



# **Compliance Audit Report Public**

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

**Nevada Power Company  
(NEVP)  
NCR 05261**

**May 12-16, 2008**

**May 18, 2010**

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## Executive Summary

*Note – This NEVP compliance audit report provides a record of NEVP's compliance status as documented by the WECC Compliance Department during the on-site audit of May 12-16, 2008. This report does not reflect any actions NEVP may have taken since the on-site audit.*

The Western Electricity Coordinating Council (WECC) Compliance Department conducted an on-site compliance audit of the Nevada Power Company (NEVP) on May 12-16, 2008. The audit was conducted at the NEVP headquarters in Las Vegas, Nevada. The nine member audit team was made up of four (4) WECC compliance staff, four (4) WECC consultants (independent contractors) and one (1) North American Electric Reliability Corporation (NERC) staff member. Federal Energy Regulatory Commission (FERC) staff did not attend the audit.

Prior to the start of the audit, NEVP did not self-report any compliance violations.

For the 2008 compliance program, the monitoring period for the compliance audit will be the past twelve (12) 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.

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.

<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 an 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 to:

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

- Independently review NEVP's compliance with the requirements of the reliability standards that are applicable to NEVP based on NEVP'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;
- Document NEVP'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 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 be the past twelve (12) 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 NEVP audit scope involved the audit of fifty-four (54) NERC Reliability Standards and six (6) 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 NEVP, if requested in advance of the audit. Work histories submitted by audit team members were provided to NEVP. NEVP 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. NEVP 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. NEVP is registered as a BA, TOP, TO, TP, TSP, PA, GOP, GO, RP, PSE, LSE and DP; and is, therefore, subject to an on-site audit every three years.

NEVP was officially notified of the May 12-16, 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.

NEVP 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 NEVP 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 NEVP.

NEVP 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.

NEVP 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 NEVP and sent to WECC approximately five (5) 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.

NEVP 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 NEVP employees who were subject matter experts in one or more of the registered functions of NEVP. These interviews in conjunction with NEVP 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 Nevada Power Company (NEVP) profile is from the Pre-Audit Questionnaire.

Nevada Power Company is a wholly owned subsidiary of Sierra Pacific Resources (SPR), which acts as the holding company for Nevada Power Company and Sierra Pacific Power Company.

### ***Audit Specifics***

The NEVP compliance audit was conducted on May 12-16, 2008, at the NEVP headquarters in Las Vegas, Nevada.

## Audit Team

<b>Audit Team Role</b>	<b>Title</b>	<b>Company</b>
Lead	Senior Compliance Engineer	WECC
Member	Director of Special Projects	WECC
Member	Manager of Compliance Administration	WECC
Member	Compliance Program Coordinator	WECC
Member	Consultant	WECC
Member	Consultant	WECC
Member	Consultant	WECC
Member	Consultant	WECC
Observer	Manager of Standards Development	NERC

## NEVP Audit Participants

<b>Title</b>	<b>NEVP Organization</b>
Director Electric System Control Operations	NEVP
Director FERC Compliance	NEVP
Supervisor, T&D Operations	NEVP
Corporate Senior VP and General Counsel (Corporate Compliance Officer)	NEVP
Transmission Operator	NEVP
Supervisor Control Area Operations	NEVP
Grid Reliability Operator	NEVP
Distribution Operator	NEVP
Trainer Transmission/Distribution Operations	NEVP
Staff Engineer, Network Transmission	NEVP
Supervisor, Regional Maintenance Support Services	NEVP
Administrator, T&D Maintenance	NEVP
Manager Transmission Planning	NEVP
Senior Interchange Coordinator, SPP/NEVP	NEVP
Senior Consultant Transmission Services, SPP/NEVP	NEVP
Manager, Transmission Services, SPP/NEVP	NEVP
Supervisor, System Protection	NEVP
Substation Maintenance Administration	NEVP
Vegetation Management Administration	NEVP
Planning Engineer	NEVP

## Audit Results

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

- The audit team spent significant time reviewing the evidence, findings, and conclusions. An extensive review of NEVP 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 NEVP has a reliable operation.
- Communications with NEVP management was ongoing during the audit.
- Reliability Standard Audit Worksheets (RSAWs) 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), 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-001-0	R1.	Compliant
BAL-001-0	R2.	Compliant
BAL-001-0	R3.	NA
BAL-001-0	R4.	NA
BAL-002-0	R1.	Compliant
BAL-002-0	R2.	NA
BAL-002-0	R3.	NA
BAL-002-0	R4.	NA
BAL-002-0	R5.	Compliant
BAL-002-0	R6.	NA
BAL-STD-002-0	WR1.	Compliant
BAL-003-0	R1.	Compliant
BAL-003-0	R2.	Compliant
BAL-003-0	R3.	Compliant

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<b>Reliability Standard</b>	<b>Requirement</b>	<b>Finding</b>
BAL-003-0	R4.	NA
BAL-003-0	R5.	Compliant
BAL-003-0	R6.	NA
BAL-004-0	R1.	NA
BAL-004-0	R2.	NA
BAL-004-0	R3.	Compliant
BAL-004-0	R4.	Compliant
BAL-005-0	R1.	Compliant
BAL-005-0	R2.	Compliant
BAL-005-0	R3.	NA
BAL-005-0	R4.	NA
BAL-005-0	R5.	NA
BAL-005-0	R6.	Compliant
BAL-005-0	R7.	Compliant
BAL-005-0	R8.	Compliant
BAL-005-0	R9.	Compliant
BAL-005-0	R10.	Compliant
BAL-005-0	R11.	Compliant
BAL-005-0	R12.	Compliant
BAL-005-0	R13.	Compliant
BAL-005-0	R14.	Compliant
BAL-005-0	R15.	Compliant
BAL-005-0	R16.	Compliant
BAL-005-0	R17.	Compliant
BAL-006-1	R1.	Compliant
BAL-006-1	R2.	Compliant
BAL-006-1	R3.	Not Audited
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.	NA
COM-002-2	R1.	Compliant
COM-002-2	R2.	Compliant
EOP-001-0	R1.	NPV

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<b>Reliability Standard</b>	<b>Requirement</b>	<b>Finding</b>
EOP-001-0	R2.	NA
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.	Compliant
EOP-002-2	R2.	Compliant
EOP-002-2	R3.	Compliant
EOP-002-2	R4.	Compliant
EOP-002-2	R5.	Compliant
EOP-002-2	R6.	Compliant
EOP-002-2	R7.	Compliant
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.	Compliant
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.	Compliant
EOP-009-0	R1.	NA
EOP-009-0	R2.	NA

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<b>Reliability Standard</b>	<b>Requirement</b>	<b>Finding</b>
FAC-001-0	R1.	Compliant
FAC-001-0	R2.	Compliant
FAC-001-0	R3.	Compliant
FAC-003-1	R1.	Compliant
FAC-003-1	R2.	Compliant
FAC-003-1	R3.	Compliant
FAC-003-1	R4.	NA
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-013-1	R1.	Compliant
FAC-013-1	R2.	Compliant
INT-001-2	R1.	Compliant
INT-001-2	R2.	Compliant
INT-003-2	R1.	Compliant
INT-004-1	R1.	Compliant
INT-004-1	R2.	Compliant
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

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<b>Reliability Standard</b>	<b>Requirement</b>	<b>Finding</b>
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.	Compliant
IRO-005-1	R15.	NA
IRO-005-1	R16.	NA
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.	Compliant
IRO-STD-006-0	WR1.	Compliant
MOD-010-0	R1.	Compliant
MOD-010-0	R2.	NPV
MOD-012-0	R1.	Compliant
MOD-012-0	R2.	Compliant
PER-001-0	R1.	Compliant
PER-002-0	R1.	Compliant
PER-002-0	R2.	Compliant
PER-002-0	R3.	Compliant
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-STD-005-1	WR1.	Compliant
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.	NA
PRC-010-0	R2.	NA
PRC-011-0	R1.	NA
PRC-011-0	R2.	NA

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<b>Reliability Standard</b>	<b>Requirement</b>	<b>Finding</b>
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.	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.	Compliant
TOP-002-2	R8.	Compliant
TOP-002-2	R9.	Compliant
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

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<b>Reliability Standard</b>	<b>Requirement</b>	<b>Finding</b>
TOP-004-1	R5.	Compliant
TOP-004-1	R6.	Compliant
TOP-005-1	R1.	Compliant
TOP-005-1	R2.	NA
TOP-005-1	R3.	Compliant
TOP-005-1	R4.	Compliant
TOP-007-0	R1.	Compliant
TOP-007-0	R2.	NA
TOP-007-0	R3.	NA
TOP-007-0	R4.	NA
TOP-STD-007-0	WR1.	Compliant
TPL-001-0	R1.	NPV
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.	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 NEVP Internal Compliance Program (ICP) was reviewed with NEVP personnel on May 16, 2008.