



Compliance Audit Report Public Version

Butler Rural Electric Cooperative, Inc.
NERC ID# NCR08041

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

Date of Audit: September 13 - 27, 2010

Date of Audit Report: October 25, 2010

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Executive Summary

A compliance audit of Butler Rural Electric Cooperative, Inc. (Butler REC), NERC ID # - NCR08041 was conducted from September 13 - 27, 2010. At the time of the audit, Butler REC was registered for the Distribution Provider (DP) function.

The audit team evaluated Butler REC for compliance with fifteen (15) requirements in the 2010 NERC Compliance Monitoring and Enforcement Program (CMEP). The audit team assessed compliance with the NERC Reliability Standards, and applicable Regional Reliability Standards, for the period of June 18, 2007 to September 27, 2010. Butler REC submitted information and documentation for the audit team's evaluation of compliance with requirements. The audit team reviewed and evaluated all information provided by Butler REC to assess compliance with standards applicable to Butler REC at this time.

Based on the information and documentation provided by Butler REC, the audit team found Butler REC to be compliant with two (2) applicable requirements. The audit team determined that thirteen (13) requirements were not applicable to Butler REC. The Audit Team did not identify any violations as a result of this review.

These audit results are shown in the Audit Results Findings section of this report.

The Reliability*First* 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 Reliability*First* CMEP. The Reliability*First* 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 Butler REC, based on the functions that Butler REC 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 Reliability*First*;
- Validate compliance with applicable regional standards from the Reliability*First* 2010 Implementation Plan list of actively monitored standards;
- Validate evidence of self-reported violations and previous self-certifications;
- Observe and document Butler REC'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 Reliability*First* 2010 Implementation Plan. In addition, this audit included 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, Butler REC was registered for the function of Distribution Provider (DP). The audit team evaluated Butler REC for compliance during the period of June 18, 2007 to September 27, 2010.

Confidentiality and Conflict of Interest

Confidentiality and conflict of interest of the audit team are governed under the Reliability*First* Delegation Agreement with NERC, and Section 1500 of the NERC Rules of Procedure. Butler

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

REC was informed of ReliabilityFirst's obligations and responsibilities under the agreement and procedures. The work history for each audit team member was provided to Butler REC. Butler REC 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. Butler REC 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 Butler REC.

Methodology

The audit team reviewed the information, data, and evidence submitted by Butler REC 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 Butler REC. 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 findings were developed based upon the consensus of the audit team.

Company Profile

Butler REC is a member-owned distribution cooperative located in southwest Ohio. The Cooperative has 11,215 member-owners, who elect a governing body consisting of nine (9) trustees. Butler is a member of Buckeye Power, Inc., a generation and transmission cooperative headquartered in Columbus, Ohio, from which Butler purchases all of its generation requirements.

Butler REC currently owns facilities that operate at 69,000 Volts, 34,500 volts, and 12,470 volts. The Cooperative owns and operates one (1) mile of 69 kV circuit on a radial tap from Duke Energy, Ohio to one of its substations. All other 69 kV equipment is located within its

substations. All 34 kV facilities are located within substations. Butler REC currently has fourteen (14) radial delivery points all with the Duke Energy, Ohio system. Twelve (12) substations are supplied via the Duke Energy, Ohio 69 kV system and two (2) substations are supplied via the Duke 34 kV system. With the exception of metering equipment, all equipment within Butler's substations is owned and operated by Butler REC.

Butler REC is a member of Buckeye Power Inc. from which Butler REC obtains power and transmission services. Butler REC has a winter peaking load of approximately 56 MW.

Audit Participants

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

Audit Team Participants

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

Butler REC Audit Participants

Title	Entity
Director of Engineering and Planning	Butler REC

Audit Results

The audit team evaluated Butler REC for compliance with fifteen (15) 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 September 27, 2010. Butler REC submitted information and documentation for the audit team's evaluation of compliance with requirements. The audit team reviewed and evaluated all information provided by Butler REC to assess compliance with standards applicable to Butler REC at this time.

Based on the information and documentation provided by Butler REC, the audit team found Butler REC to be compliant with two (2) applicable requirements. The audit team determined that thirteen (13) requirements were not applicable to Butler REC. The Audit Team did not identify any violations as a result of this review.

Findings

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

Reliability Std	Req.	Finding
FAC-002-0	R1.	Compliant
NUC-001-2	R2.	N/A
NUC-001-2	R3.	N/A
NUC-001-2	R4.	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-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	R1.	Compliant

Compliance Culture

The Audit Team does not have any further comments on Butler REC's compliance culture as a result of this off-site audit.

Information pertaining to the compliance culture of Butler REC can found in the Internal Compliance Survey submitted by Butler REC.