



Compliance Audit Report Public

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Kansas Electric Power Cooperative, Inc.
NCR01109

**Audit
June 22-24, 2009**

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Executive Summary

This public version of the final compliance audit report will be posted on the Southwest Power Pool Regional Entity's (SPP RE) and NERC websites. Confidential information has been redacted from this report. The report will be submitted to Kansas Electric Power Cooperative Inc. (KEPCo) and to NERC after any Possible Alleged Violations have been processed through the Southwest Power Pool Regional Entity's (SPP RE) 2009 Compliance Monitoring and Enforcement Program.

KEPCo was scheduled for an off-site audit in 2009 as part of the NERC Compliance Monitoring and Enforcement Program (CMEP). The CMEP requires all Resource Planners (RPs) and Load Serving Entities (LSEs) to be audited every six years. The audit team reviewed the material provided by KEPCo and additional information that was requested during the audit. The SPP RE audit team reviewed the material and developed the audit finding on KEPCo's compliance to the standards.

SPP RE audit team reviewed 11 requirements in 7 NERC Standards with the KEPCo staff. The audit team reviewed the company evidence for each applicable requirement in the standards with KEPCo subject matter experts. KEPCo provided evidence to support its compliance with the standards.

After reviewing all of the evidence presented, the audit team found KEPCo to be compliant with all 11 requirements of 7 NERC standards reviewed that were applicable to KEPCo at this time.

Audit Process

The compliance audit process steps are detailed in the NERC CMEP. The NERC 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 audit for compliance with all reliability standards applicable to the functions for which the Registered Entity is registered.¹ The audit objectives are:

- Independently review the company's compliance with the requirements of the NERC and regional reliability standards that are applicable to the company based on the company's registered functions.
- Validate compliance with applicable reliability standards from the NERC 2009 Implementation Plan list of actively monitored standards.

¹ North American Electric Reliability Corporation CMEP, paragraph 3.1, Compliance Audits

- Review self-reported violations and previous self-certifications, confirm compliance with other requirements of the reliability standard, and review the status of associated mitigation plans.
- Validate coordination with neighboring BAs, TOPs, and the Reliability Coordinator.
- Document the company's compliance culture.

Scope

The compliance off-site audit includes all reliability standards applicable to the Registered Entity monitored in the 2009 NERC Implementation Plan, and may include other reliability standards applicable to the Registered Entity.

There are 49 NERC Standards in the Monitored Compliance Program for audit in 2009. Seven of the Standards are applicable to the KEPCo registered functions. The audit team reviewed 7 standards off-site with the KEPCo staff by utilizing a web-ex and conference call.

If a company has an outstanding mitigation plan or has just completed a mitigation plan, the progress or completion of the plan was validated off-site by the audit team. KEPCo did not have any outstanding mitigations plans.

This audit report includes the findings from the off-site review of the company's evidence.

Confidentiality and Conflict of Interest

Confidentiality agreements executed by the independent contractors and code of conduct documentation for the Regional Entity staff were provided to the SPP RE and the audited entity in advance of the audit. The work history of each audit team member was provided to SPP RE and KEPCo. KEPCo was given an opportunity to object to an audit team member on the basis of a possible conflict of interest or the existence of other circumstances that could interfere with the audit team member's impartial performance of duties. KEPCo accepted the final audit team member participants with no objections. SPP RE found no conflict of interest for any of the audit team members.

Off-site Audit

The off-site audit is part of the NERC Compliance Monitoring and Enforcement Program (CMEP). Every Resource Planner (RP) and Load Serving Entity (LSE) registered in the NERC Functional Registration Data Base is required to have an audit once every six years. The off-site audit covers the 2009 NERC monitored standards, any Regional standards identified and possible other NERC standards listed in the pre-audit information. Companies on the 2009 off-site audit list were notified in the Fall of 2008 about its upcoming audit and scheduled for the audit. Sixty days in advance, a letter explaining the audit was sent to the company. SPP RE sent the company a request for data and documents to complete. The pre-audit material included the audit team members, audit agenda, standards to be reviewed off-site, a pre-audit survey, the standards questionnaires, and the option to reject any audit team member. The pre-audit material

received from the company provided the audit team an explanation of how the company operates for the functions it is registered.

The standards and supporting evidence to show compliance with the standards were reviewed with the company. The audit team received evidence supporting compliance with each requirement of the audited standards. Evidence included summary reports, company procedures, processes, work schedules, training schedules, on-line tools, data bases, and other sources. The audit team reviewed the evidence for each standard and requirement with the company's subject matter experts. This process enabled the team to get immediate answers to its questions. This process also exposed other company staff to the audit process which helped solidify why a company follows certain procedures and processes. Any self-reported violations or open mitigation plans were reviewed by the audit team. The audit team used the evidence, the discussions with the company subject matter experts along with their professional judgment to decide on the recommended findings for the report.

On the final day, the lead auditor presented the findings of the audit to the company staff. The presentation covered the findings for the standards reviewed off-site. The final report process was explained along with the security of the audit information. KEPCo was informed that the public report will be posted on the NERC and SPP RE websites after all due processes are complete. KEPCo was also notified that a post-audit questionnaire will be provided for them to make any comments about the audit or audit team. There was a question and answer session after the presentation. The lead auditor answered all the questions and thanked KEPCo for its cooperation.

Methodology

The audit team reviewed the evidence supplied by the company for each requirement of all NERC standards that apply to the functions performed by the company to determine if the company complied with that requirement. The company would be found to be noncompliant with requirements where compliance cannot be confirmed.

KEPCo's subject matter experts were available as the audit team reviewed the standards with them. The subject matter experts explained the evidence and answered all questions the team asked. The evidence was reviewed and available to all participants via WebEx. The WebEx presentation was very useful for all of the team to review the evidence at one time.

The audit team consulted privately after being presented the evidence from the company. The team reviewed each requirement and discussed the levels of compliance and addressed each team member's notes from the audit. The audit team decided on the findings to present to the company and the SPP RE. The audit team developed the closing presentation of audit findings. The lead auditor gave the presentation to the KEPCo staff and answered all their questions.

Audit Overview

The audit team met with the KEPCo representative on the first morning of the audit. Facilities and the audit process were discussed to verify if any changes to the agenda were warranted. There were no changes identified by either party.

Audit

The KEPCo audit was performed as planned. The agenda was followed with only minor staff adjustments.

Exit Briefing

The audit team gave an exit presentation for the KEPCo staff. The team lead explained the findings from the audit. The presentation was attended by KEPCo staff that participated in the audit and other staff. The presentation was open for comments and discussion about the findings. The exit presentation also covered any possible violations and mitigation requirements. KEPCo was informed that it will receive an audit evaluation to complete and return to NERC.

The audit team uses the exit presentation to help verify that the information presented is correct.

Company Profile

KEPCo performs the following NERC functions and is registered with NERC/SPP RE for these functions:

- Resource Planner
- Load Serving Entity

Kansas Electric Power Cooperative, Inc. (KEPCo) was incorporated in 1975 as a not-for-profit generation and transmission cooperative (G&T). KEPCo's responsibility is to procure an adequate and reliable power supply for its nineteen distribution Rural Electric Cooperative Members at a reasonable cost. It does not own or operate any transmission or distribution facilities.

KEPCo Member cooperatives own distribution and some transmission facilities. These transmission facilities are radial taps and radial lines intended to serve load. Voltage levels used include 138 kV, 115 kV, 69 kV, 34.5 kV, 24.9 kV and 12.47 kV. The only transmission line over 100 kV is owned by one Member and is a 115 kV radial line with a length of 18 miles. KEPCo Members have 17 interconnections at transmission voltages: four at 138 kV and 13 at 115 kV.

KEPCo owns 20 MW of capacity from diesel internal combustion generators and 70 MW of capacity from nuclear-fueled generation. It receives 114 MW of hydro allocation from federal hydro power marketing agencies. The remaining amount of power required to serve its Member cooperatives load is secured with long term power contracts with each BA where the load is located.

SPP is the Reliability Coordinator for KEPCo. Westar Energy, Sunflower Electric Corporation, Kansas City Power & Light, and Empire District are the Balancing Authorities for its members.

Audit Specifics

The compliance audit was conducted on June 22 - 24, 2009 via WebEx and teleconference from the SPP RE office in Little Rock, Arkansas.

Audit Team

Title	Company
SPP RE Lead Compliance Specialist	SPP RE
SPP RE Contractor	SPP RE
SPP RE Compliance Specialist	SPP RE

KEPCo Audit Participants

Title	Organization
Senior Engineer	KEPCo
V.P. of Power Supply	KEPCo
Executive V.P. & Chief Executive Officer	KEPCo
V.P. of Technical Services	KEPCo
V.P. of Engineering	KEPCo

Audit Results

KEPCo did not have any violations or mitigation plans open for review during this audit. After reviewing the evidence presented to the audit team, KEPCo is found to be compliant with all 7 applicable standards reviewed.

Senior management attended the opening and the audit findings presentation. KEPCo was prepared for the audit and presented its documentation in a concise manner. KEPCo subject matter experts presented the material supporting its compliance to the standard requirements for their area. They showed that they are in compliance with the NERC standards and are working to improve its process and procedures to insure that they continue to remain compliant.

Post Audit Activities

The report was reviewed, approved by Ronald W. Ciesiel, Executive Director of compliance, SPP RE on August 26, 2009.

Findings

KEPCo Off-site Audit Findings

*N/A – Not Applicable

PAV – Possible Alleged Violation

Reliability Standard	Requirement	Finding
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
IRO-001-1	R8.	Compliant
IRO-004-1	R4.	Compliant
IRO-005-1	R13.	Compliant
TOP-001-1	R4.	Compliant
TOP-002-2	R4.	Compliant
TOP-002-2	R18.	Compliant

Compliance Culture

KEPCo completed a questionnaire prior to the compliance audit that described its formal internal compliance program. The Senior Engineer is the NERC/SPP Compliance Manager and the Vice President of Engineering is the NERC/SPP Designated Executive Manager. The Vice President of Technical Services round out the compliance team responsible for creating and maintaining the KEPCo compliance program. KEPCo has created Operating & Planning Policies to ensure compliance with NERC Reliability Standards which apply to its registered functions. KEPCo has companywide involvement in the Compliance Program; staff is organized and is responsive to requests of evidence.

Both the NERC/SPP Compliance Manager and the NERC/SPP Designated Executive Manager have direct access to the CEO on compliance matters. Staff receives training on compliance and the program will be further developed in 2009. Senior management supports the compliance program and has also participated in compliance training.