



Compliance Audit Report Public Version

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

Oklahoma Municipal Power Authority
NCR04108

Audit
July 30-31, 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 submitted to Oklahoma Municipal Power Authority (OMPA) 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.

OMPA was scheduled for an off-site audit in 2008 as part of the NERC Compliance Monitoring and Enforcement Program (CMEP). OMPA is subject to audits by SPP RE on a six year basis. The audit team reviewed the material provided by OMPA 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. The SPP RE audit team reviewed the material and developed the audit findings on OMPA's compliance to the standards.

SPP RE audit team reviewed 24 standards which included 52 requirements that apply to OMPA for the functions it performs with the SPP RE Region. Of the 24 standards and applicable requirements, 9 were determined to not apply to OMPA since it does not have any designated black start generators, a transmission protection system, nor owns a UVLS or special protection system. OMPA was prepared for the audit and presented its documentation in a complete and concise manner. OMPA 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 OMPA to be compliant with all 15 of the NERC standards reviewed and applicable to OMPA 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:

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

- 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 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-nine standards cover functions not performed by OMPA 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. OMPA 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. OMPA 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). OMPA 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. 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 held a closing conference call to present the findings of the audit to the company staff. OMPA 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. OMPA was informed that the public report will be posted on the NERC and SPP RE websites after all due processes are complete. OMPA 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 OMPA. 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 OMPA employees representing subject matter expertise regarding all registered functions of OMPA. 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 OMPA staff and answered all their questions.

Audit Overview

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

Audit

The OMPA audit was performed as planned. The agenda was followed with only minor adjustments. OMPA's cooperation and flexibility with the agenda was appreciated by the audit team.

Exit Briefing

The audit team gave an exit presentation for the OMPA staff. The team lead explained the findings from the audit. The presentation was attended by OMPA 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. OMPA 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

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

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

OMPA is located at two locations, Edmond and Ponca City, Oklahoma. OMPA was organized as an agency of the State of Oklahoma to supply the wholesale power requirements of 35 municipal electric systems within the state. The organization is governed by an 11-member Board of Directors elected by the member cities.

OMPA meets the needs of its member systems through a combination of owned assets and purchase power contracts. In addition, the Agency owns a limited amount of transmission system and distribution substations. The majority of OMPA's load is delivered through transmission service provided by others. OMPA operates at 138 kV (4 miles), 69 kV (20 miles), and lower sub-transmission voltages.

With a summer peak load of 650 MW, OMPA owns and has minority shares in a number of generators: 120 MW fuelled by coal, 214 MW fuelled by natural gas, 29 MW hydroelectric, and 51 MW wind.

SPP is the Reliability Coordinator for OMPA. OMPA has interconnections with three Balancing Authority and Transmission Operator areas: OG&E, Public Service of Oklahoma and Western Farmers Electric Coop.

Audit Specifics

The compliance audit was conducted on July 30-31, 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	Shon Austin	Specialist II	SPP RE
Member	James Williams	Lead Compliance Specialist	SPP RE
Member	Tom Hess	Contractor	SPP RE
Observer	Mark Vastano	Regional Coordinator	NERC

OMPA Audit Participants

Title	Organization
Compliance Specialist	OMPA
Chief Engineer	OMPA
Director of Engineering & Operations	OMPA
Senior Engineer	OMPA

Audit Results

OMPA 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 OMPA to be compliant with all 15 applicable standards reviewed.

Senior management attended the audit findings presentation. OMPA was prepared for the audit and presented its documentation in a complete and concise manner. OMPA expert personnel from each area of expertise were available to support the evidence provided or asked for during the audit. OMPA 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. OMPA staff is committed to compliance.

Findings

OMPA 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.	N/A
EOP-009-0	R2.	N/A
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.	N/A
PRC-004-1	R3.	N/A
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

Reliability Standard	Requirement	Finding
PRC-016-0	R3.	N/A
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

OMPA completed a questionnaire prior to the compliance audit. OMPA stated that it has a formal internal compliance program and provided a description of the internal compliance monitoring to the audit team.

Although OMPA is a small organization with limited assets and processes that affect the Bulk Electric System, OMPA has historically been dedicated to maintain compliance with all regulatory requirements related to its business. OMPA believes it does have adequate resources to address the requirements of the NERC standards. The Compliance Specialist serves as OMPA's NERC Compliance Officer of Authority.

OMPA's NERC Compliance Officer of Authority reports directly to the Director of Engineering and Operations but has independent access to the General Manager and the Board of Directors. The General Manager and Board are periodically updated on the progress of the NERC compliance program.

The General Manager is committed to NERC compliance and providing the resources necessary to ensure compliance. OMPA has begun to audit applicable standards on a semi-annual basis. The initial internal audit process was conducted on the standards that were covered in the SPP audit (roughly half of the applicable standards) with the remaining standards will be reviewed/audited before the end of the year. Additionally, new and newly revised standards are monitored on an ongoing basis.

OMPA's Electric Reliability Policy Statement and NERC Compliance Procedure have been distributed throughout the organization and are posted on bulletin boards. Additionally, OMPA Operations Procedure manuals are available at each location.

Overall, OMPA has a compliance program with staff involvement. The staff is aware of the importance of continual compliance.