



Compliance Audit Report Public Version

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**Hastings Utilities
(HU)
NCR 00993
October 21-30, 2008**

November 14, 2008

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Executive Summary

The Midwest Reliability Organization (MRO) conducted a compliance audit of Hastings Utilities (HU) as a part of its normal six year cycle. Review of documentation submitted by HU took place at the MRO offices on October 21-24, 2008. The audit team consisted of two MRO staff members. An audit conference call was conducted on October 29-30, 2008 at the MRO office between the audit team and Hastings Utilities representatives.

The North American Electric Reliability Corporation (NERC) has identified a set of Reliability Standards for active compliance monitoring and reporting by the Regional Entities in their 2008 Implementation Plan. The list includes 62 standards known as “actively monitored” which contain 294 requirements. These compliance audits focus on the period from June 18, 2007 to the audit date.

HU was registered with the MRO as responsible for six functions – Distribution Provider (DP), Generator Owner (GO), Generator Operator (GOP), Resource Planner (RP), Load Serving Entity (LSE) and Purchasing Selling Entity (PSE). During review of the Hastings Utilities Pre-Audit Survey, it was determined HU should also be registered as a Transmission Owner (TO). As a result of this registration and for this audit, HU is responsible for meeting compliance with 24 Reliability Standards which contain 55 requirements.

An additional eight standards and their requirements were monitored as a part of the 2007 Critical Infrastructure Protection (CIP) survey. In July 2008, a special CIP self-certification was conducted for all Registrants.

As a part of the audit process, HU completed an Audit Questionnaire and provided the MRO with supporting documentation. Upon completion of the initial review of evidence, the audit team developed a series of questions for the Subject Matter Experts (SME) interview. Upon MRO’s request, HU submitted additional evidence. No alleged violations of requirements were identified during the course of the 2008 Compliance Audit.

During the audit, the HU staff was found to be cordial, willing to clarify any answers and, when needed, directed the audit team to the correct supporting documentation. The subject matter experts were open with their responses and were cooperative throughout the process.

Audit Process

The HU Compliance Audit was conducted as a part of its normal six year cycle. The 2008 Compliance Program consists of 54 actively monitored Standards. Thirty of these Standards were deemed not applicable since they are related to functions other than those for which HU is registered. Documentation reviewed was dated from June 18, 2007 to the date of the audit.

The compliance audit process steps are detailed in the NERC Compliance Monitoring and Enforcement Program (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 HU's compliance with the requirements of the reliability standards that are applicable to HU based on the HU's registered function(s).
- Validate compliance with applicable reliability standards from the NERC 2008 Implementation Plan list of actively monitored standards.
- Validate evidence of self-reported violations and previous self-certifications, confirm compliance with other requirements of the reliability standards, and review the status of associated mitigation plans.

Scope

The HU Compliance Audit was conducted as a part of its normal six year cycle. The audit was conducted under the guidelines of the 2008 CMEP. All applicable Regulatory Approved Reliability Standards were reviewed during this audit. The audit team reviewed supporting documentation for the past 12 month period.

Confidentiality and Conflict of Interest

Confidentiality agreements and code of conduct documentation for the regional entity staff were available to the audited entity in advance of the audit. Work history and conflict of interest forms submitted by each audit team member were available to the audited entity if requested. The audited entity 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

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

audit team member's impartial performance of duties. The audited entity accepted the audit team participants with no objections.

Methodology

Audit criteria included standards, measures, and expectations based on best practices. The criteria were objective, measurable, complete, and relevant to the objectives. The audit team accepted and was not limited to policies, procedures, screen-prints of EMS, copies of scheduler logs, and correspondence. If needed, the audit team requested additional supporting documentation or clarification.

The Audit team utilizes the Reliability Standards Auditor Worksheets (RSAW) to review each reliability standard and requirement during the compliance audit. This ensures consistency and fairness during each compliance audit.

Audit Overview

The MRO scheduled HU to receive a compliance audit October 29-30, 2008 as a part of its normal six year cycle. On May 16, 2008, the MRO sent HU the audit package which included *the On-Site Notification, Pre-Audit Survey, Procedures for Conducting an Audit, Subject Matter Experts Spreadsheet, Preparing for Compliance and Compliance Audit* and the *2008 MRO Audit Questionnaire*.

Upon completion of the document review, the MRO requested an audit conference call with HU to be held on October 29, 2008.

Audit

Two weeks prior to the audit, HU supplied MRO with approximately 90% of supporting documentation needed to demonstrate compliance. MRO staff reviewed this documentation. The compliance staff utilized the Regulatory Approved Standards and the RSAWs while reviewing the supporting documents and the Audit Questionnaire response provided by HU.

After evaluation of the supporting documentation, a set of questions was developed for HU subject matter experts and missing supporting evidence was identified. During the SME interview, the audit team was able to review additional supporting documentation and the necessary SME response. These interviews, in conjunction with supporting evidence, provided the audit team with a basis for validating compliance with Reliability Standards.

Interviews were conducted with Subject matter experts for the following standards: COM-002, EOP-004, FAC-009, PRC-005, PRC-008, TOP-002 TOP-003, and VAR-002.

Audit Proceedings

During the conference call, the MRO presented a high-level overview of the compliance audit process.

The audit team reviewed the auditor code of conduct. MRO staff must adhere to confidentiality as required through the NERC Delegation Agreement.

Exit Briefing

Upon completion of the audit process, the MRO audit team presented HU with an exit briefing. A Power Point presentation was sent electronically to HU prior to the conference call. The audit team found Hastings Utilities to be 100% compliant with the actively monitored standards. HU had no questions regarding compliance staff conclusions. The MRO staff noted that all documentation is stored at the MRO office in a fire-proof locked cabinet.

Company Profile

Hastings Utilities is a publicly owned, full service municipal utility providing electrical, natural gas, water and sanitary sewer to the city of Hastings, Nebraska and surrounding areas. Hastings Utilities provides electric utility service to approximately 12,870 customers. The peak load of Hastings Utilities was set on August 31, 2007 and was 103.2 MWs. The voltage levels used on Hastings system are 115 KV, 34.5 KV, 13.8 KV, and 4.16 KV. Hastings Utilities has 19.8 miles of 115 KV that are used for a loop to serve Hastings distribution system and 1.5 miles of 115 KV line that connects the Whelan Energy Center to NPPD's Sutton Line. Hastings has two interconnection points with NPPD and the voltage at the interconnection points is 115 KV. Hastings has 135 MW of generation capacity. WEC is a 77 MW coal fired base load plant, DHPC an 18 MW gas fired peaking unit, NDS #4 is a 15 MW gas fired steam unit and NDS #5 is another gas fired steam unit that is 25 MW. Hastings has a long-term agreement with WAPA providing capacity and energy to the City. In the summer Hastings receives 11.36 MW of firm capacity and in the winter Hastings receives 6.189 MW's of firm capacity. Hastings receives annually 47,150 MWH of energy from WAPA.

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Audit Specifics

The compliance audit document review was conducted in the MRO offices in Roseville, MN on October 21-24, 2008 and was followed by an audit conference call on October 29, 2008. An exit briefing was held on November 14, 2008.

Audit Team

Audit Team Role	Title	Company
Lead	Compliance Audit Manager	MRO
Member	Engineer	MRO

HU Audit Participants

Title	Organization
Energy Supply Coord.	Administration
Chief Dispatch Operator - NDS	Operations
Electrical Engineer	Planning

Audit Results

- HU provided the audit team with supporting documentation for review prior to the conference call. The team received approximately 90% of the supporting documentation needed for evidence. The audit team spent four days prior to the conference call reviewing the documentation. As a result of reviewing this evidence, the audit team developed questions for the subject matter experts and a list of additional required documentation.
- HU personnel were allowed to speak freely without interruption from management during the subject matter expert interviews.
- HU provided the audit team additional information and evidence during the SME interviews. The team used the additional information to verify HU compliance.
- The audit team utilized the Reliability Standard Auditor Worksheets (RSAW) to assess compliance of the Regulatory Approved reliability standards. The primary questions directed to the subject matters and all requests for additional evidence were documented.
- The audit team found Hastings Utilities to be 100% compliant with the actively monitored standards.

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Findings

Compliance Audit

Conducted On: October 29, 2008

Entity: **Hastings Utilities (HU)**

Address: 1228 North Denver Ave. Hastings, Nebraska 68902-0289 United States

NERC Compliance Registry ID: **NCR00993**

Standard Requirement	Compliant
BAL-005-0 R1	Yes
CIP-001-1 R1	Yes
CIP-001-1 R2	Yes
CIP-001-1 R3	Yes
CIP-001-1 R4	Yes
COM-002-2 R1	Yes
EOP-004-1 R2	Yes
EOP-004-1 R3	Yes
EOP-009-0 R1	Yes
EOP-009-0 R2	Yes
FAC-003-0 R1	Yes
FAC-003-0 R2	Yes
FAC-003-0 R3	Yes
FAC-008-1 R1	Yes
FAC-008-1 R2	Yes
FAC-008-1 R3	Yes
FAC-009-1 R1	Yes
FAC-009-1 R2	Yes
INT-004-1 R1	Yes
INT-004-1 R2	Yes
IRO-001-1 R8	Yes
IRO-004-1 R4	Yes
IRO-005-1 R13	Yes
PRC-004-1 R1	Yes
PRC-004-1 R2	Yes
PRC-004-1 R3	Yes
PRC-005-1 R1	Yes
PRC-005-1 R2	Yes
PRC-008-0 R1	Yes
PRC-008-0 R2	Yes
PRC-010-0 R1	Yes
PRC-010-0 R2	Yes
PRC-011-0 R1	Yes
PRC-011-0 R2	Yes
PRC-016-0 R1	Yes
PRC-016-0 R2	Yes
PRC-016-0 R3	Yes
PRC-017-0 R1	Yes
PRC-017-0 R2	Yes
PRC-021-1 R1	Yes
PRC-021-1 R2	Yes

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Standard Requirement	Compliant
TOP-002-2 R13	Yes
TOP-002-2 R14	Yes
TOP-002-2 R15	Yes
TOP-002-2 R18	Yes
TOP-002-2 R3	Yes
TOP-003-0 R1	Yes
TOP-003-0 R2	Yes
TOP-003-0 R3	Yes
TOP-005-1 R4	Yes
VAR-001-1 R5	Yes
VAR-002-1 R1	Yes
VAR-002-1 R2	Yes
VAR-002-1 R3	Yes
VAR-002-1 R4	Yes
VAR-002-1 R5	Yes

Compliance Culture

The HU compliance culture was not part of the scope and not reviewed by the audit team.