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Midwest Reliability Organization

Compliance Audit Report Public Version

Confidential Information
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Upper Peninsula Power Company
(UPPCO)
NCR01033

October 12-21, 2009

October 27, 2009

TABLE OF CONTENTS

Executive Summary.....	2
Audit Process	3
Objectives.....	3
Scope.....	3
Confidentiality and Conflict of Interest	3
On-site Audit	4
Methodology.....	4
Audit Overview	4
Exit Briefing	5
UPPCO Company Profile.....	6
Audit Specifics.....	7
Audit Results	9
Compliance Culture.....	11

Executive Summary

The Midwest Reliability Organization (MRO) conducted a compliance audit of Upper Peninsula Power Company (UPPCO) as part of its normal three year cycle. The review of documentation submitted by UPPCO took place at the MRO offices October 12 to October 15, 2009. The team commenced the on-site portion of the audit on October 20, 2009 and concluded October 21, 2009. The audit team consisted of four MRO compliance staff members. Due to the direct relationship with Wisconsin Public Service Corporation, the audits of both entities were conducted concurrently.

NERC has designated a subset of Reliability Standards for compliance monitoring and reporting by the Regional Entities in their 2009 Implementation Plan. For 2009, NERC has identified 49 standards with 418 requirements as “actively monitored”. This 2009 compliance audit focused on the time frame starting June 18, 2007 up to August 6, 2009.

Upper Peninsula Power Company (UPPCO) is registered with the MRO as conducting 10 different functions. As a result of this registration and for this audit, UPPCO is responsible for meeting compliance with 28 Reliability Standards with 85 requirements. The audit team did not identify any possible violations during the audit.

A CIP (Critical Infrastructure Protection) Spot Check was conducted concurrent with the Compliance Audit which covered 13 requirements associated with six standards. An additional eight standards and their requirements were monitored as a part of the 2007 and 2008 CIP self-certification. The compliance determinations and results can be found in a separate MRO CIP spot check report.

UPPCO staff completed the compliance Questionnaires and provided the MRO with supporting documentation prior to the on-site audit. The MRO staff reviewed the questionnaires and supporting documentation at the MRO offices. Upon completion of the initial review of evidence, the audit team requested additional documentation as well as identified the subject matter experts to be interviewed.

Once on site, the UPPCO staff was found to be cordial and willing to clarify any questions and, when needed, direct the audit team to the correct evidence. The subject matter experts were open with their responses and were cooperative throughout the process.

Audit Process

The compliance audit process steps are detailed in the NERC Compliance Monitoring and Enforcement Program (CMEP). The NERC CMEP conforms to the Generally Accepted Government Auditing Standards.

Objectives

All registered entities are subject to audit for compliance with all Reliability Standards applicable to the functions for which they are registered.¹ The audit objectives are:

- Independently review UPPCO's compliance with the requirements of the Reliability Standards that are applicable to UPPCO based on UPPCO'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 Standard, and review the status of associated mitigation plans.

Scope

The UPPCO compliance audit was conducted as a part of its normal three-year cycle. The 2009 Compliance Program consists of 49 actively monitored Standards and 418 Requirements.

Confidentiality and Conflict of Interest

Confidentiality agreements and code of conduct documentation for the MRO 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 any audit team members 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 MRO Regional Entity audit team participants with no objections.

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

On-site Audit

Upon arrival, UPPCO personnel were given the opportunity to present an overview of their company. However; because they had given a presentation at the MRO offices during the document review week, they chose not to repeat the presentation. The MRO provided an opening presentation that gave 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. MRO staff requested UPPCO's cooperation in complying with the following guidelines: MRO must be billed for all meals and snacks; auditors may not fraternize with employees of UPPCO during breaks and outside of work during the period of the audit; and the audit team members may not accept gifts, regardless of value.

Methodology

Audit criteria included standards, measures, and expectations based on best practices. The criterion was 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, the team requested additional supporting documentation or clarification.

To ensure consistency and fairness during each compliance audit, the audit team utilizes the following:

- The NERC Violation Risk Factor (VRF) Standards Applicability Matrix to determine which Standards and Requirements were applicable to Wisconsin Public Service.
- The Questionnaire Reliability Standards Auditor Worksheets (QRSAW) to review each Reliability Standard during the compliance audit.
- FERC Order 693 for clarification of Standards in some instances.

Audit Overview

In January 2008, UPPCO agreed to the MRO's proposed schedule of conducting a compliance Audit October 13-14, 2009, due to scheduling issues, the audit was rescheduled for October 20-21, 2009. The 60-day packet was sent to UPPCO on August 6, 2009. In the packet, UPPCO received a copy of the Certification Letter, the Two Month Prior On-Site Audit Notification, the Pre-Audit Survey, the MRO Regional Procedure for conducting audits, and the MRO Preparing for Compliance and Compliance Audit document. The Compliance Questionnaire RSAWs were inadvertently omitted and sent on August 10, 2009. In addition, a request was sent to the Midwest ISO Reliability Coordinator to fill out a questionnaire regarding UPPCO's response to reliability concerns on the bulk electric system.

Audit

Two weeks prior to the audit team site visit, UPPCO supplied MRO with approximately 75% of supporting documentation needed to demonstrate compliance. MRO staff reviewed this documentation in the MRO offices. The compliance staff used the NERC Standards and the QRSAs while reviewing the supporting documents and the compliance Questionnaire responses provided by UPPCO.

After evaluation of the supporting documentation, the audit team developed a set of questions for the subject matter experts at UPPCO and identified additional supporting evidence needed to determine compliance. Once on site, the team of auditors was able to review the necessary documents and conduct interviews of the subject matter experts. The interviews, in conjunction with supporting evidence, provided the audit team with a basis for verifying compliance with Reliability Standards. Subject matter experts for the following Standards were requested to be available: CIP-001, COM-001, EOP-001, EOP-002, EOP-003, EOP-005, EOP-008, FAC-008, FAC-009, , IRO-004, IRO-005, IRO-006, PER-001, PER-002, PER-003, PRC-001, PRC-004, PRC-005, PRC-008, TOP-001, and TOP-002.

The operations staff was also interviewed to verify that the documentation and tools needed to conduct their job responsibilities were available to them at all times.

Exit Briefing

Upon completion of the audit process, the MRO audit team and UPPCO staff, met to review the exit presentation. At this time, the audit team did not identify any possible violations.

Company Profile

The official name of the company is Upper Peninsula Power Company (UPPCO).

Integrus Energy Group, Inc., through its subsidiaries, operates as a regulated electric and natural gas utility company. The company generates electricity through coal, natural gas and fuel oil, hydroelectric, and wind resources. It offers electric services to various customers including municipal utilities, electric cooperatives, energy marketers, other investor-owned utilities, and municipal joint action agencies. The company was formerly known as WPS Resources Corporation and changed its name to Integrus Energy Group, Inc.

UPPCO is a subsidiary of Integrus. The organizational structure for NERC Compliance is described in their Appendix B, page 5, of Rev 4 of the Electric Reliability Compliance Plan.

UPPCO serves 51,000 customers in two-thirds of Michigan's Upper Peninsula.

The UPPCO Local Balancing Area has a forecasted peak load of 169 MW for summer 2009. UPPC peak loads vary from summer to winter peaking. The historical LBA peak load of 170 MW occurred on February 11, 2008, hour ending 0700.

As a result of Wisconsin's Act 9, Upper Peninsula Power Company (UPPCO) transferred ownership of all lines energized at 50kV and above to the American Transmission Company LLC (ATC). UPPCO owns a limited amount of 33kV lines with the majority of their distribution being 12kV.

UPPCO's generation capability is 52.8 MW. The fuel mix is approximately 69% oil fired peaking, and 31% hydro. UPPC has the following following firm purchase agreements: White Pine Electric Power – 35 MW and WPSC – up to 114 MW depending on month and nomination amount.

Audit Specifics

The compliance audit commenced October 12, 2009 at the MRO offices in Roseville MN and was completed at the Wisconsin Public Service Corporation office in Green Bay, WI October 21, 2009.

Audit Team

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

Upper Peninsula Power Company Audit Participants

Title	Upper Peninsula Power Company Organization
Supt. Dist. Ops. GR	DOC
Dir. Electric Supply & Ops	ES&C
System Operator	DOC
System Operator	DOC
System Operator	ES&C
Operator	ES&C
Operations Support Consultant	DOC
Operations Support Consultant	DOC
Generation Services Engineer	Generation Services
Director-Generation	Energy Supply Operations
Mgr. Energy Delivery Ops	System Operating
Dir. System Protection and Control	Substation Engineering
Asst. Dir. Electric Supply & Ops	ES&C
Substation Engineer	Substation Engineering
Operations Support Specialist	DOC
Mgr. Substation Engineering & Ops	Substation Engineering
Consultant	Compliance
Director Electric Reliability Compliance	Transmission
Senior Vice President Energy Delivery and Customer Service	WPSC
President UPPCO	UPPCO
Director Energy Supply and Control	Energy Supply and Control

Audit Results

- Upper Peninsula Power Company (UPPCO) provided the audit team with supporting documentation for review prior to the on-site visit. The team received approximately 75% of the supporting documentation needed for evidence. The audit team spent the week prior to the on-site visit 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.
- A number of documents provided as evidence were recently created and/or revised. UPPCO was requested to provide older versions of these documents.
- UPPCO provided the audit team with the necessary lists in order to conduct random sampling of protection system maintenance records.
- The audit team randomly selected facilities to be reviewed through the use of a random sample generator. After identification of these facilities, UPPCO provided the available evidence.
- UPPCO provided the audit team with all of the additional information requested prior to the subject matter expert interviews.
- UPPCO personnel were allowed to speak freely without interruption from management during the subject matter expert interviews and the operator interviews. The Primary Compliance Contact was not available during some of the interviews due to the concurrent CIP Spot Check, however, representation was provided by other management personnel in his place.
- The Midwest ISO Reliability Coordinator (RC) responded to the questionnaire sent by the MRO regarding the WPSC/UPPCO relationship with the RC. The Midwest ISO RC responded positively to WPSC/UPPCO's compliance with RC directives and interaction.
- The audit team used the NERC Questionnaire Reliability Standard Auditor Worksheets (QRS AW) to assess compliance to the Reliability Standards. The team documented the primary questions for the subject matter experts and any requests for additional evidence.

Compliance Audit

Conducted On: **Oct 22, 2009**

Entity: **Upper Peninsula Power Company (UPPCO)**

Address: **600 N Adams Street, PO Box 19002, Green Bay, Wisconsin 54307-9002, United States**

NERC Compliance Registry ID: **NCR01033**

Standard Requirement	Compliant
BAL-002-0 R1	Yes
BAL-002-0 R3	Yes
BAL-005-0A R10	Yes
BAL-005-0A R2	Yes
CIP-001-1 R1	Yes
CIP-001-1 R2	Yes
CIP-001-1 R3	Yes
CIP-001-1 R4	Yes
COM-001-1 R1	Yes
COM-002-2 R1	Yes
EOP-001-0 R1	Yes
EOP-001-0 R3	Yes
EOP-001-0 R4	Yes
EOP-001-0 R5	Yes
EOP-001-0 R6	Yes
EOP-001-0 R7	Yes
EOP-002-2 R1	Yes
EOP-002-2 R2	Yes
EOP-002-2 R3	Yes
EOP-002-2 R4	Yes
EOP-002-2 R5	Yes
EOP-002-2 R6	Yes
EOP-002-2 R7	Yes
EOP-002-2 R9	Yes
EOP-003-1 R1	Yes
EOP-003-1 R2	Yes
EOP-003-1 R3	Yes
EOP-003-1 R4	Yes
EOP-003-1 R5	Yes
EOP-003-1 R6	Yes
EOP-003-1 R7	Yes
EOP-003-1 R8	Yes
EOP-005-1 R11	Yes
EOP-005-1 R5	Yes
EOP-005-1 R6	Yes
EOP-005-1 R7	Yes
EOP-008-0 R1	Yes
FAC-008-1 R1	Yes
FAC-008-1 R2	Yes
FAC-008-1 R3	Yes
FAC-009-1 R1	Yes

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Standard Requirement	Compliant
FAC-009-1 R2	Yes
IRO-001-1 R8	Yes
IRO-004-1 R4	Yes
IRO-004-1 R7	Yes
IRO-005-2 R13	Yes
IRO-005-2 R8	Yes
IRO-006-3 R6	Yes
PER-001-0 R1	Yes
PER-002-0 R1	Yes
PER-002-0 R2	Yes
PER-002-0 R3	Yes
PER-002-0 R4	Yes
PER-003-0 R1	Yes
PRC-001-1 R1	Yes
PRC-001-1 R2	Yes
PRC-001-1 R3	Yes
PRC-001-1 R5	Yes
PRC-001-1 R6	Yes
PRC-004-1 R1	Yes
PRC-004-1 R2	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 R3	Yes
TOP-001-1 R4	Yes
TOP-001-1 R6	Yes
TOP-001-1 R7	Yes
TOP-001-1 R8	Yes
TOP-002-2 R1	Yes
TOP-002-2 R13	Yes
TOP-002-2 R14	Yes
TOP-002-2 R15	Yes
TOP-002-2 R17	Yes
TOP-002-2 R18	Yes
TOP-002-2 R19	Yes
TOP-002-2 R3	Yes
TOP-002-2 R4	Yes
TOP-002-2 R9	Yes
TOP-006-1 R2	Yes
TOP-006-1 R6	Yes
TOP-006-1 R7	Yes
VAR-001-1 R5	Yes

Compliance Culture

Upper Peninsula Power Company completed the Compliance Culture Assessment prior to the audit. The MRO Enforcement will review the assessment during enforcement activities.