



**Compliance Audit Report
Public Version**

**Northwest Power Pool Reserve Sharing Group (NWPP RSG)
NERC ID: NCR05281**

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

Date of Audit: August 18, 2009

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Executive Summary

The Western Electricity Coordinating Council (WECC) performed an off-site compliance audit of Northwest Power Pool Reserve Sharing Group, (NWPP RSG) NERC ID NCR05281, on August 18, 2009. At the time of the audit, NWPP RSG was registered on the North American Electric Reliability Corporation (NERC) Compliance Registry for the following function:

Reserve Sharing Group (RSG)

The Audit Team evaluated NWPP RSG for compliance with thirteen NERC Reliability Standards for the period of June 18, 2007 – August 18, 2009 in accordance with the 2009 NERC Compliance Monitoring and Enforcement Program Implementation Plan (CMEP IP). The Audit Team also evaluated NWPP RSG for compliance with two WECC Regional Reliability Standards.

NWPP RSG provided information for the Audit Team's evaluation. The information provided by NWPP RSG is described below in the section titled Off-Site Audit. Based on the evidence provided by NWPP RSG, the Audit Team determined that NWPP RSG complied with all of the applicable Reliability Standards. The Audit Team found zero new possible violations of those Reliability Standards. NWPP RSG did have one Outstanding Possible Violation of BAL-002-0 Requirement 2, from 6/18/2007 through 5/18/2008, previously identified during a spot check, for failure to have a documented policy to prevent the same portion of resource capacity (e.g. reserves from jointly owned generation) from being counted more than once as Contingency Reserve by multiple Balancing Authorities. This documentation had been corrected at the time of the audit.

The section below titled Audit Results explains the Audit Team's findings in detail. NWPP RSG 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).

[http://www.nerc.com/filez/enforcement/Final%20Omnibus%20NOP%20\(10%2014%2009\)%20\(Public\).pdf](http://www.nerc.com/filez/enforcement/Final%20Omnibus%20NOP%20(10%2014%2009)%20(Public).pdf)

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 NWPP RSG's compliance with the requirements of the Reliability Standards applicable to NWPP RSG.
- Validate NWPP RSG's compliance with the applicable NERC Reliability Standards from the NERC 2009 Implementation Plan list of actively-monitored Reliability 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

A compliance audit will include an evaluation of the Reliability Standards applicable to NWPP RSG. These Reliability Standards are listed in the 2009 NERC CMEP IP Actively-Monitored Standards. The scope of the audit is the current year plus the two previous years back to the date of the previous audit or approval of the Reliability Standard. The audit may also include other Reliability Standards applicable to NWPP RSG 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. WECC informed NWPP RSG 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 NWPP RSG. NWPP RSG 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. NWPP RSG did not submit any objections within the fifteen day objection period.

Off-Site Audit

WECC notified NWPP RSG of the audit on June 16, 2009. WECC informed NWPP RSG that the Audit Team would perform the audit in accordance with the CMEP and the 2009 NERC Compliance Reliability Standard Audit Worksheets (RSAW). A pre-audit conference call was facilitated by WECC staff to give NWPP RSG staff an opportunity to finalize the audit logistics and address any concerns. WECC provided the following documents and information to NWPP RSG on June 16, 2009.

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 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 NWPP RSG to complete the NERC QRSAs and the WECC RSAs and return them to WECC by August 4, 2009.

In response to WECC's request, NWPP RSG provided completed QRSAs and copies of the above-listed documents. NWPP RSG 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 RSAs and other documents submitted by NWPP RSG 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 NWPP RSG prior to the audit. The Audit Team requested additional information from NWPP RSG during the off-site audit, and cross-checked that information as well to ensure accuracy. The Audit Team reviewed NWPP RSG's procedures, transactions and records. Additionally, the Audit Team interviewed NWPP RSG personnel during the off-site audit and consulted with NWPP RSG's subject matter experts to evaluate NWPP RSG's compliance with the applicable Reliability Standards. The Audit Team communicated with NWPP RSG'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 NWPP RSG; (2) consultation with NWPP RSG'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 NWPP RSG provided the Audit Team with a basis to use professional judgment when validating NWPP RSG'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 NWPP RSG'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

The NWPP RSG is a group of 20 Balancing Authorities operating, for purposes of compliance with NERC standard BAL-002-0 and the Contingency Reserve component of WECC standard BAL-STD-002-0, as a Reserve Sharing Group. The NWPP RSG is not a utility or company or other legally constituted entity. The NWPP RSG has no electric system apart from the individual systems of the participating Balancing Authorities.

The 20 Balancing Authorities that make up the NWPP RSG are:

Independent System Operator, operating as Alberta Electric System Operator (AESO)
Avista Corporation (AVA)
B.C. Transmission Corporation (BCTC)
Bonneville Power Administration (BPAT)
Chelan County PUD #1 (CHPD)
Douglas County PUD #1 (DOPD)
Grant County PUD #2 (GCPD)
Idaho Power Company (IPCO)
NaturEner Power Watch, LLC (GWA)
NorthWestern Energy (NWMT)
PacifiCorp East (PACE)
PacifiCorp West (PACW)
Portland General Electric Company (PGE)
Puget Sound Energy (PSE)
Sacramento Municipal Utility District (SMUD)
Seattle City Light (SCL)
Sierra Pacific Power Company (NV Energy) (SPP)
Tacoma Power (TPWR)
Turlock Irrigation District (TID)
Western Area Power Administration Upper Great Plains (WAUW)

Audit Specifics

WECC conducted the compliance audit on August 18, 2009 at the WECC offices in Salt Lake City, UT.

Audit Team

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

Audit Team Members

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

NWPP RSG Audit Participants

Title	Company
President, Northwest Power Pool Corporation, agent for NWPP RSG	Northwest Power Pool Corporation
Systems Operations Manager, Northwest Power Pool Corporation, agent for NWPP RSG	Northwest Power Pool Corporation
Chair NWPP Operating Committee	Alberta Electric System Operator
Vice Chair NWPP Operating Committee, Director	Avista Corporation
Sr. Power Operations Analyst, Northwest Power Pool Corporation, agent for NWPP RSG	Northwest Power Pool Corporation
Legal Counsel	Northwest Power Pool Corporation

Audit Results

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

- The Audit Team spent significant time reviewing the evidence, findings and conclusions. The Audit Team conducted an extensive review of NWPP RSG'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 NWPP RSG's evidence was sufficient to confirm compliance with the applicable Reliability Standards.

- The Audit Team had ongoing communications with NWPP RSG 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 NWPP RSG’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.	Status
BAL-002-0	R1.	Compliant
BAL-002-0	R2.	OAV
BAL-002-0	R3.	Compliant
BAL-002-0	R4.	Compliant
BAL-002-0	R5.	Compliant
BAL-002-0	R6.	Compliant
BAL-STD-002-0	WR1	Compliant