



Compliance Audit Report Public Version

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and Critical Energy Infrastructure Information)
Has Been Removed**

**Sikeston Board of Municipal Utilities
NCR01142**

**Audit
August 11-13, 2008**

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Executive Summary

This final compliance audit report is the public version. Confidential information (including privileged and critical energy infrastructure information) has been redacted from this report. The report will be sent to Sikeston Board of Municipal Utilities (SIKE) and to NERC after any Possible Alleged Violations have been processed through the Southwest Power Pool Regional Entity's (SPP RE) 2008 Compliance Monitoring and Enforcement Program.

SIKE was scheduled for an off-site audit in 2008 as part of the NERC Compliance Monitoring and Enforcement Program (CMEP). SIKE is subject to audits by SPP RE on a six year basis. The audit team reviewed the material provided by SIKE in response to the initial SPP RE data request and additional material requested by the audit team during their review as necessary to develop its findings.

SPP RE audit team reviewed 24 standards that included 52 requirements that apply to SIKE for the functions it performs with the SPP RE Region. Of the 24 standards and applicable requirements, 7 standards were determined to not apply to SIKE since it does not own undervoltage load shedding equipment, special protection systems, or use dynamic schedules. SIKE did not have any violations or mitigation plans open for review during this audit.

After reviewing all of the evidence presented, the audit team found SIKE to be compliant with all 17 of the NERC standards reviewed and applicable to SIKE at this time. SIKE is working to improve their company policies and procedures to maintain compliance with the standards.

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.

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

- Validate compliance with applicable reliability standards from the NERC 2008 Implementation Plan list of actively monitored standards.
- 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 off-site compliance audit includes all reliability standards applicable to the Registered Entity monitored in the CEMP Implementation Plans in the current and two previous years, and may include other reliability standards applicable to the Registered Entity.

There are 62 NERC standards in the 2008 Monitored Compliance Program. Thirty-seven standards cover functions not performed by SIKE and are not applicable to the company. Eight CIP standards were reviewed by NERC CIP self certification this summer.

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. SIKE 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 NERC representative and Regional Entity staff were provided to the SPP RE and available to the audited entity in advance of the audit. The work history of each audit team member was provided to SPP RE and the company. The company 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. SIKE 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). SIKE is subject to a compliance audit once every six years at the minimum, as indicated in the NERC Rules and Procedures. The off-site audit covers the 2008 NERC monitored standards, any Regional standards identified and possible other NERC standards listed in the pre-audit information. Companies on the 2008 off-site audit list were notified in the fall of 2007 about their 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, 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 for which they are registered.

The supporting evidence to show compliance with each requirement of the standards was reviewed by the audit team at the SPP RE office. Evidence included summary reports, company procedures, processes, data bases, logs, and other sources. Information gathered from Balancing Authorities, Transmission Operators, and the Reliability Coordinator was considered during the review of evidence. The audit team had teleconference interviews with company subject matter experts as necessary to provide additional information or to further explain the material the company provided. This process enabled the team to get answers to its questions. This process also exposed other company staff to the audit process which helped solidify to its employees why a company follows certain procedures and processes. 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 held a conference call to present the findings of the audit to the company staff. SIKE included several staff members for the call. The presentation covered the findings for the standards reviewed. The final report process was explained along with the security of the audit information. SIKE was informed that the public report will be posted on the NERC and SPP RE websites after all due processes are complete. SIKE 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.

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.

This audit was conducted in the SPP-RE offices using material provided by SIKE. The audit team made additional calls, as needed, to request additional information or to clarify information previously supplied to the team. The audit team leader requested telephone interviews with SIKE employees representing subject matter expertise regarding all registered functions of SIKE. These interviews in conjunction with evidence provided the audit team were a basis for professional judgment when validating compliance with reliability standards.

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 the audit findings. The lead auditor gave the presentation to the SIKE staff and answered all their questions.

Audit Overview

The audit team reviewed material supplied by SIKE and scheduled follow-up telephone discussions as needed. The audit team reviewed each applicable standard in numerical order.

Audit

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

Exit Briefing

The audit team gave an exit presentation for the SIKE staff. The team lead explained the findings from the audit. The presentation was attended by SIKE 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. SIKE was informed that they will receive an audit evaluation to complete and return to NERC.

The audit team used the exit presentation to help verify that the information presented was correct.

Company Profile

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

- Generator Operator
- Generator Owner
- Purchasing Selling Entity
- Load Serving Entity
- Distribution Provider

SIKE is a municipally-owned provider of electric, water, sanitary sewer and Internet services to Sikeston, Missouri. SIKE is responsible for the generation and distribution of electric power. SIKE monitors its electric system with a 24/7 control center.

SIKE has interconnection points with the Southwestern Power Administration and Associated Electric Cooperative, Incorporated. Each is a 161 kV connection stepped down to 69 kV. SIKE operates its 69 kV transmission system and a 13.2 kV distribution system.

SIKE's electric system is a summer peaking system with a peak of 74 MW. SIKE owns 239 MW of generating capacity. They completely own one coal generator, Sikeston Power Plant. SIKE is also the sole owner of a 4 MW diesel generator.

SPP is the Reliability Coordinator for SIKE. Southwestern Power Administration is SIKE's Balancing Authority and Transmission Operator. SIKE uses Southwestern Power Administration as the transmission provider for its transmission system.

Audit Specifics

The compliance audit was conducted on August 11-13, 2008 at the SPP RE office in Little Rock, Arkansas.

Audit Team

Audit Team Role	Name	Title	Company
Lead	Kevin Goolsby, P.E.	Lead Engineer	SPP RE
Member	Joe Gertsch	Lead Engineer	SPP RE
Member	James Williams	Lead Compliance Specialist	SPP RE
Member	Tom Hess	Contractor	SPP RE
Observer	Mark Vastano	Regional Coordinator	NERC

SIKE Audit Participants

Title	Organization
Energy Scheduling Supervisor	SIKE
Plant Manager	SIKE
Operations Supervisor	SIKE
Substation Supervisor	SIKE

Audit Results

SIKE did not have any violations or mitigation plans open for review during this audit. After reviewing the evidence presented to the audit team, the audit team found SIKE to be compliant with all 17 applicable standards reviewed.

Senior management attended the audit findings presentation. SIKE expert personnel from each area of expertise were available to support the evidence provided or asked for during the audit. SIKE showed that they are in compliance with the NERC standards and are working to improve their processes and procedures to insure that they continue to remain compliant. SIKE staff is committed to compliance.

Findings

SIKE Off-site Audit Findings

*N/A – Not Applicable

PAV – Possible Alleged Violation

Reliability Standard	Requirement	Finding
BAL-005-0	R1.	Compliant
CIP-001-1	R1.	Compliant
CIP-001-1	R2.	Compliant
CIP-001-1	R3.	Compliant
CIP-001-1	R4.	Compliant
COM-002-2	R1.	Compliant
EOP-004-1	R2.	Compliant
EOP-004-1	R3.	Compliant
EOP-009-0	R1.	Compliant
EOP-009-0	R2.	Compliant
FAC-008-1	R1.	Compliant
FAC-008-1	R2.	Compliant
FAC-009-1	R1.	Compliant
FAC-009-1	R2.	Compliant
INT-001-2	R1.	N/A
INT-004-1	R1.	N/A
INT-004-1	R2.	N/A
IRO-001-1	R8.	Compliant
IRO-004-1	R4.	Compliant
PRC-004-1	R1.	N/A
PRC-004-1	R2.	Compliant
PRC-004-1	R3.	Compliant
PRC-005-1	R1.	Compliant
PRC-005-1	R2.	Compliant
PRC-008-0	R1.	Compliant
PRC-008-0	R2.	Compliant
PRC-010-0	R1.	N/A
PRC-010-0	R2.	N/A
PRC-011-0	R1.	N/A
PRC-011-0	R2.	N/A
PRC-016-0	R1.	N/A
PRC-016-0	R2.	N/A
PRC-016-0	R3.	N/A

Reliability Standard	Requirement	Finding
PRC-017-0	R1.	N/A
PRC-017-0	R2.	N/A
PRC-021-1	R1.	N/A
PRC-021-1	R2.	N/A
TOP-002-2	R3.	Compliant
TOP-002-2	R13.	Compliant
TOP-002-2	R14.	Compliant
TOP-002-2	R15.	Compliant
TOP-002-2	R18.	Compliant
TOP-003-0	R1.	Compliant
TOP-003-0	R2.	Compliant
TOP-003-0	R3.	Compliant
TOP-005-1	R4.	Compliant
VAR-001-1	R5.	Compliant
VAR-002-1	R1.	Compliant
VAR-002-1	R2.	Compliant
VAR-002-1	R3.	Compliant
VAR-002-1	R4.	Compliant
VAR-002-1	R5.	Compliant

Compliance Culture

SIKE completed a questionnaire prior to the compliance audit. SIKE stated that their program applies to the parts of their operation that are related to either the 161kv interconnection with the electric grid or any other obligations given by outside authorities. The compliance program is new and SIKE is in the process of defining it.

SIKE has developed a reliability team serving as the compliance committee to direct SIKE's internal compliance program. The Energy Scheduling Supervisor serves as SIKE's Reliability Compliance Manager on the compliance committee.

SIKE's Energy Scheduling, Power Plant, Operation, and Substation Departments play an integral role in compliance with the NERC Reliability Standards and Program. Each department is responsible for procedures and actions to ensure compliance with the standards that apply. These departments developed SIKE's program and procedures.

The reliability team/compliance committee under the direction of the Reliability Compliance Manager reports to SIKE's General Manager. The General Manager works for SIKE's Board of Directors. The Reliability Compliance Manager has independent access to the General Manager who has access to the Board of Directors.

SIKE's internal compliance program is operated and managed by the compliance committee. The committee is responsible for ensuring compliance with the reliability standards. This ensures that many of the SIKE staff has the support of Senior Management.

Overall, SIKE has a compliance program with staff involvement. The staff is aware of the importance of continual compliance. SIKE is refining a process to track and keep documentation up to date. They showed progress to make their compliance program stronger in the future. SIKE should review its compliance on a regular basis which may involve more than the three year internal audit.