

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



# **Compliance Audit Report Public Version**

**Carthage Water & Electric Plant**  
NERC ID# NCR01067

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

**Date of Audit: April 15, 2010**

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## **Executive Summary**

A compliance audit of Carthage Water & Electric Plant (CWEP), NERC ID # - NCR01067 was conducted on April 15, 2010. At the time of the audit, CWEP was registered for the Distribution Provider (DP), and Load-Serving Entity (LSE) functions.

The audit team evaluated CWEP for compliance with 18 requirements in the 2010 NERC Compliance Monitoring and Enforcement Program (CMEP). The audit team reviewed the NERC Reliability Standards for the period of June 18, 2007 to April 15, 2010. CWEP submitted information and documentation for the audit team's evaluation of compliance with requirements. The audit team reviewed and evaluated all information provided by CWEP to assess compliance with standards applicable to CWEP at this time.

Based on the information and documentation provided by CWEP, the audit team found CWEP to be compliant with 12 applicable requirements. The audit team determined that 6 requirements were not applicable to CWEP. The audit team identified no Possible Alleged Violations.

These audit results are further explained in the Audit Results Findings section of this report which includes detailed information of the audit team's findings of applicability and compliance for the NERC Reliability Standards within the scope of the compliance audit. Any Possible Alleged Violations will be processed through the NERC and SPP RE CMEP.

There were no ongoing or recently completed mitigation plans and therefore none were reviewed by the audit team.

## **Audit Process**

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

### ***Objectives***

All Registered Entities are subject to an audit for compliance with all reliability standards applicable to the functions for which the Registered Entity is registered.\* The audit objectives are to:

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\* North American Electric Reliability Corporation CMEP, paragraph 3.1, Compliance Audits

- Review compliance with the requirements of reliability standards that are applicable to CWEP, based on the functions that CWEP is registered to perform;
- Validate compliance with applicable reliability standards from the NERC 2010 Implementation Plan list of actively monitored standards, and additional NERC Reliability Standards selected by SPP RE;
- Validate compliance with applicable regional standards from the SPP RE 2010 Implementation Plan list of actively monitored standards;
- Validate evidence of self-reported violations and previous self-certifications;
- Observe and document CWEP's compliance program and culture;
- Review the status of mitigation plans.

### ***Scope***

The scope of the compliance audit included the NERC Reliability Standards from the SPP RE 2010 Implementation Plan. In addition, this audit included any self-reports, self-certifications, outstanding mitigation plans or remedial action directives which have been completed or pending in the year of the compliance audit.

At the time of the audit, CWEP was registered for the functions Distribution Provider (DP), and Load-Serving Entity (LSE). The audit team evaluated CWEP for compliance during the period of June 18, 2007 to April 15, 2010.

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

Confidentiality and conflict of interest of the audit team are governed under the SPP RE Delegation Agreement with NERC, and Section 1500 of the NERC Rules of Procedure. CWEP was informed of SPP RE's obligations and responsibilities under the agreement and procedures. The work history for each audit team member was provided to CWEP. CWEP was given an opportunity to object to an audit team member's participation on the basis of a possible conflict of interest or the existence of other circumstances that could interfere with an audit team member's impartial performance of duties. CWEP had not submitted any objections by the stated fifteen day objection due date and accepted the audit team member participants without objection. There have been no denials of or access limitations placed upon this audit team by CWEP.

### ***Methodology***

The audit team reviewed the information, data, and evidence submitted by CWEP and assessed compliance with requirements of the applicable reliability standards. Submittal of information and data were sent to SPP RE 30 days before the scheduled date of the entity review. Additional information relevant to the audit could be submitted until the conclusion of the exit briefing. After that date, only data or information which was relevant to the content of the report or its finding can be submitted upon agreement by the audit team lead.

The audit team requested and received additional information and sought clarification from subject matter experts during the audit.

The audit team reviewed documentation provided by CWEP. Data, information and evidence submitted in the form of policies, procedures, e-mails, logs, studies, data sheets, etc. were validated, substantiated and cross-checked for accuracy as appropriate. Requirements which required a sampling to be conducted were developed based upon the significance of the sampling to the reliability of the Bulk Electric System (BES).

Findings were based on the audit team's knowledge of the BES, the NERC Reliability Standards and their professional judgment. All findings were developed based upon the consensus of the audit team.

### ***Company Profile***

The Carthage Water and Electric Plant is operated by the Carthage Water and Electric Plant Board consisting of six individuals serving four-year terms under appointment by the Mayor, with the approval of the Carthage City Council. The Board employs a General Manager who is responsible for all phases of the Municipal Utility operations. The system peak load during the summer season is 62 MW.

CWEP has a service area covering approximately 27.17 square miles. CWEP owns and maintains approximately 180 miles of 13.2 KV distribution and 7.8 miles of 69 KV sub-transmission lines. CWEP owns one 161/69 kV transformer that is operated by Southwest Power Administration (SPA) and is integrated into the SPA Carthage substation.

### ***Audit Participants***

The following is a listing of all personnel from the Audit Team and CWEP who were present during the meetings or interviews.

### **Audit Team Participants**

| <b>Title</b>               | <b>Entity</b> |
|----------------------------|---------------|
| Lead Compliance Specialist | SPP RE        |
| Contract Consultant        | SPP RE        |
| Contract Consultant        | SPP RE        |
| Senior Compliance Engineer | SPP RE        |
| Lead Compliance Engineer   | SPP RE        |

### **CWEP Audit Participants**

| <b>Title</b>                   | <b>Entity</b> |
|--------------------------------|---------------|
| Electrical Superintendent      | CWEP          |
| Electric Production Supervisor | CWEP          |
| Technical Services Supervisor  | CWEP          |

### **Audit Results**

The audit team evaluated CWEP for compliance with 18 requirements in the 2010 NERC Compliance Monitoring and Enforcement Program (CMEP). The audit reviewed NERC Reliability Standards for the period of June 18, 2007 to April 15, 2010. CWEP submitted information and documentation for the audit team's evaluation of compliance with requirements. The audit team reviewed and evaluated all information provided by CWEP to assess compliance with standards applicable to CWEP at this time.

Based on the information and documentation provided by CWEP, the audit team found CWEP to be compliant with 12 applicable requirements. The audit team determined that 6 requirements were not applicable to CWEP. The audit team identified no Possible Alleged Violations.

### ***Findings***

The following table details the findings for compliance for the scope identified for this audit.

| <b>Reliability Std.</b> | <b>Req.</b> | <b>Finding</b> |
|-------------------------|-------------|----------------|
| CIP-001-1               | R1          | Compliant      |
| CIP-001-1               | R2          | Compliant      |
| CIP-001-1               | R3          | Compliant      |
| CIP-001-1               | R4          | Compliant      |
| EOP-002-2               | R9          | Compliant      |
| FAC-002-0               | R1          | NA             |
| IRO-001-1               | R8          | Compliant      |
| IRO-004-1               | R4          | Compliant      |

| <b>Reliability Std.</b> | <b>Req.</b> | <b>Finding</b> |
|-------------------------|-------------|----------------|
| IRO-005-2               | R13         | NA             |
| PRC-004-1               | R1          | NA             |
| PRC-005-1               | R1          | NA             |
| PRC-005-1               | R2          | NA             |
| PRC-008-0               | R1          | Compliant      |
| PRC-008-0               | R2          | Compliant      |
| PRC-017-0               | R1          | NA             |
| TOP-001-1               | R4          | Compliant      |
| TOP-002-2               | R3          | Compliant      |
| TOP-002-2               | R18         | Compliant      |

### ***Compliance Culture***

CWEP's compliance culture was reviewed by the audit team.

CWEP has a compliance awareness notice posted on bulletin boards at various locations throughout the company. This notice includes information on potential penalties that CWEP could be subject to. It also includes a link to key FERC policy statements and docket numbers. CWEP's draft policy statement is included along with information on who to contact inside CWEP about compliance issues. There is also information on where the compliance documentation is kept. CWEP employees with NERC compliance responsibilities receive training on those responsibilities through a combination of notices, formal training and attending workshops.

The Reliability Compliance Manager is the Electric Production Supervisor, reporting to the Electrical Superintendent who is the Designated Senior Manager responsible for NERC Compliance. The Electrical Superintendent reports to the General Manager.

The compliance program is not independent of departments responsible for performance to the Reliability Standards. CWEP uses a committee approach for NERC compliance. The Electric Production Supervisor (Compliance Manager), Electric Distribution Supervisor (Stakeholder),

Technical Services Supervisor (Stakeholder), and Electrical Superintendent (Designated Senior Manager) make up the committee. All four committee members have a chance to offer comments when compliance documentation is being drafted. This approach ensures that any procedures being implemented are based on a consensus.

***Post Audit Activities***

This report was reviewed and approved by:  
Ronald W. Ciesiel  
Executive Director of Compliance, SPP RE  
May 6, 2010