



# Compliance Audit Report Public Version

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

**Natchitoches Utility System**  
NCR 01121

**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 Natchitoches Utility System (NUS) 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.

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

SPP RE audit team reviewed 14 standards which included 27 requirements that apply to NUS for the functions it performs with the SPP RE Region. Of the 14 standards and applicable requirements, 8 standards were determined to not apply to NUS at this time since it does not have a transmission protection system nor owns a UFLS, UVLS, or special protection system. NUS was prepared for the audit and presented its documentation in a complete and concise manner. NUS 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 NUS to be compliant with all 6 of the NERC standards reviewed and applicable to NUS 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.<sup>1</sup> The audit objectives are:

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<sup>1</sup> 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. Forty-eight standards cover functions not performed by NUS and are not applicable to the company. Eight CIP standards were reviewed during the 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. NUS 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. NUS 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). NUS 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 conference call to present the findings of the audit to the company staff. Several of the NUS staff members attended the conference call. The presentation covered the findings for the standards reviewed. The final report process was explained along with the security of the audit information. NUS was informed that the public report will be posted on the NERC and SPP RE websites after all due processes are complete. NUS 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 NUS. 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 NUS employees representing subject matter expertise regarding all registered functions of NUS. 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 presented 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 NUS staff and answered all their questions.

## ***Audit Overview***

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

## ***Audit***

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

## ***Exit Briefing***

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

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

- Load Serving Entity
- Distribution Provider

NUS is a department of the City of Natchitoches, LA and is supplied by one interconnection point with CLECO Power, LLC (CLECO) at 138 kV. The 138kV is stepped down to supply NUS's 20 miles of 69 kV sub-transmission to serve the city's 70 MW peak load consisting of 8,400 customers. The entity also owns a 26 MW natural gas fuelled steam generator, but it is only used for backup or emergency power requirements. NUS is currently under contract to purchase electrical power from, and to provide emergency electrical power to, CLECO.

SPP is the Reliability Coordinator for NUS. NUS is in the CLECO Balancing Authority and Transmission Operator area.

## 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

## NUS Audit Participants

Title	Organization
Utility Director	NUS
Superintendent of Distribution	NUS
Compliance Coordinator	NUS
Substation Tech/Line Forman	NUS
Engineer/Tech	NUS

## Audit Results

NUS 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 NUS to be compliant with all 6 applicable standards reviewed.

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

## **Findings**

### **NUS Off-site Audit Findings**

\*N/A – Not Applicable

PAV – Possible Alleged Violation

<b>Reliability Standard</b>	<b>Requirement</b>	<b>Finding</b>
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
EOP-004-1	R2.	Compliant
IRO-001-1	R8.	Compliant
IRO-004-1	R4.	Compliant
PRC-004-1	R1.	N/A
PRC-004-1	R3.	N/A
PRC-005-1	R1.	N/A
PRC-005-1	R2.	N/A
PRC-008-0	R1.	N/A
PRC-008-0	R2.	N/A
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
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	R18.	Compliant

### ***Compliance Culture***

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

NUS is a small utility department for the City of Natchitoches, Louisiana. Its budget is therefore limited and it handles its compliance program with designees assigned from its staff. The Utility Director serves as NUS's NERC Compliance Officer of Authority.

NUS's NERC Compliance Officer of Authority reports directly to the Mayor of Natchitoches which facilitates frequent communication regarding the entity's internal compliance program with its governing members.

The internal compliance program is assessed, self-audited and reported internally on a quarterly basis. It is also reviewed and updated as needed. General awareness and training is facilitated by attendance at SPP regional meetings with assistance from the Louisiana Energy and Power Authority. Training materials are distributed to staff on request.

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