



Compliance Audit Report Public Version

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**Atlantic Municipal Utilities (AMU)
NCR 10002
July 20-31, 2009**

August 7, 2009

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Executive Summary

The Midwest Reliability Organization (MRO) conducted a compliance audit of Atlantic Municipal Utilities (AMU) as a part of its normal six year cycle. Review of documentation submitted by AMU took place at the MRO offices on July 20, 2009. The team conducted audit conference calls on 30 and 31, 2009 at the MRO office. The audit team consisted of three MRO staff members.

The North American Electric Reliability Corporation (NERC) has designated a subset of Reliability Standards for active compliance monitoring and reporting by the Regional Entities in their 2009 Implementation Plan. NERC has identified 49 standards as “actively monitored” which contain 418 requirements.

AMU is registered with the MRO as responsible for three functions. As a result of this registration and for this audit, AMU is responsible for meeting compliance with 15 Reliability Standards which contain 28 requirements. The MRO did not identify any possible violations of AMU. In July 2008 and January 2009, CIP self-certifications were conducted for all Registrants.

As a part of the audit process, AMU completed Compliance Questionnaires and provided the MRO with supporting documentation for their audit. Upon completion of the initial review of evidence, the audit team requested additional documentation and identified the subject matter experts to be interviewed.

During the conference call, the AMU staff was found to be cordial, willing to clarify any questions 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 AMU Compliance Audit was conducted as a part of its normal six year cycle. The 2009 Compliance Program consists of 49 actively monitored Standards. 37 of these Standards were deemed not applicable, which are related to functions other than Distribution Provider (DP), Load-Serving Entity (LSE), and Transmission Owner (TO). Documentation was viewed from June 18, 2007 to the date of the audit.

The compliance audit process steps are detailed in the NERC Compliance Monitoring and Enforcement Plan (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 AMU's compliance with the requirements of the reliability standards that are applicable to AMU based on AMU's registered functions.
- Validate compliance with applicable reliability standards from the NERC 2009 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 AMU Compliance Audit was conducted as a part of its normal six year cycle. The audit was conducted under the guidelines of the 2009 CMEP. All applicable NERC and MRO standards were reviewed during this audit.

Confidentiality and Conflict of Interest

Confidentiality agreements and code of conduct documentation for the NERC representative and 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 audit team member's impartial performance of duties. The audited entity accepted the audit team member participants with no objections.

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

Audit Proceedings

The MRO presented a high level overview of the compliance audit process.

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

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 operator logs, audio clips, and correspondence. If needed, additional supporting documentation or clarification was requested.

The Audit team used the Compliance Questionnaire and Reliability Standards Auditor Worksheets (QRSAW) to review each reliability standard during the compliance audit. This is done to ensure consistency and fairness during each compliance audit.

Audit Overview

In February 2008, the MRO scheduled AMU to receive a compliance audit the week of July 27, 2009 as a part of their normal six-year cycle. On May 26, 2009, the MRO sent AMU the audit package including *the Audit Notification, Audit Certification Letter, Internal Compliance Survey, Pre-Audit Survey, Procedures for Conducting an Audit, Subject Matter Experts Spreadsheet, Preparing for Compliance and Compliance Audit, MRO Biographies, and the 2009 Compliance Questionnaires.*

Audit

Two weeks prior to the audit, AMU supplied MRO with approximately 90% of supporting documentation needed to demonstrate compliance. MRO staff reviewed this documentation. The compliance staff utilized the NERC Standards and the RSAW while reviewing the supporting documents and responses to the Compliance Questionnaires provided by AMU.

After evaluation of the supporting documentation, a set of questions was developed to be posed to subject matter experts for AMU and missing supporting evidence was identified. During the conference call, the team of auditors was able to review the necessary documents and conduct interviews of the subject matter experts. These interviews, in conjunction with supporting evidence, provided the audit team with a basis for professional judgment when with reliability standards. AMU identified two subject matter experts for all requirements; both were available on the conference call.

All documentation is stored at the MRO office in a fire proof locked cabinet.

Exit Briefing

Upon completion of the subject matter expert interviews, the MRO audit team was satisfied with the results of the interviews and documentation. The MRO did not identify any incidents of non-compliance of the 28 NERC requirements audited. The MRO conducted the exit briefing July 31, 2009.

Company Profile

Atlantic Municipal Utilities is a municipally-owned and operated electric utility, serves just under 4,000 customers within the community of Atlantic, Iowa (pop. 7257), and just over 600 customers in rural Cass County, Iowa (pop. 14,684). The utility’s legal name is the “Board of Waterworks and Electric Power Plant Trustees, City of Atlantic, Iowa”, but does business as Atlantic Municipal Utilities (“AMU”). AMU is governed by a five-person Board of Trustees, appointed by the Mayor and ratified by the City Council for six-year, staggered terms of office. Current members of the Board of Trustees are:

Frank Greiner	Chairman
Keith Stork	Vice-Chairman
Larry Turner	Trustee
Sharon Winchell	Trustee
Bernard Elming	Trustee

The Management Team at AMU consists of:

Allen Bonderman, General Manager
Steve Tjepkes, Comptroller
Greg Smith, Director of Electric Operations

AMU had a 2009 peak summer load of 25 MW (08/04/08, HE1500), and a winter peak of 21 MW. Power supply consists of the following:

2.5% share of Walter Scott Unit No. 3, coal-fired	17.3 MW
Contract with WAPA, hydro	7.7 MW Summer; 5.7 MW Winter
Contract with Missouri River Energy Services	Firm purchase agreement for all retail requirements above WS3 and WAPA sources

MRES uses primarily coal resources, but also gas-fired combustion turbines. Energy is delivered in whole megawatts, at 100% load factor. In 2009, the MRES contract provides 1 MW.

Local generation (behind the meter) includes a dual fuel Nordberg diesel, 4.5 MW; and a low-NOx dual fuel solar combustion turbine, 9.8 MW. This local generation is utilized primarily for planning reserves, for emergency generation, and occasional energy sales. Natural gas is the normal fuel of choice, and fuel oil is only used if natural gas is curtailed (which has not occurred in recent years) and as part of regular testing and exercise of the units. 2009 resources total 40.3 MW.

All WS3, WAPA and MRES power is delivered via the MidAmerican transmission network, to AMU’s Spruce 161 kV substation.

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AMU owns approximately eight miles of 161 kV transmission facilities, which are part of a 161 route between Walter Scott Energy Center in Council Bluffs, and MidAmerican Energy's Booneville substation, just west of Des Moines. Our Spruce Substation facilities consist of two 161 kV breakers and protective relaying, buswork, and a 161/69 kV transformer. A second 161/69 kV transformer is on order, and bids will be let in July for installation (by May 1, 2010) of it and related breakers and protective relaying. The two 161 kV interconnection points are the Atlantic-Teakwood line segment, and the Atlantic-Adair line segment.

AMU has a 69 kV loop around the community, approximately eight miles long, plus a lateral 69 kV tie line (seven miles) which connects to the Northwest Iowa Power Cooperative (NIPCO) J-8 substation. NIPCO is in the WAPA Balancing Authority, but all of AMU's facilities are in the MidAmerican Energy BA. This Atlantic – NIPCO line is our only interconnection at 69 kV.

Distribution facilities include three distribution substations, and a total of 215 miles of 13,200/7,620 volt three phase wye lines. About 10% of 13 kV lines are underground. Service to the rural area constitutes 160 miles of the 215 total, and the remaining 55 miles are located within the city limits of Atlantic. The rural customers served are virtually all located in Cass County, with a few in the southern portion of Audubon and Shelby counties.

AMU also provides water service to approximately 3300 customers in and near Atlantic.

Audit Specifics

The document review was conducted at the MRO offices July 20-21, 2009. The compliance audit conference calls were conducted on July 29 and 31, 2009.

Audit Team

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

AMU Audit Participants

Title	AMU Organization
General Manager	AMU
Director	Electric Operations

Audit Results

- AMU 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 two days prior to the conference call reviewing the supplied 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.
- AMU provided the requested additional documents within the next five business days.
- AMU personnel were allowed to speak freely without interruption from management during the subject matter expert interviews.
- The audit team utilized the Compliance Questionnaire and Reliability Standard Auditor Worksheets (QRSAW) in order to assess compliance of the reliability standards. The primary questions of the subject matters were documented in addition to the requests for additional evidence.

Findings

Compliance Audit

Conducted On: **Jul 30, 2009**

Entity: **Atlantic Municipal Utilities (AMU)**

Address: **15 West Third Street, Atlantic, Iowa 50022, United States**

NERC Compliance Registry ID: **NCR10002**

Standard Requirement	Compliant
CIP-001-1 R1	Yes
CIP-001-1 R2	Yes
CIP-001-1 R3	Yes
CIP-001-1 R4	Yes
EOP-002-2 R9	Yes
FAC-001-0 R1	Yes
FAC-001-0 R2	Yes
FAC-001-0 R3	Yes
FAC-003-1 R1	Yes
FAC-003-1 R2	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
IRO-001-1 R8	Yes
IRO-004-1 R4	Yes
IRO-005-2 R13	Yes
PRC-004-1 R1	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-017-0 R1	Yes
TOP-001-1 R4	Yes
TOP-002-2 R18	Yes
TOP-002-2 R3	Yes

Compliance Culture

Atlantic Municipal Utilities completed the Internal Compliance Program Survey prior to the compliance audit.