



**Compliance Audit Report
Public Version**

**Missoula Electric Cooperative, Inc.
NERC ID: NCR05242**

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

Date of Audit: February 24, 2010

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Executive Summary

This final compliance audit report is the public version. Confidential information (including privileged and critical energy infrastructure information) has been redacted from this report. The full final compliance audit report was submitted to the audited entity and NERC.

The Western Electricity Coordinating Council (WECC) performed an Off-Site compliance audit of Missoula Electric Cooperative, Inc. (MEC) NERC ID NCR05242 on February 24, 2010. At the time of the audit, MEC was registered on the North American Electric Reliability Corporation (NERC) Compliance Registry for the following functions:

Distribution Provider (DP)
Load Serving Entity (LSE)

The Audit Team evaluated MEC for compliance with 19 requirements in the NERC Compliance Monitoring and Enforcement Program 2010 Implementation Plan (CMEP IP). The Audit Team reviewed the NERC Reliability Standards for the period of June 18, 2007 – February 24, 2010. MEC submitted information and documentation for the Audit Team's evaluation of compliance with requirements. The Audit Team reviewed and evaluated all information provided by MEC to assess compliance with standards applicable to MEC at this time.

Based on the information and documentation provided by MEC, the Audit Team found MEC to be compliant with 16 (sixteen) applicable requirements. The Audit Team determined that 3 (three) requirements were not applicable to MEC. The Audit Team identified zero New Possible Violations.

There were no ongoing or recently completed mitigation plans and therefore none were reviewed by the Audit Team.

Audit Process

The compliance audit process steps are detailed the WECC CMEP. The audit process generally conforms to the 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 its registered functions*.

The audit objectives are to:

- Review compliance with the requirements of Reliability Standards that are applicable to MEC, based on the functions that MEC is registered to perform;
- Validate compliance with applicable Reliability Standards from the NERC 2010 Implementation Plan list of actively-monitored Reliability Standards and additional Regional Reliability Standards selected by WECC;
- Validate compliance with applicable Regional Standards from the WECC 2010 Implementation Plan list of actively monitored standards;
- Validate evidence of self-reported violations and previous self-certifications;
- Review the status of mitigation plans.

*North American Electric Reliability Corporation CMEP, paragraph 3.1, Compliance Audits.

Scope

The scope of the compliance audit included the NERC Reliability Standards from the WECC CMEP 2010 Implementation Plan. In addition, this audit included any self-reports, self-certifications, outstanding mitigation plans or remedial action directives which have been completed or pending in the year of the compliance audit.

At the time of the audit, MEC was registered for the functions Distribution Provider and Load Serving Entity. The Audit Team evaluated MEC for compliance during the period of June 18, 2007 to February 24, 2010.

WECC notified MEC of the audit on December 22, 2009. WECC informed MEC that the Audit Team would perform the audit in accordance with the CMEP and the 2010 NERC Compliance Questionnaire and Reliability Standard Audit Worksheets (RSAW). In preparation for the off-site audit, the Audit Team reviewed the RSAWs and other documents submitted by MEC to evaluate compliance with each applicable Reliability Standard.

Confidentiality and Conflicts of Interest

Confidentiality and Conflict of Interest of the Audit Team are governed under the WECC Delegation Agreement with NERC, and Section 1500 of the NERC Rules of Procedure. MEC was informed of WECC's obligations and responsibilities under the agreement and procedures. WECC provided the work history for each Audit Team member to MEC. MEC 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. Section 3.1.5 of the WECC CMEP requires the MEC to submit any objections no later than fifteen days prior to the start of the off-site audit. MEC did not submit any objections regarding any Audit Team members. There have been no denials of information or access limitations placed upon this Audit Team by MEC.

Methodology

The Audit Team reviewed the information, data, and evidence submitted by MEC and assessed compliance with requirements of the applicable reliability standards. Submittals of information and requests for data were sent to MEC at least thirty days before the scheduled date of the audit. Additional information relevant to the audit could be submitted until the last day of the audit. After that date, only data or information which was relevant to the content of the report or its findings can be submitted upon agreement by the Audit Team lead.

The Audit Team requested and received additional information and sought clarification from subject matter experts during the audit.

The Audit Team reviewed documentation provided by MEC. Data, information and evidence submitted in the form of policies, procedures, emails, logs, data sheets, etc., was validated, substantiated and cross checked for accuracy as appropriate. Where sampling is applicable to a requirement, the sample set is determined by a statistical methodology augmented with professional judgment to ensure that the sample set is representative of the Requirement's significance to the reliability of the Bulk Electrical System (BES).

Findings were based on the Audit Team's knowledge of the BES, the NERC Reliability Standards and team members' professional judgment. All findings were developed based on the consensus of the Audit Team.

Company Profile

Missoula Electric Cooperative's (MEC's) electrical system consists of 13 points of delivery. From these delivery points, MEC owns, operates, and maintains approximately 1,170 miles of overhead distribution, approximately 810 miles of underground distribution, and approximately 47 miles of overhead 50 kV transmission lines. MEC serves just under 15,000 service points.

Audit Participants

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

Audit Team Members

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

MEC Audit Participants

Title	Company
Manager of Engineering	MEC
System Engineer	MEC

Audit Results

The Audit Team evaluated MEC for compliance with 19 requirements in the 2010 CMEP IP. The Audit Team reviewed the NERC Reliability Standards for the period of June 18, 2007 – February 24, 2010. MEC submitted information and documentation for the Audit Team’s evaluation of compliance with requirements. The Audit Team reviewed and evaluated all information provided by MEC to assess compliance with standards applicable to MEC at this time.

Based on the information and documentation provided by MEC, the Audit Team found MEC to be compliant with 16 of applicable requirements. The Audit Team determined that 3 requirements were not applicable to MEC. The Audit Team identified zero New Possible Violations.

Findings

The following table details the findings for compliance scope identified for this audit.

The Finding column may contain any one of the following: Compliant (C), New Possible Violation (NPV), Not Applicable (NA), Outstanding Violation (OV), Retraction requested, Self-reported Violation, or other appropriate description.

Reliability Standard	Req.	Finding
CIP-001-1	R1.	Compliant
CIP-001-1	R2.	Compliant
CIP-001-1	R3.	Compliant
CIP-001-1	R4.	Compliant
EOP-002-2	R9.	Compliant
FAC-002-0	R1.	Compliant
IRO-001-1.1	R8.	Compliant
IRO-004-1	R4.	Compliant
IRO-005-2	R13.	Compliant
IRO-STD-006-0	WR1.	Compliant
PRC-004-1	R1.	Compliant
PRC-005-1	R1	Compliant
PRC-005-1	R1	Compliant
PRC-008-0	R1.	Not applicable
PRC-008-0	R2.	Not applicable
PRC-017-0	R1.	Not Applicable

TOP-001-1	R4.	Compliant
TOP-002-2	R3.	Compliant
TOP-002-2	R18.	Compliant

Compliance Culture

MEC's compliance culture was not reviewed by the Audit Team.

Exit Briefing

To conclude the audit, the Audit Team leader gave a PowerPoint presentation for MEC's personnel summarizing the Audit Team's preliminary findings. The Audit Team leader also explained the next steps in the audit process and how WECC handles possible violations under the CMEP.

In Accordance with WECC CMEP Section 3.1.6:

WECC provided the draft of this audit report and an Entity Comment Form to MEC on March 05, 2010 for review and comment. On March 08, 2010, MEC 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 on March 18, 2010.