



**Compliance Audit Report
Public Version**

**Basin Electric Power Cooperative (BEPC)
NERC ID: NCR05023**

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

Date of Audit: October 22-23, 2009

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Executive Summary

The Western Electricity Coordinating Council (WECC) performed an Off-Site compliance audit of Basin Electric Power Cooperative (BEPC) NERC ID NCR05023 on October 22-23, 2009. At the time of the audit, BEPC was registered on the North American Electric Reliability Corporation (NERC) Compliance Registry for the following functions:

Distribution Provider (DP)	Resource Planner (RP)
Generation Owner (GO)	Transmission Planner (TP)
Generation Operator (GOP)	Transmission Service Provider (TSP)
Load Serving Entity (LSE)	Transmission Owner (TO)

The Audit Team evaluated BEPC for compliance with twenty-two NERC Reliability Standards for the period of June 18, 2007 through October 22, 2009 in accordance with the NERC Compliance Monitoring and Enforcement Program 2009 Implementation Plan (2009 NERC CMEP IP). The Audit Team also evaluated BEPC for compliance with six WECC Regional Reliability Standards.

BEPC provided information for the Audit Team's evaluation. The information provided by BEPC is described below in the section titled "Off-Site Audit." Based on the evidence provided by BEPC, the Audit Team determined that BEPC complied with all of the applicable Reliability Standards. The Audit Team found no new possible violations of those Reliability Standards. The section below titled "Audit Results" explains the Audit Team's findings in detail. BEPC had not submitted any mitigation plans at the time of the audit.

This audit report includes information that will be used to help WECC determine the severity level of sanctions and penalties, if applicable. Any possible violations of the Reliability Standards will be processed by WECC in accordance with the WECC Compliance Monitoring and Enforcement Program (CMEP).

Audit Process

The CMEP details the compliance audit process. The CMEP conforms generally to United States Government Accountability Office Government Auditing Standards (GAGAS) and to other generally accepted audit practices.

Objectives

Registered Entities are subject to audit for compliance with all Reliability Standards applicable to their registered functions.

The objectives of the audit are to:

- Independently review BEPC compliance with the requirements of the Reliability Standards applicable to BEPC.
- Validate BEPC compliance with the applicable NERC Reliability Standards from the 2009 NERC CMEP IP list of actively-monitored Reliability Standards and as selected by WECC.
- 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

A compliance audit will include an evaluation of the Reliability Standards applicable to BEPC. These Reliability Standards are listed in the 2009 NERC Actively Monitored Standards. The scope of the audit is the current year and two previous years back to the date of the previous audit or approval of the standard. The audit may also include other Reliability Standards applicable to BEPC as determine by the audit team lead.

Confidentiality and Conflicts of Interest

The WECC Delegation Agreement with NERC, and Section 1500 of the NERC Rules of Procedure, govern issues of confidentiality and conflicts of interest that may arise as the result of an audit. BEPC was informed of WECC's obligations and responsibilities under the Delegation Agreement and Rules of Procedure. WECC provided the work history for each Audit Team member to BEPC. BEPC had the opportunity to object to an Audit Team member's participation in the audit on the basis of a possible conflict of interest or because of other circumstances that could interfere with an Audit Team member's impartiality. BEPC did not submit any objections within the fifteen day opportunity period.

Off-Site Audit

WECC notified BEPC of the audit on August 14, 2009. WECC informed BEPC that the Audit Team would perform the audit in accordance with the CMEP and the 2009 NERC Compliance Questionnaire and Reliability Standard Audit Worksheets (RSAW). WECC provided the following documents and information to BEPC on, August 14, 2009. A pre-audit conference call was facilitated by WECC staff on October 08, 2009 to give BEPC staff an opportunity to finalize the audit logistics and address any concerns.

Notice of Compliance Audit

- Attachment A: Compliance Monitoring Authority Letter
- Attachment B: Audit Team Biographies

- Attachment C: Off-Site Pre-Audit Survey
- Attachment D: 2009 NERC Questionnaire and Reliability Standard Audit Worksheets and WECC Reliability Standard Audit Worksheets
- Attachment E: Compliance Audit Certification Letter (This certification letter is a form document that NERC requires Registered Entities to review and sign.)
- Attachment F: Confidentiality Agreements for the Audit Team members

WECC asked BEPC to complete the NERC RSAWs and the WECC RSAWs and return them to WECC by October 08, 2009.

In response to WECC's request, BEPC provided completed RSAWs and copies of the above-listed documents. BEPC also provided copies of policies, procedures, plans, programs, emails, data sheets, reports, and other types of documents. In preparation for the off-site audit, the Audit Team reviewed the RSAWs and other documents submitted by BEPC to evaluate compliance with each applicable Reliability Standard.

Methodology

As referenced above in the Audit Process section, WECC generally follows the GAGAS and conducts compliance audits as described in the NERC Compliance Auditor Manual.

Audit

During the off-site audit, the Audit Team substantiated the documents and information provided by BEPC prior to the audit. The Audit Team requested additional information from BEPC during the off-site audit, and cross-checked that information as well to ensure accuracy. The Audit Team reviewed BEPC's procedures, transactions and records. Additionally, the Audit Team interviewed BEPC personnel during the off-site audit and consulted with BEPC's subject matter experts to evaluate BEPC's compliance with the applicable Reliability Standards. The Audit Team communicated with BEPC's management personnel throughout the course of the audit.

To reach its conclusions during the audit process, the Audit Team relied upon the following: (1) documentation provided by BEPC; (2) consultation with BEPC's subject matter experts; (3) the Reliability Standards; (4) the Audit Team's expertise regarding the Bulk Power System; and (5) consensus of the Audit Team's members. The interviews and documents provided by BEPC provided the Audit Team with a basis to use professional judgment when validating BEPC's compliance with the Reliability Standards.

Exit Briefing

To conclude the off-site audit, the Audit Team leader gave a PowerPoint presentation over the telephone to BEPC's personnel summarizing the Audit Team's preliminary

findings regarding each applicable Reliability Standard. The Audit Team leader also explained the next steps in the audit process and how WECC handles possible violations under the CMEP.

Company Profile

BEPC is a consumer-owned rural electric cooperative headquartered in Bismarck, North Dakota. BEPC is governed by a member elected Board of Directors and each Basin Electric director represents one of Basin Electric's membership districts. BEPC is a generation and transmission cooperative incorporated in 1961 to provide supplemental power to a consortium of rural electric cooperatives. BEPC has a diverse energy portfolio: coal, gas, oil, nuclear, distributed, and renewable energy, including wind power. BEPC operates 3,767 megawatts (MW) wholesale electric generating capacity,

Total coal and gas generation	2,829 MW
Total renewable generation	496 MW
Total generation under construction*	476 MW
Total committed wind projects in the Dakotas:	251.5 MW

BEPC owns 2,015 miles of high-voltage transmission, 65 switchyards and 113 telecommunication sites.

* total includes the Dry Fork Station and the Culbertson Generation Station.

Audit Specifics

WECC conducted the compliance audit on October 22 – 23, 2009 at the WECC offices in Salt Lake City, UT.

Audit Team

The following is a list of WECC Audit Team members and BEPC personnel who participated in the audit.

Audit Team Members

Audit Team Role	Title	Company
Lead	Senior Compliance Engineer	WECC
Auditor	WECC Consultant	WECC

BEPC Audit Participants

Title	Company
Senior Engineer	BEPC
Manager Transmission Compliance	BEPC

Audit Results

The Audit Team reviewed and validated all of the evidence presented by BEPC for the audit, including additional information requested by the Audit Team during the audit and information provided during interviews with the BEPC subject matter experts.

- The Audit Team spent significant time reviewing the evidence, findings and conclusions. The Audit Team conducted an extensive review of BEPC's procedures, descriptions of processes, transactions and records.
- The Audit Team exercised its professional judgment during the overall assessment of the evidence, and determined whether BEPC's evidence was sufficient to confirm compliance with the applicable Reliability Standards.
- The Audit Team had ongoing communications with BEPC during the audit.
- The Audit Team used RSAWs and summaries of auditor notes from interviews to validate compliance with each applicable Reliability Standard and to complete the findings for the audit.
- The Audit Team reviewed BEPC's evidence concerning appropriate supervisory reviews, communications about any deficiencies in internal control and instances of possible violations, and the current status of any mitigation plans pending completion.

Findings

The "Finding" column may contain any one of the following: Compliant, New Possible Violation, Not Applicable, Not Audited, Outstanding Violation, Retraction requested (Retract), Self-reported Violation (Self-Report), or other appropriate description.

Standard	Req.	Finding
CIP-001-1	R1.	Compliant
CIP-001-1	R2.	Compliant
CIP-001-1	R3.	Compliant
CIP-001-1	R4.	Compliant
COM-002-2	R1.	Compliant
COM-002-2	R2.	Not Audited

Standard	Req.	Finding
EOP-002-2	R1.	Not Applicable
EOP-002-2	R2.	Not Applicable
EOP-002-2	R3.	Not Applicable
EOP-002-2	R4.	Not Applicable
EOP-002-2	R5.	Not Applicable
EOP-002-2	R6.	Not Applicable
EOP-002-2	R7.	Not Applicable
EOP-002-2	R8.	Not Applicable
EOP-002-2	R9.	Not Applicable
FAC-001-0	R1.	Compliant
FAC-001-0	R2.	Compliant
FAC-001-0	R3.	Compliant
FAC-003-1	R1.	Compliant
FAC-003-1	R2.	Compliant
FAC-003-1	R3.	Not Audited
FAC-003-1	R4.	Not Audited
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
FAC-014-1	R1.	Not Applicable
FAC-014-1	R2.	Not Applicable
FAC-014-1	R3.	Not Applicable
FAC-014-1	R4.	Not Applicable
FAC-014-1	R5.	Compliant
FAC-014-1	R6.	Not Applicable
IRO-001-1	R1.	Not Audited
IRO-001-1	R2.	Not Applicable
IRO-001-1	R3.	Not Applicable
IRO-001-1	R4.	Not Audited
IRO-001-1	R5.	Not Audited
IRO-001-1	R6.	Not Audited
IRO-001-1	R7.	Not Applicable
IRO-001-1	R8.	Compliant
IRO-001-1	R9.	Not Applicable
IRO-004-1	R1.	Not Applicable
IRO-004-1	R2.	Not Applicable
IRO-004-1	R3.	Not Applicable
IRO-004-1	R4.	Compliant
IRO-004-1	R5.	Not Applicable
IRO-004-1	R6.	Not Applicable

Standard	Req.	Finding
IRO-004-1	R7.	Compliant
IRO-005-1	R1.	Not Applicable
IRO-005-1	R2.	Not Applicable
IRO-005-1	R3.	Not Applicable
IRO-005-1	R4.	Not Applicable
IRO-005-1	R5.	Not Applicable
IRO-005-1	R6.	Not Applicable
IRO-005-1	R7.	Not Applicable
IRO-005-1	R8.	Not Applicable
IRO-005-1	R9.	Compliant
IRO-005-1	R10.	Not Applicable
IRO-005-1	R11.	Not Applicable
IRO-005-1	R12.	Not Applicable
IRO-005-1	R13.	Compliant
IRO-005-1	R14.	Not Audited
IRO-005-1	R15.	Not Applicable
IRO-005-1	R16.	Not Applicable
IRO-005-1	R17.	Not Applicable
IRO-STD-006-0	WR1	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.	Not Applicable
PRC-STD-001-1	WR1	Compliant
PRC-STD-003-0	WR1	Compliant
PRC-004-1	R1.	Compliant
PRC-004-1	R2.	Compliant
PRC-004-1	R3.	Compliant
PRC-005-1	R1.	Compliant
PRC-005-1	R2.	Compliant
PRC-STD-005-1	WR1	Compliant
PRC-008-0	R1.	Compliant
PRC-008-0	R2.	Compliant
PRC-017-0	R1.	Not Applicable
PRC-017-0	R2.	Not Applicable
TOP-001-1	R1.	Not Applicable
TOP-001-1	R2.	Not Applicable
TOP-001-1	R3.	Compliant
TOP-001-1	R4.	Compliant
TOP-001-1	R5.	Not Applicable

Standard	Req.	Finding
TOP-001-1	R6.	Compliant
TOP-001-1	R7.	Compliant
TOP-001-1	R8.	Not Applicable
TOP-002-2	R1.	Not Applicable
TOP-002-2	R2.	Not Audited
TOP-002-2	R3.	Compliant
TOP-002-2	R4.	Not Applicable
TOP-002-2	R5.	Not Audited
TOP-002-2	R6.	Not Audited
TOP-002-2	R7.	Not Audited
TOP-002-2	R8.	Not Audited
TOP-002-2	R9.	Not Applicable
TOP-002-2	R10.	Not Audited
TOP-002-2	R11.	Not Applicable
TOP-002-2	R12.	Not Audited
TOP-002-2	R13.	Compliant
TOP-002-2	R14.	Compliant
TOP-002-2	R15.	Compliant
TOP-002-2	R16.	Not Applicable
TOP-002-2	R17.	Not Applicable
TOP-002-2	R18.	Compliant
TOP-002-2	R19.	Not Applicable
TPL-001-0	R1.	Compliant
TPL-001-0	R2.	Not Audited
TPL-001-0	R3.	Not Audited
TPL-002-0	R1.	Compliant
TPL-002-0	R2.	Not Audited
TPL-002-0	R3.	Not Audited
TPL-003-0	R1.	Compliant
TPL-003-0	R2.	Not Audited
TPL-003-0	R3.	Not Audited
TPL-004-0	R1.	Not Audited
TPL-004-0	R2.	Not Audited
VAR-STD-002a-1	WR1.	Compliant
VAR-STD-002b-1	WR1.	Compliant

In Accordance with WECC CMEP Section 3.1.6:

WECC provided the draft of this audit report and an Entity Comment Form to BEPC on December 28, 2009 for review and comment. On January 11, 2010, BEPC provided comments. The Entity Comment Form on file in the WECC Compliance Department

provides and record of these comments and WECC's consideration of them for inclusion in this final report.

Management Approval

This report was reviewed and approved by John McGhee, WECC Director of Compliance Audit and Investigations on May 21, 2010.