



Compliance Audit Report Public Version

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Watertown Municipal Utilities District (WMUD)
NCR 01035
January 28 - February 5, 2009

February 17, 2009

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Executive Summary

The Midwest Reliability Organization (MRO) conducted a compliance audit of Watertown Municipal Utilities District (WMUD) as a part of its normal six year cycle. Review of documentation submitted by WMUD took place at the MRO offices on January 28-29, 2009. The team conducted an audit conference call on February 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.

WMUD is registered with the MRO as responsible for 2 functions. As a result of this registration and for this audit, WMUD 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. WMUD 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, WMUD 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 WMUD 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 WMUD 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 WMUD's compliance with the requirements of the reliability standards that are applicable to WMUD based on WMUD'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 WMUD 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 March 13, 2008 the MRO scheduled WMUD to receive a compliance audit February 5-6, 2009 as a part of their normal six year cycle. On December 9, 2008 the MRO sent WMUD 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, WMUD 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 WMUD.

After evaluation of the supporting documentation, a set of questions was developed to be posed to subject matter experts for WMUD 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-004, PRC-004, PRC-008 and TOP-002.

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

Company Profile

Watertown Municipal Utilities (WMU) doing business as Watertown Municipal Utilities in Watertown South Dakota. The Watertown Municipal Utilities has a board of directors who are appointed by the Mayor of Watertown and these appointments are approved by the city council. WMU provides electric service to residences and businesses in the city limits of Watertown which includes the area around Lake Kampeska and also a few customers on the outside edge of the city limits. Watertown has a population of 20,237 people according to data recorded in 2000 by the U.S. Census Bureau.

WMU service territory east boundary is approximately Interstate I-29, north and south boundaries are the exit 177 and 180 respectfully. The west boundary is Hwy 139 which is 10 miles west from I-29.

- WMU has 12,250 electric customers.
- WMU is a summer peaking utility with a system peak on July 23, 2007 at 5:30 PM of 70,769 KW.
- WMU owns 17.5 miles of transmission line of which 13.5 miles at 115 kV and 4 miles at 69 kV. WMU owns 290 miles of distribution system at 12.5 kV and 5 kV.
- WMU has 2 interconnecting points at 115 kV with, Western Area Power Administration (WAPA) and Missouri River Energy Services (MRES). WMU has one interconnecting point at 69 kV with Northwestern Energy. WMU has 2 interconnecting points at 12.5 kV with Northwestern Energy.
- WMU owns no generation in their electric transmission system.
- WMU has purchase agreements with WAPA and MRES. WMU has an allocation of power from WAPA, and the remainder of power is provided by MRES. Both are delivered through long term contracts with these entities.

Audit Specifics

The compliance audit conference call was conducted on February 5, 2009.

Audit Team

Title	Company
Compliance Audit Manager	MRO
Senior Compliance Principle	MRO
Compliance Principle	MRO

WMUD Audit Participants

Title
General Manager
Electric Superintendent
Director of Operations

Audit Results

- WMUD 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.
- WMUD provided the requested additional documents within the next 2 business days.
- WMUD 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. WMUD was able to provide these documents.

Findings

Compliance Audit

Conducted On: **Feb 05, 2009**

Entity: **Watertown Municipal Utilities Department (WMUD)**

Address: **901 4th Ave SW, Watertown, South Dakota 57201-4107, United States**

NERC Compliance Registry ID: **NCR01035**

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 WMUD compliance culture was not reviewed by the audit team. The MRO requested Watertown Municipal Utilities District to complete the MRO Internal Compliance Program Survey which will be used to determine / identify the compliance culture of Watertown Municipal Utilities District; this survey was returned to the MRO.