRACKING NO.
BHCE_WECC20091865

NOC#
NOC-747

REGISTERED ENTITY
Black Hills/Colorado Electric Utility Company, LP (BHCE)

REGIONAL ENTITY
Western Electricity Coordinating Council (WECC)

ENTITY IS REGISTERED FOR THE FOLLOWING FUNCTIONS (BOTTOM ROW INDICATES REGISTRATION DATE): 1

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* VIOLATION APPLIES TO SHAD ED FUNCTIONS

DESCRIPTION OF THE REGISTERED ENTITY

BHCE is an investor-owned utility organized under the laws of the state of South Dakota. Its principal offices are located in Rapid City, South Dakota. BHCE, a wholly-owned subsidiary of Black Hills Corporation, is a franchised electric generation, transmission and distribution utility that provides retail electric service to approximately 93,400 customers in Colorado in a service territory that covers approximately 5,000 square miles. BHCE’s retail customer base is a mix of residential, commercial, and industrial customers. BHCE owns approximately 104.1 MW of generating facilities and has a peak summer load of 376 MW. BHCE owns and operates a transmission system located in Southeast Colorado comprising approximately 210 miles of transmission lines above 100 kV (115 kV) and associated

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

2 The Settlement Agreement at page 2 incorrectly states BHCE was included on the NERC Compliance Registry on September 18, 2008. This date refers to when BHCE acquired these facilities from Aquila, Inc. and assumed the violation in the acquisition.
substations and other equipment. In addition, BHCE owns and operates 3,307 miles of distribution and transmission lines from 4.16 kV through 69 kV.

II. VIOLATION INFORMATION

<table>
<thead>
<tr>
<th>RELIABILITY STANDARD</th>
<th>REQUIREMENT(S)</th>
<th>SUB-REQUIREMENT(S)</th>
<th>VRF(S)</th>
<th>VSL(S)</th>
</tr>
</thead>
<tbody>
<tr>
<td>PRC-005-1</td>
<td>2</td>
<td>2.1</td>
<td>High³</td>
<td>Lower</td>
</tr>
</tbody>
</table>

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

The purpose statement of PRC-005-1 provides: “To ensure all transmission and generation Protection Systems⁴ affecting the reliability of the Bulk Electric System (BES) are maintained and tested.”

PRC-005-1 R2 provides in pertinent part:

R2. Each Transmission Owner and any Distribution Provider that owns a transmission Protection System and each Generator Owner that owns a generation Protection System shall provide documentation of its Protection System maintenance and testing program and the implementation of that program to its Regional Reliability Organization⁵ on request (within 30 calendar days). The documentation of the program implementation shall include:

R2.1. Evidence Protection System devices were maintained and tested within the defined intervals.

(VIOLATION DESCRIPTION

On August 24, 2009 through August 28, 2009, WECC conducted an on-site compliance audit of BHCE (Audit). The WECC Audit team reviewed the Black Hills Colorado Electric Protection Systems Devices Detail and the Black Hills

³ PRC-005-1 R2 has a “Lower” Violation Risk Factor (VRF); R2.1 and R2.2 each have a “High” VRF. During a final review of the standards subsequent to the March 23, 2007 filing of the Version 1 VRFs, NERC identified that some standards requirements were missing VRFs; one of these include PRC-005-1 R2.1. On May 4, 2007, NERC assigned PRC-005 R2.1 a “High” VRF. In the Commission’s June 26, 2007 Order on Violation Risk Factors, the Commission approved the PRC-005-1 R2.1 “High” VRF as filed. Therefore, the “High” VRF was in effect from June 26, 2007. In the context of this case WECC determined that the violation related to R2.1, and therefore a “High” VRF is appropriate.

⁴ The NERC Glossary of Terms Used in Reliability Standards defines Protection System as “Protective relays, associated communication systems, voltage and current sensing devices, station batteries and DC control circuitry.”

⁵ Consistent with applicable FERC precedent, the term “Regional Reliability Organization” in this context refers to WECC.
Corporation Protection Systems Test/Maintenance Policy, documents provided by BHCE as proof of compliance with PRC-005-1 R2.1. The WECC Audit team requested maintenance and testing records for 65 out of 146 BHCE protective devices, identified by a random number generator. The records showed that 63 out of 65 of the Protection System devices were tested and maintained within the defined intervals in compliance with PRC-005-1 R2.1. WECC found BHCE to be in violation of PRC-005-1 R2.1 as it could not provide evidence that the remaining two devices, transmission protective devices at the Fountain Valley Substation,\(^6\) were maintained and tested within the defined intervals.

RELIABILITY IMPACT STATEMENT- POTENTIAL AND ACTUAL

WECC determined that the violation posed a minimal risk and did not pose a serious or substantial risk to the reliability of the bulk power system (BPS) because the two devices represented only three percent of the audit sample. At the Audit, the WECC Audit Team identified nineteen BHCE substations as BPS facilities, and reviewed the maintenance and testing records of 65 Protection System devices at eight of these stations. Of the 65 separate devices reviewed by the Audit Team, two were deficient, representing only three percent of the audit sample. At the Fountain Valley Substation, BHCE had two Protection System devices that were not maintained and tested within the five-year defined interval. The failure of either of these two protective systems would only affect a single 115 kV transmission line at Fountain Valley Substation.

IS THERE A SETTLEMENT AGREEMENT

YES \(\square\) NO \(\square\)

WITH RESPECT TO THE VIOLATION(S), REGISTERED ENTITY

NEITHER ADMITS NOR DENIES IT (SETTLEMENT ONLY) \(\square\)
ADMITS TO IT \(\square\)
Stipulates to the facts \(\checkmark\)
DOES NOT CONTEST IT (INCLUDING WITHIN 30 DAYS) \(\square\)

WITH RESPECT TO THE ASSESSED PENALTY OR SANCTION, REGISTERED ENTITY

ACCEPTS IT/ DOES NOT CONTEST IT \(\square\)

\(^6\) The maintenance and testing records for these two sets of devices, the bank differential system (27TA, B &C) and the bank overload system (51A & C), showed that these devices were last tested in June 1982.
III. DISCOVERY INFORMATION

METHOD OF DISCOVERY

SELF-REPORT
SELF-CERTIFICATION
COMPLIANCE AUDIT ☒
COMPLIANCE VIOLATION INVESTIGATION
SPOT CHECK
COMPLAINT
PERIODIC DATA SUBMITTAL
EXCEPTION REPORTING

DURATION DATE(S) 9/18/08 (when BHCE acquired these facilities from Aquila, Inc. and assumed the violation) through 12/1/10 (Mitigation Plan completion)

DATE DISCOVERED BY OR REPORTED TO REGIONAL ENTITY 8/28/09

IS THE VIOLATION STILL OCCURRING YES ☐ NO ☒
IF YES, EXPLAIN

REMEDIAL ACTION DIRECTIVE ISSUED YES ☐ NO ☒
PRE TO POST JUNE 18, 2007 VIOLATION YES ☐ NO ☒

IV. MITIGATION INFORMATION

FOR FINAL ACCEPTED MITIGATION PLAN:

MITIGATION PLAN NO. MIT-07-2266
DATE SUBMITTED TO REGIONAL ENTITY 1/5/10
DATE ACCEPTED BY REGIONAL ENTITY 1/8/10
DATE APPROVED BY NERC 1/19/10
DATE PROVIDED TO FERC 1/21/10

IDENTIFY AND EXPLAIN ALL PRIOR VERSIONS THAT WERE ACCEPTED OR REJECTED, IF APPLICABLE

MITIGATION PLAN COMPLETED YES ☒ NO ☐

EXPECTED COMPLETION DATE 12/31/10
EXTENSIONS GRANTED
ACTUAL COMPLETION DATE 12/1/10

DATE OF CERTIFICATION LETTER 12/22/10
CERTIFIED COMPLETE BY REGISTERED ENTITY AS OF 12/1/10
DATE OF VERIFICATION LETTER 1/13/11
VERIFIED COMPLETE BY REGIONAL ENTITY AS OF 12/1/10

ACTIONS TAKEN TO MITIGATE THE ISSUE AND PREVENT RECURRENTCE

BHCE proposed to mitigate the violation by completing the following specific tasks and actions, including appropriate milestones:

A. Fountain Valley Substation – completed testing of differential relay scheme (87T A, B & C), bank overload scheme or overcurrent relay back up (51 A * C), on October 13, 2009;
B. Northridge #1 – completed transformer differential relay testing, overcurrent back up, circuit switcher 115-1, CTs, on October 6, 2009;
C. Northridge #2 – completed transformer differential relay testing, overcurrent back up; on November 12, 2009;
D. Skala Federal Prison – completed transformer differential scheme, overcurrent back up, circuit switcher 115-1, and CTs, on January 22, 2010;
E. Reviewed BHCE’s one-line system drawing to identify other possible transformer differential schemes attached as radial taps to the BES, on September 18, 2009;
F. Received management approval for adding new sites and schemes to the BHCE Protection System tracking sheet, by January 29, 2010;
G. Provided first quarter of 2010 testing status on newly identified items, on February 2, 2010, February 24, 2010 and March 23, 2010;
I. Provided third quarter 2010 testing status on newly identified items, on September 16, 2010, September 18, 2010 and September 27, 2010; and
J. Completed testing of all additional BES radial tap transformer differential schemes, on December 1, 2010.

In addition, during the implementation phase of the Mitigation Plan, affected sites not yet through testing experienced:

1) an increased frequency of on-site manual monitoring from quarterly to monthly; and

2) an elevation of any minor alarms (Code 2 or 3) to Code 1 status (which require immediate attention).

Furthermore, future violations will be prevented since the review and addition of radial tap protection elements to the formal Protection System tracking list provided awareness for required testing.
LIST OF EVIDENCE REVIEWED BY REGIONAL ENTITY TO EVALUATE COMPLETION OF MITIGATION PLAN (FOR CASES IN WHICH MITIGATION IS NOT YET COMPLETED, LIST EVIDENCE REVIEWED FOR COMPLETED MILESTONES)

- Mitigation Plan Form dated January 5, 2010
- Mitigation Plan Form dated January 29, 2010
- Update Form dated March 29, 2010
- Evidence Submittal dated June 30, 2010
- WECC200901691 Milestone Update dated June 30, 2010
- Milestone Update Form dated June 30, 2010
- Evidence Submittal dated September 29, 2010
- Milestone Update Form dated September 29, 2010
- Milestone Update Form dated December 16, 2010

V. PENALTY INFORMATION

TOTAL ASSESSED PENALTY OR SANCTION OF $8,000 FOR ONE VIOLATION OF RELIABILITY STANDARDS.

(1) REGISTERED ENTITY’S COMPLIANCE HISTORY

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

YES ☒ NO ☐

LIST VIOLATIONS AND STATUS

On September 13, 2010, NERC submitted an Omnibus filing under NP10-160-000 which addressed violations for certain registered entities including a violation of PRC-005-1 R2.1 for BHCE (NOC-508). On October 13, 2010, FERC issued an order stating it would not engage in further review of the violations addressed in the Omnibus Notice of Penalty.

WECC determined that this prior violation should not serve as a basis for aggravating the penalty because BHCE had acquired these facilities from Aquila, Inc. (Aquila) and assumed this violation in the acquisition. At the time of the acquisition, Aquila had not maintained and tested 22 Protection System relays within its defined intervals.

ADDITIONAL COMMENTS

A Notice of Confirmed Violation covering a violation of IRO-STD-006-0 WR1 for Black Hills Power (BHP) (NCR05030), an affiliate of BHCE owned by Black Hills Corporation in the WECC region,
(NOC-525) was filed with FERC under NP11-13-000 on November 5, 2010. On December 3, 2010, FERC issued an order stating it would not engaged in further review of the Notice of Penalty.

On October 14, 2009, NERC submitted an Omnibus filing under NP10-2-000 which addressed violations for certain registered entities including a violation of IRO-STD-006-0 WR1 for BHP. On November 13, 2009, FERC issued an order stating it would not engage in further review of the violations addressed in the Omnibus Notice of Penalty.

A Settlement Agreement covering violations of CIP-001-1 R3 and PER-002-0 R4 for BHP (NOC-551) was filed with FERC under NP11-14-000 on November 5, 2010. On December 3, 2010, FERC issued an order stating it would not engaged in further review of the Notice of Penalty.

WECC determined that the prior violations by BCHE’s affiliate should not serve as a basis for aggravating the penalty because they involved standards that are not the same or similar to the instant standard. Moreover, there was nothing in the record to suggest that broader corporate issues were implicated.

PREVIOUSLY FILED VIOLATIONS OF OTHER RELIABILITY STANDARD(S) OR REQUIREMENTS THEREUNDER
YES ☑ NO ☐

LIST VIOLATIONS AND STATUS

ADDITIONAL COMMENTS

(2) THE DEGREE AND QUALITY OF COOPERATION BY THE REGISTERED ENTITY (IF THE RESPONSE TO FULL COOPERATION IS “NO,” THE ABBREVIATED NOP FORM MAY NOT BE USED.)

FULL COOPERATION YES ☑ NO ☐
IF NO, EXPLAIN
(3) THE PRESENCE AND QUALITY OF THE REGISTERED ENTITY’S COMPLIANCE PROGRAM

IS THERE A DOCUMENTED COMPLIANCE PROGRAM
YES ☒ NO ☐ UNDETERMINED ☐
EXPLAIN

During the Audit, the Audit team evaluated BHCE’s internal compliance program (ICP), which was in place at the time of the violation. The Audit team determined that BHCE has a fully documented ICP that has been reviewed and approved by an Authorized Entity Officer or equivalent, and disseminated to all employees. It is fully staffed and budgeted. BHCE’s ICP oversight position is identified and staffed. It is supervised by a high level position in the entity, with direct access to the CEO and/or Board of Directors. The ICP is managed and operated fully independent of the work groups that are responsible for complying with reliability standards. The ICP includes detailed training for employees that have a direct responsibility for compliance with reliability standards and also includes overview awareness training for other employees. The ICP includes internal self auditing for compliance on an annual basis for full compliance with all reliability standards applicable to the entity. BHCE’s ICP includes disciplinary action for employees involved in reliability standard violations, and has internal controls including self-assessment and self-enforcement to prevent reoccurrence of reliability standard violations. WECC considered BHCE’s ICP as a mitigating factor in determining the penalty.

EXPLAIN SENIOR MANAGEMENT’S ROLE AND INVOLVEMENT WITH RESPECT TO THE REGISTERED ENTITY’S COMPLIANCE PROGRAM, INCLUDING WHETHER SENIOR MANAGEMENT TAKES ACTIONS THAT SUPPORT THE COMPLIANCE PROGRAM, SUCH AS TRAINING, COMPLIANCE AS A FACTOR IN EMPLOYEE EVALUATIONS, OR OTHERWISE.

See above.

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

YES ☐ NO ☒
IF YES, EXPLAIN
(5) ANY EVIDENCE THE VIOLATION(S) WERE INTENTIONAL (IF THE RESPONSE IS “YES,” THE ABBREVIATED NOP FORM MAY NOT BE USED.)

YES ☐  NO ☑
IF YES, EXPLAIN

(6) ANY OTHER MITIGATING FACTORS FOR CONSIDERATION

YES ☐  NO ☑
IF YES, EXPLAIN

(7) ANY OTHER AGGRAVATING FACTORS FOR CONSIDERATION

YES ☐  NO ☑
IF YES, EXPLAIN

(8) ANY OTHER EXTENUATING CIRCUMSTANCES

YES ☐  NO ☑
IF YES, EXPLAIN

EXHIBITS:

SOURCE DOCUMENT
WECC’s Regional Determination of Alleged Violation Summary with report date of August 28, 2009

MITIGATION PLAN
BHCE’s Mitigation Plan MIT-07-2266 for PRC-005-1 R2.1 submitted January 5, 2010

CERTIFICATION BY REGISTERED ENTITY
BHCE’s Certification of Mitigation Plan Completion for PRC-005-1 R2.1 dated December 22, 2010

VERIFICATION BY REGIONAL ENTITY
WECC’s Verification of Mitigation Plan Completion for PRC-005-1 R2.1 dated January 13, 2011
OTHER RELEVANT INFORMATION:

NOTICE OF ALLEGED VIOLATION AND PROPOSED PENALTY OR SANCTION ISSUED
DATE: 1/5/10 OR N/A ☐

SETTLEMENT REQUEST DATE
DATE: 2/5/10 OR N/A ☐

NOTICE OF CONFIRMED VIOLATION ISSUED
DATE: OR N/A ☒

SUPPLEMENTAL RECORD INFORMATION
DATE(S) OR N/A ☒

REGISTERED ENTITY RESPONSE CONTESTED
FINDINGS ☐ PENALTY ☐ BOTH ☐ DID NOT CONTEST ☒

HEARING REQUESTED
YES ☐ NO ☒
DATE
OUTCOME
APPEAL REQUESTED
Attachment c

WECC’s Regional Determination of Alleged Violation Summary for PRC-005-1 R2.1 with report date of August 28, 2009
Regional Determination of Alleged Violation Summary

Region: WECC
Registered Entity: Black Hills/Colorado Electric Utility Company, LP
NERC Registry ID: NCR00089
NERC Violation ID: WECC200901691
Date Alleged Violation reported to or discovered by WECC: 08/28/2009
Method of Discovery: Compliance Audit
Standard: PRC-005-1
Requirement: 2.1
Regional description of Alleged Violation:
The entity has protective devices that were not tested within the defined stated interval. The entity is out of compliance with R2.1.
Repeat Alleged Violation: X Yes No
If Yes, NERC Violation ID: WECC200801842
NAVAPS Issue Date: 01/05/2010
Violation Risk Factor: HIGH
Violation Severity Level (VSL): VSL - Lower
Regional Determination of VSL:
Regional Determination of Impact to BPS: Minimal
Regional Detailed Description of Impact to BPS:
Minimal Impact -
Begin Date of Alleged Violation: 06/18/2007
Time of Alleged Violation:
End Date of Alleged Violation:
Mitigation Plan Submittal Date: 01/05/2010
Mitigation Plan Target Completion Date: 12/31/2010
Registered Entity Certification of Closure Date:
Mitigation Plan Actual Completion Date:
Additional Comments:

WECC Contact:
Name: Chris Luras
Title: Manager of Enforcement
Phone Number: 801-582-0353
Email: cluras@wecc.biz
Attachment d

BHCE’s Mitigation Plan MIT-07-2266 for PRC-005-1 R2.1 submitted January 5, 2010
Mitigation Plan Submittal Form

New ☒ or Revised ☐

Date this Mitigation Plan is being submitted: 01-05-2010

If this Mitigation Plan has already been completed:
- Check this box ☐ and
- Provide the Date of Completion of the Mitigation Plan:

Section A: Compliance Notices & Mitigation Plan Requirements

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

Section B: Registered Entity Information

B.1 Identify your organization:

Registered Entity Name: Black Hills Colorado Electric
Registered Entity Address: 105 South Victoria, Pueblo, Colorado 81003
NERC Compliance Registry ID: NCR00089

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

Name: Wayne Franz
Title: Substation Maintenance Manager
Email: wayne.franz@blackhillscorp.com (719) 546-6415

¹ A copy of the WECC CMEP is posted on WECC’s website at: http://compliance.wecc.biz/Application/Documents/Home/20090101%20-%20CMEP.pdf
Registered Entities are responsible for following all applicable WECC CMEP procedures. WECC strongly recommends that registered entities become familiar with the WECC CMEP and its requirements, as they may be amended from time to time.
Section C: Identity of Alleged or Confirmed Reliability Standard Violations Associated with this Mitigation Plan

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

C.1 Standard: PRC-005-1
   [Identify by Standard Acronym (e.g. FAC-001-1)]

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

<table>
<thead>
<tr>
<th>NERC Violation ID # [if known]</th>
<th>WECC Violation ID # [if known]</th>
<th>Requirement Violated (e.g. R3)</th>
<th>Violation Risk Factor</th>
<th>Alleged or confirmed Violation Date(*) (MM/DD/YY)</th>
<th>Method of Detection (e.g. audit, self-report, investigation)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>R2</td>
<td>High</td>
<td>8-28-09</td>
<td>on site audit</td>
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(*) Note: The Alleged or Confirmed Violation Date shall be: (i) the date the violation occurred; (ii) the date that the violation was self-reported; or (iii) the date upon which WECC has deemed the violation to have occurred. Please contact WECC if you have questions regarding which date to use.

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

WECC Compliance identified two protective devices located at the Fountain Valley Substation as not in compliance to Black Hills Colorado Electric's BES protection system policy. This substation has a transformer differential scheme (87T A, B & C) and a bank overload scheme (51 A & C) which were not considered part of the BES under Aquila's (pre-BHC-acquisition) program. The relays at the identified site subsequently were inadvertently not tested within the 5-year interval prescribed by the BHC test policy at the time of acquisition.

[Provide your response here; additional detailed information may be provided as an attachment as necessary]
C.4 **[Optional]** Provide any relevant additional information regarding the alleged or confirmed violations associated with this Mitigation Plan:

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

---

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

**Mitigation Plan Contents**

D.1 Identify and describe the action plan, including specific tasks and actions that your organization is proposing to undertake, or which it undertook if this Mitigation Plan has been completed, to correct the violations identified above in Part C.2 of this form:

A. Fountain Valley Sub - Testing of differential relay scheme (87T A, B & C), bank overload scheme or overcurrent relay back-up (51A & C).

B. Northridge #1 - Transformer differential relay testing, overcurrent back-up, circuit switcher 115-1, CT's.

C. Northridge #2 - Transformer differential relay testing, overcurrent back-up.

D. Skala Federal Prison - Transformer differential scheme, overcurrent back-up, Circuit Switcher 115-1, and CT's.

E. Review of the BHCE one-line system drawing to identify other possible transformer differential schemes attached as radial taps to the BES.

F. Management approval of addition of these new sites and schemes to the BHCE protection system tracking sheet.

G. Provide 2010 Q1 testing status on newly identified items.

H. Provide 2010 Q2 testing status on newly identified items.

I. Provide 2010 Q3 testing status on newly identified items.
J. Completion of testing of all additional BES radial tap transformer differential schemes.

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

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

Mitigation Plan Timeline and Milestones

D.2   Provide the timetable for completion of the Mitigation Plan, including the completion date by which the Mitigation Plan will be fully implemented and the alleged or confirmed violations associated with this Mitigation Plan corrected:
Milestone A - Completion by 10-13-2009
Milestone B - Completion by 10-6-2009
Milestone C - Completion by 10-12-2009
Milestone D - Completion by 01-29-2010
Milestone E - Completion by 09-18-2009
Milestone F - Completion by 01-29-2010
Milestone G - Completion by 03-31-2010
Milestone H - Completion by 06-30-2010
Milestone I - Completion by 09-30-2010
Milestone J - Completion by 12-31-2010

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

<table>
<thead>
<tr>
<th>Milestone Activity</th>
<th>Proposed Completion Date*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Milestone B</td>
<td>Completed 10-6-09</td>
</tr>
<tr>
<td>Milestone C</td>
<td>Completed 11-12-09</td>
</tr>
<tr>
<td>Milestone D</td>
<td>01-29-2010</td>
</tr>
<tr>
<td>Milestone E</td>
<td>Completed 09-18-2009</td>
</tr>
<tr>
<td>Milestone F</td>
<td>01-29-2010</td>
</tr>
<tr>
<td>Milestone G</td>
<td>03-31-2010</td>
</tr>
</tbody>
</table>
Milestone H | 06-30-2010
Milestone I | 09-30-2010
Milestone J | 12-31-2010

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

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

Additional Relevant Information (Optional)

D.4 If you have any relevant additional information that you wish to include regarding the Mitigation Plan, milestones, milestones dates and completion date proposed above you may include it here:

Milestones G, H, and I are only status reports because of interactive scheduling that may be required for the additional radial tap sites that are to be confirmed per Milestone F.

[Provide your response here; additional detailed information may be provided as an attachment as necessary]
Section E: Interim and Future Reliability Risk

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

Abatement of Interim BPS Reliability Risk

E.1 While your organization is implementing the Mitigation Plan proposed in Part D of this form, the reliability of the Bulk Power System may remain at higher risk or be otherwise negatively impacted until the plan is successfully completed. To the extent they are known, reasonably suspected or anticipated: (i) identify any such risks or impacts; and (ii) discuss any actions that your organization is planning to take or is proposing as part of the Mitigation Plan to mitigate any increased risk to the reliability of the bulk power system while the Mitigation Plan is being implemented:

No risks to the BES are suspected or anticipated while this Mitigation Plan is being implemented. Regardless, during the implementation phase, affected sites not yet through testing will experience:

1) An increased frequency of on-site manual monitoring from quarterly to monthly.

2) An elevation of any minor alarms (Code 2 or 3) to Code 1 status (which requires immediate attention).

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

Prevention of Future BPS Reliability Risk

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

The review and addition of radial tap protection elements to the formal PRC-005 tracking list will provide awareness for required testing.
E.3 Your organization may be taking or planning other action, beyond that listed in the Mitigation Plan, as proposed in Part D.1, to prevent or minimize the probability of incurring further violations of the same or similar standards requirements listed in Part C.2, or of other reliability standards. If so, identify and describe any such action, including milestones and completion dates:

[Provide your response here; additional detailed information may be provided as an attachment as necessary]
Section F: **Authorization**

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

a) Submits the Mitigation Plan, as laid out in Section D of this form, to WECC for acceptance by WECC and approval by NERC, and

b) If applicable, certifies that the Mitigation Plan, as laid out in Section D of this form, was completed (i) as laid out in Section D of this form and (ii) on or before the date provided as the ‘Date of Completion of the Mitigation Plan’ on this form, and

c) Acknowledges:

1. I am Vice President, Electric Utilities of Black Hills Corporation.

2. I am an officer, employee, attorney or other person authorized to sign this Mitigation Plan on behalf of Black Hills Colorado Electric.

3. I understand Black Hills Colorado Electric’s obligations to comply with Mitigation Plan requirements and WECC or ERO remedial action directives and I have reviewed the WECC and ERO documents related to these obligations, including, but not limited to, the WECC CMEP and the NERC Rules of Procedure.

4. I have read and am familiar with the contents of the foregoing Mitigation Plan.

5. Black Hills Colorado Electric agrees to be bound by, and comply with, the Mitigation Plan, including the timetable completion date, as approved by WECC and approved by NERC.

**Authorized Signature:**

(Electronic signatures are acceptable; see CMEP Section 3.0)

Name (Print): Stuart Wevik
Title: Vice President, Electric Utilities
Date: 1/5/10
Section G: Comments and Additional Information

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

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

Section H: WECC Contact and Instructions for Submission

Please direct any questions regarding completion of this form to:
  Mike Wells, Sr. Compliance Engineer
  Email: mike@wecc.biz
  Phone: (801) 883-6884

For guidance on submitting this form, please refer to the “WECC Compliance Data Submittal Policy”. This policy can be found on the WECC Compliance Website at:

Attachment A – Compliance Notices & Mitigation Plan Requirements

I. Section 6.2 of the WECC CMEP sets forth the information that must be included in a Mitigation Plan. The Mitigation Plan must include:

(1) The Registered Entity’s point of contact for the Mitigation Plan, who shall be a person (i) responsible for filing the Mitigation Plan, (ii) technically knowledgeable regarding the Mitigation Plan, and (iii) authorized and competent to respond to questions regarding the status of the Mitigation Plan. This person may be the Registered Entity’s point of contact described in Section 2.0.

(2) The Alleged or Confirmed Violation(s) of Reliability Standard(s) the Mitigation Plan will correct.

(3) The cause of the Alleged or Confirmed Violation(s).

(4) The Registered Entity’s action plan to correct the Alleged or Confirmed Violation(s).

(5) The Registered Entity’s action plan to prevent recurrence of the Alleged or Confirmed violation(s).

(6) The anticipated impact of the Mitigation Plan on the bulk power system reliability and an action plan to mitigate any increased risk to the reliability of the bulk power-system while the Mitigation Plan is being implemented.

(7) A timetable for completion of the Mitigation Plan including the completion date by which the Mitigation Plan will be fully implemented and the Alleged or Confirmed Violation(s) corrected.

(8) Implementation milestones no more than three (3) months apart for Mitigation Plans with expected completion dates more than three (3) months from the date of submission.

(9) Any other information deemed necessary or appropriate.

(10) The Mitigation Plan shall be signed by an officer, employee, attorney or other authorized representative of the Registered Entity, which if applicable, shall be the person that signed the Self-Certification or Self Reporting submittals.

II. This submittal form may be used to provide a required Mitigation Plan for review and approval by WECC and NERC.
III. The Mitigation Plan shall be submitted to the WECC and NERC as confidential information in accordance with Section 9.3 of the WECC CMEP and Section 1500 of the NERC Rules of Procedure.

IV. This Mitigation Plan form may be used to address one or more related Alleged or Confirmed Violations of one Reliability Standard. A separate Mitigation Plan is required to address violations with respect to each additional Reliability Standard, as applicable.

V. If the Mitigation Plan is approved by WECC and NERC, a copy of the Mitigation Plan will be provided to the Federal Energy Regulatory Commission in accordance with applicable Commission rules, regulations and orders.

VI. Either WECC or NERC may reject a Mitigation Plan that it determines to be incomplete or inadequate. If the Mitigation Plan is rejected by either WECC or NERC, the Registered Entity will be notified and required to submit a revised Mitigation Plan.

VII. In accordance with Section 7.0 of the WECC CMEP, remedial action directives also may be issued as necessary to ensure reliability of the bulk power system.
Attachment e

BHCE’s Certification of Mitigation Plan Completion for PRC-005-1 R2.1 dated December 22, 2010
All Mitigation Plan Completion Certification submittals shall include data or information sufficient for WECC to verify completion of the Mitigation Plan. WECC may request such additional data or information and conduct follow-up assessments, on-site or other Spot Checking, or Compliance Audits as it deems necessary to verify that all required actions in the Mitigation Plan have been completed and the Registered Entity is in compliance with the subject Reliability Standard. (CMEP Section 6.6) Data or information submitted may become part of a public record upon final disposition of the possible violation, therefore any confidential information contained therein should be marked as such in accordance with the provisions of Section 1500 of the NERC Rules of Procedure.

Name of Registered Entity submitting certification: Black Hills/Colorado Electric Utility Company, LP

Name of Standard of mitigation violation(s): PRC-005-1

Mitigated information:

<table>
<thead>
<tr>
<th>Requirement</th>
<th>Tracking Number</th>
<th>Violation ID</th>
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<tr>
<td>R2</td>
<td>BHCE_WECC20091865</td>
<td>WECC200901691</td>
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Date of completion of the Mitigation Plan:
12/1/2010

Summary of all actions described in Part D of the relevant mitigation plan:

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<tr>
<th>Transformer</th>
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<th>Scheduled Dates</th>
<th>Notes</th>
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<tr>
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<td>Memorial Airport</td>
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<tr>
<td>Hyde Park</td>
<td></td>
<td>115/13.8</td>
<td>2nd Quarter 201 Mitigated 4-28-2010</td>
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Burntmill 115/13.8 9/20/2012 Comissioned 9-20-2007
Greenhorn 115/13.8 10/9/2014 Comissioned 10-9-2009
PDA 115 Unit 1 115/13.8 2nd Quarter 2010 Mitigated 5-06-2010
Pueblo Unit 1 115/13.8 4th Quarter 2010 Mitigated 11-10-2010
Pueblo Unit 2 115/13.8 4th Quarter 2010 Mitigated 12-01-2010
Black Start
Pueblo 12 MVA 69/14.4 3rd Quarter 2010 Mitigated 9-27-2010
La Junta 115 / 69 2nd Quarter 2010 Mitigated 6-28-2010
NOTE: See cleaner version of listing within individual Milestone filings.

Description of the information provided to WECC for their evaluation:
Each milestone completion was accompanied by evidence filings in the WECC Web Portal as summarized below:
2010 01 05 - Mitigation Plan Form - PRC-005-1 - R2.pdf
2010 01 29 - Mitigation Plan Form - PRC-005-1 - R2.pdf
2010 03 29 - Milestone Update Form - PRC-005-1 - R2.pdf
2010 06 30 - Evidence Submittal - PRC-005-1 - R2 - BHCE WECC200901691 Milestone Update (30Jun2010).pdf
2010 06 30 - Milestone Update Form - PRC-005-1 - R2.doc
2010 09 29 - Evidence Submittal - PRC-005-1 - R2 - 2010_09_29_-_Milestone_Update_Form_-_PRC-005-1_-_R2.pdf
2010 12 16 - Milestone Update Form - PRC-005-1 - R2.zip NOTE: Encrypted - Rachel Hays has PW

Please provide the specific location (i.e. paragraph numbers, page numbers) in the documentation/evidence submitted to verify compliance.

Additional Notes or Comments pertaining to this violation:

I certify that the mitigation plan for the above-named violation has been completed on the date shown above. In doing so, I certify that all required mitigation plan actions described in Part D of the relevant mitigation plan have been completed, compliance has been restored, the above-named entity is currently compliant with all of the requirements of the referenced standard, and that all information submitted is complete and correct to the best of my knowledge. Submit all supporting documentation.

Authorized Individual Signature Sign

Name: Stuart Wevik
Title: Vice President, Electric Utilities
Entity: Black Hills/Colorado Electric Utility Company, LP
Email: Stuart.Wevik@BlackHillsCorp.com
Phone: 605-721-2222
Attachment f

WECC’s Verification of Mitigation Plan Completion for PRC-005-1 R2.1 dated January 13, 2011
January 13, 2011

Bob Case  
Manager, NERC Compliance  
Black Hills/Colorado Electric Utility Company, LP  
P.O. Box 1400  
Rapid City, South Dakota 57709-1400

NERC Registration ID: NCR00089  
NERC Violation ID: WECC200901691

Subject: Notice of Completed Mitigation Plan Acceptance  
Reliability Standard PRC-005-1 Requirement 2

Dear Bob,

The Western Electricity Coordinating Council (WECC) received the Certification of Mitigation Plan Completion and evidence submitted by Black Hills/Colorado Electric Utility Company, LP (BHCE) on December 22, 2010 for the alleged violation of Reliability Standard PRC-005-1 Requirement 2. After a thorough review, WECC accepted the Certification of Mitigation Plan Completion.

In the event the scope of the violation expands prior the violation being confirmed, WECC reserves its right to exercise Section 6.4 of the CMEP. If you have any questions or concerns, please contact Roger Cummins at rcummins@wecc.biz.

Sincerely,

Chris Luras  
Manager of Compliance Enforcement

CL:rph  
cc: Vance Crocker, BHCE Director, Transmission Services  
John McGhee, WECC Director of Audits and Investigations  
Roger Cummins, WECC Compliance Engineer
Attachment g

Notice of Filing
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Black Hills/Colorado Electric Utility Company, LP Docket No. NP11-___-000

NOTICE OF FILING
June 29, 2011

Take notice that on June 29, 2011, the North American Electric Reliability Corporation (NERC) filed a Notice of Penalty regarding Black Hills/Colorado Electric Utility Company, LP in the Western Electricity Coordinating Council region.

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


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

Comment Date: [BLANK]

Kimberly D. Bose,
Secretary