



**MIDWEST RELIABILITY ORGANIZATION**

# COMPLIANCE AUDIT REPORT

PUBLIC VERSION

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

*Report Date: December 9, 2011*

**ITC Midwest**

27157 Energy Way

Novi, MI 48311

NERC Compliance Registry ID: **NCR10192**



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## Executive Summary

Midwest Reliability Organization (MRO)<sup>1</sup> conducted a compliance audit of ITC Midwest (ITCM), North American Electric Reliability Corporation (NERC) Compliance Registry Number NCR10192, for the planned audit period of January 1, 2008 to August 23, 2011. The audit was coordinated by ReliabilityFirst Corporation (RFC) in conjunction with the audits of ITCTransmission, NCR00803; Michigan Electric Transmission Company (METC), NCR00820 and Michigan Electric Coordinated Systems (MECS), NCR08023. Within the scope of the audit, ITCM was registered<sup>2</sup> for the following functions:

- Transmission Operator (TOP)
- Transmission Owner (TO)
- Transmission Planner (TP)

ITCM's Primary Compliance Officer was provided notice of the compliance audit on May 17, 2011, and an initial Request for Information (RFI) was provided to ITCM's Primary Compliance Contact on May 17, 2011. The compliance audit was conducted August 16, 2011 to August 23, 2011.

The audit scope included the applicable Reliability Standards from the 2011 [Compliance Monitoring and Enforcement Program](#) (CMEP). MRO's audit team reviewed the applicable Reliability Standards<sup>3</sup> for the period of January 1, 2008 to August 23, 2011.

The MRO audit team determined that the following Reliability Standard(s) or requirement(s) *were not* applicable to ITCM as ITCM does not own an Underfrequency Load Shedding Program, Undervoltage Load Shedding Program or Special Protection System:

<u>Standard(s)</u>	<u>Title</u>
PRC-008-0	<i>Implementation and Documentation of Underfrequency Load Shedding Equipment Maintenance Program (R1, R2)</i>
PRC-011-0	<i>Undervoltage Load Shedding System Maintenance and Testing (R1)</i>
PRC-017-0	<i>Special Protection System Maintenance and Testing (R1, R2)</i>

Given the scope and conduct of the audit, no possible violations were discovered.

<sup>1</sup> MRO is a [Regional Entity](#) in North America operating under authority from regulators in the United States and Canada through a delegation agreement with the [North American Electric Reliability Corporation \(NERC\)](#). In the United States, MRO operates under the authority found in Section 215 of the Federal Power Act, through the Federal Energy Regulatory Commission (FERC or Commission) and through other arrangements in Manitoba and Saskatchewan. The primary focus of MRO is assessing compliance with Reliability Standards on entities that own, operate or use [the Bulk Electric System](#) (BES), performing assessments of the BES, and technical analysis of matters impacting the reliability of the BES in the north central part of North America. For more information on MRO, please refer to [www.midwestreliability.org](http://www.midwestreliability.org)

<sup>2</sup> Each owner, user, or operator of the BES is listed on a registry which can be found on [NERC's website](#). Entities on the registry are referred to as "Registered Entities".

<sup>3</sup> An entire list of Reliability Standards can be found on [NERC's website](#).



These audit results are further explained later in this report. Any possible violations are processed through the CMEP.

MRO staff followed the applicable requirements of the [Rules of Procedure](#) (ROP) and CMEP in the conduct of the compliance audit.

Within the scope of this compliance audit, there were no open, pending, or recently completed mitigation plans reviewed by the audit team. Any open remedies from settlements regarding past violations of Reliability Standards were not included in the scope of the compliance audit unless specified in the audit scope.

## Registered Entity Profile

ITCM is a wholly owned subsidiary of ITC Holdings Corp. ITCM is based in Cedar Rapids, Iowa; ITCM acquired the electric transmission assets of Alliant Energy's Interstate Power & Light Company subsidiary in December 2007. The company owns more than 6,800 miles of transmission lines and 208 electric transmission substations in Illinois, Iowa, Minnesota and Missouri, and maintains operating locations in Dubuque, Iowa City and Perry, Iowa; and Albert Lea and Lakefield, Minnesota.

ITCHolding Corp.'s three operating companies: *ITCTransmission* (ITCT), METC, and ITCM - serve an area of nearly 80,000 square miles in five states. ITCM's service area has a population of more than 13 million people. ITC Holdings Corp. operates approximately 15,000 miles of overhead and underground transmission lines, carrying more than 25,000 megawatts of electric power. The Balancing Area function in portions of Michigan is performed by MECS.

Additional information on ITC Holdings Corp. can be found on their website:  
<http://www.itctransco.com>

## Audit Scope

MRO performed the compliance audit according to the planned scope and timing previously communicated to ITCM, and included the Reliability Standards from [MRO's Implementation Plan](#) for an audit period of January 2, 2008 to August 23, 2011.

ITCM is registered for the following functions:

- Transmission Operator (TOP)
- Transmission Owner (TO)
- Transmission Planner (TP)

The following Reliability Standards were included in the scope of the compliance audit:



<u>Standard(s)</u>	<u>Title</u>
CIP-001-1	Sabotage Reporting
COM-001-1.1	Telecommunications
COM-002-2	Communications and Coordination
EOP-001-0	Emergency Operations Planning
EOP-003-1	Load Shedding Plans
EOP-005-1	System Restoration Plans
EOP-008-0	Plans for Loss of Control Center Functionality
FAC-001-0	Facility Connection Requirements
FAC-003-1	Transmission Vegetation Management Program
FAC-008-1	Facility Ratings Methodology
FAC-009-1	Establish and Communicate Facility Ratings
IRO-004-1	Reliability Coordination - Operations Planning
IRO-005-2	Reliability Coordination - Current Day Operations
MOD-001-1	Available Transmission System Capability
MOD-004-1	Capacity Benefit Margin
MOD-008-1	Transmission Reliability Margin Calculation Methodology
PER-002-0	Operating Personnel Training
PRC-001-1	System Protection Coordination
PRC-004-1	Analysis and Mitigation of Transmission and Generation Protection System Misoperations
PRC-005-1	Transmission and Generation Protection System Maintenance and Testing
PRC-008-0	Implementation and Documentation of Underfrequency Load Shedding Equipment Maintenance Program
PRC-011-0	Undervoltage Load Shedding System Maintenance and Testing
PRC-017-0	Special Protection System Maintenance and Testing
PRC-023-1	Transmission Relay Loadability
TOP-002-2a	Normal Operations Planning
TOP-004-2	Transmission Operations
TPL-002-0a	System Performance Following Loss of a Single Bulk Electric System Element (Category B)
TPL-003-0a	System Performance Following Loss of Two or More Bulk Electric System Elements (Category C)
VAR-001-1	Voltage and Reactive Control

The MRO audit team determined that the following Reliability Standard(s) or requirement(s) *were not* applicable to ITCM during the 2011 compliance audit:

1. *PRC-008-0, R1 & R2, Implementation and Documentation of Underfrequency Load Shedding Equipment Maintenance Program.*

MRO Assessments Department reviewed the MRO UFLS database and validated ITCM does not own an Underfrequency Load Shedding Program.

2. *PRC-011-0, R1, Undervoltage Load Shedding System Maintenance and Testing.*

MRO Assessments group validated no UVLS are installed to protect the BES in the MRO region which validates ITCM does not own an Undervoltage Load Shedding Program.

3. *PRC-017-0, R1 & R2, Special Protection System Maintenance and Testing.*

MRO Assessments Department reviewed the MRO SPS database and validated ITCM does not own a Special Protection System.

## **Audit Process**

MRO conducts compliance audits in accordance with the current version of the CMEP and ROP (as approved by the Federal Energy Regulatory Commission for entities in the United States or through other arrangements in Manitoba and Saskatchewan), and generally conforms to the United States Government Accountability Office Government Auditing Standards and other generally accepted audit practices applicable to the conduct of the work. The compliance audit process steps can be found in the NERC CMEP.

Compliance audits are conducted to obtain reasonable assurance of compliance with the applicable Reliability Standards. The compliance audit includes data requests, such as, program documents, procedures, and performance records considered necessary to provide reasonable assurance of any findings or conclusions. Audit procedures include tests of documentary evidence supporting compliance, tests of the assertions made regarding compliance, and direct confirmations of actions taken as part of compliance with the Reliability Standards.

If a finding is made of a possible violation, the matter is turned over to MRO enforcement staff for processing according to the CMEP. Upon validation by enforcement staff, ITCM will be provided a written notice of the alleged violation within a reasonable timeframe that shall include the due process protections under the CMEP.

ITCM is encouraged to maintain an adequate internal compliance program designed to ensure compliance with Reliability Standards to protect the reliability of the Bulk Electric System (BES). The program should contain internal controls designed to detect, correct and prevent recurrence of compliance violations.

### ***Objectives***

Entities that own, operate, or use the BES in North America are subject to compliance audits for applicable Reliability Standards based upon the functions performed within the scope of the compliance audit. The primary audit objectives are to:



1. Provide reasonable assurance of compliance to the identified applicable Reliability Standards.
2. Provide a reasonable basis for all determinations of any findings or conclusions.
3. Evaluate and identify the internal controls utilized by the Registered Entity for performance measurement(s) within their compliance program.

### ***Methodology***

The audit team reviewed the information, data, and evidence submitted by ITCM and assessed compliance with requirements of the applicable Reliability Standards. Submittal of information and data was provided to ReliabilityFirst and forwarded to MRO before the scheduled date of the entity review, or within the submittal parameters as described in subsequent RFIs.

Based upon the evaluation of initial information provided to the audit team, supplemental RFIs were requested and received. Additional clarifications were sought and received from subject matter experts.

MRO staff was provided the necessary information and adequate access to subject matter experts without unreasonable restrictions.

The audit team reviewed documentation and evidence provided by ITCM, such as, programs, policies, procedures, emails, logs, studies, data sheets, and other relevant information. Requirements which called for a sampling to be conducted were developed according to the NERC Sampling Methodology Guidelines. MRO audit staff obtained sufficient, appropriate evidence to provide a reasonable basis for any findings and conclusions.

The audit report is subject to review by MRO executive staff and any findings are subject to a second, independent review by MRO enforcement staff which is not part of this report. If there are findings as a result of the compliance audit, enforcement staff from MRO will contact ITCM.

### ***Conflict of Interest and Confidentiality Rules***

Confidentiality and Conflict of Interest of MRO audit staff are governed under the MRO Regional Delegation Agreement with NERC; Section 1500 of the NERC ROP; MRO Policy and Procedure 5: Confidentiality; MRO Policy and Procedure 2: Conflict of Interest; and the MRO employee handbook. ITCM was informed of MRO's obligations and responsibilities under the Regional Delegation Agreement and NERC ROP and was provided with a list of MRO audit staff and corresponding work histories. There have been no denials of or access limitations placed upon this audit team, and no objections to MRO staff assignments on the compliance audit.

## Audit Results

Given the scope and conduct of the audit, no possible violations were discovered.

### *Findings*

<b>Standard Requirement</b>	<b>Finding</b>
CIP-001-1 R1	No Finding
CIP-001-1 R2	No Finding
CIP-001-1 R3	No Finding
CIP-001-1 R4	No Finding
COM-001-1.1 R1	No Finding
COM-001-1.1 R2	No Finding
COM-001-1.1 R3	No Finding
COM-001-1.1 R4	No Finding
COM-001-1.1 R5	No Finding
COM-002-2 R1	No Finding
COM-002-2 R2	No Finding
EOP-001-0 R2	No Finding
EOP-001-0 R3	No Finding
EOP-001-0 R5	No Finding
EOP-003-1 R2	No Finding
EOP-003-1 R3	No Finding
EOP-003-1 R4	No Finding
EOP-003-1 R8	No Finding
EOP-005-1 R1	No Finding
EOP-005-1 R2	No Finding
EOP-005-1 R3	No Finding
EOP-005-1 R4	No Finding



<b>Standard Requirement</b>	<b>Finding</b>
EOP-005-1 R5	No Finding
EOP-005-1 R6	No Finding
EOP-005-1 R7	No Finding
EOP-005-1 R9	No Finding
EOP-005-1 R10	No Finding
EOP-008-0 R1	No Finding
FAC-003-1 R1	No Finding
FAC-003-1 R2	No Finding
FAC-008-1 R1	No Finding
FAC-008-1 R2	No Finding
FAC-009-1 R1	No Finding
FAC-009-1 R2	No Finding
IRO-004-1 R4	No Finding
IRO-004-1 R7	No Finding
IRO-005-2 R8	No Finding
IRO-005-2 R12	No Finding
IRO-005-2 R13	No Finding
MOD-001-1 R1	No Finding
MOD-001-1 R6	No Finding
MOD-004-1 R6	No Finding
MOD-004-1 R8	No Finding
MOD-004-1 R9	No Finding
MOD-008-1 R1	No Finding
MOD-008-1 R2	No Finding
MOD-008-1 R3	No Finding
MOD-008-1 R4	No Finding



<b>Standard Requirement</b>	<b>Finding</b>
MOD-008-1 R5	No Finding
PER-002-0 R1	No Finding
PER-002-0 R2	No Finding
PER-002-0 R3	No Finding
PER-002-0 R4	No Finding
PRC-001-1 R1	No Finding
PRC-001-1 R2	No Finding
PRC-001-1 R3	No Finding
PRC-001-1 R4	No Finding
PRC-001-1 R5	No Finding
PRC-001-1 R6	No Finding
PRC-004-1 R1	No Finding
PRC-005-1 R1	No Finding
PRC-005-1 R2	No Finding
PRC-008-0 R1	Not Applicable
PRC-008-0 R2	Not Applicable
PRC-011-0 R1	Not Applicable
PRC-017-0 R1	Not Applicable
PRC-017-0 R2	Not Applicable
PRC-023-1 R1	No Finding
PRC-023-1 R2	Not Applicable
TOP-002-2a R6	No Finding
TOP-002-2a R11	No Finding
TOP-002-2a R18	No Finding
TOP-004-2 R6	No Finding
TPL-002-0a R1	No Finding

Standard Requirement	Finding
TPL-002-0a R2	No Finding
TPL-003-0a R1	No Finding
VAR-001-1 R1	No Finding
VAR-001-1 R2	No Finding
VAR-001-1 R3	No Finding
VAR-001-1 R4	No Finding
VAR-001-1 R6	No Finding
VAR-001-1 R9	No Finding

### Internal Compliance Program and Controls

Within the scope of the compliance audit, ITCM's compliance program and related controls applicable to the Reliability Standards were reviewed during the audit. For enforcement purposes, internal compliance program and other pertinent information are reviewed by the MRO enforcement staff and may be considered during any enforcement proceedings resulting from a finding of a possible violation as a result of the compliance audit.



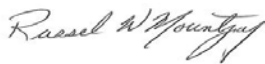

## MRO Contact Information

Any questions regarding this compliance audit report can be directed to:

### Midwest Reliability Organization

Attn: Vice President Compliance, Mitigation, and Standards  
2774 Cleveland Ave North  
Roseville, MN 55113  
(651) 855-1748

On behalf of MRO, this audit report was prepared and reviewed by:

Audit Manager	Signature	Date
Russel Mountjoy		9/20/2011
Vice President Compliance, Mitigation, and Standards	Signature	Date
James Burley		12/9/2011

## Appendix I

### MRO Audit Staff

Title	Entity
Compliance Audit Manager	Midwest Reliability Organization
Compliance Principal	Midwest Reliability Organization
Compliance Program Specialist	Midwest Reliability Organization
Senior Consultant	ReliabilityFirst
Engineer	ReliabilityFirst
Contract Consultant	ReliabilityFirst
Senior Consultant	ReliabilityFirst
Senior Consultant	ReliabilityFirst
Contract Consultant	ReliabilityFirst
Senior Engineer	ReliabilityFirst



***Registered Entity Participants and Observers***

<b>Title</b>	<b>Entity</b>
Assistant Manager – OCR	ITC Holdings Corp.
Senior Operations Engineer	ITC Holdings Corp.
Director – Operations Engineering	ITC Holdings Corp.
Senior Transmission Coordinator	ITC Holdings Corp.
Engineer Planning	
Vegetation Management Office Technician	ULC
IT Field Engineer	ITC Holdings Corp.
Manager, Maintenance & Equipment	ITC Holdings Corp.
Maintenance Specialist I ITC MW	ITC Holdings Corp.
Manager, Asset Management	ITC
Planning Engineer	ITC Holdings Corp.
Assistant Manager Real Time Transmission Coordination	ITC Holdings Corp.
General Foreman Vegetation Management	ULC
Senior Compliance Analyst, ITC	ITC Holdings Corp.
Operations Engineer	ITC Holdings Corp.
	ITC Holdings Corp.
Maintenance Specialist	ITC Holdings Corp.
ULC Vegetation	ULC
Director of Asset Management	ITC Holdings Corp.
Senior Engineer – Operations Engineering	ITC Holdings Corp.
Manager Network Apps, Engineering	ITC Holdings Corp.
Senior Counsel-Business Operations	ITC Holdings Corp.
Director, Operations Control Room	ITC Holdings Corp.
Senior Staff Engineer	ITC Holdings Corp.
Planning, Manager	ITC Holdings Corp.
Planning Engineer	ITC Holdings Corp.
Planning, Manager	ITC Holdings Corp.
Sr. Compliance Analyst	ITC Holdings Corp.
Policy & Procedure Coordinator	ITC Holdings Corp.
Training, Manager	ITC Holdings Corp.
Sr. Ops Trainer	ITC Holdings Corp.
Sr. Ops Trainer	ITC Holdings Corp.
Principal Engineer-Relay	ITC Holdings Corp.
Engineer	ITC Holdings Corp.
Operations Control Room, Manager	ITC Holdings Corp.
Sr. Compliance Analyst	ITC Holdings Corp.
Sr. Engineer	ITC Holdings Corp.
Sr. Engineer	ITC Holdings Corp.



Title	Entity
Sr. Engineer	ITC Holdings Corp.
Sr. Engineer	ITC Holdings Corp.
Principal Engineer	ITC Holdings Corp.
Sr. Engineer	ITC Holdings Corp.
Engineer	ITC Holdings Corp.
SRC	ITC Holdings Corp.
Sr. TSC	ITC Holdings Corp.
TSC	ITC Holdings Corp.
Compliance Manager	ITC Holdings Corp.