



Compliance Audit Report Public Version

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

**Wabash Valley Power Association, Inc.
NCR00940**

**Date of Audit
November 9 - 16, 2009**

**Date of Report
January 6, 2010**

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Executive Summary

This compliance audit report is the public version. Confidential information (including privileged and critical energy infrastructure information) has been redacted from this report. The full final compliance audit report was submitted to the audited entity and NERC.

An off-site, multi-regional compliance audit of Wabash Valley Power Association, Inc. (WVPA) was conducted from November 9 - 16, 2009. ReliabilityFirst conducts compliance audits as part of the ReliabilityFirst Compliance Monitoring and Enforcement Program (CMEP). At the time of the audit WVPA, NERC ID NCR00940, was registered for the Distribution Provider (DP), Load Serving Entity (LSE) and Purchasing Selling Entity (PSE) functions that it performs in the SERC and ReliabilityFirst regions. WVPA has an agreement with ACES Power Marketing (ACES) to perform various functions on its behalf, but remains responsible for complying with its applicable Reliability Standard requirements.

ReliabilityFirst provided a 90 day notification to WVPA which requested data and information to provide evidence of compliance with NERC Reliability Standards within the scope of the audit. WVPA submitted material that the audit team reviewed and used to assess WVPA's compliance with the NERC Reliability Standards. The audit team developed findings based on this review and assessment.

The audit team assessed WVPA's compliance with 12 NERC Reliability Standards and 19 associated requirements which are applicable to the DP, LSE and PSE functions which WVPA is registered to perform in the SERC and ReliabilityFirst regions. Following assessment, 4 NERC Reliability Standards and 7 associated requirements were determined to be not applicable to WVPA.

The audit team did not identify any violations as a result of this review. WVPA was found to be fully compliant with the 8 applicable NERC Reliability Standards and 12 associated requirements.

There were no ongoing Mitigation Plans and therefore none were reviewed by the audit team.

Audit Process

The compliance audit process steps are detailed in the ReliabilityFirst CMEP. The ReliabilityFirst CMEP generally conforms to the United States Government Accountability Office Government Auditing Standards and other generally accepted audit practices.

Objectives

WVPA is subject to audit for compliance with all Reliability Standards applicable to the functions for which it is registered.¹ The audit objectives are to:

- Review WVPA's compliance with the requirements of the Reliability Standards that are applicable to WVPA based on its 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
- Document WVPA's internal compliance culture
- Validate compliance with other NERC Reliability Standards outside the 2009 implementation plan as selected by *ReliabilityFirst*
- Validate compliance with applicable *ReliabilityFirst* reliability standards that are applicable to WVPA

Scope

The scope of the audit included Reliability Standards which were selected by NERC for monitoring via audit in the 2009 CMEP Implementation Plan. *ReliabilityFirst* also monitored all applicable *ReliabilityFirst* standards, self certifications, and mitigation plans as appropriate for the period of June 18, 2007 through the date of the audit.

Confidentiality and Conflict of Interest

Confidentiality and Conflict of Interest of the audit team are governed under the *ReliabilityFirst* Delegation Agreement with NERC and Section 1500 of the NERC Rules of Procedure. WVPA was informed of the *ReliabilityFirst* obligations and responsibilities under the agreement and procedures. The work history of each audit team member was provided to WVPA. WVPA 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. WVPA did not submit any objections by the stated fifteen day objection due date and by this action has accepted the audit team member participants without objections. *ReliabilityFirst* found no conflict of interest for any of the audit team members.

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

Off-site Audit

WVPA is subject to an audit once every six years as provided by the NERC Rules of Procedure. WVPA was provided a 90 day notification of this scheduled audit and at that time all necessary documents required by the NERC and Reliability*First* audit process were provided. The following documents were provided as part of the notification:

- 90 day Notification letter which contained a request for evidence, information, and data submittals
- Compliance Audit Survey
- Audit Agenda as applicable
- Internal Compliance Survey
- Audit Team Work History and Confidentiality documents
- General Instructions of Data or Information Submittals
- Compliance Questionnaire and Reliability Standard Auditor Worksheets (QRSAs)

Documents were provided to WVPA in electronic format.

Reliability*First* discussed the use of technical experts with the WVPA primary compliance contact and indicated that Reliability*First* would welcome the use of technical experts by WVPA as it deemed necessary to explain their compliance to the Reliability Standards. As such, WVPA had been notified to provide any technical experts or personnel that it deemed necessary in order to provide the Audit Team an understanding of the evidence provided to demonstrate compliance with Reliability Standards.

An audit agenda and/or schedule were provided to WVPA in advance to allow the necessary time to prepare for the audit. WVPA's cooperation and flexibility with the agenda was appreciated by the audit team.

The audit team reviewed WVPA's compliance processes for all applicable standards with WVPA and requested additional information to clarify information previously supplied to the team. These discussions in conjunction with evidence provided, supplied the audit team with a basis for using professional judgment when validating compliance to the Reliability Standards.

Methodology

The audit team reviewed the evidence provided by WVPA for each of the requirements that are applicable to the functions performed by the company to determine if the company complied with those Reliability Standards and associated requirements. The team reviewed each requirement, discussed the levels of compliance and addressed each team member's observations from the audit to determine its findings from the review.

Opening Briefing

An Opening Briefing was conducted to discuss the following:

- Introduction of audit team
- Audit Objective and Scope
- Confidentiality of Information
- Audit Team Expectations
- Discussion on Clarification Calls
- Audit Process
- Exit Briefing and Schedule

Audit

The audit team reviewed each requirement and the evidence provided to determine if WVPA was compliant with the requirement. The team discussed its findings to determine WVPA's compliance to each of the standards. Upon request, WVPA provided additional information or clarified existing information during the review of its material.

Exit Briefing

The audit team presented its preliminary findings to the WVPA staff. The team lead explained the findings from the audit. The exit presentation also covered the reporting process going forward, confidentiality of information, and audit feedback forms that the region is using to improve the audit process. WVPA was provided an opportunity to ask questions which the audit team addressed.

Company Profile

WVPA performs the following NERC functions in the SERC and Reliability*First* regions, and is registered with NERC/Reliability*First* for the following functions:

- Distribution Provider (DP)
- Load Serving Entity (LSE)
- Purchasing Selling Entity (PSE)

WVPA is a generation and transmission cooperative, organized in Indiana, as a non-profit corporation, with Member-Owner Cooperatives in Indiana, Illinois, Michigan, Missouri, and Ohio. The Mission of WVPA is to supply and deliver reliable wholesale power at a stable and competitive price to its 28 Member-Owners. WVPA supplies up to 1745 MW (2007 summer peak) to its Member Cooperatives from resources purchased from other electric utilities or energy marketing companies, and owned generation facilities. Power is delivered through

transmission facilities and market mechanisms coordinated by MISO and PJM, which are also the RCs and BAs. TOPs include Duke Energy, Midwest, American Electric Power, Indianapolis Power and Light; Ameren-Missouri, Ameren-Illinois, Northern Indiana Public Service Company and Consumers Power.

Audit Specifics

The compliance audit was conducted on November 9 - 16, 2009 at the ReliabilityFirst office in Akron, OH.

Audit Team

Role	Title	Company
Lead	Senior Compliance Engineer	ReliabilityFirst
Member	Contract Consultant	ReliabilityFirst

WVPA Audit Participants

Title	Organization
VP Power Supply and Authorized Signatory	WVPA
Compliance Coordinator	WVPA
Manager of Operations – East Market	ACES
Manager, Delivery Services	WVPA
Compliance Manager	WVPA
Manager, Portfolio & Risk	WVPA

Audit Results

The audit team assessed WVPA's compliance with 12 NERC Reliability Standards and 19 associated requirements which are applicable to the DP, LSE, and PSE functions which WVPA is registered to perform in the SERC and ReliabilityFirst regions. Following assessment, 4 NERC Reliability Standards and 7 associated requirements were determined to be not applicable to WVPA.

The audit team did not identify any violations as a result of this review. WVPA was found to be fully compliant with the 8 applicable NERC Reliability Standards and 12 associated requirements.

Findings

The following table details the auditor findings relating to evidence reviewed for compliance with the Reliability Standards within the scope of the compliance audit.

WVPA Audit Findings Table

Reliability Standard	Requirement	Finding
CIP-001-1	R1	Compliant
CIP-001-1	R2	Compliant
CIP-001-1	R3	Compliant
CIP-001-1	R4	Compliant
EOP-002-2	R9	Compliant
IRO-001-1	R8	Compliant
IRO-004-1	R4	Compliant
IRO-005-2	R13	Compliant
PRC-004-1	R1	NA
PRC-004-1	R3	NA
PRC-005-1	R1	NA
PRC-005-1	R2	NA
PRC-008-1	R1	NA
PRC-008-1	R2	NA
PRC-017-0	R1	NA
TOP-001-1	R4	Compliant
TOP-002-2	R3	Compliant
TOP-002-2	R18	Compliant
VAR-001-1	R5	Compliant

Compliance Culture

The WVPA Compliance Program is summarized within the Goals and Objectives section of their Compliance Manual. Compliance with Reliability Standards is the foundation of the Objectives and Goals of the Compliance Program. The Objectives of the WVPA Compliance Program are to ensure that WVPA complies with all applicable NERC, Reliability*First*, and SERC Reliability Standards, which in turn, supports the goal of reliable and secure power production and supply; and to ensure that WVPA is prepared to provide required information and data to Reliability*First*, SERC, and NERC in order to demonstrate compliance with all applicable Reliability Standards, and to build a culture of compliance.

The Compliance Manager has a dual reporting relationship within the organization, to the CEO and to Board General Counsel. The Authorized Signatory/Compliance Officer is the Vice President, Power Supply, who reports directly to the CEO. WVPA has an open door culture. The Compliance Manager has open access to any member of executive management, Board General Counsel, the executive committee (which includes members of WVPA's executive management), the President of the Board of Directors, or any member of the Board of Directors. The Compliance Manager has also presented NERC Compliance Updates at Board of Director Meetings. All Board members know who the Compliance Manager is and that they may contact her directly with any questions or concerns about the Compliance Program, and vice versa.

The Compliance Department is responsible for the management of the Compliance Program and has a dual reporting relationship to the CEO and to Board General Counsel. This department is responsible for NERC compliance and health/safety practices. Sufficient resources are provided to maintain and operate WVPA's NERC Compliance Program in accordance with current NERC Reliability Standards. The management of the Compliance Program is independent of the departments that are responsible for performance related to the Reliability Standards.

NERC Compliance Updates are a monthly topic on the Power Supply Department meeting agenda, with monthly updates at Board meetings by Board General Counsel and/or the Compliance Manager, CEO/Manager meetings, and Risk Oversight Committee meetings. NERC compliance is also a topic at All-Staff meetings, which are held quarterly for all personnel.

The Board of Directors has adopted a Compliance Policy, which also outlines employee responsibility to follow compliance policies and procedures. These documents compel cooperation with regard to compliance with Reliability Standards. An employee who in any way undermines compliance with Reliability Standards would be subject to the company's disciplinary action program.

NERC Training has been completed with all WVPA employees. Refresher training is conducted on an annual basis. NERC Overview Training is also conducted by WVPA Compliance

Personnel at all of the Member Cooperatives. NERC Compliance Presentations have also been given at Board level meetings and employee meetings.

The Compliance Manual and Compliance Program are reviewed on an annual basis, and as changes to Reliability Standards/Requirements or to internal processes/procedures necessitate. As part of the Compliance Program, compliance personnel maintain a “Compliance Log”. The Compliance Log is a record of Audit findings, results of “Spot Checks”, reported potential and confirmed non-conformances, and self-reports. Compliance personnel will notify the WVPA Signatory and the Board of Directors if managerial action is required, or if the severity of the non-conformance necessitates notification. Compliance personnel are responsible to maintain the log, as well as monitor and communicate item status. Any program changes and corrective actions will be communicated to the appropriate personnel immediately.

Via the benchmarking element of its Compliance Program, WVPA has established relationships with other companies with the joint goal of ensuring that it has a thorough Compliance Manual, and a solid Compliance Program, all with the ultimate goal of ensuring the reliability of the Bulk Electric System (BES). As appropriate, learning and educational information will be shared with this member group so that all Compliance Programs can benefit.