



# **Compliance Audit Report Public Version**

**East Mississippi Electric Power  
Association**

NERC ID# NCR01226

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

**Date of Audit:  
April 20-22, 2010**

## TABLE OF CONTENTS

Executive Summary.....	2
Audit Process.....	2
<i>Objectives</i> .....	2
<i>Scope</i> .....	3
<i>Confidentiality and Conflict of Interest</i> .....	3
<i>Methodology</i> .....	3
<i>Company Profile</i> .....	4
<i>Audit Participants</i> .....	4
Audit Results.....	4
<i>Findings</i> .....	5
<i>Compliance Culture</i> .....	6

## Executive Summary

An on-site compliance audit of East Mississippi Electric Power Association (EMEPA) (NCR01226) was conducted from April 20-22, 2010. At the time of the audit, EMEPA was registered for the Distribution Provider (DP) and Load-Serving Entity (LSE) functions.

The audit team evaluated EMEPA for compliance with 18 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 April 22, 2010. EMEPA submitted information and documentation for the audit team's evaluation of compliance with requirements. The audit team reviewed and evaluated all information provided by EMEPA to assess compliance with standards applicable to EMEPA at that time.

Based on the information and documentation provided by EMEPA, the audit team found EMEPA to be compliant with 11 applicable requirements.

The audit team determined that four requirements were not applicable to EMEPA.

The audit team identified three Possible Violations, CIP-001-1, R1 Sabotage Reporting; CIP-001-1, R2 Sabotage Reporting; and CIP-001-1, R3 Sabotage Reporting.

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 Violations will be processed through the NERC and SERC Reliability Corporation (SERC) CMEP.

There were no ongoing or recently completed mitigation plans, and therefore none were reviewed by the audit team.

The link to the East Mississippi Electric Power Association NOP can be viewed [here](#).

## Audit Process

The compliance audit process steps are detailed in the SERC CMEP. The SERC 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.<sup>\*</sup> The audit objectives are to:

- Review compliance with the requirements of reliability standards that are applicable to EMEPA, based on the functions that EMEPA is registered to perform;

---

<sup>\*</sup> North American Electric Reliability Corporation CMEP, paragraph 3.1, Compliance Audits

- Validate compliance with applicable reliability standards from the NERC 2010 Implementation Plan list of actively monitored standards, and additional NERC Reliability Standards selected by SERC;
- Validate compliance with applicable regional standards from the SERC Reliability 2010 Implementation Plan list of actively monitored standards;
- Validate evidence of self-reported violations and previous self-certifications;
- Observe and document EMEPA'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 SERC 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, EMEPA was registered for the Distribution Provider (DP) and Load-Serving Entity (LSE) functions. The audit team evaluated EMEPA for compliance with 18 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 April 22, 2010.

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

Confidentiality and Conflict of Interest of the audit team are governed under the SERC Delegation Agreement with NERC, and Section 1500 of the NERC Rules of Procedure. EMEPA was informed of SERC's obligations and responsibilities under the agreement and procedures. The work history for each audit team member was provided to EMEPA. EMEPA was given an opportunity to object to an audit team member's participation based on a possible conflict of interest or the existence of other circumstances that could interfere with an audit team member's impartial performance of duties. EMEPA had not submitted any objections by the stated 15 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 EMEPA.

### **Methodology**

The audit team reviewed the information, data, and evidence submitted by EMEPA and assessed compliance with requirements of the applicable reliability standards. Submittal of information and data were sent to SERC 30 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.

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 EMEPA. 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 findings were developed based upon the consensus of the audit team.

### ***Company Profile***

EMEPA is a small, not-for-profit, RUS electric cooperative with a ten-member board of directors, a General Manager, six department directors, and two regional operations managers. EMEPA's corporate headquarters is located in Meridian, MS, and they also have three small district offices for distribution operations.

EMEPA operates two distinct and unconnected distribution networks: one served by TVA, and another served by Southern Company and Mississippi Power Company (MPC). The TVA (northern) system serves the rural areas of Winston and Kemper counties in East Central Mississippi, while the MPC (southern) system serves the rural areas of Lauderdale and Clark Counties in East Central Mississippi. EMEPA owns a few radial transmission taps above 100 kV serving its distribution substations. All other assets are distribution facilities, including approximately 5,600 miles of lines.

### ***Audit Participants***

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

#### **Audit Team Participants**

<b>Title</b>	<b>Entity</b>
Senior Compliance Auditor, Audit Team Lead	SERC
Registration and Certification Engineer	SERC

#### **EMEPA Audit Participants**

<b>Title</b>	<b>Entity</b>
Director of Engineering	EMEPA
System Maintenance Engineer	EMEPA

### **Audit Results**

The audit team evaluated EMEPA for compliance with 18 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 April 22, 2010. EMEPA submitted information and documentation for the audit team's evaluation of compliance with requirements. The audit team reviewed and evaluated all information provided by EMEPA to assess compliance with standards applicable to EMEPA this time.

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

Based on the information and documentation provided by EMEPA, the audit team found EMEPA to be compliant with 11 applicable requirements.

The audit team determined that four requirements were not applicable to EMEPA. The audit team identified three Possible Violations, CIP-001-1, R1 Sabotage Reporting; CIP-001-1, R2 Sabotage Reporting; and CIP-001-1, R3 Sabotage Reporting.

**Findings**

The following table details the audit team’s findings of compliance for the Standard requirements identified as being in scope per the Audit Detail Letter.

<b>Reliability Std</b>	<b>Req.</b>	<b>Finding</b>
CIP-001-1	R1.	Possible Violation
CIP-001-1	R2.	Possible Violation
CIP-001-1	R3.	Possible Violation
CIP-001-1	R4.	Compliant
EOP-002-2.1	R9.	Compliant
FAC-002-0	R1.	Compliant
IRO-001-1.1	R8.	Compliant
IRO-004-1	R4.	Compliant
IRO-005-2	R13.	Compliant
PRC-004-1	R1.	N/A
PRC-005-1	R1.	N/A
PRC-005-1	R2.	N/A
PRC-008-0	R1.	Compliant
PRC-008-0	R2.	Compliant
PRC-017-0	R1.	N/A
TOP-001-1	R4.	Compliant
TOP-002-2	R3.	Compliant
TOP-002-2	R18.	Compliant

### ***Compliance Culture***

The audit team assessed EMEPA's Internal Compliance Program in conjunction with the audit. Evidence reviewed in assessing the program included EMEPA's Compliance Pre-Audit Survey, interviews with EMEPA staff, and observation of staff responses in preparation for and during the audit.

Four factors that characterize a vigorous and effective compliance program are: active engagement and leadership by a company's senior management; preventive measures appropriate to the individual circumstances of the company; promptly detecting, stopping, and reporting a violation; and, ultimately fixing the problem and working to avoid future possible violations.

SERC recognizes that there is not one standard formula for an effective compliance program, and that there will be variations in each company's program and culture based on countless factors, including the size and age of the company, as well as the nature and extent of its business. Ultimately, what matters are the results, and whether the compliance program worked as it should.

The audit team determined that EMEPA's Internal Compliance Program documents, and their staff's demonstrated compliance culture, indicate an adequate compliance culture.