



# **Compliance Audit Report Public Version**

**Detroit Lakes Public Utilities**  
NERC ID# NCR00980

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

**Date of Audit: March 1-5, 2010**

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## **Executive Summary**

A six year compliance audit of Detroit Lakes Public Utilities DLP, NERC ID # - NCR00980 was conducted from March 1-5, 2010. At the time of the audit, DLP was registered for the Distribution Provider (DP) and Load Serving Entity (LSE) functions.

The audit team evaluated DLP for compliance with twelve NERC Standards containing twenty two (22) 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 through March 5, 2010. DLP submitted information and documentation for the audit team's evaluation of compliance with requirements. The audit team reviewed and evaluated all information provided by DLP to assess compliance with standards applicable to DLP at this time.

Based on the information and documentation provided by DLP, the audit team found DLP to be compliant with seven (7) applicable requirements. The audit team determined that fifteen (15) requirements were not applicable to DLP. The audit team did not identify any Possible Alleged Violation(s).

These audit results are further explained in the Audit Results Findings section of this report which includes detailed information of the audit team's findings of applicability and compliance for the NERC Reliability Standards within the scope of the compliance audit. Any Possible Alleged Violations will be processed through the NERC and The Midwest Reliability Organization (MRO) CMEP.

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 in the MRO CMEP. The MRO 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 DLP, based on the functions that DLP 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 the MRO;
- Validate compliance with applicable Regional Standards from the MRO 2010 Implementation Plan list of actively monitored standards;
- Validate evidence of self-reported violations and previous self-certifications;
- Observe and document DLP's compliance program and culture;
- Review the status of mitigation plans.

## ***Scope***

The scope of the compliance audit included the NERC Reliability Standards identified in the MRO 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, DLP was registered for the functions DP and LSE. The audit team evaluated DLP for compliance during the period of June 18, 2007 to March 5, 2010.

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

### ***Confidentiality and Conflict of Interest***

Confidentiality and Conflict of Interest of the audit team are governed under the MRO Delegation Agreement with NERC, and Section 1500 of the NERC Rules of Procedure. DLP was informed of the MRO's obligations and responsibilities under the agreement and procedures. The work history for each audit team member was provided to DLP. DLP 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 member's impartial performance of duties. DLP 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 DLP.

### ***Methodology***

The audit team reviewed the information, data, and evidence submitted by DLP and assessed compliance with requirements of the applicable reliability standards. Submittal of information and data were sent to the MRO fifteen days before the scheduled date of the entity review. Additional information relevant to the audit could be submitted until the last day of the review at the audit site. 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 reviewed documentation provided by DLP. Data, information and evidence submitted in the form of policies, procedures, emails, 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 Electrical 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***

The Detroit Lakes Municipal Electric Utility (Utility) is owned by the City of Detroit Lakes, Minnesota and operated by a board known as the Detroit Lakes Public Utilities Commission (PUC). The PUC consists of five members who are appointed by the City Council to a term of three years with a limit of service not to exceed three continuous terms. PUC has full control and power to operate and manage all aspects of the utility except as otherwise provided by the City's Charter. Those exceptions generally being that the City Council has final approval to PUC utility rates charged and to PUC projects or purchases in excess of applicable state statutory limitations (presently \$100,000) or which requires the issuance of bonds.

The utility serves the incorporated City as well as outlying areas which include approximately three to four miles both to the north and to the south of the City. Total area being approximately 20,000 acres, all within Becker County, Minnesota.

Utility Serves approximately 6,491 customers of which 5,260 are residential and 1,231 commercial or industrial type customers.

Pratt & Whitney Gas Turbine rated 10MW base load burns #1 fuel oil, on site storage, 2-10,000 gallon fuel tanks. Dedicated capacity to MRES at 9,010 kW, voltage output of 12,470.

All electricity sold at retail is purchased under firm contract from one of two sources. First being all allocation for hydro power from the U.S. Department of Energy's Western Area Power Administration (Western) which presently provides approximately 36% of the utilities requirements. The second source for all requirements above which is purchased is from Western, is contracted through Missouri River Energy Services which is a municipal power agency representing a membership of City owned electric utilities in Minnesota, Iowa, North Dakota and South Dakota.

### ***Audit Participants***

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

#### **Audit Team Participants**

<b>Title</b>	<b>Entity</b>
Compliance Audit Manager	MRO
Sr. Engineer	MRO
Compliance Principal	MRO

#### **DLP Audit Participants**

<b>Title</b>	<b>Entity</b>
Electric Dept. Sup.	DLP
Public Utilities Supt.	DLP
Electric Technician	DLP

### **Audit Results**

The audit team evaluated DLP for compliance with twelve NERC Standards containing twenty two (22) requirements identified in the 2010 NERC Compliance Monitoring and Enforcement Program (CMEP). The audit reviewed NERC Reliability Standards for the period of June 18, 2007 through March 5, 2010. DLP submitted information and documentation for the audit team's evaluation of compliance with requirements. The audit team reviewed and evaluated all information provided by DLP to assess compliance with standards applicable to DLP at this time.

Based on the information and documentation provided by DLP, the audit team found DLP to be compliant with seven (7) applicable requirements. The audit team determined that fifteen (15) requirements were not applicable to DLP. The audit team did not identify any Possible Alleged Violation(s).

## ***Findings***

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

## **Evidence Supporting Finding**

Conducted On: **Mar 05, 2010**

Entity: **Detroit Lakes Public Utilities (DLP)**

Address: **1025 Roosevelt Ave, Po Box 647, Detroit Lakes, Minnesota 56502-0647, United States**

NERC Compliance Registry ID: **NCR00980**

<b>Standard Requirement</b>	<b>Compliant</b>
CIP-001-1 R1	Yes
CIP-001-1 R2	Yes
CIP-001-1 R3	Yes
CIP-001-1 R4	Yes
EOP-002-21 R9	N/A
IRO-001-1.1 R8	Yes
IRO-004-1 R4	N/A
IRO-005-2 R13	Yes
NUC-001-1 R3	N/A
NUC-001-1 R4	N/A
NUC-001-1 R6	N/A
NUC-001-1 R8	N/A
NUC-001-1 R9	N/A
PRC-004-1 R1	N/A
PRC-005-1 R1	N/A
PRC-005-1 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	Yes
TOP-002-2A R18	N/A
TOP-002-2A R3	N/A

## ***Compliance Culture***

DLP's compliance culture was not reviewed by the audit team.

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

Additional information pertaining to the compliance culture of DLP can found  
in the Internal Compliance Survey.