



Compliance Audit Report Public Version

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**Marshall Municipal Utilities (MMU)
NCR 01006
January 6-16, 2009**

January 19, 2009

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Executive Summary

The Midwest Reliability Organization (MRO) conducted a compliance audit of Marshall Municipal Utilities (MMU) as a part of its normal six year cycle. Review of documentation submitted by MMU took place at the MRO offices on January 6 – 8, 2009. The team conducted an audit conference call on January 16, 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.

MMU is registered with the MRO as responsible for 2 functions. As a result of this registration and for this audit, MMU is responsible for meeting compliance with 11 Reliability Standards which contain 18 requirements. As a member of a joint registration with Missouri River Energy Services (MRES), MRES has been delegated and provides the compliance responsibility for three of these Reliability Standards and four of these requirements. MMU is found to be in full compliance with 18 requirements. In July 2008, a special CIP self-certification was conducted for all Registrants. No alleged violations of requirements were identified during the course of the 2009 Compliance Audit.

As a part of the audit process, MMU completed an Audit Questionnaire 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 MMU 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 MMU Compliance Audit was conducted as a part of its normal six year cycle. The 2009 Compliance Program consists of 49 actively monitored Standards. Thirty-eight of these Standards were deemed not applicable, which are related to functions other than DP and LSE. 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 MMU's compliance with the requirements of the reliability standards that are applicable to MMU based on MMU'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 MMU 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. The audit team reviewed supporting documentation for the past 12 months.

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 Reliability Standards Auditor Worksheets (RSAW) to review each reliability standard during the compliance audit. This is done to ensure consistency and fairness during each compliance audit.

Audit Overview

On February 21, 2008 the MRO scheduled MMU to receive a compliance audit January 16, 2009 as a part of their normal six year cycle. On November 10, 2008 the MRO sent MMU 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 *2009 MRO Audit Questionnaire*. Additionally, a questionnaire was sent to the Midwest ISO as the Reliability Coordinator.

Audit

Two weeks prior to the audit, MMU supplied MRO with approximately 95% 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 the Audit Questionnaire response provided by MMU.

After evaluation of the supporting documentation, a set of questions was developed to be posed to subject matter experts for MMU 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 validating compliance with reliability standards. Subject matter experts for the following standards were requested to be available: EOP-002, IRO-001, and PRC-005.

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 provided to find MMU in full compliance of the 18 NERC requirements being audited. The MRO then commenced with the exit briefing with MMU's approval.

Company Profile

The electric system serving Marshall Minnesota is under the control, management, and operation of Marshall Municipal Utilities (MMU). This is established by the City Charter where MMU is vested with the operational control of the electric system in Marshall. The governance is through the Municipal Utilities Commission. The Commission consists of five residents residing in the City of Marshall. Marshall is the county seat of Lyon County Minnesota and is located at the intersection of US highways 59 and 23. The electric utility serves 6,450 customers.

The present electric distribution system, which is 72% underground, consists of approximately 130 miles of 13.8 kV primary feeders that reside in the boundaries of the City of Marshall. The Distribution System power factor correction is supplied by 9,600kVAR capacitors connected to the distribution feeders and 40mVAR connected to the transmission system. MMU owns 15 miles of 115kv transmission system that loop through and around the City of Marshall with six distribution substations. MMU serves over 6,450 customers and peak demand was 89,772kW on July 25th, 2007 at 16:30. MMU has one GE Turbine Frame 5 with a name plate rating of 16,550 kW which is leased to and operated by Missouri River Energy Services (MRES). It is dispatched for emergency and peaking purposes by MRES operations.

MMU purchases its firm power through contracts with the United States Department of Energy, Western Area Power Administration ("WAPA"), Heartland Consumers Power District ("Heartland") and Missouri River Energy Services ("MRES"). This power is delivered through two interconnections between MMU and Xcel Energy's transmission system at 115kV. A third source of 115kV transmission is under construction by Xcel Energy and will be in service by the summer of 2009.

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Audit Specifics

The compliance audit conference call was conducted on January 16, 2009.

Audit Team

Audit Team Role	Title	Company
Lead	Compliance Audit Manager	MRO
Member	Senior Compliance Principle	MRO
Member	Compliance Principle	MRO

MMU Audit Participants

Title	MMU Organization
General Manager	Executive
Manager	Operations
Plant/Properties Superintendent	Operations
Electronics Technician	Operations
Asst. Electronics Technician	Operations

Audit Results

- MMU provided the audit team with supporting documentation for review prior to the conference call. The team received approximately 95% of the supporting documentation needed for evidence. The audit team spent the 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.
- MMU provided the requested additional documents within the next 2 business days.
- MMU personnel were allowed to speak freely without interruption from management during the subject matter expert interviews.
- The audit team utilized the Reliability Standard Auditor Worksheets (RSAW) 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.
- Requests were made to verify dates on their relay maintenance program. MMU was able to provide these documents.

Findings

Compliance Audit

Conducted On: **Jan 06-19, 2009**

Entity: **Marshall Municipal Utilities (MMU)**

Address: **113 4th Street, Marshall, Minnesota 56258-1223, United States**

NERC Compliance Registry ID: **NCR01006**

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
IRO-001-1 R8	Yes
IRO-004-1 R4	Yes
IRO-005-1 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

The MMU compliance culture was not reviewed by the audit team. The MRO has requested Marshall Municipal Utilities to complete the MRO Internal Compliance Program Survey which will be used to determine / identify the compliance culture of Marshall Municipal Utilities.