



Compliance Audit Report Public

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

Midwest Energy, Inc
NCR01118

**Audit
April 21-23, 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 Midwest Energy, Inc (MIDW) and to NERC after any Possible Alleged Violations have been processed through the Southwest Power Pool Regional Entity's (SPP RE) 2009 Compliance Monitoring and Enforcement Program.

MIDW was scheduled for an on-site audit in 2009 as part of the NERC Compliance Monitoring and Enforcement Program (CMEP). 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 MIDW and additional information that was requested during the audit. The SPP RE audit team reviewed the material and developed the audit finding on MIDW's compliance to the standards.

SPP RE audit team reviewed 108 requirements in 33 NERC Standards with the MIDW staff. The audit team found five requirements did not apply to MIDW operations because it does not have any special protection systems and its transmission is not on a blackstart cranking path. The audit team reviewed the company evidence for each applicable requirement in the standards with MIDW subject matter experts. MIDW provided evidence to support its compliance with the standards.

After reviewing all of the evidence presented, the audit team found MIDW to be compliant with all 103 requirements of 32 NERC standards reviewed that were applicable to MIDW at this time.

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.¹ 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.

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

- 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 year, and may include other reliability standards applicable to the Registered Entity.

There are 49 NERC Standards in the Monitored Compliance Program for audit in 2009. Sixteen of the Standards are not applicable to the MIDW registered functions. The audit team reviewed 33 standards on site. One standard covered functions not performed by MIDW that were not applicable to the company at this time.

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. MIDW 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.

Confidentiality and Conflict of Interest

Confidentiality agreements executed by the independent contractors and code of conduct documentation for the 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. MIDW 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 Transmission Operator (TOP) and 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 its 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 it is 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 its questions. 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. MIDW brought in several staff members 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. MIDW was informed that the public report will be posted on the NERC and SPP RE websites after all due processes are complete. MIDW 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 MIDW for its 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.

MIDW provided its board room for the audit. The audit team members completed individual assignments during the audit process. MIDW brought in its subject matter experts as the audit team reviewed the standards with them. The subject matter experts explained the evidence and answered all questions the team asked. MIDW presented most of its evidence on an overhead projection screen. They also provided additional hard copies of the material for the team to

review. The overhead presentation was very useful for all of the team to review the evidence at one time.

The audit team toured the MIDW 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 its 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 MIDW staff and answered all their questions.

Audit Overview

The audit team met with the MIDW 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 MIDW 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 MIDW staff. The team lead explained the findings from the audit. The presentation was attended by MIDW staff that participated in the audit and other staff. The presentation was open for comments and discussion about the findings. The exit presentation also covered any possible violations and mitigation requirements. MIDW was informed that it 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

MIDW performs the following NERC functions and is registered with NERC/SPP RE for these functions:

- Transmission Operator
- Transmission Owner
- Transmission Planner
- Purchasing Selling Entity
- Load Serving Entity

- Distribution Provider

MIDW is an electric and gas customer owned cooperative serving about 46,000 electric and 41,000 gas customers throughout 40 counties in western Kansas.

The MIDW transmission system is entirely within the Westar Balancing Authority Area. MIDW operates and maintains 579 miles of 100 kV and above transmission lines. It has 18 interconnections with two transmission operators, seven 115 kV and two 230 kV interconnections with Sunflower Electric and three 34.5 kV, seven 115 kV, and one 230 kV interconnections with Westar Energy. MIDW also provides thirty-three 115 kV and 34.5 kV delivery points for multiple transmission service customers.

MIDW is a summer peaking system with a peak of 336 MW on August 8, 2007. MIDW has a total generation capacity of 101 MW all of which is natural gas or dual fuel natural gas or fuel oil. It also has 250 MW of wind farm generation on its transmission system of which 49 MW is committed to MIDW. MIDW contracts power from its host Balancing Authority and other energy suppliers for the remainder of its energy requirements.

SPP is the Reliability Coordinator for MIDW. MIDW participates in the SPP through its host Balancing Area for services such as outage reporting. MIDW and Westar contractually share underfrequency load shedding responsibilities. MIDW uses SPP as the transmission provider for its transmission system and transmission requirements.

Audit Specifics

The compliance audit was conducted on April 21 - 23, 2009 at the MIDW office in Hays, Kansas.

Audit Team

Title	Company
SPP RE, Lead Compliance Specialist	SPP RE
SPP RE, Lead Engineer	SPP RE
SPP RE, Lead Engineer Compliance	SPP RE
SPP RE Contractor	SPP RE
SPP RE Contractor	SPP RE

MIDW Audit Participants

Title	Organization
President and General Manager	MIDW
Vice President Energy Management and Supply	MIDW
Vice President Operations	MIDW
Vice President Administrative Services	MIDW
Manager of Transmission Operations and Scheduling	MIDW
Operations Manager, Great Bend	MIDW
Operations Manager, Hays	MIDW
Director of Engineering	MIDW
Operations Manager, Colby	MIDW
Communications and Relay Technician	MIDW
Network Administrator	MIDW
Communications and Relay Technician	MIDW

Audit Results

MIDW did not have any violations or mitigation plans open for review during this audit. After reviewing the evidence presented to the audit team, MIDW is found to be compliant with all 32 applicable standards reviewed.

Senior management attended the opening and the audit findings presentation. MIDW was prepared for the audit and presented its documentation in a concise manner. MIDW subject matter experts presented the material supporting its compliance to the standard requirements for

their area. They showed that they are in compliance with the NERC standards and are working to improve its process and procedures to insure that they continue to remain compliant.

Findings

MIDW On-site Audit Findings

*N/A – Not Applicable

Reliability Standard	Requirement	Finding
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.	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	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.	N/A
EOP-005-1	R9.	N/A
EOP-005-1	R10.	N/A
EOP-005-1	R11.	Compliant
EOP-008-0	R1.	Compliant
FAC-001-0	R1.	Compliant

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Reliability Standard	Requirement	Finding
FAC-001-0	R2.	Compliant
FAC-001-0	R3.	Compliant
FAC-003-1	R1.	Compliant
FAC-003-1	R2.	Compliant
FAC-008-1	R1.	Compliant
FAC-008-1	R2.	Compliant
FAC-008-1	R3.	Compliant
FAC-009-1	R1.	Compliant
FAC-009-1	R2.	Compliant
IRO-001-1	R8.	Compliant
IRO-004-1	R4.	Compliant
IRO-004-1	R7.	Compliant
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.	Compliant
PER-002-0	R4.	Compliant
PER-003-0	R1.	Compliant
PRC-001-1	R1.	Compliant
PRC-001-1	R2.	Compliant
PRC-001-1	R3.	Compliant
PRC-001-1	R4.	Compliant
PRC-001-1	R5.	Compliant
PRC-001-1	R6.	N/A
PRC-004-1	R1.	Compliant
PRC-004-1	R3.	Compliant
PRC-005-1	R1.	Compliant
PRC-005-1	R2.	Compliant
PRC-008-0	R1.	Compliant
PRC-008-0	R2.	Compliant
PRC-017-0	R1.	N/A
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	R8.	Compliant

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Reliability Standard	Requirement	Finding
TOP-002-2	R1.	Compliant
TOP-002-2	R3.	Compliant
TOP-002-2	R4.	Compliant
TOP-002-2	R11.	Compliant
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
TOP-006-1	R7.	Compliant
TOP-007-0	R1.	Compliant
TOP-007-0	R2.	Compliant
TOP-007-0	R3.	Compliant
TOP-008-0	R1.	Compliant
TOP-008-0	R2.	Compliant
TOP-008-0	R3.	Compliant
TPL-001-0	R1.	Compliant
TPL-002-0	R1.	Compliant
TPL-003-0	R1.	Compliant
VAR-001-1	R1.	Compliant
VAR-001-1	R2.	Compliant
VAR-001-1	R5.	Compliant
VAR-001-1	R7.	Compliant
VAR-001-1	R8.	Compliant
VAR-001-1	R9.	Compliant
VAR-001-1	R10.	Compliant
VAR-001-1	R12.	Compliant

Compliance Culture

MIDW completed a questionnaire prior to the compliance audit that described its formal internal compliance program. The responsibilities of Reliability Compliance Officer have been assigned to the Vice President - Energy Management and Supply. The Reliability Compliance Officer has independent access to the CEO as he reports directly to the CEO and also has frequent interaction with other executives or staff members. The Reliability Compliance Officer also meets with the Board of Directors on an as-needed or as-requested basis, usually at the discretion of the CEO. Only the CEO has direct access to the Board of Directors.

MIDW conducts an annual review of most of its procedures. The compliance program is evolving in step with both the industry and the NERC standards. New equipment, changes in the NERC standards, additional interchange points, and new generation, including wind generation, are making it necessary to modify the documents contained in the compliance program.

MIDW 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 Chief Operating Officer and Compliance Officer distribute compliance information to the departments responsible for compliance.

Overall, the staff is aware of the importance of continual compliance. MIDW is refining a process to track and keep documentation up to date.