



NORTH AMERICAN ELECTRIC  
RELIABILITY CORPORATION

March 31, 2009

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

**Re: NERC Notice of Penalty regarding Dynegy, Inc., FERC Docket No. NP09-\_-000**

Dear Ms. Bose:

The North American Electric Reliability Corporation (NERC) hereby provides this Notice of Penalty regarding Dynegy, Inc. (Dynegy), NERC Registry ID NCR00200,<sup>1</sup> in accordance with the Federal Energy Regulatory Commission's (Commission or FERC) rules, regulations and orders,<sup>2</sup> as well as NERC Rules of Procedure including Appendix 4C (NERC Compliance Monitoring and Enforcement Program (CMEP)).<sup>3</sup>

Dynegy submitted self-reports on October 2, 2007 and October 26, 2007 of its possible violations of the requirement of NERC Reliability Standard VAR-002-1 Requirement (R) 2 for failure to maintain the hourly integrated voltage value of the specified unit with the voltage specified by the Transmission Operator for the relevant hour, and calculating whether the generator voltage was within the limits specified by the Transmission Operator. In each case the actual integrated value was outside the specified tolerance by approximately one percent or less. This Notice of Penalty is being filed with the Commission because, based on information from SERC Reliability Corporation (SERC), Dynegy does not dispute the violation of VAR-002-1 R2 and the proposed penalty of \$0 to be assessed to Dynegy. Accordingly, the violations identified as NERC Violation Tracking Identification Numbers SERC200700013 and SERC200700039 are Confirmed Violations, as that term is defined in the NERC Rules of Procedure and the CMEP.

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<sup>1</sup> SERC Reliability Corporation confirmed that Dynegy was included on the NERC Compliance Registry on May 31, 2007 as a Generator Operator and Generator Owner and was subject to the requirements of NERC Reliability Standard VAR-002-1.

<sup>2</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 (2008). *Mandatory Reliability Standards for the Bulk-Power System*, FERC Stats. & Regs. ¶ 31,242 (2007) (Order No. 693). See 18 C.F.R. § 39.7(d)(1).

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

### Statement of Findings Underlying the Violation

This Notice of Penalty incorporates the findings and justifications set forth in the Notice of Alleged Violation and Proposed Penalty or Sanction (NAVAPS) issued on November 20, 2007, by SERC, the Notice of Confirmed Violation and Proposed Penalty or Sanction (NOCV) issued on January 4, 2008, by SERC, and the Supplemental Record Information (SRI) notices issued by SERC to Dynergy on September 16, 2008 and December 3, 2008. The details of the findings and basis for the penalty are set forth in this Notice of Penalty. In accordance with Section 39.7 of the Commission's regulations, 18 C.F.R. § 39.7 (2007), NERC provides the following summary table identifying the Reliability Standard at issue in this Notice of Penalty.

Region	Registered Entity	NOC ID	NERC Violation ID	Reliability Standard	Req. (R)	VRF	Total (\$) Penalty
SERC	Dynergy, Inc	NOC-010	SERC200700013	VAR-002-1	2	Medium	\$0
SERC	Dynergy, Inc	NOC-010	SERC200700039	VAR-002-1	2	Medium	\$0

In summary, VAR-002-1 R2 requires each Generator Operator, unless exempted by the Transmission Operator, to maintain the generator voltage or Reactive Power output (within applicable Facility Ratings) as directed by the Transmission Operator. When a generator's automatic voltage regulator is out of service, the Generator Operator shall use an alternative method to control the generator voltage and reactive output to meet the voltage or Reactive Power schedule directed by the Transmission Operator. When directed to modify voltage, the Generator Operator shall comply or provide an explanation of why the schedule cannot be met.

Dynergy self-reported violation of VAR-002-1 R2 (Violation No. SERC200700013) on October 2, 2007 and self-reported a second violation of VAR-002-1 R2 (Violation No. SERC200700039), occurring at a separate plant, on October 26, 2007. In each case, SERC Compliance Enforcement Staff issued to Dynergy a Compliance Assessment Notice advising Dynergy of the initiation of a formal assessment to determine its compliance relative to each identified reliability standard requirement and directing Dynergy to preserve all relevant records and information.

SERC promptly contacted Dynergy to get a full description of the circumstances surrounding the incidents. SERC obtained from Dynergy the actual generator output voltage levels measured at the generator terminals and the generator voltage schedules and voltage tolerance specified by the Transmission Operator. On Friday, September 7, 2007, for the period 0600hrs-0700hrs, the hourly integrated generator terminal voltage value for Dynergy's Hennepin Unit 1 was 13.65 kV versus 13.8 kV +/- 1% as specified by the Transmission Operator. On Monday, October 8, 2007, for the period 1100hrs-1200hrs, the hourly integrated generator terminal voltage value for Tilton Unit 1 was 13.52 kV, and for the period 1200hrs-1300hrs was 13.57 kV versus 13.8 kV +/- 1% as specified by the Transmission Operator. In the most extreme case, the actual integrated hourly voltage the Generator Operator maintained was only 1.03% outside of the Transmission

Operator-specified voltage tolerance.<sup>4</sup> Furthermore, each instance of deviation from the Transmission Operator-specific voltage occurred during start-up of the unit and was an isolated instance with no evidence of intent by Dynergy to deviate from, or unwillingness to match, the voltage schedule specified by the Transmission Operator. These values confirmed the violation as well as the magnitude and duration of the violation.

The duration of each of the subject violations is less than one day: Violation No. SERC20070013 had a duration of one hour and Violation No. SERC200700039 had a duration of two consecutive hours. The basis for the determination of the duration in each case was comparing the hourly integrated voltage value of the specified unit with the voltage (within the tolerance specified) specified by the Transmission Operator for the relevant hour, and calculating whether the generator voltage was within the limits specified by the Transmission Operator. In each case, the actual integrated value was outside the specified tolerance by approximately one percent or less.

VAR-002-1 R2 has a “Medium” Violation Risk Factor (VRF). SERC determined to exercise its discretion, for these two violations of VAR-002-1 that occurred in 2007, to assess no penalty because: (i) the violations occurred during the June 18, 2007 through December 31, 2007 initial period of mandatory standards implementation during which the Commission authorized such discretion; (ii) Dynergy self-reported the possible violations; (iii) Dynergy cooperated with SERC during the investigation of the violations; and (iv) SERC determined that the violations did not put the bulk power system reliability at serious or substantial risk because the deviations were small in magnitude (~1% or less outside of the specified tolerance) and very limited in duration (one hour and two hours, respectively) and each occurred shortly after the start-up of the units. Furthermore, the two occurrences were at different plants owned by a single registered entity. SERC Staff concluded that these violations represented relatively minor infractions because there was no actual or foreseen impact on the reliability of the bulk power system, no complaint from the relevant Transmission Operator, considering the *de minimis* magnitude of the deviations, and these violations would not have placed the bulk power system at risk of instability or cascading outage.

### **Status of Mitigation Plans<sup>5</sup>**

Dynergy’s Mitigation Plans to address the referenced violations were submitted on October 4, 2007 and October 31, 2007 and accepted by SERC on December 20, 2007, approved by NERC on February 5, 2008 and February 11, 2008. The Mitigation Plans for the violations listed in Table 1 are designated as MIT-07-0237 and MIT-07-0244 and were submitted as non-public information to FERC on February 6, 2008 and February 11, 2008 in accordance with FERC orders. SERC confirmed to NERC on June 11, 2008 the nature of the requirements in VAR-002 is such that an entity restores compliance by returning the unit to the voltage schedule provided by the Transmission Operator. Consequently, the Dynergy Mitigation Plans focused on

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<sup>4</sup> To clarify, the deviations from nominal voltage were 2.03%, 1.67%, and 1.09% below the target value of 13.8 kV. The Transmission Operator specified an allowable tolerance of +/- 1%, so in the worst instance the Generator Operator was 1.03% outside of the allowable range of voltage (2.03% - 1.00%).

<sup>5</sup> See 18 C.F.R § 39.7(d)(7).

preventing recurrence of the violations at the individual plants at which the violations occurred. Specifically, in the October 4, 2007 Mitigation Plan, Dynergy stated that it would: (1) require Control Room Operations to re-read “Interim Supplement to Dynergy Generation Policy No. RGC-G02;” (2) an AVR consultant to review AVR settings for Hennepin Units 1 and 2 and recommend any adjustments and the plant will make any needed AVR setting adjustments; and (3) Dynergy will complete testing and verification of voltage alarm points for Hennepin Units 1 and 2 and make any necessary adjustments in alarm settings. Dynergy’s consultant found the AVR to be calibrated and operating as designed and therefore actions to prevent recurrence of the violation focused on closely monitoring voltage and making any real-time adjustments. Dynergy stated in its October 31, 2007 Mitigation Plan that it would do the following to prevent recurrence of the violation: (1) adjust and maintain generator terminal voltage target to 13.85 kV after synchronization; (2) increase frequency of physical monitoring of generator terminal voltage after synchronization; and (3) implement an e-larm notification system using text message pager activation. Dynergy certified on October 25, 2007 that MIT-07-0237 was completed on October 23, 2007 and certified on November 19, 2007 that MIT-07-0244 was completed on October 31, 2007. As discussed in greater detail below, SERC Staff completed its review, similar to a compliance audit, of the evidence submitted and verified on December 26, 2007 that the Mitigation Plans were timely completed. With respect to the October 4, 2007 Mitigation Plan (MIT-07-0237), SERC reviewed the following information in support of its Certification of Completion of its Mitigation Plan: (1) the internal Dynergy memo confirming the re-training of control room operators on voltage control; (2) the internal Dynergy e-mail confirming control OEM (Basler Electric) confirmed proper operation of AVR; and (3) the internal Dynergy e-mail confirming voltage control display screen will be display in control room at all times. With respect to the October 31, 2007 Mitigation Plan (MIT-07-0244), SERC reviewed the following information in support of its Mitigation Plan: (1) the internal Dynergy memo confirming the re-training of control room operators on voltage control; (2) the internal Dynergy log sheet confirming voltage terminal voltage is confirmed hourly; (3) the internal Dynergy note on e-larm (voltage pager) confirming notification of voltage outside the set range and instruction to adjust voltage to within specifications; and (4) two examples of internal Dynergy auto-generated emails confirming the operation of e-larm notification.

In the first instance of violation, Dynergy believed there may have been a mechanical setting error as a cause for the failure to maintain the proper voltage schedule. After having the equipment manufacturer verify the proper operation of the AVR, Dynergy focused on ensuring the unit operators were adequately monitoring voltage levels. Prior to determining the primary cause of the violation in the first instance, Dynergy had another instance of a failure to maintain a voltage schedule at a different plant within Dynergy’s fleet. Dynergy’s Mitigation Plan for the second incident again focused on ensuring operators were adequately monitoring voltage levels to maintain the required schedule. Dynergy has not self-reported any additional issues and has self-certified that it is in compliance with the requirements of VAR-002-1 since the second incident.

## Statement Describing the Proposed Penalty, Sanction or Enforcement Action Imposed<sup>6</sup>

### FERC Order Excerpts

In Order No. 693, the Commission provided guidance to NERC and the industry on the determination of penalties during the first six month period of mandatory and enforceable Reliability Standards:

222. . . . In light of commenters' concerns, including the fact that there are new aspects to the Reliability Standards and the proposed compliance program that will apply to all users, owners and operators of the Bulk-Power System, *the Commission directs the ERO and Regional Entities to focus their resources on the most serious violations during an initial period through December 31, 2007.* This thoughtful use of enforcement discretion should apply to all users, owners and operators of the Bulk-Power System, and not just those new to the program as originally proposed in the NOPR. This approach will allow the ERO, Regional Entities and other entities time to ensure that the compliance monitoring and enforcement processes work as intended and that all entities have time to implement new processes.

223. *By directing the ERO and Regional Entities to focus their resources on the most serious violations through the end of 2007, the ERO and Regional Entities will have the discretion necessary to assess penalties for such violations, while also having discretion to calculate a penalty without collecting the penalty if circumstances warrant.* Further, even if the ERO or a Regional Entity declines to assess a monetary penalty during the initial period, they are authorized to require remedial actions where a Reliability Standard has been violated. Furthermore, where the ERO uses its discretion and does not assess a penalty for a Reliability Standard violation, we encourage the ERO to establish a process to inform the user, owner or operator of the Bulk-Power System of the violation and the potential penalty that could have been assessed to such entity and how that penalty was calculated. We leave to the ERO's discretion the parameters of the notification process and the amount of resources to dedicate to this effort. Moreover, the Commission retains its power under section 215(e)(3) of the FPA to bring an enforcement action against a user, owner or operator of the Bulk-Power System.

224. *The Commission believes that the goal should be to ensure that, at the outset, the ERO and Regional Entities can assess a monetary penalty in a situation where, for example, an entity's non-compliance puts Bulk-Power System reliability at risk.* Requiring the ERO and Regional Entities to focus on the most serious violations will allow the industry time to adapt to the new regime while also protecting Bulk-Power System reliability by allowing the ERO or a Regional Entity to take an enforcement action against an entity whose violation causes a

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<sup>6</sup> See 18 C.F.R § 39.7(d)(4).

*significant disturbance.* Our approach strikes a reasonable balance in ensuring that the ERO and Regional Entities will be able to enforce mandatory Reliability Standards in a timely manner, while still allowing users, owners and operators of the Bulk-Power System time to acquaint themselves with the new requirements and enforcement program. In addition, our approach ensures that all users, owners and operators of the Bulk-Power System take seriously mandatory, enforceable reliability standards at the earliest opportunity and before the 2007 summer peak season.<sup>7</sup>

### **Basis for Determination**

Taking into consideration the Commission's direction in Order No. 693, the NERC Sanction Guidelines, and the July 3, 2008 Guidance Order,<sup>8</sup> the NERC BOTCC approved the assessment of \$0 penalty against Dynergy based upon SERC's findings and determination, the NERC BOTCC's review of the applicable requirements of the Commission-approved Reliability Standards and the underlying facts and circumstances of the violations.<sup>9</sup>

In reaching this decision, the NERC BOTCC considered the following: (i) the violations occurred during the June 18, 2007 through December 31, 2007 initial period of mandatory standards implementation during which the Commission authorized such discretion; (ii) Dynergy self-reported the possible violations; (iii) the violations occurred during unit start-up; (iv) the duration of the violations were one hour and two hours respectively; (v) the magnitude of the deviation from the Transmission Operator-specified voltage was small; (vi) the violations were mitigated as soon as Dynergy returned to the voltage schedule specified by the TOP; (vii) Dynergy promptly submitted and completed Mitigation Plans to prevent recurrence of the violations; (viii) Dynergy cooperated with SERC during the investigation of the violations; and (ix) SERC determined that this violation had a low impact on the bulk power system and that they did not put the bulk power system reliability at serious or substantial risk.

Therefore, NERC believes that the proposed \$0 dollar penalty is appropriate and consistent with NERC's goal to ensure reliability of the bulk power system.

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.

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<sup>7</sup> Order No. 693 at PP 222-224 (emphasis added).

<sup>8</sup> *North American Electric Reliability Corporation*, "Guidance Order on Reliability Notices of Penalty," 124 FERC ¶ 61,015 (2008).

<sup>9</sup> *Mandatory Reliability Standards for the Bulk-Power System*, FERC Stats. & Regs. ¶ 31,242 (2007) (Order No. 693).

### **The Record of the Proceeding<sup>10</sup>**

The record of the proceeding includes the following documents and material:

- a) Dynergy self-report dated October 2, 2007;
- b) Dynergy self-report dated October 26, 2007;
- c) SERC Reliability Corporation's Determination Summary;
- d) Notice of Alleged Violation and Proposed Penalty or Sanction dated November 20, 2007. Dynergy submitted a response to the Notice of Alleged Violation and Proposed Penalty or Sanction dated November 28, 2007, included as Attachment a;
- e) Final Report of Confirmed Violation dated January 4, 2008;
- f) Supplemental Record Information dated September 16, 2008 and December 3, 2008;
- g) Mitigation Plans designated as MIT-07-0237 and MIT-07-0244, included as Attachment b;
- h) Dynergy's certifications of completion of the Mitigation Plans dated October 25, 2007 and November 19, 2007, included as Attachment c; and
- i) SERC Reliability Corporation's statements of verification that the Mitigation Plans have been completed dated December 26, 2007, included as Attachment d.

### **A Form of Notice Suitable for Publication<sup>11</sup>**

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

### **Notices and Communications**

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

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<sup>10</sup> See 18 C.F.R § 39.7(d)(5).

<sup>11</sup> See 18 C.F.R § 39.7(d)(6).

Rick Sergel  
President and Chief Executive Officer  
David N. Cook\*  
Vice President and General Counsel  
North American Electric Reliability Corporation  
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Princeton, NJ 08540-5721  
(609) 452-8060  
(609) 452-9550 – facsimile  
david.cook@nerc.net

Greg Mason\*  
Director- Electric System Operations and Compliance  
Dynergy Generation  
133 South Fourth Street, Suite 306  
Springfield, Illinois 62701  
(217) 492-6604  
(217) 492-6633 - facsimile  
gregory.mason@dynergy.com

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\*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.

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Vice President and Director of Compliance  
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msifontes@serc1.org

**Conclusion**

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

Respectfully submitted,

Rick Sergel  
President and Chief Executive Officer  
David N. Cook  
Vice President and General Counsel  
North American Electric Reliability Corporation  
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/s/ Rebecca J. Michael  
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rebecca.michael@nerc.net

cc: Dynergy, Inc.  
SERC Reliability Corporation

Attachments

## **Attachment a**

# **Dynegy's Response to the Notice of Alleged Violation and Proposed Penalty or Sanction**

Dynergy Inc.  
2828 North Monroe Street  
Decatur, IL 62526-3269  
www.dynergy.com

November 28, 2007



SERC Reliability Corporation  
Thomas J. Galloway  
2815 Coliseum Centre Drive  
Suite 500  
Charlotte, NC 28217

Re: Dynergy Inc. Response to Notice of Alleged Violation and Proposed Penalty or Sanction for NERC and SERC Violation and Tracking #'s Shown in the Table Below

Dynergy Inc. has recently received the Notice of Alleged Violation and Proposed Penalty or Sanction ("Document") dated November 20, 2007 from SERC. The applicable NERC and SERC Violation and Tracking #'s are shown in the table below. In accordance with the Document and Section 5.1 of the NERC CMEP, Dynergy Inc. elects option 1, as listed in the Document.

The Document indicates a Mitigation Plan should be filed within 30 days of the date of the Document (i.e. November 20, 2007) but also notes that SERC is already in receipt of the Mitigation Plans for both of the violations noted above. For clarification, Dynergy Inc.'s records show the following:

NERC Violation #	SERC Tracking #	Mitigation Plan Filing Date	Mitigation Plan Closure Filing Date
SERC200700013	2007-163	10/4/07	10/25/07
SERC200700039	2007-207	10/26/07 – Original 11/1/07 – New Form per SERC Request	11/19/07

Given that Dynergy Inc. has submitted both the Mitigation Plan and applicable Closure forms to SERC for these two violations, we feel we have currently provided, on a timely basis, the applicable information required by SERC. If you need additional information please contact me.

Very Truly Yours,

Gregory A. Mason  
Director-Generation Reliability  
(217) 872-2301  
[Gregory.A.Mason@Dynergy.com](mailto:Gregory.A.Mason@Dynergy.com)

## **Attachment b**

**Mitigation Plans designated as  
MIT-07-0237 and MIT-07-0244**

Dynegy Inc.  
2828 North Monroe Street  
Decatur, IL 62526-3269  
www.dynegy.com



**DYNEGY**

## Mitigation Plan Submission Form

### **SERC Reliability Corporation Violation Mitigation Plan Submittal Form (Form Revised 8-28-07)**

*Confirmation of the violation does not have to be received by the registered entity before a mitigation plan may be submitted, nor does the entity waive the right to contest the notice of violation after it has been received.*

Name of registered entity submitting this mitigation plan:  
Dynegy Inc.

Date of Submission:  
10/4/07

Name of technical contact (submitter):  
Greg Mason

Contact Information of the submitter:  
Gregory.A.Mason@Dynegy.com

Is this mitigation plan submitted to cover the violation of other entities? If so, whom does it cover? N/A

Which reliability standard was violated? VAR-002-1

Which specific requirement of the above standard was violated? R2

State the cause of the violation(s). Describe why the entity is/was non-compliant with the requirement cited above:

On Friday September 7, 2007, subsequent to Hennepin Unit 1 start-up, the hourly integrated generator terminal voltage value for Hennepin Unit 1 for the period 0600-0700 was 13,650 volts. This value was outside the specified voltage schedule range of 13,662 – 13,938 volts specified by the Transmission Operator (Ameren). This was a violation of NERC Reliability Standard VAR-002-1, Requirement R2.

Dynegy Inc.  
 2828 North Monroe Street  
 Decatur, IL 62526-3269  
 www.dynegy.com



**DYNEGY**

Provide a description of the action plan the entity will use to mitigate the violation including milestone schedule. Note: Milestones should not be more than three months apart. Extend the table below, if necessary.

Not Applicable. Violation occurred for only one hour and did not require mitigation.

Milestone Activity	Target Completion Date

What is the date by which this mitigation plan will be fully implemented and the alleged or confirmed violation(s) corrected? Note: additional sanctions or penalties may be associated with failure to complete the plan on schedule.

Provide a description of actions taken to prevent a recurrence of this violation:

Activity	Target Completion Date
Require Control Room Operators to re-read "Interim Supplement to Dynegy Generation Policy No. RGC-G02".	Completed on 10/2/07
AVR consultant to review AVR settings for Hennepin Units 1 and 2 and recommend any adjustments. Plant will make any needed AVR setting adjustments.	10/31/07
Complete testing and verification of voltage alarm points for Hennepin Units 1 and 2. Make any necessary adjustments in alarm settings.	10/31/07

Describe the anticipated impact on the reliability of the Bulk Electric System resulting from the violation and while the mitigation plan is being implemented.

Minimal. Ameren or MISO did not communicate any voltage problems or issues to the Plant during the time that the Hennepin Unit 1 generator terminal voltage was outside the voltage schedule range specified by Ameren.

Is there any other information related to this violation and/or mitigation plan that you deem necessary or appropriate to provide?

No

Dynegy Inc.  
2828 North Monroe Street  
Decatur, IL 62526-3269  
www.dynegy.com



DYNEGY

Provide the name, title, and signature, and date of signature of an authorized executive signatory

Name: Keith McFarland

Title: Vice President - Midwest Fleet

Date: 4/06/2007

Signature

A handwritten signature in black ink, appearing to read 'Keith McFarland', written over a horizontal line.



## Mitigation Plan Submittal Form

Date this Mitigation Plan is being submitted: October 31, 2007

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

- 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. 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. 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.

<sup>1</sup> "Uniform Compliance Monitoring and Enforcement Program of the North American Electric Reliability Corporation;" a copy of the current version approved by the Federal Energy Regulatory Commission is posted on NERC's website.



- This submittal form shall be used to provide a required Mitigation Plan for review and approval by SERC and NERC.
- The Mitigation Plan shall be submitted to SERC and NERC as confidential information in accordance with Section 1500 of the NERC Rules of Procedure.
- This Mitigation Plan form may be used to address one or more related violations of one Reliability Standard. A separate mitigation plan is required to address violations with respect to each additional Reliability Standard, as applicable.
- If the Mitigation Plan is approved by SERC and 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.
- SERC or NERC may reject Mitigation Plans that they determine to be incomplete or inadequate.
- Remedial action directives also may be issued as necessary to ensure reliability of the bulk power system.

**Section B: Registered Entity Information**

B.1 Identify your organization:

Company Name: Dynegy Inc.  
Company Address: 1000 Louisiana St., Suite 5800, Houston, TX  
77002

NERC Compliance Registry ID *[if known]*: Not known

B.2 Identify the individual in your organization who will serve as the Contact to SERC regarding this Mitigation Plan. This person shall be technically knowledgeable regarding this Mitigation Plan and authorized to respond to SERC regarding this Mitigation Plan.

Name: Greg Mason  
Title: Director-Generation Reliability  
Email: Gregory.A.Mason@Dynegy.com  
Phone: (217) 872-2301



**Section C: Identity of Reliability Standard Violations Associated with this Mitigation Plan**

This Mitigation Plan is associated with the following violation(s) of the reliability standard listed below:

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

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

NERC Violation ID # [if known]	SERC Violation ID # [if known ]	Requirement Violated (e.g. R3.2)	Violation Date <sup>(*)</sup>
SERCYYYnnnnn	YYYY-nnn	Rn.n.n	MM/DD/YYYY
Unknown	Unknown	R2	10/08/2007

(\*) Note: The Violation Date shall be: (i) the date that the violation occurred; (ii) the date that the violation was self-reported; or (iii) the date that the violation has been deemed to have occurred on by SERC. Questions regarding the date to use should be directed to SERC.

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

The cause of the violation was the failure of the operator to pay the sufficient attention required to maintain set operating terminal voltage parameters.

[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 violations associated with this Mitigation Plan:

N/A  
[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:

These violations only occurred for a consecutive two hour period and did not require further correction. However, see D.3. below for the commitments Dynegy has made to prevent recurrence of this violation.  
 [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 violations associated with this Mitigation Plan are corrected: See D.3. below.

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

Milestone Activity	Proposed Completion Date* (shall not be more than 3 months apart)
Adjust and maintain generator terminal voltage target to 13.85kV after synchronization.	Complete
Increase frequency of physical monitoring of generator terminal voltage after synchronization	Complete
Implement an Elarm notification system using text message pager activation	11/30/07



(\* ) Note: Implementation milestones no more than three (3) months apart for Mitigation Plans with expected completion dates more than three (3) months from the date of submission. Additional violations could be determined for not completing work associated with accepted milestones.

[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:

[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 and E.3, 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, or may be, known or anticipated: (i) identify any such risks or impacts; and (ii) discuss any actions that your organization is planning to take or is proposing as part of the Mitigation Plan to mitigate any increased risk to the reliability of the bulk power system while the Mitigation Plan is being implemented:

Not Applicable. No violation is currently outstanding.

[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 incurs further violations of the same or similar reliability standards requirements in the future:

Implementation of the activities described in D.3. above will provide for more timely review of voltage status by plant personnel thus allowing for quicker response to voltage fluctuations.



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

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

Not Applicable.

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

[Continued on Next Page](#)



**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 SERC for acceptance by SERC 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 of Dynegy Midwest Fleet Operations.
  - 2. I am qualified to sign this Mitigation Plan on behalf of Dynegy Inc.
  - 3. I have read and understand Dynegy Inc.'s obligations to comply with Mitigation Plan requirements and ERO remedial action directives as well as ERO documents, including, but not limited to, the NERC Rules of Procedure, including Appendix 4(C) (Compliance Monitoring and Enforcement Program of the North American Electric Reliability Corporation" (NERC CMEP)).
  - 4. I have read and am familiar with the contents of the foregoing Mitigation Plan.
  - 5. Dynegy Inc. agrees to be bound by, and comply with, the Mitigation Plan, including the timetable completion date, as approved by SERC and approved by NERC.

**Authorized Individual Signature**

A handwritten signature in blue ink, appearing to read 'Keith McFarland', is written over a horizontal line. Below the line is the text '(Electronic signatures are acceptable; see CMEP)'.

(Electronic signatures are acceptable; see CMEP)

Name (Print): Keith McFarland  
Title: Vice President-Midwest Fleet  
Date: 10/31/07



**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.

Not Applicable.

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

**Submittal Instructions:**

Please convert the completed and signed document to an Adobe .pdf document using the following naming convention:

[(MP Entity Name (STD-XXX) MM-DD-YY.pdf)]

Email the pdf file to [serccomply@serc1.org](mailto:serccomply@serc1.org).

Please direct any questions regarding completion of this form to:

Ken Keels  
Manager, Compliance Enforcement  
SERC Reliability Corporation  
704-357-7372  
[kkeels@serc1.org](mailto:kkeels@serc1.org)

## **Attachment c**

# **Dynegy's Certifications of Completion of the Mitigation Plans**

Keith McFarland  
Vice President  
Midwest Fleet Operations

SERC Tracking Number 07-163

Dynegy Generation  
A Division of Dynegy Inc.  
3890 North Illinois Street  
Swansea, Illinois 62226



DYNEGY

## Certification of a Completed Mitigation Plan

### SERC Reliability Corporation Violation Mitigation Plan Closure Form (Form Revised 8-28-07)

Name of registered entity submitting certification: Dynegy Inc.

Date of Certification: 10/25/07

Name of Standard and the Requirement of which a violation was mitigated: VAR-002-1, R2

Date of completion of the mitigation plan: 10/23/07

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

Name: Keith McFarland  
Title: Vice President-Midwest Fleet  
Entity: Dynegy Inc.  
Email: Keith.McFarland@dynegy.com  
Phone: (618) 257-7055

Executive Signature

Date

24 Oct 2007

**Print on Registered Entity's Corporate Letterhead**

**To Close Out a Completed Mitigation Plan, fill out this form, save and email it to [serccomply@serc1.org](mailto:serccomply@serc1.org).**

***All Mitigation Plan Completion Certification submittals shall include data or information sufficient for SERC to verify completion of the Mitigation Plan. SERC 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)***

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### **Certification of a Completed Mitigation Plan**

#### **SERC Reliability Corporation Violation Mitigation Plan Closure Form (Form Revised 10-25-07)**

Name of Registered Entity submitting certification: Dynegy Inc.

Date of Certification: November 19, 2007

Name of Standard and the Requirement(s) of mitigated violation(s): Voltage and Reactive Control VAR-002-1, R2

SERC Tracking Number (contact SERC if not known): 07-207

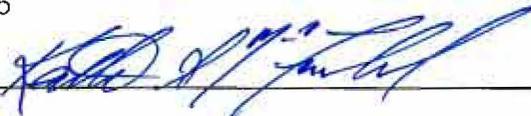
NERC Violation ID Number (if assigned): N/A

**Date of completion of the Mitigation Plan: October 31, 2007**

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

Name: Keith McFarland  
Title: Vice President-Midwest Fleet  
Entity: Dynegy Inc.  
Email: keith.mcfarland@dynegy.com  
Phone: (618) 257-7055

Executive Signature



Date

11/19/07

**[NOTE – Closure Form should be signed by same individual that signed Mitigation Plan]**

## **Attachment d**

# **SERC Reliability Corporation's Statements of Verification**



SERC Reliability Corporation  
2815 Coliseum Centre Drive | Suite 500  
Charlotte, NC 28217  
704.357.7372 | Fax 704.357.7914 | [www.serc1.org](http://www.serc1.org)

**Statement of SERC Reliability Corporation Compliance Staff Regarding Completion of Mitigation Plan**

Registered Entity: Dynegy Inc. (Dynegy)  
SERC Tracking ID: 07-163  
NERC Violation No: SERC200700013  
NERC Mitigation Plan ID: MIT-07-0237  
Standard: VAR-002-1  
Requirements: R2

**Violation Summary:**

On September 7, 2007 the hourly integrated generator terminal voltage value for [Unit Name Redacted] for the period 0600-0700 was 13,650 volts versus the Transmission Operator specified voltage of 13,800 volts +/- 1%. The Generator Operator was in violation of VAR-002-1 R2 for the hour ending 0700 on September 7, 2007.

**Mitigation Plan Summary:**

Dynegy's Mitigation Plan to address the referenced violation was accepted by SERC on December 20, 2007 and approved by NERC on February 11, 2008 and was submitted as non-public information to FERC on February 11, 2008 in accordance with FERC orders.

The nature of the requirements in VAR-002 is such that an entity restores compliance by returning the unit to the voltage schedule provided by the Transmission Operator. The mitigation plan submitted by Dynegy focused on preventing recurrence of the violation. The prevention measures included training operators to ensure familiarity with requirements, reviewing AVR settings on the unit and checking and updating the unit voltage alarms.

**SERC's Monitoring of Registered Entity's Mitigation Plan Progress:**

SERC Reliability Corporation Compliance Staff ("SERC Staff") monitors the Registered Entity's progress towards completion of its Mitigation Plans in accordance with Section 6.0 of the uniform Compliance Monitoring and Enforcement Program, ("CMEP"). Pursuant to the CMEP, Registered Entities are required to establish implementation milestones no more than three (3) months apart. SERC Staff solicits quarterly reports from all Registered Entities with open mitigation plans to monitor the progress on completion of milestones. SERC Staff also produces and reviews daily Mitigation Plan status reports highlighting Mitigation Plans that are nearing the scheduled completion date. If the Registered Entity fails to complete its Mitigation Plan according to schedule, appropriate additional enforcement action is initiated to assure compliance is attained.

**Mitigation Plan Completion Review Process:**

Dynegy certified on October 25, 2007 that the subject Mitigation Plan was completed on October 23, 2007. A SERC compliance staff member reviewed the evidence submitted in a manner similar to a compliance audit.

**Evidence Reviewed:**

Dynegy submitted and SERC Staff reviewed the following evidence in support of its certification that its Mitigation Plan was completed in accordance with its terms:

- Dynegy's completed and signed Certification of Completed Mitigation Plan form.
- Internal Dynegy memo confirming the re-training of control room operators on voltage control.
- Internal Dynegy email confirming voltage control OEM (Basler Electric) confirmed proper operation of AVR.
- Internal Dynegy email confirming voltage control display screen will be display in control room at all times.

**Conclusion:**

On December 26, 2007 SERC Staff completed its review of the evidence submitted by Dynegy in support of its Certification of Completion of the subject Mitigation Plan. Based on its review of the evidence submitted, SERC Staff hereby verifies that, in its professional judgment, all required actions in the Mitigation Plan have been completed and the Registered Entity is in compliance with the subject Reliability Standard Requirements.

This Statement, along with the subject Mitigation Plan, may become part of a public record upon final disposition of the possible violation.

**Respectfully Submitted,**

Mark Ladrow  
Compliance Engineer



SERC Reliability Corporation  
2815 Coliseum Centre Drive | Suite 500  
Charlotte, NC 28217  
704.357.7372 | Fax 704.357.7914 | [www.serc1.org](http://www.serc1.org)

**Statement of SERC Reliability Corporation Compliance Staff Regarding  
Completion of Mitigation Plan**

Registered Entity: Dynegey Inc. (Dynegey)  
SERC Tracking ID: 07-207  
NERC Violation No: SERC200700039  
NERC Mitigation Plan ID: MIT-07-0244  
Standard: VAR-002-1  
Requirement: R2

**Violation Summary:**

On October 8, 2007, for the period 1100hrs-1200hrs, the hourly integrated generator terminal voltage value for [Plant "B" name redacted] Unit 1 was 13.52kV, and for the period 1200hrs-1300hrs was 13.57kV versus 13.8 kV +/- 1% as specified by the Transmission Operator.

**Mitigation Plan Summary:**

Dynegey's Mitigation Plan to address the referenced violation was accepted by SERC on December 20, 2007 and approved by NERC on February 5, 2008 and was submitted as non-public information to FERC on February 6, 2008 in accordance with FERC orders.

The nature of the requirements in VAR-002 is such that an entity restores compliance by returning the unit to the voltage schedule provided by the Transmission Operator. The mitigation plan submitted by Dynegey focused on preventing recurrence of the violation. The prevention measures included training operators to ensure familiarity with requirements, reviewing AVR settings on the unit and checking and updating the unit voltage alarms.

**SERC's Monitoring of Registered Entity's Mitigation Plan Progress:**

SERC Reliability Corporation Compliance Staff ("SERC Staff") monitors the Registered Entity's progress towards completion of its Mitigation Plans in accordance with Section 6.0 of the uniform Compliance Monitoring and Enforcement Program, ("CMEP"). Pursuant to the CMEP, Registered Entities are required to establish implementation milestones no more than three (3) months apart. SERC Staff solicits quarterly reports from all Registered Entities with open mitigation plans to monitor the progress on completion of milestones. SERC Staff also produces and reviews daily Mitigation Plan status reports highlighting Mitigation Plans that are nearing the scheduled completion date. If the Registered Entity fails to complete its Mitigation Plan according to schedule, appropriate additional enforcement action is initiated to assure compliance is attained.

**Mitigation Plan Completion Review Process:**

Dynegy certified on November 19, 2007 that the subject Mitigation Plan was completed on October 31, 2007. A SERC compliance staff member reviewed the evidence submitted in a manner similar to a compliance audit.

**Evidence Reviewed:**

Dynegy submitted and SERC Staff reviewed the following evidence in support of its certification that its Mitigation Plan was completed in accordance with its terms:

- Dynegy's completed and signed Certification of Completed Mitigation Plan form.
- Internal Dynegy memo confirming the re-training of control room operators on voltage control.
- Internal Dynegy log sheet confirming voltage terminal voltage is confirmed hourly.
- Internal Dynegy note on e-larm (voltage pager) confirming notification of voltage outside the set range and instruction to adjust voltage to within specifications.
- Two examples of internal Dynegy auto-generated emails confirming the operation of e-larm notification.

**Conclusion:**

On December 26, 2007 SERC Staff completed its review of the evidence submitted by Dynegy in support of its Certification of Completion of the subject Mitigation Plan. Based on its review of the evidence submitted, SERC Staff hereby verifies that, in its professional judgment, all required actions in the Mitigation Plan have been completed and the Registered Entity is in compliance with the subject Reliability Standard Requirements.

This Statement, along with the subject Mitigation Plan, may become part of a public record upon final disposition of the possible violation.

**Respectfully Submitted,**

Mark Ladrow  
Compliance Engineer

**Attachment e**

**Notice of Filing**

UNITED STATES OF AMERICA  
FEDERAL ENERGY REGULATORY COMMISSION

Dynegy, Inc.

Docket No. NP09-\_\_\_\_-000

NOTICE OF FILING  
(March 31, 2009)

Take notice that on March 31, 2009, the North American Electric Reliability Corporation (NERC), filed a Notice of Penalty regarding Dynegy, Inc. in the SERC Reliability 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