



# **Midwest Reliability Organization Compliance Audit Report**

**Rochester Public Utility  
NCR01027  
September 6-7, 2007**

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

**September 24, 2007**

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# EXECUTIVE SUMMARY

There were 35 Reliability Standards with a total of 138 requirements reviewed during the audit. Out of the 138 total requirements the audit team discovered the following:

- 91 = Full Compliance
- 44 = Not Applicable to RPU
- 3 = Possible Alleged Non-Compliance

Compliance Assessment	Number of Requirements	Percentage of Requirements
Full Compliance	91	66%
Not Applicable	44	32%
Level 1 (low)	3	2%
Level 2 (medium)	0	0%
Level 3 (high)	0	0%
Level 4 (severe)	0	0%
Total	138	

The possible compliance violations will be processed through the Midwest Reliability Organization’s NERC Compliance Monitoring and Enforcement Program. Any further actions related to possible compliance violations will be through that process.

# AUDIT PROCESS

## 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.<sup>1</sup> The audit objectives are:

- Independently review compliance with the requirements of the reliability standards that are applicable to RPU based on their registered functions.
- Validate compliance with applicable reliability standards from the NERC 2007 Implementation Plan list of actively monitored standards.
- Validate compliance with MRO standard BAL-MRO-002 if applicable.

## ***Scope***

The RPU on-site compliance audit was performed by MRO as a regular or periodic scheduled audit. It included document, process, and procedure verification for all applicable standards in the NERC 2007 CMEP.

## ***Methodology***

1. Documentation associated with each applicable Requirement of each applicable Reliability Standard was examined by auditors and verified as compliant. RPU provided copies of approximately 95% of the supporting evidence prior to the audit team arriving at the RPU office. The audit team reviewed the material at the MRO office and developed questions in preparation for the on-site audit.
2. Interviews were held on-site with several operating and planning personnel for purposes of verifying that the processes and procedures detailed in documentation was actually being carried out and that the users were familiar with them and used them. Documentation not provided to MRO prior to the audit was also reviewed.

## ***Company Profile***

### **RPU Overview:**

Rochester Public Utilities is a municipal utility operated by the City of Rochester, Minnesota, serving about 42,000 customers and occupying a service territory that is about 57 square miles. The utility has a summer 2006 peak load of approximately 288 MW served by about 41 miles of 161 kV transmission and a commensurate 13.8 kV distribution system which encompasses 10 161 kV substations of which 9 are load serving. The electric system is interconnected with Dairyland Power Cooperative on the east by 2 161 kV lines and on the west to Southern Minnesota Municipal Power Agency (the BA for Rochester). This interconnection is a single, short 161 kV line to the XCEL BA and a 345 kV substation owned by SMMPA. The service territory is long north to south along US 52 (about 16 miles and varying from less than 1 mile over 6 miles wide).

RPU owns approximately 180 MW of generation, a four unit 100 MW steam by coal or gas plant, 50 and 30 MW dual fuel (gas or oil) combustion turbines, two 2 MW diesels and 2 small hydro generators which are rated at a total of about 3 MW.

RPU is a partial requirements customer of SMMPA whereby all energy associated with the first 216 MW of demand is purchased from SMMPA (small hydro excepted) and RPU has responsibility for the remaining load over 216 MW which amounts to 72 MW and a small quantity of energy (about 6,600 MWhr). In this arrangement, SMMPA does all reporting, provides reserves and all functions except the actual distribution and related functions, etc. related to the load at or below 216 MW. In reality, all load (RPU & SMMPA) is sourced from the MISO market and all generation is sunk into the MISO market.

**Registered Entity Functions Assessed During Audit:**

BA	DP	GOP	GO	LSE	PA	PSE	RC	RP	RSG	TOP	TO	TP	TSP
	X	X	X	X		X		X		X	X	X	X

***Audit Specifics***

The compliance audit was conducted on September 6 -7, 2007 at the RPU office in Rochester, MN.

**MRO Audit Team Participants:**

Audit Team Role	Title	Company
Lead	Compliance Manager	MRO
Member	Director of Technical Services	MRO
Member	Compliance Principal	MRO
Member	Regional Coordinator	NERC

**Rochester Public Utility Audit Participants:**

Title	Rochester Public Utility
Manager System Operations	Rochester Public Utility
Chief S.O.	Rochester Public Utility
Manager T&D	Rochester Public Utility
System Operator	Rochester Public Utility
Utility Technician	Rochester Public Utility
Lead Utility Tech.	Rochester Public Utility
IT System Administrator	Rochester Public Utility
Electronic Specialist	Rochester Public Utility
Senior Electrical Eng.	Rochester Public Utility
Planning Eng.	Rochester Public Utility

## AUDIT RESULTS

The audit team discovered three items of non-compliance. The items of non-compliance include a deficiency with Reliability Standards PER-002-0 (requirement R3.2), with PRC-004-1 (requirement R2), and with VAR-001-1 (requirement R9). RPU will receive a Notice of Alleged Violation for all three violations, however the deficiencies with PRC-004-1 and VAR-001-1 were mitigated before the audit team left the RPU office. These two violations will be reported and shown as “mitigation complete”. A mitigation plan will be required for PER-002-0. In addition, the audit team made a few suggestions for RPU to consider.

### *Findings*

<b>Reliability Standard</b>	<b>Finding</b>
BAL-001-0	Not Applicable to RPU
BAL-002-0	Compliant
BAL-003-0	Not Applicable to RPU
CIP-001-1	Compliant
CIP-002-1 through CIP-009-1	Compliant
COM-001-1	Compliant
EOP-001-0	Compliant
EOP-003-1	Compliant
EOP-005-1	Compliant
EOP-008-0	Compliant
EOP-009-0	Compliant
FAC-003-1	Compliant
FAC-008-1	Compliant
FAC-009-1	Compliant
IRO-001-1	Compliant
IRO-004-1	Compliant
PER-002-0	Level 1 Non-Compliant
PER-003-1	Compliant
PRC-004-1	Level 1 Non-Compliant and mitigation was completed by RPU prior to the audit team leaving the RPU office
PRC-005-1	Compliant
PRC-008-0	Compliant
PRC-010-0	Not Applicable to RPU
PRC-011-0	Not Applicable to RPU
PRC-016-0	Not Applicable to RPU
PRC-017-0	Not Applicable to RPU
PRC-021-1	Not Applicable to RPU
TOP-003-0	Compliant
TOP-004-1	Compliant
TOP-005-1	Compliant
TOP-007-0	Compliant
TPL-001-0	Compliant
TPL-002-0	Compliant
TPL-003-0	Compliant

<b>Reliability Standard</b>	<b>Finding</b>
TPL-004-0	Compliant
VAR-001-1	Level 1 Non-Compliant and mitigation was completed by RPU prior to the audit team leaving the RPU office
MRO-MBAL-002-0	Not Applicable to RPU

### ***Conclusions***

The Audit Team found the Rochester Public Utility staff to be very professional and dedicated to the reliable operation of the power system under their control. The Audit Team would like to thank Rochester Public Utility for being well prepared, and for being candid with their comments and with their own assessment of compliance. We also thank them for their hospitality and for making the audit team feel welcome.

The MRO will issue a Notice of Alleged Violation for the three deficiencies identified above, and with two (PRC-004 & VAR-001) show to have mitigation for these deficiencies already mitigated.

Thank you  
MRO Compliance Office

## ***Procedural Summary for Possible Violations Identified in an Audit***

<b><i>Regional Entity Tracking Number</i></b>	(Enter the Regional Entity tracking number, if applicable) MRO200700005, MRO200700006 MRO200700007
<b><i>Registered Entity</i></b>	(Enter the Registered Entity name) Rochester Public Utilities
<b><i>Audit Date</i></b>	(Enter the compliance audit start date) September 6, 2007
<b><i>Standard</i></b>	(Enter the standard which the possible violation applies to) PER-002-0, PRC-004-1, VAR-001-1
<b><i>Requirement</i></b>	(Enter the requirement which the possible violation applies to) R3 (PER-002-0), R2 (PRC-004-1), R6 (VAR-001-1)
<b><i>Sufficient Basis for Violation</i></b>	(Enter "Yes" if possible violation is confirmed. Enter "No" if possible violation is dismissed) YES
<b><i>Factual Basis</i></b>	(Provide a factual basis for the possible violation)  For PER-002, RPU was unable to provide evidence of a training program that addresses knowledge, competencies, objectives, and measures for system operators. For PRC-004-1, RPU was found to be in compliance with version 0 of this standard; however the documented process was lacking the generation component as required in version 1 of this standard. For VAR-001, RPU was not able to provide evidence of the standing policy that requires the generator to be off-line if the AVR is out of service.
<b><i>Conclusion Violation Summary</i></b>	(Provide a summary of the conclusions and status of the possible violation)  MRO issued a Notice of Confirmed Violation and Proposed Penalty or Sanction on March 6, 2008 because RPU did not respond to the previously issued Notice of Alleged Violation and Proposed Penalty or Sanction (dated October 19, 2007) within thirty (30) days of its receipt. Accordingly, the violations became Confirmed Violations as that term is defined in the NERC Rules of Procedure and the CMEP. MRO assessed a \$0 monetary penalty for these violations.
<b><i>NERC BOTCC Determination</i></b>	(Provide a summary of the NERC BOTCC position)  The NERC BOTCC affirmed Midwest Reliability Organization's determination to exercise enforcement discretion to impose a zero dollar (\$0) penalty against Rochester Public Utilities, based upon the NERC BOTCC's review of the applicable requirements of the Commission approved Reliability Standards and the underlying facts and circumstances of the violations at issue.

## ***Procedural Summary for Possible Violations Identified in an Audit***

	<p>In reaching this determination, NERC BOTCC considered the following:</p> <p>(1) Midwest Reliability Organization conducted an audit of Rochester Public Utilities in which the violations at issue were found;</p> <p>(2) No system disturbance occurred as a result of the violations, and the violations were deemed not to be violations that put bulk power system reliability at serious or substantial risk by Midwest Reliability Organization;</p> <p>(3) The violations occurred prior to January 2008 (during the period the Commission stated NERC and the Regional Entities should focus their enforcement resources on the most serious violations and those that involved a significant disturbance);</p> <p>(4) The violations are the first incidence of violations of the Requirement at issue by Rochester Public Utilities;</p> <p>(5) Rochester Public Utilities worked cooperatively with Midwest Reliability Organization;</p> <p>(6) Rochester Public Utilities acted immediately to mitigate and/or correct the violations;</p> <p>(7) The violations were mitigated in accordance with the approved Mitigation Plan and have been verified as mitigated by Midwest Reliability Organization; and</p> <p>(8) The actions taken by Rochester Public Utilities ensure that reliability is maintained.</p>
<b><i>NERC Violation Number</i></b>	<p>(Enter the NERC violation number)</p> <p>MRO200700005, MRO200700006</p>
<b><i>NOC Number</i></b>	<p>(Enter the NOC number)</p> <p>NOC-???</p>
<b><i>NOP Number</i></b>	<p>(Enter the NOP number)</p> <p>NP08-35-000</p>
<b><i>FERC Docket Number</i></b>	<p>(Enter the FERC docket number)</p> <p>NP08-35-000, approved by Order dated July 3, 2008</p>