



**Compliance Audit Report  
Public Version**

**Avista Corporation (AVA)**  
NERC ID: NCR05020

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

**Date of Audit: July 9 – 11, 2007**

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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 full final non-public compliance audit report was submitted to the audited entity and NERC.

The Western Electricity Coordinating Council (WECC) performed an on-site compliance audit of Avista Corporation (AVA), NCR05020, on July 9 – 11, 2007. At the time of the audit, AVA was registered on the North American Electric Reliability Corporation (NERC) Compliance Registry as:

Balancing Authority (BA)	Load Serving Entity (LSE)
Transmission Operator (TOP)	Transmission Service Provider (TSP)
Transmission Owner (TO)	Purchasing Selling Entity (PSE)
Generation Operator (GOP)	Planning Authority (PA)
Generation Owner (GO)	Transmission Planner (TP)
Distribution Provider (DP)	Resource Planner (RP)

The Audit Team evaluated AVA for compliance with 41 NERC Reliability Standards for the 2006 – 2007 timeframe in accordance with the 2007 NERC Compliance Monitoring and Enforcement Program. Also, the Audit Team did not evaluate AVA for compliance with any of the WECC Regional Reliability Standards. AVA provided information for the Audit Team's evaluation. The information provided by AVA is described below in the section titled On-site Audit.

Based on the information provided by AVA, the Audit Team determined that AVA complied with all of the applicable Reliability Standards except EOP-002-2, EOP-003-1, EOP-005-1, EOP-009-0, FAC-001-0, PER-002-0, PRC-005-1, TPL-002-0, and TPL-003-0. The Audit Team found 13 new possible violations of those Reliability Standards. AVA submitted 5 mitigation plans at the time of the audit, which the Audit Team also reviewed at the audit.

<http://www.nerc.com/filez/enforcement/index.html>

## Audit Process

The CMEP details the compliance audit process. The CMEP conforms generally to United States Government Accountability Office Government Auditing Standards (GAGAS) and to 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. The audit objectives are to:

- Independently review AVA's compliance with the requirements of the Reliability Standards that apply to AVA based on AVA's registered functions.
- Validate the Registered Entity's compliance with the applicable NERC Reliability Standards from the NERC 2007 Implementation Plan list of actively-monitored Reliability Standards and as selected by WECC.
- Validate evidence of self-reported violations and previous self-certifications, confirm compliance with other requirements of the Reliability Standard, and review the status of associated mitigation plans.
- Document AVA's compliance culture.

## **Scope**

A compliance audit will include an evaluation of all of the Reliability Standards that apply to AVA monitored by WECC in accordance with the NERC and WECC 2007 Implementation Plans. The scope of an on-site compliance audit can vary depending on whether it is part of a regular, periodic scheduled audit, or as part of a compliance investigation.

## **Confidentiality and Conflicts of Interest**

The WECC Delegation Agreement with NERC, and Section 1500 of the NERC Rules of Procedure, govern issues of confidentiality and conflicts of interest that may arise as the result of an audit. WECC informed AVA of WECC's obligations and responsibilities under the Delegation Agreement and Rules of Procedure. WECC provided the work history for each Audit Team member to AVA. AVA had the opportunity to object to an Audit Team member's participation in the audit on the basis of a possible conflict of interest or because of other circumstances that could interfere with an Audit Team member's impartiality. AVA did not submit any objections within the fifteen day deadline.

## **On-site Audit**

WECC notified AVA of the audit on May 10, 2007. WECC informed AVA that the Audit Team would perform the audit in accordance with the CMEP, the 2007 NERC Compliance Reliability Standard Audit Worksheets (RSAWs).

In preparation for the on-site audit, the Audit Team initially reviewed the documents submitted by AVA to evaluate AVA's compliance with each applicable Reliability Standard.

## **Methodology**

As referenced above in the Audit Process section, WECC generally follows the GAGAS and conducts compliance audits as described in the NERC Compliance Auditor Manual.

## **Audit Overview**

The on-site audit began on July 9, 2007. The Audit Team leader provided an overview of the audit process. AVA personnel presented an overview of the company's organization and operations. After the introductory meeting, the Audit Team separated into sub-groups of two to three auditors each to review and investigate each applicable Reliability Standard. At least twice each day, the entire Audit Team met to recount preliminary findings and to ensure the entire Audit Team concurred with each sub-group's conclusions.

## **Audit**

During the on-site audit, the Audit Team substantiated the documents and information that AVA provided before the on-site audit commenced. The Audit Team requested additional information from AVA during the on-site audit, and cross-checked that information as well to ensure accuracy. The Audit Team spent a significant amount of time reviewing AVA's procedures, transactions and records. Additionally, the Audit Team interviewed AVA personnel and subject matter experts to evaluate AVA's compliance with the applicable Reliability Standards. The Audit Team communicated with AVA's management personnel throughout the course of the audit.

The Audit Team relied upon the following to reach its conclusions: (1) documentation provided by AVA; (2) interviews with AVA personnel; (3) consultations with AVA's subject matter experts; (4) observations made by the Audit Team during the on-site audit; (5) the Reliability Standards; (6) the Audit Team's expertise regarding the Bulk Power System; and (7) consensus of the Audit Team's members. The interviews, consultations and documents provided by AVA provided the Audit Team with a basis for professional judgment when validating AVA's compliance with the Reliability Standards.

## Exit Briefing

To conclude the on-site audit on July 11, 2007, the Audit Team Lead gave a Power Point presentation to AVA's personnel summarizing the Audit Team's preliminary findings regarding each applicable Reliability Standard. The Audit Team Lead also explained the next steps in the audit process and how WECC handles possible violations under the CMEP.

## Company Profile

Avista Corporation is an investor-owned utility organized and incorporated under the laws of the State of Washington with its principal offices in Spokane, Washington. Avista Corporation is the assumed name for the utility sector of Avista Corporation (AVA).

Avista Corporation is engaged in the generation, transmission, and distribution of electric energy in eastern Washington, northern Idaho and portions of Montana.

## Audit Specifics

WECC conducted the compliance audit on July 9-11, 2007 at the AVA Headquarters in Spokane, Washington.

## Audit Team

The following is a list of Audit Team members and AVA personnel who participated in the audit.

### Audit Team Members

<b>Audit Team Role</b>	<b>Title</b>	<b>Company</b>
Lead	Director of Compliance	WECC
Member	Manager of Compliance Program Administration	WECC
Member	Associate Engineer	WECC
Member	Senior Compliance Engineer	WECC
Member	Regional Compliance Program Coordinator	NERC
Member	Consultant	WECC
Member	Consultant	WECC
Observer	Senior Compliance Engineer	WECC
Observer	Compliance Data Analyst	WECC

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## AVA Audit Participants

Title	Company
Reliability Compliance Specialist	AVA
Transmission Operations Engineer	AVA
Chief System Operator	AVA
Chief Engineer	AVA
Transmission Contract Analyst	AVA
Senior System Operator/Training Coordinator	AVA
Senior Substation Design Engineer	AVA
Manager of System Protection	AVA
Energy Management System Manager	AVA
System Planning Engineer	AVA
Assistant Planning Engineer	AVA
Manager PNSC (RC)	PNSC

## Audit Results

The Audit Team reviewed and validated all of the evidence presented by AVA for the audit, including additional information requested by the Audit Team during the audit and information provided during interviews and consultations with AVA's personnel and subject matter experts.

- The Audit Team spent significant time reviewing the evidence, findings and conclusions. The Audit Team conducted an extensive review of AVA's procedures, descriptions of processes, transactions and records.
- The Audit Team exercised its professional judgment during the overall assessment of the evidence, and determined whether AVA's evidence was sufficient to confirm compliance with the applicable Reliability Standards.
- The Audit Team had ongoing communications with AVA during the audit.
- The Audit Team used the RSAWs and summaries of auditor notes from interviews to validate compliance with each applicable Reliability Standard and to complete the findings for the audit.
- The Audit Team reviewed AVA's evidence concerning appropriate supervisory reviews, communications about any deficiencies in internal control and instances of possible violations, and the current status of any mitigation plans pending completion.

## Findings

The Finding column may contain any one of the following: Compliant, New Possible Violation (NPV), Not Applicable (N/A), Not Audited, Outstanding Alleged Violation (OAV), Retraction requested (Retract), Self-reported Violation (Self-Report), or other appropriate description.

<b>Reliability Standard</b>	<b>Requirement</b>	<b>Finding</b>
BAL-001-0	R1.	Compliant
BAL-001-0	R2.	Compliant
BAL-001-0	R3.	N/A
BAL-001-0	R4.	N/A
BAL-002-0	R1.	Compliant
BAL-002-0	R2.	Compliant
BAL-002-0	R3.	Compliant
BAL-002-0	R4.	Compliant
BAL-002-0	R5.	N/A
BAL-002-0	R6.	Compliant
BAL-003-0	R1.	Compliant
BAL-003-0	R2.	Compliant
BAL-003-0	R3.	Compliant
BAL-003-0	R4.	Compliant
BAL-003-0	R5.	Compliant
BAL-003-0	R6.	Compliant
BAL-006-1	R1.	Compliant
BAL-006-1	R2.	Compliant
BAL-006-1	R3.	Compliant
BAL-006-1	R4.	Compliant
BAL-006-1	R5.	Compliant
CIP-001-1	R1.	Compliant
CIP-001-1	R2.	Compliant
CIP-001-1	R3.	Compliant
CIP-001-1	R4.	Compliant
COM-001-1	R1.	Compliant
COM-001-1	R2.	Compliant
COM-001-1	R3.	Compliant
COM-001-1	R4.	Compliant
COM-001-1	R5.	Compliant
COM-001-1	R6.	N/A
COM-002-2	R1.	Compliant
COM-002-2	R2.	Compliant

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<b>Reliability Standard</b>	<b>Requirement</b>	<b>Finding</b>
EOP-001-0	R1.	Compliant
EOP-001-0	R2.	N/A
EOP-001-0	R3.	Compliant
EOP-001-0	R4.	Compliant
EOP-001-0	R5.	Compliant
EOP-001-0	R6.	Compliant
EOP-001-0	R7.	Compliant
EOP-002-2	R1.	Compliant
EOP-002-2	R2.	Compliant
EOP-002-2	R3.	Compliant
EOP-002-2	R4.	Compliant
EOP-002-2	R5.	NPV
EOP-002-2	R6.	Compliant
EOP-002-2	R7.	NPV
EOP-002-2	R8.	N/A
EOP-002-2	R9.	N/A
EOP-003-1	R1.	Compliant
EOP-003-1	R2.	Compliant
EOP-003-1	R3.	Compliant
EOP-003-1	R4.	Compliant
EOP-003-1	R5.	Compliant
EOP-003-1	R6.	NPV
EOP-003-1	R7.	Compliant
EOP-003-1	R8.	Compliant
EOP-005-1	R1.	NPV
EOP-005-1	R2.	Compliant
EOP-005-1	R3.	Compliant
EOP-005-1	R4.	Compliant
EOP-005-1	R5.	Compliant
EOP-005-1	R6.	Compliant
EOP-005-1	R7.	Compliant
EOP-005-1	R8.	Compliant
EOP-005-1	R9.	Compliant
EOP-005-1	R10.	Compliant
EOP-005-1	R11.	NPV
EOP-008-0	R1.	NPV
EOP-009-0	R1.	NPV
EOP-009-0	R2.	NPV
FAC-001-0	R1.	NPV

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<b>Reliability Standard</b>	<b>Requirement</b>	<b>Finding</b>
FAC-001-0	R2.	NPV
FAC-001-0	R3.	NPV
FAC-003-1	R1.	Compliant
FAC-003-1	R2.	Compliant
FAC-003-1	R3.	Compliant
FAC-003-1	R4.	N/A
FAC-008-1	R1.	Compliant
FAC-008-1	R2.	Compliant
FAC-008-1	R3.	Compliant
FAC-009-1	R1.	NPV
FAC-009-1	R2.	Compliant
FAC-010-1	All	Not Audited
IRO-001-1	R1.	N/A
IRO-001-1	R2.	N/A
IRO-001-1	R3.	N/A
IRO-001-1	R4.	N/A
IRO-001-1	R5.	N/A
IRO-001-1	R6.	N/A
IRO-001-1	R7.	N/A
IRO-001-1	R8.	Compliant
IRO-001-1	R9.	N/A
IRO-004-1	R1.	N/A
IRO-004-1	R2.	N/A
IRO-004-1	R3.	Compliant
IRO-004-1	R4.	Compliant
IRO-004-1	R5.	N/A
IRO-004-1	R6.	N/A
IRO-004-1	R7.	N/A
IRO-005-1	R1.	N/A
IRO-005-1	R2.	N/A
IRO-005-1	R3.	N/A
IRO-005-1	R4.	N/A
IRO-005-1	R5.	N/A
IRO-005-1	R6.	N/A
IRO-005-1	R7.	N/A
IRO-005-1	R8.	N/A
IRO-005-1	R9.	N/A
IRO-005-1	R10.	N/A
IRO-005-1	R11.	N/A

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<b>Reliability Standard</b>	<b>Requirement</b>	<b>Finding</b>
IRO-005-1	R12.	Compliant
IRO-005-1	R13.	N/A
IRO-005-1	R14.	N/A
IRO-005-1	R15.	N/A
IRO-005-1	R16.	N/A
IRO-005-1	R17.	N/A
MOD-010-0	R1.	Compliant
MOD-010-0	R2.	Compliant
MOD-012-0	R1.	NPV
MOD-012-0	R2.	Compliant
PER-001-0	R1.	Compliant
PER-002-0	R1.	Compliant
PER-002-0	R2.	Compliant
PER-002-0	R3.	NPV
PER-002-0	R4.	Compliant
PER-003-0	R1.	Compliant
PRC-004-1	R1.	Compliant
PRC-004-1	R2.	Compliant
PRC-004-1	R3.	Compliant
PRC-005-1	R1.	Compliant
PRC-005-1	R2.	NPV
PRC-007-0	R1.	Compliant
PRC-007-0	R2.	Compliant
PRC-007-0	R3.	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.	Compliant
PRC-011-0	R2.	Compliant
PRC-016-0	R1.	Compliant
PRC-016-0	R2.	Compliant
PRC-016-0	R3.	Compliant
PRC-017-0	R1.	Compliant
PRC-017-0	R2.	Compliant
PRC-021-1	R1.	N/A
PRC-021-1	R2.	N/A
TOP-001-1	R1.	Compliant
TOP-001-1	R2.	Compliant

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<b>Reliability Standard</b>	<b>Requirement</b>	<b>Finding</b>
TOP-001-1	R3.	Compliant
TOP-001-1	R4.	Compliant
TOP-001-1	R5.	Compliant
TOP-001-1	R6.	Compliant
TOP-001-1	R7.	Compliant
TOP-001-1	R8.	Compliant
TOP-003-0	R1.	Compliant
TOP-003-0	R2.	Compliant
TOP-003-0	R3.	Compliant
TOP-003-0	R4.	N/A
TOP-004-1	R1.	Compliant
TOP-004-1	R2.	Compliant
TOP-004-1	R3.	Compliant
TOP-004-1	R4.	Compliant
TOP-004-1	R5.	Compliant
TOP-004-1	R6.	Compliant
TOP-005-1	R1.	Compliant
TOP-005-1	R2.	N/A
TOP-005-1	R3.	Compliant
TOP-005-1	R4.	Compliant
TOP-007-0	R1.	Compliant
TOP-007-0	R2.	N/A
TOP-007-0	R3.	N/A
TOP-007-0	R4.	N/A
TPL-001-0	R1.	Compliant
TPL-001-0	R2.	Compliant
TPL-001-0	R3.	Compliant
TPL-002-0	R1.	NPV
TPL-002-0	R2.	Compliant
TPL-002-0	R3.	Compliant
TPL-003-0	R1.	NPV
TPL-003-0	R2.	Compliant
TPL-003-0	R3.	Compliant
TPL-004-0	R1.	Compliant
TPL-004-0	R2.	Compliant
VAR-001-1	R1.	Compliant
VAR-001-1	R2.	Compliant
VAR-001-1	R3.	Compliant
VAR-001-1	R4.	Compliant

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

<b>Reliability Standard</b>	<b>Requirement</b>	<b>Finding</b>
VAR-001-1	R5.	Compliant
VAR-001-1	R6.	NPV
VAR-001-1	R7.	Compliant
VAR-001-1	R8.	Compliant
VAR-001-1	R9.	Compliant
VAR-001-1	R10.	Compliant
VAR-001-1	R11.	Compliant
VAR-001-1	R12.	Compliant

### **Compliance Culture**

The Audit Team did not evaluate AVA's compliance culture at this time.