



Compliance Audit Report Public Version

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**Pierre Municipal Utilities (PMU)
NCR 01024
May 27 – June 5, 2009**

June 5, 2009

TABLE OF CONTENTS

Executive Summary..... 2

Audit Process 3

Objectives..... 3

Scope..... 3

Confidentiality and Conflict of Interest 3

Audit Proceedings 4

Methodology..... 4

Audit Overview 4

Audit..... 4

Exit Briefing 5

Company Profile..... 6

Audit Specifics 7

Audit Results 8

Findings 9

Compliance Culture..... 9

Executive Summary

The Midwest Reliability Organization (MRO) conducted a compliance audit of Pierre Municipal Utilities (PMU) as a part of its normal six year cycle. Review of documentation submitted by PMU took place at the MRO offices on May 27, 2009. The team conducted audit conference calls on June 4 and 5, 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.

PMU is registered with the MRO as responsible for three functions. As a result of this registration and for this audit, PMU is responsible for meeting compliance with 12 Reliability Standards which contain 24 requirements. The MRO did not identify any possible violations of PMU. In July 2008 and January 2009, CIP self-certifications were conducted for all Registrants.

As a part of the audit process, PMU 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 PMU 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 PMU 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 PMU's compliance with the requirements of the reliability standards that are applicable to PMU based on PMU'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 PMU 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 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

In February 2008, the MRO scheduled PMU to receive a compliance audit the week of June 1, 2009 as a part of their normal six-year cycle. On March 30, 2009, the MRO sent PMU 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, PMU 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 PMU.

After evaluation of the supporting documentation, a set of questions was developed to be posed to subject matter experts for PMU 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. Subject matter experts for the following standards were requested to be available: CIP-001, FAC-001, FAC-008, FAC-009, IRO-001, IRO-005, PRC-004, PRC-005 and TOP-001.

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 24 NERC requirements audited. The MRO conducted the exit briefing June 5, 2009.

Company Profile

Pierre Municipal Utilities (PMU) serves as the electric utility for the City of Pierre.

The management and control of the Pierre Municipal Utilities is vested in the City Commission. The City Commission may take any and all action it deems advisable in the furtherance of any utilities or enterprises now existing or hereafter acquired under its control. All powers of the City are vested in the City Commission except as otherwise provided by law and the commission shall provide for the exercise thereof and for the performance of all duties and obligations imposed on the City, by law. The Commission shall act as a policy making, oversight and legislative body, overseeing management and administrative issues, which are then assigned to department heads.

The city of Pierre is located in central South Dakota, very near the geographic center of the state, along the northeastern banks of the Missouri River. The older part of the city is located in the Missouri River Valley and new development is located beyond the rim of the valley. The City limits and service area abounded by the Missouri River to the west and south. The north city limits and service area extend approximately 0.750 miles north of the intersections of Hwy's 14 and & 1804. The east city limits and service area extend around the Municipal Airport and along a line approximately 0.875 miles east of the intersections of Garfield Ave & Hwy. 34.

PMU provides electric service to residents and commercial businesses within the city limits. Pierre's 2000 census count was 13, 876.

PMU has 7,056 electric customers.

PMU is a summer peaking utility with a system peak on July 23, 2007 at 4:30 PM of 45,525 KW.

PMU operates 6.5 miles of 115kV transmission line and 148 miles of distribution cable at 12.5 kV.

PMU has two interconnecting points at 115kV with Western Area Power Administration.

PMU owns no generation in the electric transmission system.

PMU has firm purchase agreements with Western Area Power Administration (WAPA) and Missouri River Energy Services (MRES). PMU has an allocation of power from WAPA with the balance of power requirements provided by MRES.

Audit Specifics

The document review was conducted at the MRO offices May 27, 2009. The compliance audit conference calls were conducted on June 4 and 5, 2009.

Audit Team

Title	Company
Compliance Audit Manager	MRO
Compliance Principle	MRO
Compliance Principal	MRO

PMU Audit Participants

Title	PMU Organization
Utilities Director	PMU
Electric Superintendant	PMU
Consultant	DGR

Audit Results

- PMU 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.
- PMU provided the requested additional documents within the next five business days.
- PMU 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.

Findings

Compliance Audit

Conducted On: **Jun 04, 2009**

Entity: **Pierre Municipal Utilities (PMU)**

Address: **222 E Dakota Ave, PO Box 1253, Pierre, South Dakota 57501-1253, United States**

NERC Compliance Registry ID: **NCR01024**

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

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