



Compliance Audit Report Public Version

**Southwest Louisiana Electric Membership
Corporation
(NCR10328)**

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

Date of Audit: October 12-13, 2011

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Executive Summary

An on-site compliance audit of South Louisiana Electric Membership Corporation (SLEMCO) (NCR10328) was conducted from October 12-13, 2011. At the time of the audit, SLEMCO was registered for the Distribution Provider (DP) and Load-Serving Entity (LSE) functions.

The audit team evaluated SLEMCO for compliance with 19 requirements in the 2011 NERC Compliance Monitoring and Enforcement Program (CMEP). The audit team assessed compliance with the NERC Reliability Standards, for the period of May 15, 2009 through October 13, 2011. SLEMCO submitted information and documentation for the audit team's evaluation of compliance with requirements. The audit team reviewed and evaluated all information provided by SLEMCO to assess compliance with standards applicable to SLEMCO at this time.

Based on the information and documentation provided by SLEMCO, the audit team did not have any findings for thirteen (13) applicable requirements. The audit team determined that PRC-017-0 R1 and R2 were not applicable to SLEMCO because they do not own or operate a Special Protection Systems. Also not applicable to SLEMCO were PRC-008-0 R1 and R2 and PRC-011-0 R1, since they do not have Underfrequency Load Shedding equipment or Undervoltage Load Shedding equipment. The audit team also determined that PRC-023-1 was not applicable to SLEMCO at this time since they do not have any applicable load responsive relays on their system.

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 the NERC Compliance Checklist or NERC Compliance Auditor Manual regarding Reliability Coordinator Questionnaires due to the fact that SERC Reliability Corporation only sends Reliability Coordinator Questionnaires when auditing entities registered as Balancing Authorities (BA) and Transmission Operators (TOP).

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 SLEMCO, based on the functions that SLEMCO 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 SLEMCO'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, SLEMCO was registered for the Distribution Provider (DP) and Load-Serving Entity (LSE) functions. The audit team evaluated SLEMCO 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. SLEMCO was informed of SERC's obligations and responsibilities under the agreement and procedures. The work history for each audit team member was provided to SLEMCO. SLEMCO 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. SLEMCO 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 SLEMCO.

Methodology

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

South Louisiana Electric Membership Corporation (SLEMCO) was formed in 1937 as a private electric membership corporation. SLEMCO is governed by a board of directors and an appointed management team and has no parent company. The Board of Directors is elected by the membership of the corporation. The Chief Executive Officer is appointed by the Board of Directors. The executive management staff reports directly to the Chief Executive Officer; these include the Director of Operations, the Director of Human Resources, the Director of Engineering, the Chief Financial Officer, and the Director of Governmental Affairs. All other supervisors and employees report to the executive management staff.

SLEMCO is a distribution electric cooperative with a service territory which includes part of Lafayette, St. Martin, Iberia, Vermillion, St. Landry, Acadia, Cameron, Avoyelles, and Evangeline Parishes.

Louisiana Generating, LLC provides all of SLEMCO's power requirements, except for the hydro power provided by the Southwest Power Administration, and provides or arranges for all necessary transmission services. SLEMCO receives all power at 23 delivery/meter points, located within the boundaries of the Louisiana Generating LLC's Balancing Authority. SLEMCO distributes the power via a series of substations and lines at various voltages.

As of December 31, 2010, SLEMCO has 96,927 customer/members, owns and operates 9,912 miles of lines, owns and operates 37 substations, and has 23 delivery points fed radially from the transmission provider's transmission system. SLEMCO's transmission system consists of: 146 miles of 138 kV lines, 56 miles of 69 kV lines, 9890 miles of 24.9 kV, 13.2 kV, 4.16 kV, and 2.4 kV lines.

Audit Participants

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

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Audit Team Participants

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

SLEMCO Audit Participants

Title	Entity
Director of Engineering	SLEMCO
Engineering Systems Supervisor	SLEMCO
Systems Engineering Aide	SLEMCO

Audit Results

The audit team evaluated SLEMCO for compliance with 19 requirements in the 2011 NERC Compliance Monitoring and Enforcement Program (CMEP). The audit reviewed NERC Reliability Standards for the period of May 15, 2009 - October 13, 2011. SLEMCO submitted information and documentation for the audit team's evaluation of compliance with requirements. The audit team reviewed and evaluated all information provided by SLEMCO to assess compliance with standards applicable to SLEMCO at this time.

Based on the information and documentation provided by SLEMCO, the audit team found SLEMCO to have no findings of non-compliance with 13 applicable requirements.

The audit team determined that six requirements were not applicable to SLEMCO.

Findings

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

Reliability Std.	Req.	Finding
CIP-001-1	R1.	No Findings
CIP-001-1	R2.	No Findings
CIP-001-1	R3.	No Findings
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 Finding
MOD-004-1	R3.	No Findings
MOD-004-1	R10.	No Findings
PRC-004-1	R1.	No Findings
PRC-005-1	R1.	No Findings
PRC-005-1	R2.	No Findings
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.	Not Applicable
TOP-002-2a	R3.	No Finding
TOP-002-2a	R18.	No Finding

Compliance Culture

The audit team assessed SLEMCO's Internal Compliance Program in conjunction with the audit. Evidence reviewed in assessing the program included: SLEMCO's Compliance Pre-Audit Survey, Duke Energy's Compliance Administration Program Description document, compliance staff organizational charts, interviews with SLEMCO 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 SLEMCO's Internal Compliance Program documents and their staff's demonstrated compliance culture indicate an effective compliance program.

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