



MIDWEST RELIABILITY ORGANIZATION

COMPLIANCE AUDIT REPORT

Central Iowa Power Cooperative

1400 Highway 12 SE

PO Box 2517

Cedar Rapids, IA 52406

NERC Compliance Registry ID: NCR00970

PUBLIC VERSION

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

Report Date: September 5, 2010

Audit Dates: August 2-10, 2010





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EXECUTIVE SUMMARY

A compliance audit of Central Iowa Power Cooperative (CIPCO), NERC ID # - NCR00970 was conducted August 2-10, 2010 for audit period of June 18, 2007-August 10, 2010. At the time of the audit, CIPCO was registered for the Distribution Provider (DP), Load Serving Entity (LSE), Purchasing and Selling Entity (PSE), Resource Planner (RP), Transmission Owner (TO), Transmission Planner (TP) and Transmission Service Provider (TSP) functions.

The audit team evaluated 46 requirements in the 2010 NERC Compliance Monitoring and Enforcement Program (CMEP). The audit team reviewed the NERC Reliability Standards for the period of June 18, 2007-August 10, 2010. CIPCO submitted information and documentation for the audit team's evaluation of applicable requirements. The audit team reviewed and evaluated all information provided by CIPCO to assess compliance with standards applicable to CIPCO at this time.

Based on the information and documentation provided by CIPCO, the audit team had no findings with 27 applicable requirements. The audit team determined that 19 requirements were not applicable to CIPCO.

These audit results are further explained in the Audit Results section of this report. Any possible violations will be processed through the NERC and the Midwest Reliability Organization CMEP.

Four requirements were deemed not applicable for the audit due to CIPCO submitted Self Reports of PRC-005-1 R1 and R2 and PRC-008-0 R1 and R2. All of which are under review by the MRO Enforcement Department.

There were no outstanding remedies from settlements reviewed during the audit.



AUDIT PROCESS

The compliance audit process steps can be found in the NERC CMEP. The NERC CMEP generally conforms to the current version of United States Government Accountability Office Government Auditing Standards and other generally accepted audit practices.

The intent of the compliance audit is to review evidence that provides reasonable assurance of any findings related to compliance with the applicable Reliability Standards. The compliance audit is conducted in accordance with the Compliance Monitoring and Enforcement Program (CMEP) and applicable NERC Rules of Procedures approved by the Federal Energy Regulatory Commission (for United States entities). The compliance audit includes data requests, tests of compliance records or other related records, and other procedures considered necessary to provide reasonable assurance of any findings.

Audit procedures include tests of documentary evidence supporting compliance, tests of the assertions made regarding compliance, and direct confirmations of actions taken as part of compliance with the Reliability Standards.

If a finding is made of a possible violation, MRO enforcement staff will be provided the details and contact CIPCO. After further evaluation, if the possible violation is validated by enforcement staff, CIPCO will be provided a written notice of the alleged violation within a reasonable time that shall include the due process protections under the CMEP after the audit report is finalized.

CIPCO is responsible for maintaining an adequate internal compliance program to protect the reliability of the Bulk Electric System (BES). The internal compliance program should be designed to ensure compliance with Reliability Standards and that the necessary corrective actions are taken to assure compliance with Reliability Standards on an on-going basis. CIPCO is responsible for the design and implementation of programs and compliance controls to prevent and detect violations of Reliability Standards, and for informing MRO about all known or suspected applicable violations according to the CMEP and Rules of Procedure. CIPCO is responsible for ensuring that a risk-based, technically sufficient assessment methodology is applied to protect its critical assets.



The Primary Compliance Officer was provided notice of the compliance audit on May 10, 2010 and the initial request for information was provided to the Primary Compliance Contact on May 10, 2010.

The field work of the compliance audit was conducted off site at the MRO offices.

Objectives

All Registered Entities are subject to an audit of all Reliability Standards applicable to the functions for which the Registered Entity is registered.¹ The primary audit objectives are to review the original data to determine the level of procedural compliance, review the procedures themselves, and develop a determination based upon on the sufficiency, accuracy of the data and level of compliance. Specific compliance audit objectives are to:

- Review compliance with the requirements of Reliability Standards, including Critical Infrastructure Protection Reliability Standards, that are applicable to CIPCO, based on the functions that CIPCO is registered to perform;
- Review compliance with applicable Reliability Standards from the NERC 2010 Implementation Plan list of actively monitored standards, and additional NERC Reliability Standards selected by MRO;
- Review compliance with applicable Regional Standards from the NERC 2010 Implementation Plan list of actively monitored standards;
- Review evidence of past self-certifications for accuracy and completeness;
- Evaluate and document CIPCO's internal compliance program and controls;
- Review the status of open mitigation plans or relevant remedies from settlements.

Audit Scope

The scope of the compliance audit included the NERC Reliability Standards from the MRO 2010 Implementation Plan. In addition, this audit included any self- reports, self-certifications, outstanding mitigation plans, open remedies from settlements or remedial

¹ North American Electric Reliability Corporation CMEP, paragraph 3.1, Compliance Audits



action directives which have been completed or pending in the year of the compliance audit.

At the time of the audit, CIPCO was registered for the functions DP, LSE, PSE, RP, TO, TP, and TSP. The audit period was audit period June 18, 2007-August 10, 2010.

Confidentiality and Conflict of Interest

Confidentiality and Conflict of Interest of MRO audit staff are governed under the MRO Delegation Agreement with NERC, Section 1500 of the NERC Rules of Procedure, and MRO employee handbook. CIPCO was informed of MRO's obligations and responsibilities under the Delegation Agreement and Rules of Procedures and was provided with a list of MRO audit staff and corresponding work histories. There have been no denials of or access limitations placed upon this audit team by CIPCO, and CIPCO expressed no objections to MRO staff assignments on the compliance audit.

Methodology

The audit team reviewed the information, data, and evidence submitted by CIPCO and assessed compliance with requirements of the applicable reliability standards. Submittal of information and data was provided to MRO thirty days before the scheduled date of the entity review.

Based on an initial evaluation of initial information provided to the audit team, supplemental information was requested and clarifications were sought from subject matter experts during the audit.

CIPCO provided the necessary information and access to subject matter experts without impediment.

The audit team reviewed documentation and evidence provided by CIPCO in the form of policies, procedures, emails, logs, studies, data sheets, and other relevant information. Requirements which called for a sampling to be conducted were developed based upon the significance of the sampling to the reliability of the bulk electric system (BES). MRO audit staff obtains sufficient, appropriate evidence to provide a reasonable basis for any findings and conclusions.



The audit report is subject to a review by the Vice President-Compliance from MRO and all findings are subject to an independent review by MRO Mitigation and Enforcement staff. If there are findings, enforcement and mitigation staff from MRO will contact you.

Company Profile

Central Iowa Power Cooperative (CIPCO) is a member-owned, not-for-profit cooperative that generates and transmits power to 13 rural electric cooperatives and associations. CIPCO is Iowa's largest cooperative energy provider serving a population of nearly 320,000 rural and urban residents.

As a consumer-owned utility, membership status is given to the 13 cooperatives and a representative from each is elected to the CIPCO board of directors which serves as the governing body. The board of directors in turn selects a Chief Executive Officer who is responsible for the staffing and day-to-day operations of CIPCO.

CIPCO is headquartered in Cedar Rapids, Iowa and has a service territory that stretches 300 miles diagonally across Iowa. CIPCO delivers power to approximately 265 member distribution substations and 31 bulk substations. Currently, CIPCO solely owns or jointly owns the equivalent of 760 miles of 34kV, 842 miles of 69kV, 64 miles of 115kV, 236 miles of 161kV, and 32 miles of 345kV circuits. All 345kV circuit miles are jointly owned generator outlet facilities.

As a part of the Alliant West local balancing area, CIPCO owns transmission interconnections to various neighboring balancing areas. Aside from jointly owned generator outlet transmission facilities, these include six 161kV and six 69kV interconnections with MidAmerican Energy, four 69kV interconnections with Muscatine Power & Water, and one 161kV interconnection with WAPA.

CIPCO had an annual peak system demand (including losses) of approximately 540MW in June of 2009. CIPCO's wholly-owned generating facilities (none of which are part of the Bulk Electric System) total nearly 150MW of capacity. CIPCO also has a minority ownership share in bulk generation assets totaling about 310MW. In terms of overall capacity, CIPCO's owned generation portfolio is about 55% coal-fired, 20% gas-fired, and the remaining 25% is nuclear.



CIPCO currently has three major, long-term capacity and energy purchase agreements. The first is with the Southern Iowa Municipal Electric Cooperative Association (SIMECA), a CIPCO member, for peaking power from its many reciprocating engine plants. CIPCO is also a beneficiary of Western Area Power Administration (WAPA) hydroelectric resources. Lastly, energy is supplied from NextEra's Story County Wind facility.

In addition to these long term purchases, CIPCO engages in various bilateral capacity and energy agreements in order to meet resource adequacy requirements and also to hedge its forecast energy requirements for summer months. CIPCO has not entered into any transactions for terms less than one month in duration. Shorter term transactions are executed by Alliant on behalf of the Alliant-CIPCO joint energy pool.

As a crucial part of their daily operations, CIPCO relies upon a long-standing agreement amongst themselves, ITC Midwest, and Alliant Energy. ITC Midwest is responsible for operation and maintenance of the Integrated Transmission System (ITS) that CIPCO shares with them. In addition, CIPCO pools generation resources, capacity and energy purchases, and load with Alliant Energy under the greater Alliant West balancing area. CIPCO is not a member of Midwest ISO. However, by virtue of the previously described contracts with ITC Midwest and Alliant Energy who are both Midwest ISO members themselves, CIPCO and its assets are very involved with Midwest ISO's processes and policies.

AUDIT RESULTS

The audit team evaluated the applicability of 46 requirements in the 2010 NERC Compliance Monitoring and Enforcement Program (CMEP). The audit team reviewed NERC Reliability Standards for the period of June 18, 2007-August 10, 2010. CIPCO provided information and documentation for the audit team's evaluation of compliance with requirements. The audit team reviewed and evaluated the information provided by CIPCO to reasonably evaluate compliance with standards applicable to CIPCO at this time.

Based on the information and documentation provided by CIPCO, the audit team had no findings with 27 applicable requirements. The audit team determined that 19 requirements were not applicable to CIPCO.



Findings

The following table outlines the findings discovered by the MRO audit team related to compliance of the requirements defined in the scope of this audit, and provides supporting documentation for each.

Reliability Standard and Requirement	Finding
CIP-001-1 R1	No
CIP-001-1 R2	No
CIP-001-1 R3	No
CIP-001-1 R4	No
EOP-002-2.1 R9	No
FAC-001 R1	No
FAC-001 R2	No
FAC-001 R3	No
FAC-002-0 R1	No
FAC-003-1 R1	N/A
FAC-003-1 R2	N/A



Reliability Standard and Requirement	Finding
FAC-008-1 R1	No
FAC-008-1 R2	No
FAC-008-1 R3	No
FAC-009-1 R1	No
FAC-009-1 R2	No
IR-001-1.1 R8	No
IRO-004-1 R4	No
IRO-004-1 R7	No
IRO-005-2 R13	No
IRO-005-2 R14	No
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



Reliability Standard and Requirement	Finding
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-004-1 R1	No
PRC-004-1 R2	N/A
PRC-005-1 R1	N/A
PRC-005 R2	N/A
PRC-008-0 R1	N/A
PRC-008-0 R2	N/A
PRC-017-0 R1	N/A
TOP-001-1 R4	No
TOP-002-2A R3	No
TOP-002-2A R18	No
TPL-001-0.1 R1	No



Reliability Standard and Requirement	Finding
TPL-002-0 R1	No
TPL-003-0 R1	No
VAR-001-1 R5	No
VAR-002-1.1A R4	N/A
VAR-002-1.1A R5	N/A



Internal Compliance Program and Controls

Central Iowa Power Cooperative's compliance program and applicable controls were reviewed during the audit based on a survey; however, a written review is not included as part of the report. For enforcement purposes, CIPCO's internal compliance program and other pertinent information are reviewed by the MRO Enforcement staff and will be factored into any enforcement proceedings resulting from a finding of a possible violation.

Registered Entity Staff and Observers (if applicable)

The following is a list of Registered Entity staff and observers present during the audit meetings and/or interviews.

Title	Entity
Director - Transmission Assets	CIPCO
Director - Generation Assets	CIPCO
Production Resource Supervisor	CIPCO
Supervisor - Generation Engineering, NERC PCC	CIPCO
Manager - Transmission Planning and Tariffs	CIPCO
Manager - System Operations	CIPCO
Manager - Engineering	CIPCO
Planning & Operations Engineer	CIPCO
Design & Operations Engineer	CIPCO
Substation Engineer	CIPCO
Vice President - Utility Operations	CIPCO
Consultant	



MRO Audit Staff

Title	Entity
Compliance Audit Manager, Lead	MRO
Compliance Principle	MRO

This report has been prepared and reviewed on behalf of MRO by:

Audit Manager	Signature	Date
Russel Mountjoy	<i>Russel W Mountjoy</i>	9/6/10
Vice President of Compliance	Signature	Date
Wayne VanOsdol	<i>Wayne VanOsdol</i>	9/6/10