



**Compliance Audit Report
Public Version**

**Western Area Power Administration - LAP
Marketing (LAP)
NCR05463**

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

Date of Audit: April 06, 2010

TABLE OF CONTENTS

Executive Summary 3

Audit Process 3

Objectives..... 4

Scope 4

Confidentiality and Conflicts of Interest..... 4

Methodology..... 5

Company Profile 5

Audit Participants 6

Audit Results 6

Findings 7

Compliance Culture 9

Exit Briefing..... 9

Executive Summary

The Western Electricity Coordinating Council (WECC) performed an off-site compliance audit of Western Area Power Administration - LAP Marketing (LAP), NERC ID NCR05463 on April 06, 2010. At the time of the audit, LAP was registered on the North American Electric Reliability Corporation (NERC) Compliance Registry for the following functions:

Load-Serving Entity (LSE)

Purchasing-Selling Entities (PSE)

The Audit Team evaluated LAP for compliance with eighty (80) requirements in the NERC Compliance Monitoring and Enforcement Program 2010 Implementation Plan (CMEP IP) covering all applicable registered functions. Additionally one (1) 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 April 06, 2010. LAP submitted information and documentation for the Audit Team's evaluation of compliance with requirements. The Audit Team reviewed and evaluated all information provided by LAP to assess compliance with standards applicable to LAP at this time.

Based on the information and documentation provided by LAP, the Audit Team found LAP to be compliant with fourteen (14) applicable requirements, which includes one WECC Standard. The Audit Team determined that sixty-seven (67) Requirements were not applicable to LAP. LAP had no Outstanding Violations. The Audit Team identified no New Possible Violations.

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 New Possible Violations will be processed through the NERC and WECC CMEP.

There were no ongoing or recently completed mitigation plans; therefore, none were reviewed by the Audit Team.

Audit Process

The compliance audit process steps are detailed in the 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 LAP, based on the functions that LAP is registered to perform;
- Validate compliance with applicable Reliability Standards from the NERC 2010 CMEP Implementation Plan list of actively-monitored Reliability Standards and any applicable NERC Reliability Standards selected by WECC;
- Validate compliance with applicable Regional Standards from the WECC 2010 CMEP Implementation Plan list of actively monitored standards;
- Validate evidence of self-reported violations and previous self-certifications;
- Review the status of mitigation plans.

Scope

The scope of the compliance audit included the NERC Reliability Standards from the WECC CMEP 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, LAP was registered for the functions LSE and PSE. The Audit Team evaluated LAP for compliance during the period of June 18, 2007 to April 06, 2010.

WECC notified LAP of the audit on January 29, 2010. WECC informed LAP 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 audit, the Audit Team reviewed the RSAWs and other documents submitted by LAP 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. LAP was informed of WECC's obligations and responsibilities under the Delegation Agreement and Rules of Procedure. On January 29, 2010, WECC provided the work history for each Audit Team member to LAP. LAP 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 LAP to submit

any objections no later than fifteen days prior to the start of the off-site audit. LAP 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 LAP.

Methodology

The Audit Team reviewed the information, data, and evidence submitted by LAP and assessed compliance with requirements of the applicable Reliability Standards. Submittals of information and requests for data were sent to LAP 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 LAP. 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

Western Area Power Administration markets and delivers hydroelectric power and related services within a 15-state region of the central and western U.S. (Arizona, California, Colorado, Iowa, Kansas, Minnesota, Montana, Nebraska, Nevada, New Mexico, North Dakota, South Dakota, Texas, Utah, and Wyoming). They are one of four power marketing administrations within the U.S. Department of Energy whose role is to market and transmit electricity from multi-use water projects. Its transmission system carries electricity from 57 power plants operated by the Bureau of Reclamation, U.S. Army Corps of Engineers and the International Boundary and Water Commission. Each power project and associated transmission systems are separately managed and financed. In addition, each water project maintains a separate financial system and records. Western's Corporate Services Office is located in Lakewood, Colorado, and is overseen by an Administrator for the agency. In addition to their Corporate Services Office, Western operates and maintains the transmission system from its four regional offices in Billings, Mont.; Phoenix, Ariz.; Loveland, Colo.; and Folsom, Calif. Western

markets power from these regions and its LAP Management Center in Salt Lake City, Utah. Western operates four real-time merchant desks in the following locations: Watertown, S.D., Montrose, Colo., Phoenix, Ariz., and Folsom, Calif. Obligation

WAPA-LAP operates from WACM to make contractual deliveries to customers in adjoining BA's and has a 534 MW summer – peak contractual. All generation is owned by the Bureau of Reclamation. The transmission system is operated and maintained by WACM. The regional manager in Loveland, Colorado is the responsible senior manager for NERC/WECC compliance for WACM. WACM operates mainly in Colorado, but has responsibilities in Nebraska, New Mexico (north of the Shiprock Substation, is located in the northwest corner of New Mexico), Utah, and Wyoming. WAPA-LAP is listed as an LSE/PSE operating in WACM; the manager of the marketing office in Montrose, Colorado, is considered a senior manager for WAPA-LAP compliance purposes.

Audit Participants

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

Audit Team Members

Audit Team Role	Title	Company
Audit Team Lead	Compliance Engineer	WECC
Member	Senior Compliance Engineer	WECC

LAP Audit Participants

Title	Company
CRSP Project Manager	WAPA- LAP
Public Utility Specialist - Contracts	WAPA- LAP
Public Utility Specialist	EMMO-Montrose
EMMO Manager	WAPA

Audit Results

The Audit Team evaluated LAP for compliance with eighty (80) requirements in the NERC Compliance Monitoring and Enforcement Program 2010 Implementation Plan (CMEP IP) covering all applicable registered functions. Additionally one (1) 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 April 06, 2010. LAP submitted information and documentation for the Audit Team's evaluation of compliance with requirements. The Audit Team reviewed and evaluated all information provided by LAP to assess compliance with standards applicable to LAP at this time.

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Findings

The following table details the findings for compliance for the 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.

Standard	Req.	Finding
CIP-001-1	R1.	Compliant
CIP-001-1	R2.	Compliant
CIP-001-1	R3.	Compliant
CIP-001-1	R4.	Compliant
EOP-002-2.1	R1.	Not Applicable
EOP-002-2.1	R2.	Not Applicable
EOP-002-2.1	R3.	Not Applicable
EOP-002-2.1	R4.	Not Applicable
EOP-002-2.1	R5.	Not Applicable
EOP-002-2.1	R6.	Not Applicable
EOP-002-2.1	R7.	Not Applicable
EOP-002-2.1	R8.	Not Applicable
EOP-002-2.1	R9.	Compliant
FAC-002-0	R1.	Compliant
IRO-001-1	R8.	Compliant
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

Standard	Req.	Finding
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
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	Compliant
NUC-001-1	R1.	Not Applicable
NUC-001-1	R2.	Not Applicable
NUC-001-1	R3.	Not Applicable
NUC-001-1	R4.	Not Applicable
NUC-001-1	R5.	Not Applicable
NUC-001-1	R6.	Not Applicable
NUC-001-1	R7.	Not Applicable
NUC-001-1	R8.	Not Applicable
NUC-001-1	R9.	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

Standard	Req.	Finding
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
VAR-001-1	R1.	Not Applicable
VAR-001-1	R2.	Not Applicable
VAR-001-1	R5.	Compliant
VAR-001-1	R7.	Not Applicable
VAR-001-1	R8.	Not Applicable
VAR-001-1	R9.	Not Applicable
VAR-001-1	R10.	Not Applicable
VAR-001-1	R12.	Not Applicable

Compliance Culture

LAP'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 LAP'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.

In Accordance with WECC CMEP Section 3.1.6:

WECC provided the draft of this audit report and an Entity Comment Form to LAP on July 26, 2010 for review and comment. However, LAP provided no comments.

Management Approval

This report was reviewed and approved by John McGhee, WECC Director of Compliance Audits and Investigations on August 10, 2010.