



Compliance Audit Report Public Version

Mississippi Delta Energy Agency
NERC ID# NCR06050

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Critical Energy Infrastructure Information)
Has Been Removed**

Date of Audit: June 14 - 15, 2010

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Executive Summary

A compliance audit of Mississippi Delta Energy Agency (MDEA), NERC ID # - NCR06050 was conducted on June 14 - 15, 2010. At the time of the audit, MDEA was registered for the Resource Planner (RP) and Transmission Owner (TO) functions.

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

Based on the information and documentation provided by MDEA, the audit team found MDEA to be compliant with sixteen (16) applicable requirements. The audit team determined that two (2) requirements were not applicable to MDEA. The audit team identified no Possible 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 Violations will be processed through the NERC and SPP RE CMEP. There were ongoing or recently completed mitigation plans and therefore all were reviewed by the audit team.

The SPP RE audit team lead certifies that the audit team adhered to all applicable requirements of the NERC Rules of Procedure (ROP) and Compliance Monitoring and Enforcement Program (CMEP).

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:

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

- Review compliance with the requirements of reliability standards that are applicable to MDEA, based on the functions that MDEA 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 MDEA'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, MDEA was registered for the functions of Resource Planner (RP) and Transmission Owner (TO). The audit team evaluated MDEA for compliance during the period from June 18, 2007 to June 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. MDEA 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 MDEA. MDEA 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. MDEA 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 MDEA.

Methodology

The audit team reviewed the information, data, and evidence submitted by MDEA and assessed compliance with requirements of the applicable reliability standards. Submittal of information and data were sent to SPP RE approximately 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 MDEA. 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

MDEA is a joint action agency organized under the laws of the State of Mississippi. MDEA was established by its two members, City of Clarksdale, Mississippi, Clarksdale Public Utilities Commission (CPU) and the Public Service Commission of the City of Yazoo City, Mississippi (PSCYC), primarily to facilitate resource procurement activities on behalf of its members. MDEA does not have a parent company; rather, its activities are overseen by its Board of Commissioners, which is composed of two Commissioners, one of whom sits on the CPU Board of Commissioners, and one of whom sits on the Yazoo City Board of Commissioners. MDEA's resource procurement activities are administered by its Secretary in consultation with CPU and PSCYC management, while day-to-day operational activities with respect to MDEA's transmission line are performed by CPU. MDEA's Treasurer is the Manager of PSCYC.

MDEA does not own or operate an electric system. Rather, MDEA owns a 23-mile, 230 kV transmission line located in Coahoma County, Mississippi, which is in the Delta Region near the Mississippi border with Arkansas. The transmission line connects the electric system operated by CPU, MDEA's member, with the transmission system owned and operated by Entergy Services, Inc. (Entergy). The MDEA transmission line, which is referred to as the "Moon Lake" line, extends between CPU's Crossroads Substation and Entergy's Moon Lake Substation.

CPU staff performs the day-to-day operational functions on behalf of MDEA. SPP is the Reliability Coordinator for MDEA. Entergy is the Balancing Authority and Transmission Operator for MDEA. Cleco is the energy scheduler for MDEA's members through MDEA.

Audit Participants

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

Audit Team Participants

Role	Title	Entity
Lead	Lead Compliance Specialist	SPP RE
Member	Senior Compliance Engineer	SPP RE
Member	Contract Consultant	SPP RE
Member	Contract Consultant	SPP RE
Observer	Executive Director of Compliance	SPP RE
Observer	Counsel	SPP RE

COA Audit Participants

Title	Entity
Regulatory Compliance Officer	MDEA/CPU
Assistant Compliance Officer	MDEA/CPU
Outside Counsel	MDEA
Electric Distribution Supervisor and Vegetation Management Coordinator	CPU
Operations Supervisor	CPU
General Manager	CPU

Audit Results

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

Based on the information and documentation provided by MDEA, the audit team found MDEA to be compliant with sixteen (16) applicable requirements. The audit team determined that two (2) requirements were not applicable to MDEA. The audit team identified no Possible Violations.

Findings

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

Reliability Std	Req.	Finding
FAC-001-0	R1	Compliant

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FAC-001-0	R2	Compliant
FAC-001-0	R3	Compliant
FAC-002-0	R1	Compliant
FAC-003-1	R1	Compliant
FAC-003-1	R2	Compliant
FAC-008-1	R1	Compliant
FAC-008-1	R2	Compliant
FAC-008-1	R3	Compliant
FAC-009-1	R1	Compliant
FAC-009-1	R2	Compliant
IRO-004-1	R4	Compliant
PRC-004-1	R1	Compliant
PRC-005-1	R1	Compliant
PRC-005-1	R2	Compliant
PRC-008-0	R1	NA
PRC-008-0	R2	NA
PRC-017-0	R1	Compliant

Compliance Culture

MDEA compliance culture was reviewed by the audit team.

MDEA has developed a written internal compliance program, which is administered by CPU, and has taken a number of significant steps to ensure its ongoing compliance with the Reliability Standards and to foster a strong compliance culture within its organization. These steps include performance of an internal compliance review to verify MDEA's compliance status as to applicable Reliability Standards, designation of a full-time Regulatory Compliance Officer to oversee MDEA's compliance with the Reliability Standards, development of policies, procedures, and guidelines intended to ensure ongoing organizational awareness of operational activities governed by Reliability Standards, engagement of an outside consulting firm to assist with MDEA's compliance efforts, provision of overview awareness training regarding the

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Reliability Standards to operational personnel, and briefings of the MDEA Board of Commissioners and CPU's Board of Commissioners regarding compliance activities.

MDEA's compliance activities are administered by George Price, CPU's Regulatory Compliance Officer. CPU's Assistant Compliance Officer is Mike Vonallman. With respect to MDEA, CPU's Regulatory Compliance Officer reports directly to the MDEA Secretary. MDEA's Secretary reports directly to the MDEA Board of Commissioners.

MDEA's compliance activities are administered by CPU's Regulatory Compliance Officer. This individual has limited responsibilities for performing substantive compliance activities under the Reliability Standards. Such activities are generally administrative in nature and may consist of disseminating reports or other information required under the Reliability Standards such as, for example, circulating loads and resources forecasting information, preparing and submitting disturbance reports, and similar activities. CPU's Regulatory Compliance Officer is also responsible for maintaining MDEA's compliance documentation. MDEA has no employees and CPU is a small organization. Circumstances may arise in which the Regulatory Compliance Officer, who has substantial experience in certain substantive activities covered by the Reliability Standards, may be called upon to assist with, provide guidance for, or supervise the performance of day-to-day operation and maintenance activities. CPU's internal compliance program continues to be administered independently in such circumstances because CPU's Regulatory Compliance Officer remains directly accountable to CPU's General Manager and MDEA's Secretary.

MDEA's Secretary actively supports and participates in MDEA's internal compliance efforts, as does the senior management of MDEA's members. With respect to MDEA, either the MDEA Secretary or CPU General Manager reviews all policies, procedures, and guidelines that are developed to facilitate compliance with the Reliability Standards. The MDEA Secretary is principally responsible for briefing or ensuring that the MDEA Board is briefed regarding compliance matters, and CPU's General Manager is principally responsible for apprising CPU's Board of Commissioners with respect to compliance activities undertaken by CPU.

MDEA's internal compliance program includes provisions for periodic review and modification as may be required under SPP, NERC, or FERC policies, guidance, and/or orders.

Post Audit Activities

This report was reviewed and approved by:
Ronald W. Ciesiel
Executive Director of Compliance, SPP RE
August 23, 2010