



**Compliance Audit Report
Public Version**

**Vera Water and Power (VWP)
NERC ID: NCR05448**

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

Date of Audit: November 05, 2009

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Executive Summary

The Western Electricity Coordinating Council (WECC) performed an off-site compliance audit of Vera Water and Power (VWP), NERC ID NCR05448, on November 05, 2009. At the time of the audit, VWP was registered on the North American Electric Reliability Corporation (NERC) Compliance Registry for the following function(s):

Distribution Provider (DP)
Load Serving Entity (LSE)

The Audit Team evaluated VWP for compliance with thirteen NERC Reliability Standards for the period of June 18, 2007 – November 5, 2009 in accordance with the NERC Compliance Monitoring and Enforcement Program 2009 Implementation Plan (2009 NERC CMEP IP). The Audit Team also evaluated VWP for compliance with two WECC Regional Reliability Standards.

VWP provided information for the Audit Team's evaluation described below in the section titled "Off-Site Audit." Based on the evidence provided by VWP, the Audit Team determined that VWP complied with all of the audited 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. VWP 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 audit process conforms generally to United States Government Accountability Office Government Auditing Standards (GAGAS) and to other generally accepted audit practices.

Objectives

A Registered Entity is subject to audit for compliance with all Reliability Standards applicable to their registered functions. The audit objectives were to:

- Independently review VWP's compliance with the requirements of the Reliability Standards applicable to VWP.
- Validate VWP's compliance with the applicable NERC Reliability Standards from the 2009 NERC CMEP IP 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 VWP. These Reliability Standards are listed in the 2009 NERC 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 VWP as determined 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 VWP 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 VWP. VWP 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. VWP did not submit any objections within the fifteen day time period specified in the CMEP.

Off-Site Audit

WECC notified VWP of the audit on August 28, 2009. WECC informed VWP 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 VWP staff an opportunity to finalize the audit logistics and address any concerns. WECC provided the following documents and information to VWP on August 28, 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 VWP to complete the NERC QRSAs and the WECC RSAs and return them to WECC by October 22, 2009.

In response to WECC's request, VWP provided completed QRSAs and copies of the other types of documents by the requested deadline. VWP 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 VWP 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 reviewed the documents and substantiated the information provided by VWP prior to the audit. The Audit Team requested additional information from VWP during the off-site audit, and cross-checked that information to ensure accuracy. The Audit Team reviewed VWP's procedures, transactions and records. Additionally, the Audit Team interviewed VWP personnel during the off-site audit and consulted with VWP's subject matter experts to evaluate VWP's compliance with the applicable Reliability Standards. The Audit Team communicated with VWP's management personnel throughout the course of the audit.

To reach its conclusions, the Audit Team relied upon the following: (1) documentation provided by VWP; (2) consultation with VWP'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 documents provided by VWP and interviews conducted with VWP personnel provided the Audit Team with a basis to use professional judgment when validating VWP's compliance with the Reliability Standards.

Exit Briefing

To conclude the off-site audit, the Audit Team leader gave a presentation over the telephone to VWP'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

Vera Water and Power, a publicly-owned utility situated in Eastern Washington, supplies water and electricity to the suburban community of Veradale, located in Spokane Valley, Washington.

Audit Specifics

WECC conducted the compliance audit on November 5, 2009 at the WECC offices in Salt Lake City, UT.

Audit Team

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

Audit Team Members

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

VWP Audit Participants

Title	Company
General Manager	Vera Water and Power

Audit Results

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

- The Audit Team spent significant time reviewing the evidence, findings and conclusions. The Audit Team conducted an extensive review of VWP'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 VWP's evidence was sufficient to confirm compliance with the applicable Reliability Standards.
- The Audit Team had ongoing communications with VWP 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 VWP’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
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
IRO-004-1	R7.	Not Applicable
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

Standard	Req.	Finding
IRO-005-1	R9.	Not Applicable
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	Not Applicable
PRC-004-1	R1.	Not Applicable
PRC-004-1	R2.	Not Applicable
PRC-004-1	R3.	Not Applicable
PRC-005-1	R1.	Not Applicable
PRC-005-1	R2.	Not Applicable
PRC-008-0	R1.	Not Applicable
PRC-008-0	R2.	Not Applicable
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.	Not Applicable
TOP-001-1	R4.	Compliant
TOP-001-1	R5.	Not Applicable
TOP-001-1	R6.	Not Applicable
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.	Not Applicable
TOP-002-2	R14.	Not Applicable
TOP-002-2	R15.	Not Applicable
TOP-002-2	R16.	Not Applicable

Standard	Req.	Finding
TOP-002-2	R17.	Not Applicable
TOP-002-2	R18.	Compliant
TOP-002-2	R19.	Not Applicable

In Accordance with WECC CMEP Section 3.1.6:

WECC provided the draft of this audit report and an Entity Comment Form to VWP on December 28, 2010 for review and comment. However, VWP did not have any requested changes or redactions.

Management Approval

This report was reviewed and approved by John McGhee, Director of Compliance Audits and Investigations on May 11, 2010.