



Compliance Audit Report Public Version

PrairieLand Energy Incorporated
NERC ID NRC01296

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

Date of Audit: July 14–15, 2010

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Executive Summary

An off-site compliance audit of Prairieland Energy Incorporated (PEIC), NERC ID # - NCR01296 was conducted on July 14–15, 2010. At the time of the audit, PEIC was registered for the Purchasing-Selling Entity (PSE) function.

The audit team evaluated PEIC for compliance with three requirements in the 2010 NERC Compliance Monitoring and Enforcement Program (CMEP). The audit team assessed compliance with the NERC Reliability Standards for the period of 3/11/2009 to present. PEIC submitted information and documentation for the audit team's evaluation of compliance with requirements. The audit team reviewed and evaluated all information provided by PEIC to assess compliance with standards applicable to PEIC at this time.

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

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 SERC 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) with the following exceptions. The SERC audit team did not adhere to the NERC Compliance Checklist or NERC Compliance Auditor Manual regarding Reliability Coordinator Questionnaires due to the fact that SERC Reliability Corporation only sends Reliability Coordinator Questionnaires when auditing entities registered as Balancing Authorities (BA) and Transmission Operators (TOP).

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.¹ The audit objectives are to:

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

¹ North American Electric Reliability Corporation CMEP, paragraph 3.1, Compliance Audits
Prairieland Energy Inc. Compliance Audit Report

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- 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 2010 Implementation Plan list of actively monitored standards;
- Validate evidence of self-reported violations and previous self-certifications;
- Observe and document PEIC'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 a review of 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, PEIC was registered for the PSE function. The audit team evaluated PEIC for the 2010 compliance program; the monitoring period for the compliance audit will generally be the lesser of: 1) Date of registration to current date; 2) Date of last audit or spot check to current date; or, 3) June 18, 2007 to current date. The monitoring period is not limited to the time period for which penalties and sanctions are assessed.

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

Methodology

The audit team reviewed the information, data, and evidence submitted by PEIC 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. 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 PEIC. Data, information, and evidence submitted in the form of policies, procedures, emails, logs, studies, data sheets, etc. were validated, substantiated, and cross-checked for accuracy as appropriate. Requirements which

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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

PrairieLand Energy Incorporated, located in Champaign, Illinois, operates as an energy service company capable of acquiring and delivering electric service to the University of Illinois at the Urbana-Champaign campus distribution system.

Audit Participants

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

Audit Team Participants

Title	Entity
Senior Compliance Auditor/Audit Team Lead	SERC
Compliance Auditor	SERC
Senior Compliance Auditor	SERC

PEIC Audit Participants

Title	Entity
President	PEIC
Director of Resources Utilities Administration	PEIC

Audit Results

The audit team evaluated PEIC for compliance with three requirements in the 2010 NERC Compliance Monitoring and Enforcement Program (CMEP). The audit reviewed NERC Reliability Standards for the period of 3/11/2009 to present. PEIC submitted information and documentation for the audit team's evaluation of compliance with requirements. The audit team reviewed and evaluated all information provided by PEIC to assess compliance with standards applicable to PEIC at this time.

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

Findings

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

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

Compliance Culture

The audit team assessed PEIC's Internal Compliance Program in conjunction with the audit. Evidence reviewed in assessing the program included: PEIC's Compliance Pre-Audit Survey, PEI-02-AD-002R0 Regulatory Compliance Procedure, compliance staff organizational charts, interviews with PEIC 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 isn't 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 PEIC's Internal Compliance Program documents and their staff's demonstrated compliance culture indicate a relatively effective compliance program.

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