

Compliance Audit Report Public Version

**Westar SQ1, Inc.
NERC ID # NCR10199**

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

Audit Date: November 2-4, 2010
Audit Location: Westar Energy, Inc. Office, Topeka, KS
Report Date: January 4, 2011
Prepared By: Jagan Mandavilli, Audit Team Leader

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1.0 EXECUTIVE SUMMARY

The On-Site compliance audit of Westar SQ1 (Westar) was conducted on November 2-4, 2010. The NERC Reliability Standards that are being actively monitored for 2010 were reviewed based on Westar SQ1's registration as a Purchasing-Selling Entity.

The audit team reviewed the NERC Reliability Standards for the period of time identified in the scope of the audit. The audit team consisted of three representatives from Texas Reliability Entity (Texas RE). The audit team reviewed the evidence and documentation provided by Westar SQ1 and conducted interviews with Westar SQ1's personnel to assess compliance with standards applicable to Westar SQ1 at this time.

There were a total of three reliability standards included in the scope of this audit consisting of thirty eight requirements. Based on the information and documentation provided by Westar SQ1, the audit team found Westar SQ1 to be compliant with three applicable requirements. The audit team determined that thirty five requirements were not applicable to Westar SQ1.

Westar SQ1 met all of the NERC Standard requirements that were within the scope of this audit. 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.

There were no ongoing or recently completed mitigation plans for the NERC registered functions included in the scope of this audit and therefore none were reviewed by the audit team.

2.0 AUDIT PROCESS

The compliance audit process is detailed in the NERC Compliance Monitoring and Enforcement Program (CMEP), available at www.nerc.com. The NERC CMEP generally conforms to the United States Government Accountability Office Government Auditing Standards and other generally accepted audit practices.

2.1 Objectives

All registered entities are subject to audit for compliance with all reliability standards applicable to the functions for which the registered entity is registered.¹ The audit objectives are:

- Independently review Westar SQ1's compliance with the requirements of the reliability standards that are applicable to Westar SQ1 based on the Westar SQ1 registered functions included in the scope of this audit.
- Validate compliance with applicable reliability standards from the NERC 2010 CMEP Implementation Plan list of actively monitored standards.
- Validate evidence of self-reported violations and previous self-certifications, confirm compliance with other requirements of the reliability standards, and review the status of associated mitigation plans.
- Document Westar SQ1's compliance culture.

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

2.2 Scope

The scope of this compliance audit is inclusive of all requirements of the NERC Reliability Standards that are being actively monitored in 2010 and any others that may be identified by the audit team at the time of the audit applicable to Purchasing-Selling Entity. The audit was performed by three members of Texas RE.

There were no ongoing or recently completed mitigation plans for the NERC registered functions included in the scope of this audit that had not been previously validated by Texas RE's compliance staff for Westar SQ1 and therefore none were reviewed by the audit team.

Note: For the 2010 compliance program, the monitoring period for the compliance audit will generally be the last three years based the Westar SQ1's registration as a Purchasing-Selling Entity, or periods specified in individual reliability standards.

At the time of the audit, Westar SQ1 was registered as a Purchasing-Selling. The audit team evaluated Westar SQ1 for compliance during the specific period of June 28, 2007 to September 3, 2010 for their Purchasing-Selling Entity registration.

2.2.1 Confidentiality and Conflict of Interest

Confidentiality agreements and code of conduct documentation for the regional entity staff were provided to Westar SQ1 prior to the audit. Work history and conflict of interest forms submitted for each audit team member were provided to Westar SQ1. Westar SQ1 was given an opportunity to object to an audit team member on the basis of a possible conflict of interest or the existence of other circumstances that could interfere with the audit team member's impartial performance of duties. Westar SQ1 had not submitted any objections by the stated fifteen day objection due date and accepted the audit team member participants with no objections. There have been no denials of or access limitations placed upon this audit team by Westar SQ1.

2.3 Methodology

Once an audit date was set by Texas RE, Westar SQ1 was sent a Reliability Standard Audit Work Sheets (RSAWs) for the list of actively monitored NERC Standards.

The audit team reviewed the completed RSAWs, information, data, and evidence submitted by Westar SQ1 and assessed compliance with requirements of the applicable reliability standards. Initial submittal of information and data were sent to Texas RE on or before the scheduled due date for the submittal. Additional information relevant to the audit could be requested by Texas RE and submitted by Westar SQ1 until the last day of the review at the audit site.

During the audit, Texas RE reviewed the responses to the RSAWs and auditor questions with Westar SQ1's management and supervisors. The audit team reviewed documentation provided by Westar SQ1 that included 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).

Texas RE audit team interviewed operations personnel and reviewed documents to substantiate that the operations personnel were trained and capable of following the procedures to ensure reliable operations from that entity. The audit team also interviewed IT, communications, and planning personnel as necessary to clarify or stack the evidence provided by Westar SQ1 and verify documentation.

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.

There were no ongoing or recently completed mitigation plans for the NERC registered functions included in the scope of this audit that had not been previously validated by Texas RE's compliance staff for Westar SQ1 and therefore none were reviewed by the audit team.

The audit team conducted an exit briefing immediately following the audit with Westar SQ1. The audit team verbally shared its preliminary results with Westar SQ1's management.

2.4 Company Profile

Westar Energy, Inc. (Westar), with headquarters in Topeka, is the largest electric utility in Kansas. Westar employs about 2,400 people and serves more than 680,000 customers in much of the eastern half of Kansas. Westar's energy centers are capable of generating more than 7,000 megawatts of electricity, and Westar operates and coordinates more than 35,000 miles of transmission and distribution lines.

Westar is an Investor Owned vertically integrated electric utility. Westar owns and operates generation, transmission, and distribution facilities, and actively markets energy and energy services. The Generation and Marketing operations are separated from the Transmission operations to meet FERC Standards of Conduct. This separation is maintained up to the level of Executive Vice President & Chief Operating Officer, Doug Sterbenz. Organization charts from the Chairman of the Board down to the Generation and Transmission System Operators are included with this survey response.

Westar is a member of the Southwest Power Pool. Westar Energy operates as a QSE in ERCOT providing energy management services. ERCOT designated Westar SQ1 as SQ1 for scheduling and market settlement purposes related to Westar's provision of energy management services to the Signal Hill power plant.

2.5 Audit Specifics

Audit Date: November 2-4, 2010
Audit Location: Westar Energy Office, Topeka, KS

Texas RE Audit Team:

Company/Title	Audit Team Role
Texas RE/Compliance Engineer Sr.	Audit Team Leader
Texas RE/Compliance Engineer III	Auditor
Texas RE/Compliance Engineer III	Auditor

Westar SQ1's Audit Participants:

Company	Title
Westar SQ1	NERC Compliance
Westar Energy	Manager, Corporate Compliance
Westar Energy	Manager, Real Time Operations
Signal Hill Wicita Falls	Manager, Signal Hill Wichita Falls
Westar Energy	Supervisor, EMA Trading
Westar Energy	Supervisor, Scheduling
Westar Energy	Internal Auditor
Westar Energy	Short term trader
Westar Energy	Internal Auditor
Westar Energy	Director - Telecom
Westar Energy	Executive Assistant
Westar Energy	Corporate Counsel
Westar Energy	Executive Director, Bulk Power Marketing
APX	AP
APX	Director of IT
Westar Energy	Vice President, Regulatory Affairs
Westar Energy	Vice President, Corporate Compliance and Internal Audit
Westar Energy	Director Internal Audit
Westar Energy	Manager, Generation Dispatch
Westar Energy	Vice President, General Counsel
Westar Energy	Manager, IT audit

3.0 AUDIT RESULTS

3.1 Audit Findings

The Compliance Audit Team found that Westar SQ1 was compliant with all 2010 actively monitored NERC Standards reviewed at the time of the audit.

The following table is a summary of the auditor's findings for those NERC standards reviewed during the audit:

Reliability Standard	Requirement	Finding
IRO-001-1.1	R1.	NA
IRO-001-1.1	R2.	NA
IRO-001-1.1	R3.	NA
IRO-001-1.1	R4.	NA
IRO-001-1.1	R5.	NA
IRO-001-1.1	R6.	NA

Reliability Standard	Requirement	Finding
IRO-001-1.1	R7.	NA
IRO-001-1.1	R8.	Compliant
IRO-001-1.1	R9.	NA
IRO-005-2	R1.	NA
IRO-005-2	R2.	NA
IRO-005-2	R3.	NA
IRO-005-2	R4.	NA
IRO-005-2	R5.	NA
IRO-005-2	R6.	NA
IRO-005-2	R7.	NA
IRO-005-2	R8.	NA
IRO-005-2	R9.	NA
IRO-005-2	R10.	NA
IRO-005-2	R11.	NA
IRO-005-2	R12.	NA
IRO-005-2	R13.	Compliant
IRO-005-2	R14.	NA
IRO-005-2	R15.	NA
IRO-005-2	R16.	NA
IRO-005-2	R17.	NA
VAR-001-1	R1.	NA
VAR-001-1	R2.	NA
VAR-001-1	R3.	NA
VAR-001-1	R4.	NA
VAR-001-1	R5.	Compliant
VAR-001-1	R6.	NA
VAR-001-1	R7.	NA
VAR-001-1	R8.	NA
VAR-001-1	R9.	NA
VAR-001-1	R10.	NA
VAR-001-1	R11.	NA
VAR-001-1	R12.	NA

3.2 Mitigation Plan Findings

There were no ongoing or recently completed mitigation plans for the NERC registered functions included in the scope of this audit that had not been previously validated by Texas RE's compliance staff and therefore none were reviewed by the audit team.

3.3 Conclusion

Westar SQ1 was found compliant with the all the standards that were included in the scope of this audit.

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

3.4. Compliance Culture

Westar SQ1's compliance culture survey was reviewed by the audit team.

Westar SQ1 was cooperative with the audit team's needs and information requests throughout the entire audit process. The organizational structure of Westar SQ1, the extensive participation during the audit by Westar SQ1's personnel, the responses provided to the compliance culture survey, the detailed documentation of procedures and records, the internal self-audits, the demonstrated level of compliance and the direct observations made by the audit team confirmed a strong commitment by Westar SQ1 to promote a healthy compliance culture within the organization. The Compliance Director's efforts for this audit were extremely helpful and were well supported by the other Westar SQ1 managers and SME's who prepared and participated during the audit process.

Additional detailed information pertaining to the compliance culture of Westar SQ1 can be found in the Internal Compliance Survey.