



Compliance Audit Report Public Version

American Municipal Power, Inc.
NERC ID# NCR00683

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

Date of Audit: September 13 - October 1, 2010

Date of Audit Report: November 16, 2010

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Executive Summary

A compliance audit of American Municipal Power, Inc. (AMP), NERC ID # - NCR00683 was conducted from September 13 - October 1, 2010. At the time of the audit, AMP was registered for the Generator Operator (GOP), Generator Owner (GO), Load-Serving Entity (LSE), Purchasing-Selling Entity (PSE), and, Resource Planner (RP) functions in the ReliabilityFirst region. AMP is also registered for the Load Serving Entity (LSE) function in the SERC region.

The audit team evaluated AMP for compliance with fifty (50) requirements in the 2010 NERC Compliance Monitoring and Enforcement Program (CMEP). The audit team assessed compliance with the NERC Reliability Standards, applicable Regional Reliability Standards, for the period of June 18, 2007 to October 1, 2010. AMP submitted information and documentation for the audit team's evaluation of compliance with requirements. The audit team reviewed and evaluated all information provided by AMP to assess compliance with standards applicable to AMP at this time.

Based on the information and documentation provided by AMP, the audit team found AMP to be compliant with thirty-seven (37) applicable requirements. The audit team determined that ten (10) requirements were not applicable to AMP. The audit team identified three (3) Possible Violation(s). Possible Violations were identified for FAC-008 R1 sub-requirement R1.2, FAC-009 R1 and PRC-005-1 R2 sub-requirements R2.1 and R2.2. The Possible Violation for PRC-005-1 R2 was self-reported by AMP prior to the start of the audit.

Any Possible Violations were processed through the NERC and ReliabilityFirst CMEP. Link(s) to the NOP(s) are provided as follows:

FAC-008-1, R1 sub-requirement R1.2 and FAC-009-1, R1 – Facility Ratings Methodology;
http://www.nerc.com/filez/enforcement/FinalFiled_ANOP_NOC-760.pdf

The ReliabilityFirst audit team lead certifies that the audit team adhered to all applicable requirements of the NERC Rules of Procedure (ROP) and Compliance Monitoring and Enforcement Program (CMEP).*

* This statement replaces the Regional Entity Self-Certification process.

Audit Process

The compliance audit process steps are detailed in the *ReliabilityFirst* CMEP. The *ReliabilityFirst* 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 an audit for compliance with all reliability standards applicable to the functions for which the Registered Entity is registered.[†] The audit objectives are to:

- Review compliance with the requirements of reliability standards that are applicable to AMP, based on the functions that AMP is registered to perform;
- Validate compliance with applicable reliability standards from the NERC 2010 Implementation Plan list of actively monitored standards, and additional NERC Reliability Standards selected by *ReliabilityFirst*;
- Validate compliance with applicable regional standards from the *ReliabilityFirst* 2010 Implementation Plan list of actively monitored standards;
- Validate evidence of self-reported violations and previous self-certifications;
- Observe and document AMP's compliance program and culture;
- Review the status of mitigation plans.

Scope

The scope of the compliance audit included the NERC Reliability Standards from the *ReliabilityFirst* 2010 Implementation Plan. In addition, this audit included a review of 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, AMP was registered for the Generator Operator (GOP), Generator Owner (GO), Load-Serving Entity (LSE), Purchasing-Selling Entity (PSE), and, Resource Planner (RP) functions in the *ReliabilityFirst* region. AMP is also registered for the Load Serving Entity (LSE) function in the SERC region. The audit team evaluated AMP for compliance during the period of June 18, 2007 to October 1, 2010.

Confidentiality and Conflict of Interest

Confidentiality and conflict of interest of the audit team are governed under the *ReliabilityFirst* Delegation Agreement with NERC, and Section 1500 of the NERC Rules of Procedure. AMP was informed of *ReliabilityFirst*'s obligations and responsibilities under the agreement and procedures. The work history for each audit team member was provided to AMP. AMP was given an opportunity to object to an audit team member's participation on the basis of a possible conflict of interest or the existence of other circumstances that could interfere with an audit team

[†] North American Electric Reliability Corporation CMEP, paragraph 3.1, Compliance Audits

member's impartial performance of duties. AMP had not submitted any objections by the stated fifteen day objection due date and accepted the audit team member participants without objection. There have been no denials of or access limitations placed upon this audit team by AMP.

Methodology

The audit team reviewed the information, data, and evidence submitted by AMP and assessed compliance with requirements of the applicable reliability standards. Submittal of information and data was due forty (40) days before the scheduled date of the entity review. Additional information relevant to the audit could be submitted until the conclusion of the exit briefing. After that date, only data or information which was relevant to the content of the report or its finding 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 evaluated all evidence of compliance for sufficiency and appropriateness, according to the Generally Accepted Government Auditing Standards.

The audit team reviewed documentation provided by AMP. Data, information and evidence submitted in the form of policies, procedures, e-mails, logs, studies, data sheets, etc. which were validated, substantiated and cross-checked for accuracy as appropriate. Requirements which required a sampling to be conducted were developed based upon the significance of the sampling to the reliability of the Bulk Electric System (BES).

Findings were based on the audit team's knowledge of the BES, the NERC Reliability Standards and their professional judgment. All finding were developed based upon the consensus of the audit team.

Company Profile

American Municipal Power (AMP) is a wholesale energy and services supplier to its membership which consists of municipal electric systems or cities. To provide the energy to serve the members' load, AMP performs tasks associated with the Generator Owner, Generator Operator, Load Serving Entity, Purchasing and Selling Entity, and Resource Planner functions.

The Reliability Standards Compliance Director reports to the Vice President of Risk Control who reports to the President and to the Board of Trustees. The Reliability Standards Compliance Director gives a monthly report to the Transmission/RTO Committee of the Board of Trustees. The Reliability Standards Compliance Director does not work in any of the departments that perform registered functions, but does work with staff to maintain compliance.

American Municipal Power is based in Columbus, OH and serves municipal load in Ohio, Pennsylvania, Michigan, Kentucky, Virginia, and West Virginia. The majority of load is served in Ohio and Pennsylvania. As a load serving entity, American Municipal Power or its members

will contract for delivery of power to its members at several voltage levels with Transmission Owners. The voltage levels for delivered power are 12.5 kV, 34.5 kV, 69 kV, 138 kV in the ReliabilityFirst region and 161 kV in the SERC Region (AMP does not own distribution assets or facilities). American Municipal Power is a Transmission Dependent Utility and thus does not serve any customers with owned transmission.

MISO and PJM are the RC and BA. PJM is the TOP.

American Municipal Power has a summer peak load of approximately 3200 MW.

Audit Participants

The following is a listing of all personnel from the Audit Team and AMP who were present during the meetings or interviews.

Audit Team Participants

Audit Team Role	Title	Entity
Team Lead	Senior Engineer	ReliabilityFirst
Team Member	Consultant	RNJ-Energy

AMP Audit Participants

Title	Entity
Director, Reliability Standards Compliance	American Municipal Power, Inc.

Audit Results

The audit team evaluated AMP for compliance with fifty (50) requirements in the 2010 NERC Compliance Monitoring and Enforcement Program (CMEP). The audit reviewed NERC Reliability Standards for the period of June 18, 2007 to October 1, 2010. AMP submitted information and documentation for the audit team's evaluation of compliance with requirements. The audit team reviewed and evaluated all information provided by AMP to assess compliance with standards applicable to AMP at this time.

Based on the information and documentation provided by AMP, the audit team found AMP to be compliant with thirty-seven (37) applicable requirements. The audit team determined that ten (10) requirements were not applicable to AMP. The audit team identified three (3) Possible Violation(s). Possible Violations were identified for FAC-008 R1 sub-requirement R1.2, FAC-009 R1 and PRC-005-1 R2 sub-requirements R2.1 and R2.2. The Possible Violation for PRC-005-1 R2 was self-reported by AMP prior to the start of the audit.

Findings

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

American Municipal Power, Inc. Compliance Audit Report
November 16, 2010

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Has Been Removed

Reliability Std	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
EOP-002-2.1	R9	Compliant
FAC-002-0	R1.	Compliant
FAC-008-1	R1.	PV
FAC-008-1	R2.	Compliant
FAC-008-1	R3.	Compliant
FAC-009-1	R1.	PV
FAC-009-1	R2.	Compliant
IRO-001-1.1	R8.	Compliant
IRO-004-1	R4.	Compliant
IRO-005-2	R13.	Compliant
NUC-001-2	R1.	N/A
NUC-001-2	R2.	N/A
NUC-001-2	R3.	N/A
NUC-001-2	R4.	N/A
NUC-001-2	R5.	N/A
NUC-001-2	R6.	N/A
NUC-001-2	R7.	N/A
NUC-001-2	R8.	N/A
NUC-001-2	R9.	N/A
PRC-001-1	R1.	Compliant
PRC-001-1	R2.	Compliant
PRC-001-1	R3.	Compliant
PRC-001-1	R5.	Compliant
PRC-004-1	R2.	Compliant
PRC-005-1	R1.	Compliant
PRC-005-1	R2.	PV
PRC-017-0	R1.	N/A
TOP-001-1	R3.	Compliant
TOP-001-1	R4.	Compliant
TOP-001-1	R6.	Compliant
TOP-001-1	R7.	Compliant
TOP-002-2a	R3.	Compliant
TOP-002-2a	R13.	Compliant
TOP-002-2a	R14.	Compliant
TOP-002-2a	R15.	Compliant
TOP-002-2a	R18.	Compliant
TOP-003-0	R1.	Compliant
TOP-003-0	R2.	Compliant
TOP-003-0	R3.	Compliant
VAR-001-1	R5.	Compliant
VAR-002-1.1a	R1.	Compliant
VAR-002-1.1a	R2.	Compliant
VAR-002-1.1a	R3.	Compliant

VAR-002-1.1a	R4.	Compliant
VAR-002-1.1a	R5.	Compliant

Compliance Culture

American Municipal Power (AMP) has an internal compliance program.

Independent access to the Board of Trustees is given to the VP of Risk Control and the Director of Reliability Standards Compliance for the purpose of reporting changes to applicable standards as well as to provide status of compliance activities. During the monthly board meetings, a special report summarizing these activities is presented and discussed. Direct access to the CEO is given to the Vice President of Risk Control. The Executive Management Team meets regularly with the Vice President of Risk Control and compliance activities are discussed.

The Director of Reliability Standards is under the Vice President of Risk Control, and the director works as a compliance champion with the other members of the NERC Team. The NERC team is comprised of several departments at American Municipal Power (AMP). The Director of Reliability Standards Compliance has no conflicts of interest with the generation, marketing, operations, planning and regulatory departments from a compliance and reporting perspective.

AMP has distributed information on training, workshops, newsletters, e-mails, etc. within the organization and with its members for developing its internal compliance program. AMP participates in RFC and SERC workshops and trade groups such as the American Public Power Association and the Transmission Access Policy Study Group. Through these groups AMP is able to participate and discuss existing and proposed reliability standards and issues. AMP then communicates the various issues back to its staff and municipal members. AMP holds a monthly teleconference with its municipal members to discuss recent FERC, NERC and Reliability *First* reliability activity that AMP has discovered through its participation in the trade groups and independent research. AMP's Technical Services Department holds an annual Technical Services Conference for staff and AMP's municipal members where compliance topics have been presented in the past.

AMP staff reviews the standards, policies and procedures approximately once per year and upon the self-certification or processes in the CMEP.

There are no defined disciplinary actions for employees involved in Reliability Standards violations, but the violations will be reviewed during the annual review period.