



# **Compliance Audit Report Public**

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

**Louisiana Energy & Power Authority**  
NCR 01116

**Audit  
January 22-23, 2009**

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## Executive Summary

This **public version** of the final compliance audit report will be posted on the Southwest Power Pool Regional Entity's (SPP RE) and NERC websites. Confidential information has been redacted from this report. The report will be submitted to Louisiana Energy & Power Authority, Lafayette, Louisiana (LEPA) and to NERC. The public version of the report will be posted after any Alleged Violations have been processed through the Southwest Power Pool Regional Entity's (SPP RE) 2009 Compliance Monitoring and Enforcement Program.

LEPA was scheduled for an on-site audit in October 2008 as part of the NERC Compliance Monitoring and Enforcement Program (CMEP). Due to the hurricanes that came through Louisiana in the fall of 2008, the audit was moved to January of 2009. The CMEP requires all Balancing Authorities (BAs) and Transmission Operators (TOPs) to be audited on-site every three years. The audit team reviewed the material provided by LEPA and additional information that was requested during the audit. The SPP RE audit team reviewed the material and developed the audit finding on LEPA's compliance to the standards.

SPP RE audit team reviewed 19 NERC Standards with the LEPA staff. One standard was not applicable to LEPA at this time. The audit team reviewed the company evidence for each requirement in the standards with the LEPA subject matter expert. LEPA provided evidence to support their compliance with the standards.

After reviewing all of the evidence presented, the audit team found LEPA to be compliant with 16 of 19 of the NERC standards reviewed and applicable to LEPA at this time. LEPA is found to have Alleged Violations (AV) with NERC Standards CIP-001-1 R1 and R2, EOP-002-2 R7.1 and EOP-003-1 R8.

These four Alleged Violations will be reported to the SPP RE Director of Compliance and NERC. The alleged violations will be processed through the SPP RE's NERC Compliance Monitoring and Enforcement Program. LEPA will receive letters from the SPP RE concerning the next steps in the process.

The link to the Louisiana Energy and Power Authority's NOP can be viewed [here](#).

## Audit Process

The compliance audit process steps are detailed in the NERC 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.<sup>1</sup> The audit objectives are:

- Independently review the company's compliance with the requirements of the NERC and regional reliability standards that are applicable to the company based on the company's registered functions.
- Validate compliance with applicable reliability standards from the NERC 2009 Implementation Plan list of actively monitored standards.
- Review self-reported violations and previous self-certifications, confirm compliance with other requirements of the reliability standard, and review the status of associated mitigation plans.
- Validate coordination with neighboring BAs, TOPs, and the Reliability Coordinator.
- Document the company's compliance culture.

## **Scope**

The compliance on-site audit includes all reliability standards applicable to the Registered Entity monitored in the NERC Implementation Plans in the current and two previous years, and may include other reliability standards applicable to the Registered Entity. Some periodically monitored standards were reviewed at the SPP RE office. The results of the off-site reviews are included in the audit report.

There are 49 NERC standards in the 2009 Compliance Monitoring and Enforcement Program, of which 19 are applicable to LEPA's registration. The audit team reviewed 18 standards on site and the SPP RE staff reviewed one standard at the office.

The audit included questionnaires from the neighboring Balancing Authorities, Transmission Operators, and the Reliability Coordinator. Any identified issues found in the neighboring and Reliability Coordinator questionnaires were addressed during the audit.

If a company has an outstanding mitigation plan or has just completed a mitigation plan, the progress or completion of the plan was validated on-site by the audit team. LEPA did not have any outstanding mitigations plans.

This audit report includes the findings from the on-site and off-site review of the company's evidence.

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

## ***Confidentiality and Conflict of Interest***

Confidentiality agreements executed by the independent contractors and code of conduct documentation for the NERC representative and Regional Entity staff were provided to the SPP RE and the audited entity in advance of the audit. The work history of each audit team member was provided to SPP RE and the company. The company 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. LEPA accepted the final audit team member participants with no objections. SPP RE found no conflict of interest for any of the audit team members.

## ***On-site Audit***

The on-site audit is part of the NERC Compliance Monitoring and Enforcement Program (CMEP). Every Balancing Authority (BA) registered in the NERC Functional Registration Data Base is required to have an on-site audit once every three years. The on-site audit covers the 2009 NERC monitored standards, any Regional standards identified and possible other NERC standards listed in the pre-audit information. Companies on the 2009 on-site audit list were notified in the fall of 2008 about their upcoming audit and scheduled for the audit. Sixty days in advance, a letter explaining the audit was sent to the company. SPP RE sent the company a request for data and documents to complete. The pre-audit material included the audit team members, audit agenda, standards to be reviewed on-site, a pre-audit survey, the standards questionnaires, and the option to reject any audit team member. The pre-audit material received from the company provided the audit team an explanation of how the company operates for the functions they are registered.

The standards and supporting evidence to show compliance with the standards were reviewed with the company. The audit team received evidence supporting compliance with each requirement of the audited standards. Evidence included summary reports, company procedures, processes, work schedules, training schedules, on-line tools, data bases, and other sources. Information gathered from neighboring Balancing Authorities, Transmission Operators, and the Reliability Coordinator was considered during the review of evidence. The audit team reviewed the evidence for each standard and requirement with the company's subject matter experts. This process enabled the team to get immediate answers to questions that arose. This process also exposed other company staff to the audit process which helped solidify why a company follows certain procedures and processes. Any self-reported violations or open mitigation plans were reviewed by the audit team. The audit team used the evidence, the discussions with the company subject matter experts along with their professional judgment to decide on the recommended findings for the report.

On the final day, the lead auditor presented the findings of the audit to the company staff. LEPA brought in their management for the presentation. The presentation covered the findings for the standards reviewed on-site and off-site. The final report process was explained along with the security of the audit information. LEPA was informed that the public report will be posted on the NERC and SPP RE websites after all due processes are complete. LEPA was also notified that a post-audit questionnaire will be provided for them to make any comments about the audit or

audit team. There was a question and answer session after the presentation. The lead auditor answered all the questions and thanked LEPA for their hospitality.

## ***Methodology***

The audit team reviewed the evidence supplied by the company for each requirement of all NERC standards that apply to the functions performed by the company to determine if the company complied with that requirement. The company would be found to be noncompliant with requirements where compliance cannot be confirmed.

LEPA provided a room at their main office, near the control center. The audit team members completed individual assignments during the audit process. LEPA brought in its subject matter expert as the audit team reviewed the standards with him. The subject matter expert explained the evidence and answered all questions the team asked. LEPA presented most of their evidence by hard copy and on an overhead projection screen. Both were very useful for all of the team to review the evidence.

The audit team toured the control room and verified the information that was presented as evidence in the preceding days. The team was able to see live screens and ask several questions about their processes and procedures. The tour confirmed the information learned during the audit.

The audit team met privately after being presented the evidence from the company. The team reviewed each requirement and discussed the levels of compliance and addressed each team member's notes from the audit. The audit team decided on the findings to present to the company and the SPP RE. The audit team developed the closing presentation of audit findings. The lead auditor gave the presentation to the LEPA staff and answered all their questions.

## ***Audit Overview***

The audit team met with the LEPA representative on the first morning of the audit. Facilities and the audit process were discussed to verify if any changes to the agenda were warranted. There were no changes identified by either party.

## ***Audit***

The LEPA audit was performed as planned. The agenda was followed with only minor staff adjustments.

## ***Exit Briefing***

The audit team gave an exit presentation for the LEPA staff. The team lead explained the findings from the audit. The presentation was attended by the LEPA subject matter expert that participated in the audit and company management. The presentation was open for comments and discussion about the findings. The exit presentation also covered any possible violations and mitigation requirements. LEPA was informed that they will receive an audit evaluation to complete and return to NERC.

The audit team uses the exit presentation to help verify that the information presented is correct.

### ***Company Profile***

LEPA performs the following NERC function and is registered with NERC/SPP RE for this function:

- Balancing Authority

The Louisiana Energy and Power Authority (LEPA), created by the State Legislature in 1979, consist of 18 Louisiana cities and towns, each maintaining its own independent municipal power system.

Since 1989, LEPA has entered into all-requirements power contracts with many of its members and has implemented system operation through the use of an Energy Control Center. Located in Lafayette, LEPA's control area operates as a subset of its members. Those include Houma, Morgan City, New Roads, Plaquemine, Rayne, Vidalia, Welsh, and Winnfield, all located within the state of Louisiana. LEPA operates as a Balancing Authority with generation under AGC for Load Control. The Reliability Coordinator for LEPA is the Southwest Power Pool.

With these restrictions of being a political subdivision of the State of Louisiana, LEPA neither owns nor operates any transmission within its balancing area. All transmission utilized to serve LEPA's load is contracted through 3rd party transmission providers, those being CLECO and Entergy, Inc.

For the year 2008, LEPA's peak demand was ~221 MW. The estimate for the year 2009 is ~225 MW LEPA does not own generation under its control or within its balancing area. It does operate gas fired steam generation located within the cities of Morgan City (total capacity ~55 MW) and Plaquemine (total capacity ~40 MW). Additional gas fired generation under AGC is located within the city of Houma, but operated by City of Houma personnel. LEPA also has I/C diesel generators located within the cities of Rayne and New Roads with a total capacity of 14 MW.

LEPA is also a part owner of a coal-fired generator (Rodemacher No. 2) that is operated by CLECO, located on the CLECO transmission system, in the CLECO control area

LEPA does not participate in the SPP energy imbalance market, but participates in the SPP reserve sharing group.

### **Audit Specifics**

The compliance audit was conducted on January 22-23, 2009 at the LEPA office in Lafayette, Louisiana.

### **Audit Team**

<b>Title</b>	<b>Company</b>
Lead Engineer, Compliance	SPP RE
Lead Compliance Specialist	SPP RE
Lead Engineer, Compliance	SPP RE
SPP RE Contractor	SPP RE
SPP RE Contractor	SPP RE

### **LEPA Audit Participants**

<b>Title</b>	<b>Organization</b>
ECC Operations Manager	LEPA
Assistant General Manager	LEPA

## **Audit Results**

LEPA did not have any violations or mitigation plans open for review during this audit. After reviewing the evidence presented to the audit team, LEPA is found to be compliant with 16 of 19 applicable standards reviewed.

LEPA was prepared for the audit and presented its documentation in a concise manner. LEPA subject matter expert presented the material supporting its compliance to the standard requirements for their area. LEPA showed that they are in compliance with the NERC standards and are working to improve their process and procedures to insure that they continue to remain compliant. Senior management attended the audit findings presentation.

## Findings

### LEPA On-site Audit Findings

\*N/A – Not Applicable  
AV – Alleged Violation

<b>Reliability Standard</b>	<b>Requirement</b>	<b>Finding</b>
BAL-002-0	R1.	Compliant
BAL-002-0	R3.	Compliant
BAL-005-0	R2.	Compliant
BAL-005-0	R10.	Compliant
CIP-001-1	R1.	AV
CIP-001-1	R2.	AV
CIP-001-1	R3.	Compliant
CIP-001-1	R4.	Compliant
COM-001-1	R1.	Compliant
COM-002-2	R1.	Compliant
EOP-001-0	R1.	Compliant
EOP-001-0	R3.	Compliant
EOP-001-0	R4.	Compliant
EOP-001-0	R5.	Compliant
EOP-001-0	R6.	Compliant
EOP-001-0	R7.	Compliant
EOP-002-2	R1.	Compliant
EOP-002-2	R2.	Compliant
EOP-002-2	R3.	Compliant
EOP-002-2	R4.	Compliant
EOP-002-2	R5.	Compliant
EOP-002-2	R6.	Compliant
EOP-002-2	R7.	AV
EOP-003-1	R1.	Compliant
EOP-003-1	R2.	N/A
EOP-003-1	R3.	N/A
EOP-003-1	R4.	N/A
EOP-003-1	R5.	Compliant
EOP-003-1	R6.	Compliant
EOP-003-1	R7.	N/A
EOP-003-1	R8.	AV
EOP-005-1	R1.	Compliant
EOP-005-1	R5.	Compliant
EOP-005-1	R6.	Compliant

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<b>Reliability Standard</b>	<b>Requirement</b>	<b>Finding</b>
EOP-005-1	R7.	Compliant
EOP-005-1	R11.	Compliant
EOP-008-0	R1.	Compliant
IRO-001-1	R8.	Compliant
IRO-004-1	R3	Compliant
IRO-004-1	R4.	Compliant
IRO-004-1	R7.	Compliant
IRO-005-1	R8.	Compliant
IRO-005-1	R13.	Compliant
IRO-006-3	R6.	Compliant
PER-002-0	R1.	Compliant
PER-002-0	R2.	Compliant
PER-002-0	R3.	Compliant
PER-002-0	R4.	Compliant
PER-003-0	R1.	Compliant
PRC-001-1	R1.	N/A
PRC-001-1	R6.	N/A
TOP-001-1	R3	Compliant
TOP-001-1	R6	Compliant
TOP-001-1	R8	Compliant
TOP-002-2	R1.	Compliant
TOP-002-2	R3.	Compliant
TOP-002-2	R4.	Compliant
TOP-002-2	R9.	Compliant
TOP-002-2	R17.	Compliant
TOP-002-2	R18.	Compliant
TOP-002-2	R19.	Compliant
TOP-006-1	R2	Compliant
TOP-006-1	R6	Compliant
TOP-006-1	R7	Compliant

### ***Compliance Culture***

LEPA completed a questionnaire prior to the compliance audit. LEPA stated that it does not have a formal internal compliance program. The responsibilities of compliance have been assigned to the ECC Operations Manager. LEPA describes its program as an informal centralized compliance program with a single area of expertise assigned the responsibility for compliance with the standards. The chain of command for compliance is ECC Operations Manager reports to the Assistant General Manager, who reports to the General Manager (GM). The GM in turn reports to the Board of Directors. The compliance program is not independent from the department responsible for performance to the reliability standards. LEPA does not have a formal procedure for self-assessment and self-enforcement of internal controls.

LEPA has participated in the regional compliance program since 2000. They have always had someone participating in the regional workshops, survey activities, self certification process, and spot checks. The ECC Operations Manager distributes compliance information to the personnel responsible for compliance.

Overall, the staff is aware of the importance of continual compliance. LEPA is continuing to track and improve its compliance process and keep documentation up to date.