



Compliance Audit Report Public Version

American PowerNet Management, LP
NERC ID# NCR00684

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

Date of Audit: June 14 - June 15, 2010

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Executive Summary

A compliance audit of American PowerNet Management, LP (American PowerNet), NERC ID # - NCR00684 was conducted from June 14 - June 15, 2010. At the time of the audit, American PowerNet was registered for the Purchasing-Selling Entity (PSE) function.

The audit team evaluated American PowerNet for compliance with Three (3) 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 to June 15, 2010. American PowerNet submitted information and documentation for the audit team's evaluation of compliance with requirements. The audit team reviewed and evaluated all information provided by American PowerNet to assess compliance with standards applicable to American PowerNet at this time.

Based on the information and documentation provided by American PowerNet, the audit team found American PowerNet to be compliant with all Three (3) applicable requirements.

These audit results are listed in the Audit Results Findings section of this report which includes the audit team's preliminary 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 and therefore none were reviewed by the audit team.

Audit Process

The compliance audit process steps are detailed in the *ReliabilityFirst* CMEP. The *ReliabilityFirst* 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 American PowerNet, based on the functions that American PowerNet is registered to perform;

* 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 *ReliabilityFirst*;
- Validate compliance with applicable regional standards from the *ReliabilityFirst* 2010 Implementation Plan list of actively monitored standards;
- Validate evidence of self-reported violations and previous self-certifications;
- Observe and document American PowerNet'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 *ReliabilityFirst* 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, American PowerNet was registered for the function Purchasing-Selling Entity (PSE). The audit team evaluated American PowerNet for compliance during the period of June 18, 2007 to June 15, 2010.

Confidentiality and Conflict of Interest

Confidentiality and conflict of interest of the audit team are governed under the *ReliabilityFirst* Delegation Agreement with NERC, and Section 1500 of the NERC Rules of Procedure. American PowerNet was informed of *ReliabilityFirst*'s obligations and responsibilities under the agreement and procedures. The work history for each audit team member was provided to American PowerNet. American PowerNet 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. American PowerNet 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 American PowerNet.

Methodology

The audit team reviewed the information, data, and evidence submitted by American PowerNet 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 American PowerNet. 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

American PowerNet Management, LP and its affiliates, are comprised of two entities, American PowerNet Management, LP and American PowerNet Services, LP. Both are organized as a Pennsylvania Limited Partnership. American PowerNet management, LP wholly owns two related entities, APN Starfist, LLC and Public PowerNet, LLC. APN Starfist was organized to facilitate a business relationship with two current clients. Public PowerNet, LLC was organized to facilitate business relationships with government and municipal clients. Public PowerNet, LLC conducts no business activities at the present time. American PowerNet does not own any transmission, distribution or generating assets and performs the function of Purchase Selling Entity (PSE) within the PJM and MISO regions.

Audit Participants

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

Audit Team Participants

Audit Team Role	Title	Entity
Audit Team Lead	Sr. Consultant	ReliabilityFirst
Team Member	Engineer, Compliance	ReliabilityFirst

American PowerNet Audit Participants

Title	Entity
Vice President, Logistics and Analysis	American PowerNet Management, LP
Controller	American PowerNet Management, LP

Audit Results

The audit team evaluated American PowerNet for compliance with Three (3) 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 June 15, 2010. American PowerNet submitted information and documentation for the audit team's evaluation of compliance with requirements. The audit team reviewed and evaluated all information provided by American PowerNet to assess compliance with standards applicable to American PowerNet at this time.

Based on the information and documentation provided by American PowerNet, the audit team found American PowerNet to be compliant with all Three (3) applicable requirements.

Findings

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

Reliability Std	Requirement	Finding
IRO-001-1.1	R8.	Compliant
IRO-005-2	R13.	Compliant
VAR-001-1	R5.	Compliant

Compliance Culture

American PowerNet Management, LP does not have a formal compliance program. American PowerNet Management, LP's Vice President of Logistics and Analysis, and the Controller functioned as the compliance contacts and subject matter experts (SMEs) for the submitted evidence. These two individuals provided additional evidence and requests for clarification to the audit team.