



# **Compliance Audit Report Public**

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

**Modesto Irrigation District  
(MID)  
NCR05244**

**April 21-25, 2008**

**May 18, 2010**

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## Executive Summary

*Note - This MID compliance audit report provides a record of MID's compliance status as documented by the WECC Compliance Department during the on-site audit of April 21-25, 2008. This report does not reflect any actions MID may have taken since the on-site audit.*

The Western Electricity Coordinating Council (WECC) Compliance Department conducted an on-site compliance audit of the Modesto Irrigation District (MID) on April 21-25, 2008. The audit was conducted at the MID headquarters in Modesto, California. The eight member audit team was made up of four WECC compliance staff, three WECC consultants (independent contractors) and one NERC compliance staff member. Federal Energy Regulatory Commission (FERC) staff members did not observe the audit.

Prior to the start of the audit, MID self-reported outstanding compliance violations and had submitted sixteen mitigation plans and eight mitigation plan completion forms. The audit team reviewed MID's mitigation plans and mitigation plan completion forms for the standards audited to determine compliance for the outstanding violations. The WECC Compliance Department will send MID formal documentation of the review status of each mitigation plan.

This audit report includes findings on possible compliance violations. These findings will be used to determine the severity level of any sanctions and/or penalties.

The audit team had no major reliability concerns with the MID operation.

Documentation was well organized and laid out in a fashion that was easy to read. Some additional evidence was requested by the audit team.

Several new possible violations were identified due to missed mitigation plan completion dates.

Violations that are identified in the Findings table below are:

- New Possible Violations (NPV)
  - Not previously identified, discovered during audit
- Outstanding Violations (OV)
  - Previously identified
- Possible Violations (PV)
  - Previously identified, expired mitigation plan.

The MID Internal Compliance Program (ICP) was not reviewed during this on-site audit.

For the 2008 compliance program, the monitoring period for the compliance audit will generally be the past twelve months or periods specified in individual reliability standards. The monitoring period is not limited to the time period for which penalties and sanctions are assessed. The audit reflects corrective actions MID may have taken through self-reporting and mitigation plans to mitigate historical violations.

As background, FERC Order 693 was issued on March 16, 2007, and made compliance to eighty-three (83) of the NERC Reliability Standards mandatory and enforceable in the United States on June 18, 2007. Each of these reliability standards is subject to the sanction guidelines effective on that date. The MID on-site compliance audit was completed after June 18, 2007.

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

## Audit Process

The compliance audit process steps are detailed in both the WECC and NERC Compliance Monitoring and Enforcement Programs (CMEPs).

### **Objectives**

All Registered Entities are subject to audits 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 MID's compliance with the requirements of the reliability standards that are applicable to MID based on MID's registered functions
- Validate compliance with applicable reliability standards from the NERC 2008 Implementation Plan list of actively monitored reliability standards.
- Validate compliance to WECC regional standards
- 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 MID's compliance culture and Internal Compliance Program

### **Scope**

A compliance audit includes all reliability standards applicable to the Registered Entity monitored in the NERC Implementation Plans in the current and two previous years, and may include other reliability standards applicable to the

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<sup>1</sup> North American Electric Reliability Corporation CMEP, paragraph 3.1, Compliance Audits

Registered Entity. The scope of an on-site compliance audit can vary depending on whether it is scheduled as part of a regular, periodic scheduled audit or as part of a compliance investigation.

Note: For the 2008 compliance program, the monitoring period for the compliance audit will generally be the past twelve months or periods specified in individual reliability standards. The monitoring period is not limited to the time period for which penalties and sanctions are assessed.

The MID audit scope involved the audit of forty-eight (48) NERC Reliability Standards and five WECC Regional Reliability Standards.

### ***Confidentiality and Conflict of Interest***

Confidentiality agreements, executed by the WECC independent contractors (consultants) and code of conduct documentation for the NERC representative and WECC compliance staff, were available to MID, if requested in advance of the audit. Work histories submitted by audit team members were provided to MID. MID 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. MID accepted the audit team member participants with no objections.

### ***On-site Audit***

On-site audits of Reliability Coordinators (RCs), Balancing Authorities (BAs), and Transmission Operators (TOPs) are conducted on a three-year cycle. MID is registered as a TOP, TO, TP, GOP, GO, RP, PSE, LSE and DP; and is therefore, subject to an on-site audit every three years.

MID was officially notified of the April 21-25, 2008, on-site audit (60-day notice of audit). Accompanying this notification were several documents relating to the audit as listed below:

- Pre-Audit Introduction Letter
- Notice of Compliance Audit (An explanation of Compliance Monitoring Authority and Registered Entity Obligations regarding collection of data and information necessary to assess compliance with approved reliability standards)
- WECC Compliance Audit Team Biographies
- NERC 2008 Actively Monitored Standards
- Pre-Audit Questionnaire
- 2008 Audit Documentation Matrix.

MID was notified in the Pre-Audit letter that personnel (subject matter experts representing all the registered functions) would need to be available to answer questions (interviews) the audit team might have regarding the documentation.

The audit team had the flexibility to expand the scope of the audit by notifying MID in advance via the agenda that additions to the initial scope of the audit would be requested by the audit team leader if necessary during the audit overview meeting between the audit team and MID.

MID was asked to submit the completed questionnaire and certain requested documents back to WECC. These requested documents included:

- Sabotage Reporting Procedure (CIP-001-1)
- Capacity and Energy Emergency Plan (EOP-002-2)
- Manual Load Shed Plan or Procedure (EOP-003-1)
- System Restoration Plan (EOP-005-1)
- Loss of Primary Control Center Plan (EOP-008-0)
- Vegetation Management Plan (FAC-003-1)
- Operator Training Program (PER-002-0)
- Planning Studies and Assessment (TPL Standards)
- List of NERC Certified Operators and Certification Numbers.

MID also received the audit folders and Reliability Standard Audit Worksheets (RSAWs) approximately thirty (30) days ahead of the on-site audit.

The Audit Documentation Matrix was completed by MID and sent to WECC approximately five days ahead of the on-site audit. This matrix provided guidance to the audit team on where to look in the documentation for compliance to each of the reliability standards.

MID was also informed that the on-site compliance audit would be conducted consistent with the following WECC Regional and NERC documents:

- WECC Compliance Monitoring and Enforcement Program
- NERC Reliability Standard Audit Worksheets.

Professional judgment was used by the audit team during the audit process. The audit team leader requested interviews with several MID employees who were subject matter experts in one or more of the registered functions of MID. These interviews in conjunction with MID evidence, gave the audit team a factual basis for determining compliance with the NERC reliability standards.

Reference - Generally accepted government auditing standard 3.31 - Auditors must use professional judgment in planning and performing audits and attestation engagements and in reporting the results.

Reference - Generally accepted government auditing standard 3.39 - While this standard places responsibility on each auditor and audit organization to exercise professional judgment in planning and performing an audit or attestation engagement, it does not imply unlimited responsibility, nor does it imply infallibility on the part of either the individual auditor or the audit organization.

Absolute assurance is not attainable because of the nature of evidence and the characteristics of fraud. Professional judgment does not mean eliminating all possible limitations or weaknesses associated with a specific audit, but rather identifying, considering, minimizing, mitigating, and explaining them.

### ***Methodology***

The audit methodology includes best practices that are to be followed by compliance auditors in carrying out their work. These practices should be objective, measurable, complete and relevant to the audit objectives. The auditors should identify potential sources of audit evidence and consider the amount and type of evidence needed to determine findings.

### ***Company Profile***

The following MID profile is from the Pre-Audit Questionnaire.

MID is a vertically integrated, publicly owned utility organized under the laws of California governing Irrigation Districts. The District provides retail electricity and irrigation water to its customers and wholesale drinking water to the City of Modesto. MID is governed by an elected Board of Directors.

### ***Audit Specifics***

The MID compliance audit was conducted on April 21-25, 2008 at the MID headquarters in Modesto, California.

### **Audit Team**

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

### **MID Audit Participants**

<b>Title</b>	<b>Organization</b>
Senior Electrical Engineer	MID
Dispatcher Shift Supervisor	MID

<b>Title</b>	<b>Organization</b>
Operations Manager	MID
Senior Electrical Engineer	MID
Senior Electrical Engineer	MID
Power System Scheduler	MID
Dispatcher Apprentice	MID
Senior Electrical Engineer	MID
Senior Resource Planner	MID
Assistant General Manager Electric Resources	MID

## Audit Results

The audit team reviewed and validated all the MID evidence including additional evidence requested during the on-site audit and interviews with MID subject matter experts.

- The audit team spent significant time reviewing the evidence, findings, and conclusions. An extensive review of MID procedures, descriptions of processes, transactions and records was also conducted.
- Professional judgments were made by the audit team during the overall assessment of the evidence, and included a determination of whether the evidence was sufficient and appropriate to confirm compliance with the NERC Reliability Standards.
- The audit team determined that MID overall has a reliable operation.
- Communications with MID management was ongoing during the audit.
- The status of mitigation plans in progress, self-reported violations, and completed mitigation plans were evaluated during the audit.
- Prior to the start of the audit, MID self-reported outstanding compliance violations and had submitted sixteen mitigation plans and eight mitigation plan completion forms.
- Reliability Standard Audit Worksheets (RSAWs), mitigation plans & completions, and summaries of auditor notes from interviews were used to validate compliance with each reliability standard and to complete the Findings for the audit.
- This audit report includes information about possible compliance violations. This information will be used to determine the severity level of any sanctions and/or penalties.

### **Findings**

The “Finding” column contains one of the following: Compliant, Possible Violation (PV), New Possible Violation (NPV), Not Applicable (NA), Not Audited,

Outstanding Alleged Violation (OV), Retraction requested (Retract), Self-reported Violation (Self-Report), or other appropriate description.

<b>Reliability Standard</b>	<b>Requirement</b>	<b>Finding</b>
BAL-005-0	R1.	Compliant
BAL-005-0	R2.	NA
BAL-005-0	R3.	NA
BAL-005-0	R4.	NA
BAL-005-0	R5.	NA
BAL-005-0	R6.	NA
BAL-005-0	R7.	NA
BAL-005-0	R8.	NA
BAL-005-0	R9.	NA
BAL-005-0	R10.	NA
BAL-005-0	R11.	NA
BAL-005-0	R12.	NA
BAL-005-0	R13.	NA
BAL-005-0	R14.	NA
BAL-005-0	R15.	NA
BAL-005-0	R16.	NA
BAL-005-0	R17.	NA
CIP-001-1	R1.	Compliant
CIP-001-1	R2.	Compliant
CIP-001-1	R3.	Compliant
CIP-001-1	R4.	OV
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.	NA
COM-002-2	R1.	Compliant
COM-002-2	R2.	OV
EOP-001-0	R1.	NA
EOP-001-0	R2.	Compliant
EOP-001-0	R3.	Compliant
EOP-001-0	R4.	Compliant
EOP-001-0	R5.	NPV
EOP-001-0	R6.	Compliant
EOP-001-0	R7.	Compliant
EOP-002-2	R1.	NA
EOP-002-2	R2.	NA

<b>Reliability Standard</b>	<b>Requirement</b>	<b>Finding</b>
EOP-002-2	R3.	NA
EOP-002-2	R4.	NA
EOP-002-2	R5.	NA
EOP-002-2	R6.	NA
EOP-002-2	R7.	NA
EOP-002-2	R8.	NA
EOP-002-2	R9.	NA
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.	Compliant
EOP-003-1	R7.	Compliant
EOP-003-1	R8.	Compliant
EOP-004-1	R1.	NA
EOP-004-1	R2.	Compliant
EOP-004-1	R3.	Compliant
EOP-004-1	R4.	NA
EOP-004-1	R5.	NA
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.	NA
EOP-005-1	R9.	Compliant
EOP-005-1	R10.	NA
EOP-005-1	R11.	Compliant
EOP-008-0	R1.	OV & NPV
EOP-009-0	R1.	NA
EOP-009-0	R2.	NA
FAC-001-0	R1.	Self-Report - PV
FAC-001-0	R2.	Self-Report - PV
FAC-001-0	R3.	Self-Report - PV
FAC-003-1	R1.	Compliant
FAC-003-1	R2.	Compliant
FAC-003-1	R3.	Compliant
FAC-003-1	R4.	NA

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<b>Reliability Standard</b>	<b>Requirement</b>	<b>Finding</b>
FAC-008-1	R1.	Compliant
FAC-008-1	R2.	Compliant
FAC-008-1	R3.	Compliant
FAC-009-1	R1.	Compliant
FAC-009-1	R2.	Compliant
INT-001-2	R1.	NA
INT-001-2	R2.	NA
INT-004-1	R1.	NA
INT-004-1	R2.	NA
IRO-001-1	R1.	NA
IRO-001-1	R2.	NA
IRO-001-1	R3.	Compliant
IRO-001-1	R4.	NA
IRO-001-1	R5.	NA
IRO-001-1	R6.	NA
IRO-001-1	R7.	NA
IRO-001-1	R8.	Compliant
IRO-001-1	R9.	NA
IRO-004-1	R1.	NA
IRO-004-1	R2.	NA
IRO-004-1	R3.	NA
IRO-004-1	R4.	Compliant
IRO-004-1	R5.	NA
IRO-004-1	R6.	NA
IRO-004-1	R7.	Compliant
IRO-005-1	R1.	NA
IRO-005-1	R2.	NA
IRO-005-1	R3.	NA
IRO-005-1	R4.	NA
IRO-005-1	R5.	NA
IRO-005-1	R6.	NA
IRO-005-1	R7.	NA
IRO-005-1	R8.	Compliant
IRO-005-1	R9.	NA
IRO-005-1	R10.	NA
IRO-005-1	R11.	NA
IRO-005-1	R12.	Compliant
IRO-005-1	R13.	Compliant
IRO-005-1	R14.	NA
IRO-005-1	R15.	NA
IRO-005-1	R16.	NA

<b>Reliability Standard</b>	<b>Requirement</b>	<b>Finding</b>
IRO-005-1	R17.	NA
IRO-006-3	R1.	NA
IRO-006-3	R2.	NA
IRO-006-3	R3.	NA
IRO-006-3	R4.	NA
IRO-006-3	R5.	NA
IRO-006-3	R6.	NA
IRO-STD-006-0	WR1.	Compliant
MOD-010-0	R1.	Compliant
MOD-010-0	R2.	Compliant
MOD-012-0	R1.	Compliant
MOD-012-0	R2.	Compliant
PER-001-0	R1.	Compliant
PER-002-0	R1.	Compliant
PER-002-0	R2.	PV
PER-002-0	R3.	PV
PER-002-0	R4.	PV
PER-003-0	R1.	OV
PRC-004-1	R1.	Compliant
PRC-004-1	R2.	Compliant
PRC-004-1	R3.	Compliant
PRC-005-1	R1.	Compliant
PRC-005-1	R2.	Compliant
PRC-STD-005-1	WR1.	NA
PRC-007-0	R1.	Compliant
PRC-007-0	R2.	Compliant
PRC-007-0	R3.	Compliant
PRC-008-0	R1.	OV
PRC-008-0	R2.	OV
PRC-010-0	R1.	NA
PRC-010-0	R2.	NA
PRC-011-0	R1.	NA
PRC-011-0	R2.	NA
PRC-015-0	R1.	Compliant
PRC-015-0	R2.	Compliant
PRC-015-0	R3.	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

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<b>Reliability Standard</b>	<b>Requirement</b>	<b>Finding</b>
PRC-021-1	R1.	NA
PRC-021-1	R2.	NA
TOP-001-1	R1.	Compliant
TOP-001-1	R2.	Compliant
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-002-2	R1.	Compliant
TOP-002-2	R2.	Compliant
TOP-002-2	R3.	Compliant
TOP-002-2	R4.	Compliant
TOP-002-2	R5.	Compliant
TOP-002-2	R6.	Compliant
TOP-002-2	R7.	NA
TOP-002-2	R8.	NA
TOP-002-2	R9.	NA
TOP-002-2	R10.	Compliant
TOP-002-2	R11.	Compliant
TOP-002-2	R12.	Compliant
TOP-002-2	R13.	Compliant
TOP-002-2	R14.	Compliant
TOP-002-2	R15.	Compliant
TOP-002-2	R16.	Compliant
TOP-002-2	R17.	Compliant
TOP-002-2	R18.	Compliant
TOP-002-2	R19.	Compliant
TOP-003-0	R1.	Compliant
TOP-003-0	R2.	Compliant
TOP-003-0	R3.	Compliant
TOP-003-0	R4.	NA
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.	NA

<b>Reliability Standard</b>	<b>Requirement</b>	<b>Finding</b>
TOP-005-1	R3.	Compliant
TOP-005-1	R4.	Compliant
TOP-007-0	R1.	Compliant
TOP-007-0	R2.	Compliant
TOP-007-0	R3.	Compliant
TOP-007-0	R4.	Compliant
TOP-STD-007-0	WR1.	Compliant
TPL-001-0	R1.	NPV
TPL-001-0	R2.	NPV
TPL-001-0	R3.	NPV
TPL-002-0	R1.	NPV
TPL-002-0	R2.	NPV
TPL-002-0	R3.	NPV
TPL-003-0	R1.	NPV
TPL-003-0	R2.	NPV
TPL-003-0	R3.	NPV
TPL-004-0	R1.	NPV
TPL-004-0	R2.	NPV
VAR-001-1	R1.	Compliant
VAR-001-1	R2.	Compliant
VAR-001-1	R3.	Compliant
VAR-001-1	R4.	Compliant
VAR-001-1	R5.	Compliant
VAR-001-1	R6.	Compliant
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
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
VAR-STD-002a-1	WR1.	Compliant
VAR-STD-002b-1	WR1.	Compliant

***Compliance Culture***

The MID Internal Compliance Program (ICP) was not reviewed during this audit.