



# **Compliance Audit Report Public Version**

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Been Removed**

**Florida Keys Electric Cooperative  
Association Inc.  
December 7-11, 2009**

**NCR#00021**

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## Executive Summary

As part of the Florida Reliability Coordinating Council, Inc. (FRCC) Compliance Monitoring and Enforcement Program (CMEP), the FRCC performs On-Site Compliance Audits of each Transmission Operator within the Region once every three (3) years.

The FRCC 2009 Compliance Audit of Florida Keys Electric Cooperative Association, Inc. (FKEC) was conducted on Monday December 7 to Friday December 11, 2009 at its administrative office in Tavernier, Florida.

The specific North American Electric Reliability Corporation (NERC) Reliability Standards, applicable requirements, along with FKEC documentation (where required to demonstrate compliance), were reviewed by the compliance audit team. Relevant copies of documents, detailed audit notes, Reliability Standard Audit Worksheets (RSAWs) and detailed basis of findings are included in the FKEC audit record file.

A total of thirty-eight (34) NERC Reliability Standards were reviewed, and the audit team found that:

- FKEC was fully compliant with twenty-seven (27) standards
- Two (2) of the standards were not applicable to FKEC
- FKEC was found to have possible violations of five (5) standards.

## Audit Process

The compliance audit team followed the audit process steps that are outlined in the FRCC CMEP. The audit included the use of the NERC RSAWs along with the NERC reliability standards for definition of requirements. The FRCC CMEP generally conforms to the United States Government Accountability Office Government Auditing Standards and other generally accepted audit practices, as required by NERC.

### **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.<sup>1</sup> The audit objectives are to:

- Independently review FKCE's compliance with the requirements of the reliability standards that are applicable to FKEC based on FKEC's registered functions.
- Validate compliance with applicable reliability standards from the NERC 2009 Implementation Plan list of actively monitored standards.

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<sup>1</sup> North American Electric Reliability Corporation CMEP, paragraph 3.1, Compliance Audits

- 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 FKEC's compliance culture.

## **Scope**

A compliance audit will include all reliability standards applicable to the Registered Entity monitored in the NERC and FRCC Implementation Plans in the current and three previous years (back to June 18, 2007), and may include other reliability standards applicable to the Registered Entity. The scope of an on-site compliance can vary depending on whether it is scheduled as part of a regular, periodic scheduled audit or as part of a compliance investigation.

The scope of this audit included:

- Review of submitted documentation at FKEC's office location.
- On-site review of FKEC's back-up Control Center.
- Review of FKEC compliance with the specifically monitored standards included in the 2009 FRCC Implementation Plan and did not include the period prior to June 18, 2007.
- Detailed review of procedures, plans, records (such as training and maintenance), and other documentation developed by FKEC to demonstrate compliance with the applicable NERC reliability standards requirements. See Documentation table in this report for a listing of evidence submitted by FKEC.

## **Confidentiality and Conflict of Interest**

In order to ensure confidentiality and avoid possible conflict of interest, the FRCC compliance staff signed Non-Disclosure Acknowledgements as per the NERC Rules of Procedures. The signed documents, work history and conflict of interest forms of each audit team participant were provided to FKEC in advance of the on-site audit. FKEC 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. FKEC accepted the audit team participants with no objections.

## **On-site Audit**

On September 28, 2009, the FRCC submitted the 60 day notice of on-site audit to FKEC by e-mail and US mail as required by the CMEP. The notice of the audit defined the process, the expectations, and a request for data submittal.

In addition, FKEC was provided with a pre-audit survey, the audit scope, folders containing the RSAW's and associated reliability standards, an agenda, and a table of the reliability standards to be reviewed during the audit.

## ***Methodology***

The audit team conducted a pre-audit review of the evidence of compliance supplied by FKEC, at the FRCC office on November 17, 2009. The audit team conducted an additional audit review of the evidence of compliance supplied by FKEC, at the FKEC office on December 7, 2009 thru December 11, 2009. After initial review of the data using the RSAWs, the audit team advised FKEC that submittal of follow-up data was required for further determination and clarification of the evidence submitted. Letters from the FRCC Manager of Compliance to the FKEC Compliance Contact, dated December 7, 2009 (request #1), December 8, 2009 (request #2), December 9, 2009 (request #3), and December 10, 2009 (request #4) with FKEC responses, are included in the list of Documentation.

An audit overview meeting was held with FKEC via a conference call on November 17, 2009. The audit team lead went over the logistics and the agenda with FKEC and informed FKEC of the audit team's expectations while on site. During this meeting, the audit team lead confirmed the areas that would be investigated via an interview and requested that appropriate subject matter experts be available. FKEC was in agreement with the agenda. FKEC also provided the audit team with instructions of where to enter its facility and confirmed the necessary personnel would be available during the audit.

These interviews in conjunction with FKEC supplied evidence provided the audit team with a basis for professional judgment when validating compliance with the reliability standards.

## ***Audit Overview***

Upon arrival at FKEC, the audit team lead presented an overview of the audit agenda to FKEC's audit participants. A brief discussion took place regarding the coordination of interviews. FKEC was informed when the preliminary compliance audit findings would be presented to its participants. The audit team later broke into two groups and reviewed the audit folders requiring follow-up of additional evidence of compliance from FKEC.

During the on-site audit, the audit team conducted interviews with the appropriate subject matter experts within the various areas to validate data and processes were being met by FKEC as required by the reliability standards. The interviews confirmed FKEC's personnel were well informed of the processes in accordance to their specific job function(s). The following subject areas were clarified during the on-site interviews:

- System operator tools
- Emergency plans
- Facility Ratings Methodology
- Protection System Program

The audit team had direct communications with FKEC management as well as the subject matter experts who were collectively the audit participants. These interviews, in conjunction with submitted evidence, provided the audit team with a basis for their professional judgment when validating compliance with reliability standards. In accordance to the Generally Accepted

Government Auditing Standard 3.31 – Auditors must use professional judgment in planning and performing audits and in reporting the results. The audit team was pleased with FKEC’s flexibility to accommodate its schedules and to be readily available to answer questions regarding the assessed reliability standards.

The audit team requested additional documentation from FKEC and asked the audit participants to clarify questions or concerns the audit team had in validating compliance. If a possible violation was determined, the team discussed their findings as to where FKEC may have failed to provide evidence of compliance and reached a team consensus.

### ***Exit Briefing***

At the completion of the compliance audit, preliminary findings were presented to FKEC’s audit participants. (A list of the participants is included in this report). The monitored reliability standards were summarized. FKEC was informed of the following next steps:

- The draft audit report will be provided for FKEC’s review.
- FKEC is to provide written comments to FRCC within fourteen (14) days of receipt of the draft report.
- The audit team will finalize the report and provide to FRCC Compliance Staff.
- The FRCC Manager of Compliance will approve the final report.
- The FRCC Compliance Staff will review the audit report and determine the initial findings of alleged violation(s), if any.
- A Notice of alleged violation and penalty will be submitted to FKEC, if any.
- The final audit report will be issued and forwarded to NERC for posting in accordance with the FRCC CMEP.
- FKEC feedback of the audit process will be requested.

### ***Company Profile***

Florida Keys Electric Cooperative Association was founded in 1940 by local member-consumers. FKEC serves the upper portion of a narrow string of tropical islands that extend southwestward into the Atlantic from mainland Florida.

FKEC is registered on the NERC (NCR00022) compliance registry with the following functions: Distribution Provider, Load Serving Entity, Resource Planner, Transmission Owner, Transmission Operator, and Transmission Planner.

### ***Audit Specifics***

The compliance audit was conducted on December 7, 2009 to December 11, 2009 at the FKEC control center facility in Tavernier, Fl.

### **Audit Team**

<b>Audit Team Role</b>	<b>Title</b>	<b>Company</b>
Lead	Senior Compliance Auditor	FRCC
Member	Compliance Auditor	FRCC
Member	Compliance Auditor	FRCC
Member	CIP Compliance Auditor	FRCC
Documentation	Compliance Administrator	FRCC

### **FKEC Audit Participants**

<b>Title</b>
Chief Executive Officer
Chief Operating Officer
Director Power Supply and Delivery
Supervisor of System Operations
System Operator
System Operator

## Audit Results

<b>Reliability Standard</b>	<b>Requirement</b>	<b>Finding</b>
CIP-001-1	R1.	Compliant
CIP-001-1	R2.	Compliant
CIP-001-1	R3.	Compliant
CIP-001-1	R4.	Compliant
COM-001-1	R1.	Compliant
COM-002-2	R1.	Compliant
EOP-001-0	R2.	Not Applicable
EOP-001-0	R3.	Compliant
EOP-001-0	R4.	Compliant
EOP-001-0	R5.	Compliant
EOP-001-0	R6.	Possible Violation
EOP-001-0	R7.	Compliant
EOP-002-2	R9.	Compliant
EOP-003-1	R1.	Compliant
EOP-003-1	R2.	Compliant
EOP-003-1	R3.	Compliant
EOP-003-1	R4.	Compliant
EOP-003-1	R5.	Compliant
EOP-003-1	R6.	Compliant
EOP-003-1	R7.	Compliant
EOP-003-1	R8.	Compliant
EOP-005-1	R1.	Compliant
EOP-005-1	R2.	Compliant
EOP-005-1	R3.	Compliant
EOP-005-1	R4.	Compliant
EOP-005-1	R5.	Compliant
EOP-005-1	R6.	Compliant
EOP-005-1	R7.	Compliant
EOP-005-1	R8.	Not Applicable
EOP-005-1	R9.	Not Applicable
EOP-005-1	R10.	Not Applicable
EOP-005-1	R10.1	Not Applicable
EOP-005-1	R11.	Compliant

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<b>Reliability Standard</b>	<b>Requirement</b>	<b>Finding</b>
EOP-005-1	R11.2	Compliant
EOP-005-1	R11.3	Compliant
EOP-005-1	R11.4	Compliant
EOP-005-1	R11.5	Compliant
EOP-005-1	R11.5.1	Compliant
EOP-005-1	R11.5.2	Compliant
EOP-005-1	R11.5.4	Compliant
EOP-008-0	R1.	Compliant
EOP-008-0	R1.1	Compliant
EOP-008-0	R1.2	Compliant
EOP-008-0	R1.3	Compliant
EOP-008-0	R1.4	Compliant
EOP-008-0	R1.5	Compliant
EOP-008-0	R1.6	Compliant
EOP-008-0	R1.7	Compliant
EOP-008-0	R1.8	Compliant
FAC-001-0	R1.	Possible Violation
FAC-001-0	R2.	Compliant
FAC-001-0	R2.1.1.	Compliant
FAC-001-0	R2.1.2.	Compliant
FAC-001-0	R2.1.3.	Compliant
FAC-001-0	R2.1.4.	Compliant
FAC-001-0	R2.1.5.	Compliant
FAC-001-0	R2.1.6.	Compliant
FAC-001-0	R2.1.7.	Compliant
FAC-001-0	R2.1.8.	Compliant
FAC-001-0	R2.1.9.	Compliant
FAC-001-0	R2.1.10.	Compliant
FAC-001-0	R2.1.11.	Compliant
FAC-001-0	R2.1.12.	Compliant
FAC-001-0	R2.1.13.	Compliant
FAC-001-0	R2.1.14.	Compliant
FAC-001-0	R2.1.15.	Compliant
FAC-001-0	R2.1.16.	Compliant
FAC-001-0	R3.	Compliant
FAC-003-1	R1.	Not Applicable
FAC-003-1	R1.1.	Not Applicable
FAC-003-1	R1.2.	Not Applicable

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<b>Reliability Standard</b>	<b>Requirement</b>	<b>Finding</b>
FAC-003-1	R1.2.1.	Not Applicable
FAC-003-1	R1.2.2.	Not Applicable
FAC-003-1	R1.2.2.1.	Not Applicable
FAC-003-1	R1.2.2.2.	Not Applicable
FAC-003-1	R1.3.	Not Applicable
FAC-003-1	R1.4.	Not Applicable
FAC-003-1	R1.5.	Not Applicable
FAC-003-1	R2.	Not Applicable
FAC-008-1	R1.	Possible Violation
FAC-008-1	R1.1.	Compliant
FAC-008-1	R1.2.	Possible Violation
FAC-008-1	R1.2.1.	Compliant
FAC-008-1	R1.2.2.	Possible Violation
FAC-008-1	R1.3.	Possible Violation
FAC-008-1	R1.3.1.	Possible Violation
FAC-008-1	R1.3.2.	Possible Violation
FAC-008-1	R1.3.3.	Possible Violation
FAC-008-1	R1.3.4.	Possible Violation
FAC-008-1	R1.3.5.	Possible Violation
FAC-008-1	R2.	Compliant
FAC-008-1	R3.	Compliant
FAC-009-1	R1.	Compliant
FAC-009-1	R2.	Compliant
FAC-014-1	R5.	Compliant
IRO-001-1	R8.	Complaint
IRO-004-1	R3.	Complaint
IRO-004-1	R4.	Complaint
IRO-004-1	R7.	Compliant

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<b>Reliability Standard</b>	<b>Requirement</b>	<b>Finding</b>
IRO-005-1	R8.	Compliant
IRO-005-1	R13.	Compliant
PER-001-0	R1.	Compliant
PER-002-0	R1.	Compliant
PER-002-0	R2.	Compliant
PER-002-0	R3.	Possible Violation
PER-002-0	R3.1	Compliant
PER-002-0	R3.2	Compliant
PER-002-0	R3.3	Compliant
PER-002-0	R3.4	Possible Violation
PER-002-0	R4.	Compliant
PER-003-0	R1.	Compliant
PER-003-0	R1.1.	Compliant
PER-003-0	R1.2.	Compliant
PRC-001-1	R1.	Compliant
PRC-001-1	R2.	Compliant
PRC-001-1	R2.1.	Compliant
PRC-001-1	R2.2.	Compliant
PRC-001-1	R3.1.	Compliant
PRC-001-1	R3.2.	Compliant
PRC-001-1	R4.	Compliant
PRC-001-1	R5.	Compliant
PRC-001-1	R5.1	Compliant
PRC-001-1	R5.2	Compliant
PRC-001-1	R6.	Not Applicable
PRC-004-1	R1.	Compliant
PRC-004-1	R3.	Compliant
PRC-005-1	R1.	Compliant
PRC-005-1	R1.1	Compliant
PRC-005-1	R1.2	Compliant
PRC-005-1	R2.	Compliant
PRC-005-1	R2.1	Compliant
PRC-005-1	R2.2	Compliant
PRC-008-0	R1.	Compliant
PRC-008-0	R2.	Compliant
PRC-017-0	R1.	Not Applicable
PRC-017-0	R1.1.	Not Applicable

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<b>Reliability Standard</b>	<b>Requirement</b>	<b>Finding</b>
PRC-017-0	R1.1.1.	Not Applicable
PRC-017-0	R1.1.2.	Not Applicable
PRC-017-0	R1.1.3.	Not Applicable
PRC-017-0	R1.1.4.	Not Applicable
PRC-017-0	R1.2.	Not Applicable
PRC-017-0	R1.3.	Not Applicable
PRC-017-0	R1.4.	Not Applicable
PRC-017-1	R1.5.	Not Applicable
TOP-001-1	R1.	Compliant
TOP-001-1	R2.	Compliant
TOP-001-1	R3.	Compliant
TOP-001-1	R4.	Compliant
TOP-001-1	R5.	Compliant
TOP-001-1	R6.	Compliant
TOP-001-1	R7.	Compliant
TOP-001-1	R7.1.	Compliant
TOP-001-1	R7.2.	Compliant
TOP-001-1	R7.3.	Compliant
TOP-001-1	R8.	Compliant
TOP-002-2	R1.	Compliant
TOP-002-2	R3.	Compliant
TOP-002-2	R4.	Compliant
TOP-002-2	R11.	Possible Violation
TOP-002-2	R13.	Not Applicable
TOP-002-2	R16.	Compliant
TOP-002-2	R17.	Compliant
TOP-002-2	R18.	Compliant
TOP-002-2	R19.	Compliant
TOP-004-1	R1.	Compliant
TOP-004-1	R2.	Compliant
TOP-004-1	R3.	Compliant
TOP-004-1	R4.	Compliant
TOP-004-1	R5.	Compliant
TOP-006-1	R2.	Compliant
TOP-006-1	R6.	Compliant

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<b>Reliability Standard</b>	<b>Requirement</b>	<b>Finding</b>
TOP-006-1	R7.	Compliant
TOP-007-0	R1.	Compliant
TOP-007-0	R2.	Not Applicable
TOP-007-0	R3.	Not Applicable
TOP-008-1	R1.	Compliant
TOP-008-1	R2.	Compliant
TOP-008-1	R3.	Compliant
TPL-001-0	R1.	Compliant
TPL-001-0	R1.1.	Compliant
TPL-001-0	R1.2.	Compliant
TPL-001-0	R1.3.	Compliant
TPL-001-0	R1.3.1.	Compliant
TPL-001-0	R1.3.2.	Compliant
TPL-001-0	R1.3.3.	Compliant
TPL-001-0	R1.3.4.	Compliant
TPL-001-0	R1.3.5.	Compliant
TPL-001-0	R1.3.6.	Compliant
TPL-001-0	R1.3.7.	Compliant
TPL-001-0	R1.3.8.	Compliant
TPL-001-0	R1.3.9.	Compliant
TPL-001-0	R1.4.	Compliant
TPL-002-0	R1.	Compliant
TPL-002-0	R1.2.	Compliant
TPL-002-0	R1.3.	Compliant
TPL-002-0	R1.3.1.	Compliant
TPL-002-0	R1.3.2.	Compliant
TPL-002-0	R1.3.3.	Compliant
TPL-002-0	R1.3.4.	Compliant
TPL-002-0	R1.3.5.	Compliant
TPL-002-0	R1.3.6.	Compliant
TPL-002-0	R1.3.7.	Compliant
TPL-002-0	R1.3.8.	Compliant
TPL-002-0	R1.3.9.	Compliant
TPL-002-0	R1.3.10.	Compliant
TPL-002-0	R1.3.11.	Compliant
TPL-002-0	R1.3.12.	Compliant
TPL-002-0	R1.4.	Compliant
TPL-002-0	R1.5.	Compliant
TPL-003-0	R1.	Compliant
TPL-003-0	R1.1.	Compliant

<b>Reliability Standard</b>	<b>Requirement</b>	<b>Finding</b>
TPL-003-0	R1.2.	Compliant
TPL-003-0	R1.3.	Compliant
TPL-003-0	R1.3.1.	Compliant
TPL-003-0	R1.3.2.	Compliant
TPL-003-0	R1.3.3.	Compliant
TPL-003-0	R1.3.4.	Compliant
TPL-003-0	R1.3.5.	Compliant
TPL-003-0	R1.3.6.	Compliant
TPL-003-0	R1.3.7.	Compliant
TPL-003-0	R1.3.8.	Compliant
TPL-003-0	R1.3.9.	Compliant
TPL-003-0	R1.3.10.	Compliant
TPL-003-0	R1.3.11.	Compliant
TPL-003-0	R1.3.12.	Compliant
TPL-003-0	R1.4.	Compliant
TPL-003-0	R1.5.	Compliant
VAR-001-1	R1.	Compliant
VAR-001-1	R2.	Compliant
VAR-001-1	R7.	Compliant
VAR-001-1	R8.	Compliant
VAR-001-1	R9.	Compliant
VAR-001-1	R9.1.	Compliant
VAR-001-1	R10.	Compliant
VAR-001-1	R12.	Compliant

### ***Compliance Culture***

The FKEC's compliance culture was reviewed by the audit team by an interview with the Compliance Manager.