



Compliance Audit Report Public Version

City of Clarksdale, Mississippi
NERC ID# NCR01071

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

Date of Audit: June 14 - 15, 2010

TABLE OF CONTENTS

Executive Summary 1

Audit Process 1

Objectives..... 1

Scope 1

Confidentiality and Conflict of Interest 2

Methodology 2

Company Profile 2

Audit Participants 3

Audit Results..... 4

Findings 4

Compliance Culture 7

Post Audit Activities..... 8

Executive Summary

A compliance audit of City of Clarksdale, Mississippi (CPU), NERC ID # - NCR01071 was conducted on June 14 - 15, 2010. At the time of the audit, CPU was registered for the Distribution Provider (DP), Generator Owner (GO), Generator Operator (GOP), Load Serving Entity (LSE), and Transmission Owner (TO) functions.

The audit team evaluated CPU for compliance with forty-eight (48) 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 June 15, 2010. CPU submitted information and documentation for the audit team's evaluation of compliance with requirements. The audit team reviewed and evaluated all information provided by CPU to assess compliance with standards applicable to CPU at this time.

Based on the information and documentation provided by CPU, the audit team found CPU to be compliant with forty-five (45) applicable requirements. The audit team determined that three (3) requirements were not applicable to CPU. The audit team identified no Possible Violations.

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 SPP RE CMEP. There were ongoing or recently completed mitigation plans and therefore all were reviewed by the audit team.

The SPP RE 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).

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:

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

- Review compliance with the requirements of reliability standards that are applicable to CPU, based on the functions that CPU 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 CPU'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, CPU was registered for the functions of Distribution Provider (DP), Generator Owner (GO), Generator Operator (GOP), Load Serving Entity (LSE), and Transmission Owner (TO). The audit team evaluated CPU for compliance during the period from 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 SPP RE Delegation Agreement with NERC, and Section 1500 of the NERC Rules of Procedure. CPU 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 CPU. CPU 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. CPU 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 CPU.

Methodology

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

CPU is a municipally-owned utility organized under the laws of the State of Mississippi. As a municipal utility, CPU does not have a parent company. Rather, the activities of the Public Utilities Commission are subject to the oversight of its Board of Commissioners. The day-to-day operations of the Public Utilities Commission are overseen by the Public Utilities Commission's General Manager. CPU is a member of Mississippi Delta Energy Agency (MDEA), a joint action agency organized pursuant to Mississippi law.

Clarksdale, Mississippi is located in Coahoma County, Mississippi, which is in the Delta Region near the Mississippi border with Arkansas. With a population of approximately 20,000 people, the City has a total area of about 14 square miles. Clarksdale is located 90 miles south of Memphis, Tennessee and 150 miles southeast of Little Rock, Arkansas.

CPU is engaged in the transmission, generation, and distribution of electric energy for the purpose of serving its approximately 7,100 residential, commercial, and industrial customers. CPU's electric system includes less than one mile of 115 kV line, as well as a 69 kV (and lower voltage) distribution network. CPU owns and operates two generating facilities: the Crossroads Energy Center, which consists of four natural gas-fueled combustion turbines with a total operating capacity of 320 MW, and Lewis L. Wilkins Generating Station, which consists of four natural gas (or diesel) fueled units having a total operating capacity of approximately 38 MW (natural gas and/ or diesel). CPU is a summer peaking system, and its peak load is 41.8 MW, reached in calendar year 2009.

CPU's distribution network is fed through two transmission sources from Entergy, one via MDEA's 230 kV Moon Lake transmission line and the other connected at 115 kV. As described above, CPU is a member of MDEA, which is responsible for performing resource planning for CPU and the Public Service Commission of Yazoo City, MDEA's other member.

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

SPP is the Reliability Coordinator for CPU. Entergy is the Balancing Authority and Transmission Operator for CPU. Cleco is the energy scheduler for CPU through MDEA.

Audit Participants

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

Audit Team Participants

Role	Title	Entity
Lead	Lead Compliance Specialist	SPP RE
Member	Senior Compliance Engineer	SPP RE
Member	Contract Consultant	SPP RE
Member	Contract Consultant	SPP RE
Observer	Executive Director of Compliance	SPP RE
Observer	Counsel	SPP RE

COA Audit Participants

Title	Entity
Regulatory Compliance Officer	CPU
Assistant Compliance Officer	CPU
Outside Counsel	CPU
Electric Distribution Supervisor and Vegetation Management Coordinator	CPU
Operations Supervisor	CPU
General Manager	CPU

Audit Results

The audit team evaluated CPU for compliance with forty-eight (48) 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 June 15, 2010. CPU submitted information and documentation for the audit team's evaluation of compliance with requirements. The audit team reviewed and evaluated all information provided by CPU to assess compliance with standards applicable to CPU at this time.

Based on the information and documentation provided by CPU, the audit team found CPU to be compliant with forty-five (45) applicable requirements. The audit team determined that three (3) requirements were not applicable to CPU. The audit team identified no Possible Violations.

Findings

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

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

Reliability Std	Req.	Finding
CIP-001-1	R1	Compliant
CIP-001-1	R2	Compliant
CIP-001-1	R3	Compliant
CIP-001-1	R4	Compliant
COM-002-2	R1	Compliant
EOP-002-2.1	R9	Compliant
FAC-001-0	R1	Compliant
FAC-001-0	R2	Compliant
FAC-001-0	R3	Compliant
FAC-002-0	R1	Compliant
FAC-003-1	R1	NA
FAC-003-1	R2	NA
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
IRO-001-1.1	R8	Compliant
IRO-004-1	R4	Compliant
IRO-005-2	R13	Compliant
PRC-001-1	R1	Compliant
PRC-001-1	R2	Compliant
PRC-001-1	R3	Compliant

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

PRC-001-1	R5	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	NA
TOP-001-1	R3	Compliant
TOP-001-1	R4	Compliant
TOP-001-1	R6	Compliant
TOP-001-1	R7	Compliant
TOP-002-2	R3	Compliant
TOP-002-2	R13	Compliant
TOP-002-2	R14	Compliant
TOP-002-2	R15	Compliant
TOP-002-2	R18	Compliant
TOP-003-0	R1	Compliant
TOP-003-0	R2	Compliant
TOP-003-0	R3	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

CPU compliance culture was reviewed by the audit team.

CPU has developed a written internal compliance program and has taken a number of significant steps to ensure its ongoing compliance with the Reliability Standards and to foster a strong compliance culture within its organization. These steps include performance of an internal compliance review to verify CPU's compliance status as to applicable Reliability Standards, designation of a full-time Regulatory Compliance Officer to oversee CPU's compliance with the Reliability Standards, development of policies, procedures, and guidelines intended to ensure ongoing organizational awareness of operational activities governed by Reliability Standards, engagement of an outside consulting firm to assist with CPU's compliance efforts, provision of overview awareness training regarding the Reliability Standards to operational personnel, and briefings of CPU's Board of Commissioners regarding compliance activities.

CPU's General Manager is actively involved in oversight of CPU's compliance activities, and the Board of Commissioners is updated on compliance matters on a routine basis, no less than quarterly. CPU emphasizes on-the-job training with respect to Reliability Standards compliance. Personnel who are responsible for substantive compliance with the Reliability Standards are provided with copies of policies, procedures, and/or guidelines supporting their activities. CPU has also provided overview awareness training regarding the Reliability Standards to its operations personnel, has performed one internal compliance review and expects to continue to perform internal compliance reviews on no less than an annual basis.

In the event that CPU management or the Regulatory Compliance Officer becomes aware of an actual or potential compliance violation through its internal compliance monitoring processes or via other means, such violation is promptly self-reported to SPP RE. CPU is fully committed to cooperating with entities responsible for monitoring compliance with and engaging in enforcement of the Reliability Standards, including SPP RE, NERC, and FERC. CPU has devoted significant resources to compliance activities, including appointment of a full-time staff member to administer compliance with the Reliability Standards and engagement of both outside legal counsel and engineering consultants to assist in compliance efforts.

CPU's Regulatory Compliance Officer is George Price. CPU's Assistant Compliance Officer is Mike Vonallman. CPU's Regulatory Compliance Officer reports directly to CPU's General Manager. The General Manager reports directly to the Board of Commissioners.

The General Manager actively supports and participates in CPU's internal compliance efforts, reviewing all policies, procedures, and guidelines that are developed to facilitate compliance with the Reliability Standards, and is principally responsible for apprising the Board of Commissioners with respect to compliance activities.

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

CPU's internal compliance program includes provisions for periodic review and modification as may be required under SPP, NERC, or FERC policies, guidance, and/or orders.

Post Audit Activities

This report was reviewed and approved by:
Ronald W. Ciesiel
Executive Director of Compliance, SPP RE
August 23, 2010