



**Compliance Audit Report  
Public Version**

**Flathead Electric Cooperative, Inc. (FHEC)  
NCR05156**

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

**Date of Audit: February 23, 2010**

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## **Executive Summary**

The Western Electricity Coordinating Council (WECC) performed an Off-site compliance audit of Flathead Electric Cooperative, Inc. FHEC NERC ID NCR05156 on February 23, 2010. At the time of the audit, FHEC was registered on the North American Electric Reliability Corporation (NERC) Compliance Registry for the following functions:

Distribution Provider

Load-Serving Entity

The Audit Team evaluated FHEC for compliance with sixty-eight (68) requirements in the NERC Compliance Monitoring and Enforcement Program 2010 Implementation Plan (CMEP IP) covering all applicable registered functions. Additionally one requirement in the WECC Regional Reliability Standards was audited. The Audit Team reviewed the NERC Reliability Standards for the period of June 18, 2007 to February 23, 2010. FHEC submitted information and documentation for the Audit Team's evaluation of compliance with requirements. The Audit Team reviewed and evaluated all information provided by FHEC to assess compliance with standards applicable to FHEC at this time.

Based on the information and documentation provided by FHEC, the Audit Team found FHEC to be compliant with sixteen (16) applicable requirements. The Audit Team determined that fifty-two (52) Requirements were not applicable to FHEC. The Audit Team also found the WECC Regional Reliability Standard was not applicable to FHEC. The Audit Team identified zero (0) New Possible Violation(s).

These audit results are further explained in the Audit Results Findings section of this report which includes detailed information regarding the Audit Team's findings of applicability and compliance for the NERC Reliability Standards reviewed during the compliance audit. Any Possible Alleged Violations will be processed through the NERC and WECC CMEP.

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 the WECC CMEP 2010 Implementation Plan (WECC CMEP). The audit process generally conforms to the United States Government Accountability Office Government Auditing Standards (GAGAS) and to other generally accepted audit practices.

## **Objectives**

A Registered Entity is subject to audit for compliance with all Reliability Standards applicable to its registered functions\*.

The audit objectives are to:

- Review compliance with the requirements of Reliability Standards that are applicable to FHEC, based on the functions that FHEC is registered to perform;
- Validate compliance with applicable Reliability Standards from the NERC 2010 Implementation Plan list of actively-monitored Reliability Standards and additional Regional Reliability Standards selected by WECC;
- Validate compliance with applicable Regional Standards from the WECC 2010 Implementation Plan list of actively monitored standards;
- Validate evidence of self-reported violations and previous self-certifications;
- Review the status of mitigation plans.

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

## **Scope**

The scope of the compliance audit included the NERC Reliability Standards from the WECC CMEP. 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, FHEC was registered for the functions: Distribution Provider and Load-Serving Entity. The Audit Team evaluated FHEC for compliance during the period of June 18, 2007 to February 23, 2010.

WECC notified FHEC of the audit on December 18, 2009. WECC informed FHEC that the Audit Team would perform the audit in accordance with the CMEP and the 2010 NERC Compliance Questionnaire and Reliability Standard Audit Worksheets (RSAW). In preparation for the off-site audit, the Audit Team reviewed the RSAWs and other documents submitted by FHEC to evaluate compliance with each applicable Reliability Standard.

## **Confidentiality and Conflicts of Interest**

Confidentiality and Conflict of Interest of the Audit Team are governed under the WECC Delegation Agreement with NERC, and Section 1500 of the NERC Rules of Procedure. FHEC was informed of WECC's obligations and responsibilities under the agreement and procedures. WECC provided the work history for each Audit Team member to FHEC. FHEC had the opportunity to object to an Audit Team member's participation in the audit on the basis of a possible conflict of interest or because of other circumstances that could interfere with an Audit Team member's impartiality. Section 3.1.5 of the WECC CMEP requires the FHEC to submit any objections no later than

fifteen days prior to the start of the on-site audit. FHEC did not submit any objections regarding any Audit Team members. There have been no denials of information or access limitations placed upon this Audit Team by FHEC.

## **Methodology**

The Audit Team reviewed the information, data, and evidence submitted by FHEC and assessed compliance with requirements of the applicable reliability standards. Submittals of information and requests for data were sent to FHEC at least thirty days before the scheduled date of the audit. 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 findings 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 FHEC. Data, information and evidence submitted in the form of policies, procedures, emails, logs, data sheets, etc., was validated, substantiated and cross checked for accuracy as appropriate. Where sampling is applicable to a requirement, the sample set is determined by a statistical methodology augmented with professional judgment to ensure that the sample set is representative of the Requirement's significance to the reliability of the Bulk Electrical System (BES).

Findings were based on the Audit Team's knowledge of the BES, the NERC Reliability Standards and team members' professional judgment. All findings were developed based on the consensus of the Audit Team.

## **Company Profile**

FHEC is a not-for-profit member-owned rural electric cooperative located in Montana. FHEC's distribution system is comprised of 3,848 miles of distribution lines at voltages 69 KV and below, most under 34.5 KV, located in Northwest Montana in the Kalispell and Libby areas with a small service area located in the Cooke City and Elk Basin areas of South-Central Montana. Flathead is radial fed from the Bonneville Power Administration (BPA) in Northwest Montana and with PacifiCorp (PAC) in the South Central Service Area. FHEC's Balancing Authorities are BPA for Northwest Montana and PacifiCorp and the Western Area Power Administration for Cooke City and North Elk Basin/Silver Tip service areas. TOP is BPA for Northwest Montana and Basin Electric Power Cooperative for Cooke City and North Elk Basin / Silver Tip.

FHEC is a winter peaking system with a historical system peak for our Northwest Montana loads of 318 MW in December of 2008.

## Audit Participants

The following is a list of WECC Audit Team members and FHEC personnel who participated in the audit.

### Audit Team Members

<b>Audit Team Role</b>	<b>Title</b>	<b>Company</b>
Audit Team Lead	Sr. Compliance Engineer	WECC
Member	Consultant	WECC

### FHEC Audit Participants

<b>Title</b>	<b>Company</b>
Director of Regulatory Affairs	FHEC
Director of Engineering	FHEC
Operations Superintendent	FHEC
Assistant General Manager	FHEC
Systems Engineer	FHEC
System Protection Engineer	FHEC
Substation Foreman	FHEC
Substation Inspector	FHEC
Safety and Compliance Supervisor	FHEC
Senior Data Analyst	FHEC
System Dispatcher	FHEC

## Audit Results

The Audit Team evaluated FHEC for compliance with sixty-eight (68) requirements in the NERC Compliance Monitoring and Enforcement Program 2010 Implementation Plan (CMEP IP) covering all applicable registered functions. Additionally one requirement in the WECC Regional Reliability Standards was audited. The Audit Team reviewed the NERC Reliability Standards for the period of June 18, 2007 to February 23, 2010. FHEC submitted information and documentation for the Audit Team's evaluation of compliance with requirements. The Audit Team reviewed and evaluated all information provided by FHEC to assess compliance with standards applicable to FHEC at this time.

Based on the information and documentation provided by FHEC, the Audit Team found FHEC to be compliant with sixteen (16) applicable requirements. The Audit Team determined that fifty-two (52) Requirements were not applicable to FHEC. The Audit Team also found the WECC Regional Reliability Standard was not applicable to FHEC. The Audit Team identified zero (0) New Possible Violations.

## Findings

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

The Finding column may contain any one of the following: Compliant, New Possible Violation, Not Applicable, Outstanding Violation, Retraction requested, Self-reported Violation, or other appropriate description.

Reliability Standard	Req.	Finding
CIP-001-1	R1.	Compliant
CIP-001-1	R2.	Compliant
CIP-001-1	R3.	Compliant
CIP-001-1	R4.	Compliant
EOP-002-2	R1.	Not Applicable
EOP-002-2	R2.	Not Applicable
EOP-002-2	R3.	Not Applicable
EOP-002-2	R4.	Not Applicable
EOP-002-2	R5.	Not Applicable
EOP-002-2	R6.	Not Applicable
EOP-002-2	R7.	Not Applicable
EOP-002-2	R8.	Not Applicable
EOP-002-2	R9.	Compliant
FAC-002-0	R1.	Compliant
IRO-001-1.1	R3.	Not Applicable
IRO-001-1.1	R7.	Not Applicable
IRO-001-1.1	R8.	Compliant
IRO-001-1.1	R9.	Not Applicable
IRO-004-1	R1.	Not Applicable
IRO-004-1	R2.	Not Applicable
IRO-004-1	R3.	Not Applicable
IRO-004-1	R4.	Compliant
IRO-004-1	R5.	Not Applicable
IRO-004-1	R6.	Not Applicable
IRO-004-1	R7.	Not Applicable
IRO-005-2	R1.	Not Applicable
IRO-005-2	R2.	Not Applicable
IRO-005-2	R3.	Not Applicable
IRO-005-2	R4.	Not Applicable
IRO-005-2	R5.	Not Applicable
IRO-005-2	R7.	Not Applicable
IRO-005-2	R8.	Not Applicable
IRO-005-2	R9.	Not Applicable

<b>Reliability Standard</b>	<b>Req.</b>	<b>Finding</b>
IRO-005-2	R10.	Not Applicable
IRO-005-2	R11.	Not Applicable
IRO-005-2	R12.	Not Applicable
IRO-005-2	R13.	Compliant
IRO-005-2	R14.	Not Applicable
IRO-005-2	R15.	Not Applicable
IRO-005-2	R16.	Not Applicable
IRO-005-2	R17.	Not Applicable
IRO-STD-006-0	WR1.	Not Applicable
PRC-005-1	R1.	Compliant
PRC-005-1	R2.	Compliant
PRC-008-0	R1.	Compliant
PRC-008-0	R2.	Compliant
PRC-017-0	R1.	Not Applicable
TOP-001-1	R1.	Not Applicable
TOP-001-1	R2.	Not Applicable
TOP-001-1	R3.	Not Applicable
TOP-001-1	R4.	Compliant
TOP-001-1	R5.	Not Applicable
TOP-001-1	R6.	Not Applicable
TOP-001-1	R7.	Not Applicable
TOP-001-1	R8.	Not Applicable
TOP-002-2	R1.	Not Applicable
TOP-002-2	R2.	Not Applicable
TOP-002-2	R3.	Compliant
TOP-002-2	R4.	Not Applicable
TOP-002-2	R5.	Not Applicable
TOP-002-2	R6.	Not Applicable
TOP-002-2	R11.	Not Applicable
TOP-002-2	R13.	Not Applicable
TOP-002-2	R14.	Not Applicable
TOP-002-2	R15.	Not Applicable
TOP-002-2	R16.	Not Applicable
TOP-002-2	R17.	Not Applicable
TOP-002-2	R18.	Compliant
TOP-002-2	R19.	Not Applicable

## **Compliance Culture**

FHEC’s compliance culture was not reviewed by the Audit Team.

### **Exit Briefing**

To conclude the audit, the Audit Team leader gave a PowerPoint presentation for FHEC's personnel summarizing the Audit Team's preliminary findings. The Audit Team leader also explained the next steps in the audit process and how WECC handles possible violations under the CMEP.

### **Management Approval**

This report was reviewed and approved by John McGhee, Director of Compliance Audits and Investigations on March 30, 2010.

### **In Accordance with WECC CMEP Section 3.1.6:**

WECC provided the draft of this audit report and an Entity Comment Form to FHEC on March 17, 2010 for review and comment. However, FHEC provided no comments.