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# **Compliance Audit Report Public Version**

**Public Service Commission of Yazoo City**  
NERC ID# NCR01139

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**Date of Audit: June 16, 2010**

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## **Executive Summary**

A compliance audit of Public Service Commission of Yazoo City (PSCYC), NERC ID # - NCR01139 was conducted on June 16, 2010. At the time of the audit, PSCYC was registered for the Distribution Provider (DP), and Load Serving Entity (LSE) functions.

The audit team evaluated PSCYC for compliance with eighteen (18) 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 16, 2010. PSCYC submitted information and documentation for the audit team's evaluation of compliance with requirements. The audit team reviewed and evaluated all information provided by PSCYC to assess compliance with standards applicable to PSCYC during that time.

Based on the information and documentation provided by PSCYC, the audit team found PSCYC to be compliant with thirteen (13) applicable requirements. The audit team determined that five (5) requirements were not applicable to PSCYC. 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 with 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:

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

- Review compliance with the requirements of reliability standards that are applicable to PSCYC, based on the functions that PSCYC 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 PSCYC'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, PSCYC was registered for the functions of Distribution Provider (DP), and Load Serving Entity (LSE). The audit team evaluated PSCYC for compliance during the period from June 18, 2007 to June 16, 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. PSCYC 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 PSCYC. PSCYC 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. PSCYC 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 PSCYC.

### ***Methodology***

The audit team reviewed the information, data, and evidence submitted by PSCYC 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

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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 PSCYC. 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***

Yazoo City, Mississippi is located in Yazoo County, Mississippi, which is at the western edge of the Delta Region near the geographic center of Mississippi with a population of approximately 14,500. Established in 1903, Yazoo City is a municipally-owned utility organized under the laws of the State of Mississippi. Through the Public Service Commission of Yazoo City, Yazoo City owns and operates the electric utility system of the City of Yazoo City, Mississippi. The Public Service Commission is also responsible for providing sewer, water, and wastewater service throughout Yazoo City. The activities of the Public Service Commission are subject to the oversight of its Board of Commissioners. The Board of Commissioners is comprised of five members, each of whom is appointed by the Yazoo City Council and serves a five year term. The day-to-day operations of the Public Service Commission are overseen by the Public Service Commission's Manager. Yazoo City is a member of the Mississippi Delta Energy Agency (MDEA), a joint action agency organized pursuant to Mississippi law.

The Public Service Commission is primarily engaged in the distribution of electric energy for the purpose of serving its approximately 5,300 residential and commercial customers. Yazoo City's electric system consists of two 115 kV distribution lines connecting the Yazoo City electric system with the transmission system operated by Entergy Services, Inc. (Entergy) as well as a 13.8 kV (and lower voltage) distribution network. Yazoo City owns and operates three generating facilities that have capacity ratings of 16.5 MW, 11.5 MW, and 5 MW, although Yazoo City rarely operates these units and instead fulfills the power supply needs of its customers through power supply transactions undertaken on Yazoo City's behalf by MDEA in its capacity as a Resource Planner. Yazoo City is a summer peaking system, and its system peak load reached in August 2000 is 32 MW.

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

### ***Audit Participants***

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

### **Audit Team Participants**

<b>Title</b>	<b>Entity</b>
Lead Compliance Specialist	SPP RE
Senior Compliance Engineer	SPP RE
Contract Consultant	SPP RE
Contract Consultant	SPP RE

### **PSCYC Audit Participants**

<b>Title</b>	<b>Entity</b>
General Manager	PSCYC
Manager of System Operations	PSCYC
Outside Counsel	PSCYC

### **Audit Results**

The audit team evaluated PSCYC for compliance with eighteen (18) 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 16, 2010. PSCYC submitted information and documentation for the audit team's evaluation of compliance with requirements. The audit team reviewed and evaluated all information provided by PSCYC to assess compliance with standards applicable to PSCYC at this time.

Based on the information and documentation provided by PSCYC, the audit team found PSCYC to be compliant with thirteen (13) applicable requirements. The audit team determined that five (5) requirements were not applicable to PSCYC. The audit team identified no Possible Violations.

### ***Findings***

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

<b>Reliability Std</b>	<b>Req.</b>	<b>Finding</b>
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CIP-001-1	R1.	Compliant
CIP-001-1	R2.	Compliant
CIP-001-1	R3.	Compliant
CIP-001-1	R4.	Compliant
EOP-002-2	R9.	Compliant
FAC-002-0	R1.	Compliant
IRO-001-1.1	R8.	Compliant
IRO-004-1	R4.	Compliant
IRO-005-2	R13.	NA
PRC-004-1	R1.	NA
PRC-005-1	R1.	NA
PRC-005-1	R2.	NA
PRC-008-0	R1.	Compliant
PRC-008-0	R2.	Compliant
PRC-017-0	R1.	NA
TOP-001-1	R4.	Compliant
TOP-002-2	R3	Compliant
TOP-002-2	R18.	Compliant

***Compliance Culture***

PSCYC compliance culture was reviewed by the audit team.

PSCYC has developed a written internal compliance program. Within approximately the past ten months, PSCYC 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 PSCYC’s compliance status as to applicable 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 PSCYC’s compliance efforts, and briefing of

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PSCYC's Board of Commissioners regarding compliance activities. Yazoo City's internal compliance program was presented to its Board of Commissioners for approval on May 11, 2010.

Additional information pertaining to the compliance culture 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