



Compliance Audit Report Public Version

**Mt Carmel Public Utility Co
(NCR01277)**

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

Date of Audit: June 28, 2011

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Executive Summary

An on-site compliance audit of Mt Carmel Public Utility Co (Mt Carmel) (NCR01277) was conducted on June 28, 2011. At the time of the audit, Mt. Carmel was registered for the Distribution Provider (DP), Load-Serving Entity (LSE), and Purchasing-Selling Entity (PSE) functions.

The audit team evaluated Mt. Carmel for compliance with 19 requirements in the 2011 NERC Compliance Monitoring and Enforcement Program (CMEP). The audit team assessed compliance with the NERC Reliability Standard for the period of June 18, 2007 to the audit exit presentation. Mt. Carmel submitted information and documentation for the audit team's evaluation of compliance with requirements. The audit team reviewed and evaluated all information provided by Mt. Carmel to assess compliance with standards applicable to Mt. Carmel at this time.

Based on the information and documentation provided by Mt. Carmel, the audit team found Mt. Carmel to have no findings of non-compliance with seven applicable requirements.

The audit team determined that nine requirements were not applicable to Mt. Carmel.

The audit team identified three Possible Violations. Possible Violations were identified for CIP-001-1 Sabotage Reporting, Requirements 1, 2, and 3.

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 SERC Reliability Corporation (SERC) CMEP. There were no ongoing or recently completed mitigation plans and therefore none were reviewed by the audit team.

The SERC 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) with the following exceptions: The SERC audit team did not adhere to Section 9.7 – Information Package of the NERC Compliance Auditors Manual. SERC Reliability Corporation only sends Reliability Coordinator Questionnaires when auditing entities registered as Balancing Authorities (BA) and Transmission Operators (TOP).

The CIP-001-1 R1, R2, and R3 Possible Violations, (SERC2011007536, SERC2011007537, and SERC2011007538) were addressed via the Find, Fix and Track Report.

Audit Process

The compliance audit process steps are detailed in the SERC CMEP. The SERC 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.¹ The audit objectives are to:

- Review compliance with the requirements of reliability standards that are applicable to Mt. Carmel, based on the functions that Mt. Carmel is registered to perform;
- Validate compliance with applicable reliability standards from the NERC 2011 Implementation Plan list of actively monitored standards, and additional NERC Reliability Standards selected by SERC;
- Validate compliance with applicable regional standards from the SERC 2011 Implementation Plan list of actively monitored standards;
- Validate evidence of self-reported violations and previous self-certifications;
- Observe and document Mt. Carmel'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 SERC 2011 Implementation Plan. In addition, this audit included a review of 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, Mt. Carmel was registered for the Distribution Provider (DP), Load-Serving Entity (LSE), and Purchasing-Selling Entity (PSE) functions. The audit team evaluated Mt. Carmel for compliance during the period of the lesser of: 1) date of registration to date of audit exit presentation; 2) date of last audit or spot check to date of audit exit presentation; or, 3) June 18, 2007 to date of audit exit presentation.

Confidentiality and Conflict of Interest

Confidentiality and Conflict of Interest of the audit team are governed under the SERC Delegation Agreement with NERC, and Section 1500 of the NERC Rules of Procedure. Mt. Carmel was informed of SERC's obligations and responsibilities under the agreement and procedures. The work history for each audit team member was provided to Mt. Carmel. Mt. Carmel 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. Mt. Carmel had not submitted any objections by the stated 15 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 Mt. Carmel.

Methodology

The audit team reviewed the information, data, and evidence submitted by Mt. Carmel and assessed compliance with requirements of the applicable reliability standards. Submittal of information and data were sent to SERC 30 days before the scheduled date of the entity review.

¹ North American Electric Reliability Corporation CMEP, paragraph 3.1, Compliance Audits
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Additional information relevant to the audit could be submitted until the conclusion of the exit briefing.

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 Mt. Carmel. Data, information, and evidence submitted in the form of policies, procedures, emails, logs, studies, data sheets, etc. which 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

Mt Carmel Public Utility Company distributes electricity to approximately 5,500 households and businesses in Wabash County, IL. Natural gas is distributed to approximately 3,350 homes and businesses in Wabash County, IL and a small portion of southern Lawrence County, IL. Mt Carmel's business office is located in Mt. Carmel, IL. Mt. Carmel's summer peak load is approximately 26 MW. The company's system is "land-locked" from a transmission perspective, on the Ameren Illinois system.

Audit Participants

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

Audit Team Participants

Role	Title	Entity
Audit Team Lead	Senior Compliance Auditor	SERC
Team Member	Senior Compliance Auditor	SERC
Team Member	CIP Compliance Auditor	SERC

Mt. Carmel Audit Participants

Title	Entity
Agent for Mt Carmel Public Utility	SPI Energy Group

Audit Results

The audit team evaluated Mt. Carmel for compliance with 19 requirements in the 2011 NERC Compliance Monitoring and Enforcement Program (CMEP). The audit team assessed compliance with the NERC Reliability Standard for the period of June 18, 2007 to the audit exit presentation. Mt. Carmel submitted information and documentation for the audit team's evaluation of compliance with requirements. The audit team reviewed and evaluated all information provided by Mt. Carmel to assess compliance with standards applicable to Mt. Carmel at this time.

Based on the information and documentation provided by Mt. Carmel, the audit team found Mt. Carmel to have no findings of non-compliance with seven applicable requirements.

The audit team determined the nine requirements were not applicable to Mt. Carmel.

The audit team identified three Possible Violations. Possible Violations were identified for CIP-001-1 Sabotage Reporting, Requirements 1, 2, and 3.

Findings

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

Reliability Std.	Req.	Finding
CIP-001-1	R1.	Possible Violation
CIP-001-1	R2.	Possible Violation
CIP-001-1	R3.	Possible Violation
CIP-001-1	R4.	No Findings
CIP-002 through CIP-009		Reviewed by a separate Monitoring Process
IRO-004-1	R4.	No Findings
IRO-005-2	R13.	No Findings
MOD-004-1	R3	No Findings
MOD-004-1	R10	No Findings
PRC-004-1	R1.	N/A
PRC-005-1	R1.	N/A
PRC-005-1	R2.	N/A
PRC-008-0	R1.	N/A
PRC-008-0	R2.	N/A
PRC-011-0	R1.	N/A
PRC-017-0	R1.	N/A
PRC-017-0	R2.	N/A
PRC-023-1	R1	N/A
TOP-002-2a	R3.	No Findings
TOP-002-2a	R18.	No Findings

Compliance Culture

The audit team assessed Mt. Carmel's Internal Compliance Program in conjunction with the audit. Evidence reviewed in assessing the program included: Mt. Carmel's Compliance Pre-Audit Survey, compliance staff organizational charts, interviews with Mt. Carmel staff, and observation of staff responses in preparation for and during the audit.

Four factors that characterize a vigorous and effective compliance program are: active engagement and leadership by a company's senior management; preventive measures appropriate to the individual circumstances of the company; promptly detecting, stopping, and reporting a violation; and, ultimately fixing the problem and working to avoid future possible violations.

SERC recognizes that there isn't one standard formula for an effective compliance program, and that there will be variations in each company's program and culture based on countless factors, including the size and age of the company, as well as the nature and extent of its business. Ultimately what matters are the results and whether the compliance program worked as it should.

The audit team determined that Mt. Carmel's Internal Compliance Program documents and their staff's demonstrated compliance culture indicate a need to improve their compliance program.

Additional information pertaining to the compliance culture of Mt. Carmel can be found in the Internal Compliance Survey.