



Compliance Audit Report Public Version

Cleco Corporation
NERC ID# NCR01083

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

Date of Audit: April 26 - 29, 2010

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Executive Summary

A compliance audit of Cleco Corporation (CLEC), NERC ID # - NCR01083 was conducted from April 26 - 29, 2010. At the time of the audit, CLEC was registered for the Balancing Authority (BA), Distribution Provider (DP), Generator Operator (GOP), Generator Owner (GO), Interchange Authority (IA), Load Serving Entity (LSE), Purchasing-Selling Entity (PSE), Resource Planner (RP), Transmission Operator (TOP), Transmission Owner (TO), Transmission Planner (TP), and Transmission Service Provider (TSP) functions.

The audit team evaluated CLEC for compliance with one hundred forty three (143) requirements in the 2010 NERC Compliance Monitoring and Enforcement Program (CMEP). The audit team reviewed the NERC Reliability Standards for the period from June 18, 2007 to April 29, 2010. CLEC submitted information and documentation for the audit team's evaluation of compliance with requirements. The audit team reviewed and evaluated all information provided by CLEC to assess compliance with standards applicable to CLEC at this time.

Based on the information and documentation provided by CLEC, the audit team found CLEC to be compliant with one hundred twenty six (126) applicable requirements. The audit team determined that nine (9) requirements were not applicable to CLEC. The audit team identified eight (8) Possible Alleged Violations. Possible Alleged Violations were identified for:

- CIP-001-1a, R1, Sabotage Reporting;
- COM-001-1.1, R5, Telecommunications;
- FAC-001-0, R2, Facility Connection Requirements and sub-requirements 2.1.4, 2.1.5, 2.1.6, 2.1.7, 2.1.8, 2.1.9, 2.1.10, 2.1.11, 2.1.13, 2.1.14, 2.1.15, and 2.1.16;
- FAC-001-0, R3, Facility Connection Requirements;
- FAC-003-1, Sub-requirement R1.2.1, Transmission Vegetation Management Program;
- TOP-008-1, R2, Response to Transmission Limit Violations;
- VAR-001-1a, R1, Voltage and Reactive Control; and
- VAR-001-1a, R8, Voltage and Reactive Control.

Any Possible Alleged Violations will be processed through the NERC and SPP RE CMEP.

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

The link to the Cleco Corporation NOP can be viewed [here](#).

Audit Process

The compliance audit process steps are detailed in the SPP RE CMEP. The SPP RE 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 CLEC, based on the functions that CLEC 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 SPP RE;
- Validate compliance with applicable regional standards from the SPP RE 2010 Implementation Plan list of actively monitored standards;
- Validate evidence of self-reported violations and previous self-certifications;
- Observe and document CLEC'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 SPP RE 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, CLEC was registered for the functions Balancing Authority (BA), Distribution Provider (DP), Generator Operator (GOP), Generator Owner (GO), Interchange Authority (IA), Load Serving Entity (LSE), Purchasing-Selling Entity (PSE), Resource Planner (RP), Transmission Operator (TOP), Transmission Owner (TO), Transmission Planner (TP), and Transmission Service Provider (TSP). The audit team evaluated CLEC for compliance during the period from June 18, 2007 to April 29, 2010.

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

Confidentiality and Conflict of Interest

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

Methodology

The audit team reviewed the information, data, and evidence submitted by CLEC and assessed compliance with requirements of the applicable reliability standards. Submittal of information and data were sent to SPP RE approximately 90 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 reviewed documentation provided by CLEC. Data, information and evidence submitted in the form of policies, procedures, e-mails, logs, studies, data sheets, etc. 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

CLEC has two primary businesses which are Cleco Power LLC, a regulated electric utility business, and Cleco Midstream Resources LLC, a wholesale energy business. Cleco Midstream Resources operates almost 1,355 megawatts of unregulated capacity in addition to the capacity owned and operated by the regulated utility. The audit included the operation and facilities of both Cleco Power LLC and Cleco Midstream Resources.

CLEC serves approximately 277,000 customers in 23 Louisiana parishes throughout southern Louisiana. CLEC territory is divided into the Northern, Central, Southern and Eastern districts.

CLEC's summer peak demand was 2,115 Mw on July 2, 2009. CLEC owns approximately 2,560 megawatts of regulated generating capacity and manages an additional 691 megawatts for its joint owners through Cleco Power. CLEC uses a mixture of coal, lignite, petroleum coke, oil, natural gas and purchased power to serve its customers. CLEC has a firm purchase agreement with Toledo Bend (Sabine River Authority).

CLEC's system includes about 67 miles of 500 kV (operated by Entergy), 460 miles of 230 kV, and 676 miles of 138 kV transmission lines. CLEC has 36 interconnection points with Entergy, two at 500 kV, eight at 230 kV, fourteen at 138 kV, three at 115 kV, one at 69 kV, seven at 34.5 kV and one at 13.2 kV; five interconnection points with Swepco, one at 345 kV, one at 138 kV, one at 69 kV, and two at 34.5 kV, two interconnection points with the City of Alexandria, one at 230 kV and one at 115 kV; three interconnection points with the City of Lafayette, one at 230 kV, one at 138 kV and one at 69 kV, and one interconnection point each with Morgan City at 138 kV, Chaney at 138 kV, and Cajun at 230 kV.

SPP is the reliability coordinator for CLEC. CLEC is a member of the SPP Reserve Sharing Group.

Audit Participants

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

Audit Team Participants

Role	Title	Entity
Lead	Lead Compliance Specialist	SPP RE
Member	Lead Compliance Engineer	SPP RE
Member	Senior Compliance Engineer	SPP RE
Member	Contract Consultant	SPP RE
Member	Contract Consultant	SPP RE
Member	Contract Consultant	SPP RE

CLEC Audit Participants

Title	Entity
Senior Vice President, Corporate Services	CLEC
Lead Electrical Engineer	CLEC
Senior System Operator	CLEC
Supervisor, Technical Services	CLEC
Senior Attorney	CLEC

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General Manager, Transmission Services	CLEC
Group Vice President	CLEC
Engineer, Transmission Operations	CLEC
Director – NERC Compliance	CLEC
Group Vice President	CLEC
Senior Auditor	CLEC
Manager, Transmission Design and Construction	CLEC
Director – NERC Compliance	CLEC
Engineer	CLEC
Senior Engineer	CLEC
Manager, Energy Operations	CLEC
General Manager, Retail Operations	CLEC
Manager, IT Network and Building Services	CLEC
NERC Compliance Trainer	CLEC
Chief Compliance Officer	CLEC
Lead Engineer	CLEC
Transmission Facilities Maintenance Administrator	CLEC
NERC Compliance and Training Specialist	CLEC
Attorney	CLEC
Manager, Distribution Planning and Protection	CLEC
Senior Internal Auditor	CLEC
NERC Compliance Trainer	CLEC
Supervisor, Transmission Control Operations	CLEC
Manager – Compliance & Training	CLEC
President and Chief Executive Officer,	CLEC
Manager, Telecommunication Services	CLEC
Engineer	CLEC
Transmission Facilities Maintenance Administrator	CLEC
Associate General Counsel	CLEC
Manager, Transmission Operations	CLEC
President and Chief Operating Officer	CLEC
Lead Engineer	CLEC
Senior System Operator	CLEC
	CLEC
Engineer	CLEC
Engineer	CLEC
Auditor	CLEC
Supervisor, Resource Coordination	CLEC
General Manager, Technology and Corporate Services	CLEC
Lead Engineer	CLEC
Manager Transmission Planning and Operations Support	CLEC

Audit Results

The audit team evaluated CLEC for compliance with one hundred forty three (143) requirements in the 2010 NERC Compliance Monitoring and Enforcement Program (CMEP). The audit reviewed NERC Reliability Standards for the period from June 18, 2007 to April 29, 2010. CLEC submitted information and documentation for the audit team's evaluation of compliance with requirements. The audit team reviewed and evaluated all information provided by CLEC to assess compliance with standards applicable to CLEC at this time.

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Findings

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

Reliability Std	Req.	Finding
BAL-002-0	R1.	Compliant
BAL-002-0	R3.	Compliant
BAL-003-0.1b	R1.	Compliant
BAL-003-0.1b	R2.	Compliant
BAL-003-0.1b	R5.	Compliant
BAL-005-0.1b	R2.	Compliant
BAL-005-0.1b	R10.	Compliant
CIP-001-1	R1.	PAV
CIP-001-1	R2.	Compliant
CIP-001-1	R3.	Compliant
CIP-001-1	R4.	Compliant
COM-001-1.1	R1.	Compliant
COM-001-1.1	R5.	PAV
COM-002-2	R1.	Compliant
COM-002-2	R2.	Compliant
EOP-001-0	R1.	Compliant
EOP-002-2	R1.	Compliant
EOP-002-2	R2.	Compliant

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EOP-002-2	R3.	Compliant
EOP-002-2	R4.	Compliant
EOP-002-2	R5.	Compliant
EOP-002-2	R6.	Compliant
EOP-002-2	R7.	Compliant
EOP-002-2	R9.	Compliant
EOP-003-1	R1.	Compliant
EOP-003-1	R2.	Compliant
EOP-003-1	R3.	Compliant
EOP-003-1	R4.	Compliant
EOP-003-1	R5.	Compliant
EOP-003-1	R6.	Compliant
EOP-003-1	R7.	Compliant
EOP-003-1	R8.	Compliant
EOP-005-1	R1.	Compliant
EOP-005-1	R2.	Compliant
EOP-005-1	R3.	Compliant
EOP-005-1	R4.	Compliant
EOP-005-1	R5.	Compliant
EOP-005-1	R6.	Compliant
EOP-005-1	R7.	Compliant
EOP-005-1	R9.	Compliant
EOP-005-1	R11.	Compliant
EOP-008-0	R1.	Compliant
FAC-001-0	R1.	Compliant
FAC-001-0	R2.	PAV
FAC-001-0	R3.	PAV
FAC-002-0	R1.	Compliant
FAC-003-1	R1.	PAV
FAC-003-1	R2.	Compliant
FAC-008-1	R1.	Compliant
FAC-008-1	R2.	Compliant
FAC-008-1	R3.	Compliant
FAC-009-1	R1.	Compliant
FAC-009-1	R2.	Compliant
FAC-014-2	R5.	Compliant
IRO-001-1.1	R8.	Compliant
IRO-004-1	R3.	Compliant
IRO-004-1	R4.	Compliant
IRO-004-1	R7.	Compliant
IRO-005-2	R8.	Compliant
IRO-005-2	R13.	Compliant
IRO-006-4	R6.	Compliant
NUC-001-2	R1.	NA
NUC-001-2	R2.	NA
NUC-001-2	R3.	NA
NUC-001-2	R4.	NA
NUC-001-2	R5.	NA
NUC-001-2	R6.	NA
NUC-001-2	R7.	NA
NUC-001-2	R8.	NA
NUC-001-2	R9.	NA

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PER-001-0	R1.	Compliant
PER-002-0	R1.	Compliant
PER-002-0	R2.	Compliant
PER-002-0	R3.	Compliant
PER-002-0	R4.	Compliant
PER-003-0	R1.	Compliant
PRC-001-1	R1.	Compliant
PRC-001-1	R2.	Compliant
PRC-001-1	R3.	Compliant
PRC-001-1	R4.	Compliant
PRC-001-1	R5.	Compliant
PRC-001-1	R6.	Compliant
PRC-004-1	R1.	Compliant
PRC-004-1	R2.	Compliant
PRC-005-1	R1.	Compliant
PRC-005-1	R2.	Compliant
PRC-008-0	R1.	Compliant
PRC-008-0	R2.	Compliant
PRC-017-0	R1.	Compliant
TOP-001-1	R1.	Compliant
TOP-001-1	R2.	Compliant
TOP-001-1	R3.	Compliant
TOP-001-1	R4.	Compliant
TOP-001-1	R5.	Compliant
TOP-001-1	R6.	Compliant
TOP-001-1	R7.	Compliant
TOP-001-1	R8.	Compliant
TOP-002-2	R1.	Compliant
TOP-002-2	R2.	Compliant
TOP-002-2	R3.	Compliant
TOP-002-2	R4.	Compliant
TOP-002-2	R5.	Compliant
TOP-002-2	R6.	Compliant
TOP-002-2	R11.	Compliant
TOP-002-2	R13.	Compliant
TOP-002-2	R14.	Compliant
TOP-002-2	R15.	Compliant
TOP-002-2	R16.	Compliant
TOP-002-2	R17.	Compliant
TOP-002-2	R18.	Compliant
TOP-002-2	R19.	Compliant
TOP-003-0	R1.	Compliant
TOP-003-0	R2.	Compliant
TOP-003-0	R3.	Compliant
TOP-004-2	R1.	Compliant
TOP-004-2	R2.	Compliant
TOP-004-2	R4.	Compliant
TOP-004-2	R5.	Compliant
TOP-006-1	R2.	Compliant
TOP-006-1	R6.	Compliant
TOP-006-1	R7.	Compliant
TOP-007-0	R1.	Compliant

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TOP-007-0	R2.	Compliant
TOP-007-0	R3.	Compliant
TOP-008-1	R1.	Compliant
TOP-008-1	R2.	PAV
TOP-008-1	R3.	Compliant
TPL-001-0	R1.	Compliant
TPL-002-0	R1.	Compliant
TPL-003-0	R1.	Compliant
VAR-001-1	R1.	PAV
VAR-001-1	R2.	Compliant
VAR-001-1	R5.	Compliant
VAR-001-1	R7.	Compliant
VAR-001-1	R8.	PAV
VAR-001-1	R9.	Compliant
VAR-001-1	R10.	Compliant
VAR-001-1	R12.	Compliant
VAR-002-1.1a	R1.	Compliant
VAR-002-1.1a	R2.	Compliant
VAR-002-1.1a	R3.	Compliant
VAR-002-1.1a	R4.	Compliant
VAR-002-1.1a	R5.	Compliant

Compliance Culture

CLEC compliance culture was reviewed by the audit team.

CLEC has developed a formal compliance program which is outlined in the *Cleco Corporation Compliance Program* document. The CLEC Compliance program is under the Senior Vice President General Counsel and Director Regulatory Compliance (CLEC Compliance Officer), who was designated by CLEC Corporation's Board of Director's to this position in January 2007. The *Cleco Corporation Compliance Program* was developed and approved in May of 2008.

The Compliance Officer has direct access to and reports directly to the President and CEO for Cleco Corporation. The CLEC Compliance Officer is a member of the Executive Committee and Cleco Corporation's Board of Director's. As a member of the Board of Directors, the CLEC Compliance Officer has the access and ability to discuss compliance related issues with the Board.

CLEC's compliance program operates and is managed independently from the other departments that are responsible for performance to the Reliability Standards. CLEC's compliance with the NERC Standards is handled by the NERC Compliance and Training Department, reporting through the Legal Services Department headed by the CLEC Compliance Officer. The Legal Services and Compliance and Training Departments are in the CLEC Support Group LLC, a separate LLC from the operational companies.

The CLEC Compliance Officer's responsibilities include approval, implementation, and maintenance of the policies and procedures necessary to comply with the NERC Standards.

CLEC stated that it reviews the Compliance Program annually making improvements as necessary to accomplish its compliance goals. The review of the Compliance Program and CLEC's compliance material includes a review of:

- The Compliance and Training Program. It is completed by the Manager - NERC Compliance and Training to identify changes in the program to improve CLEC's compliance with the NERC Standards.
- Each NERC Standard to identify requirements for annual assessment of CLEC's compliance program and training of personnel.
- CLEC Policies and Procedures specifically addressing CLEC's compliance with the NERC Standards.
- Operational documentation covered or referenced in the NERC Standards.
- The Self-Certification Audit, Spot Checks, periodic data submittals, exception reporting, self-reports or other submittals to SPP during the previous 12 months.

CLEC staff is engaged in the meeting compliance to the NERC Standards. CLEC senior management attended the opening and closing audit presentations. CLEC brought in a number of subject matter experts to review compliance in their respective areas.

Additional information pertaining to the compliance culture of Real Time Contingency Analysis can be found in the Internal Compliance Survey.

Post Audit Activities

This report was reviewed and approved by:
Ronald W. Ciesiel
Executive Director of Compliance, SPP RE
July 20, 2010