



**Compliance Audit Report
Public Version**

**Indiana Municipal Power Agency
NERC ID# NCR00796**

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

Date of Audit: May 02 - May 16, 2011

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Executive Summary

A compliance audit of Indiana Municipal Power Agency (IMPA), NERC ID # - NCR00796 was conducted from May 02 - May 16, 2011. At the time of the audit, IMPA was registered for the Generator Operator (GOP), Generator Owner (GO), Load-Serving Entity (LSE), Purchasing-Selling Entity (PSE), and Resource Planner (RP) functions.

The audit team evaluated IMPA for compliance with twenty-seven (27) 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 January 01, 2008 to May 16, 2011 or per data retention requirements specified in the reliability standards. IMPA submitted information and documentation for the audit team's evaluation of compliance with requirements. The audit team reviewed and evaluated all information provided by IMPA to assess compliance with standards applicable to IMPA at this time.

Based on the information and documentation provided by IMPA, the audit team found IMPA to have no findings for twenty-three (23) applicable requirements. The audit team determined that four (4) requirements were not applicable to IMPA. The audit team found no requirements were involved in Open Enforcement Actions. The Audit Team did not identify any Possible Violations as a result of this review.

The Reliability*First* 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).*

Audit Process

The compliance audit process steps are detailed in the Reliability*First* CMEP. The Reliability*First* 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.[†] The audit objectives are to:

- Review compliance with the requirements of reliability standards that are applicable to IMPA, based on the functions that IMPA is registered to perform;

* This statement replaces the Regional Entity Self-Certification process.

[†] North American Electric Reliability Corporation CMEP, paragraph 3.1, Compliance Audits

- Validate compliance with applicable reliability standards from the NERC 2011 Implementation Plan list of actively monitored standards, and additional NERC Reliability Standards selected by *ReliabilityFirst*;
- Validate compliance with applicable regional standards from the *ReliabilityFirst* 2011 Implementation Plan list of actively monitored standards;
- Validate evidence of self-reported violations and previous self-certifications;
- Observe and document IMPA'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 *ReliabilityFirst* 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, IMPA was registered for the Generator Operator (GOP), Generator Owner (GO), Load-Serving Entity (LSE), Purchasing-Selling Entity (PSE), and Resource Planner (RP) functions. The audit team evaluated IMPA for compliance during the period of January 01, 2008 to May 16, 2011.

Confidentiality and Conflict of Interest

Confidentiality and conflict of interest of the audit team are governed under the *ReliabilityFirst* Delegation Agreement with NERC, and Section 1500 of the NERC Rules of Procedure. IMPA was informed of *ReliabilityFirst*'s obligations and responsibilities under the agreement and procedures. The work history for each audit team member was provided to IMPA. IMPA 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. IMPA had not submitted any objections by the stated fifteen 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 IMPA.

Methodology

The audit team reviewed the information, data, and evidence submitted by IMPA and assessed compliance with requirements of the applicable reliability standards. Submittal of information and data was due forty (40) days before the scheduled date of the entity review. Additional information relevant to the audit could be submitted until the conclusion of the exit briefing. After that date, only data or information which was relevant to the content of the report or its finding 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 evaluated all evidence of compliance for sufficiency and appropriateness, according to the Generally Accepted Government Auditing Standards.

The audit team reviewed documentation provided by IMPA. Data, information and evidence submitted in the form of policies, procedures, e-mails, 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

IMPA has 53 municipal members and each municipal member has a representative on the Board of Commissioners. The Board of Commissioners provide guidance and make the final decision when direction is needed for the organization. The President of IMPA reports to the Board of Commissioners. The President oversees six different areas of IMPA. The six areas are Generation, Planning & Operations, Legal, Financial, Services, and Administrative. Each one of these areas has a manager or vice-president that supervises the employees working under them.

IMPA is a wholesale power supplier to Municipal Electric utilities located in Indiana and Ohio. IMPA has Municipal Members throughout the State of Indiana in the Duke Energy Indiana, NIPSCO, I&M Power (AEP), and SIGECO (Vectren) areas. IMPA has one Municipal Member located in the southwest corner of Ohio located in the Duke Energy Ohio area.

In the Duke area, IMPA, along with WVPA and Duke Energy, is a part owner of the Joint Transmission System (JTS). IMPA's ownership share in the JTS includes 27.060 miles of 138 kV transmission line, 31.720 miles of 230 kV transmission line, and 68.110 miles of 345 kV transmission line, all located in Indiana. Per the Transmission and Local Facility Agreement with Duke Energy, Duke Energy has engineering and O&M responsibility for the IMPA owned transmission lines. Through a delegation agreement dated September 18, 2009, between IMPA, WVPA, and Duke Energy, Duke Energy is responsible for registering and performing the functions of the TO, TOP, and TP for the JTS. IMPA has 77 interconnection points with Duke Energy Indiana. Voltage levels of these points include 2.4kV, 4.16kV, 12.47kV, 34.5kV, 69kV, and 138kV. In addition, IMPA has 12 interconnection points with Duke Energy Ohio. The voltage levels of these points include 4.16kV and 34.5kV.

IMPA has 22 interconnection points with NIPSCO. The voltage levels of these interconnection points are either 12.47kV or 69kV.

In the I&M Power (AEP) area, IMPA owns one 10.1 mile radial 138kV line in Anderson, Indiana. IMPA has 16 interconnection points with I&M Power (AEP). The voltage levels of these interconnection points include 12.47kV, 34.5kV, 138kV, and 345kV.

In the SIGECO (Vectren) area, IMPA has 12 interconnection points with SIGECO (Vectren). The voltage levels of these interconnection points are 13.8kV and 69kV.

IMPA owns the Anderson Unit 1 (48.7MVA), Anderson Unit 2 (48.7MVA), Anderson Unit 3 (101MVA), Georgetown Unit 2 (101MVA), and Georgetown Unit 3 (101MVA) generators. IMPA is the GOP and PJM is the RC, BA, and TOP for the Anderson units. The GO/GOP requirements for the Georgetown units are divided between IMPA and Indianapolis Power & Light (IP&L) through a signed matrix agreement. Midwest ISO is the RC and BA and IP&L is the TOP for the Georgetown units. IMPA also is co-owner of the Gibson Unit 5 (625MW) generator for which the GO/GOP functions have been delegated to Duke Indiana through a signed agreement. IMPA is also co-owner of the Trimble County Unit1 (515MW) and Unit 2 (760MW) and the GO/GOP functions have been delegated to Louisville Gas & Electric (LGE) through a signed delegation agreement.

Five IMPA LSE registered members (City of Greenfield, Crawfordsville Electric Light and Power, Municipal Light and Power - Cit of Anderson, Richmond Power and Light, and Washington City Light & Power) have delegated requirements to IMPA.

IMPA has a summer peak load of approximately 1230MW.

Audit Participants

The following is a listing of all personnel from the audit team and IMPA who were present during the meetings or interviews.

Audit Team Participants

Audit Team Role	Title	Entity
Audit Team Lead	Engineer, Compliance Auditor	ReliabilityFirst
Audit Team Member	Sr. Engineer , Compliance Auditor	ReliabilityFirst

IMPA Audit Participants

Title	Entity
Senior Vice President, Generation	IMPA
Assistant Vice President, Electrical Engineering	IMPA
Combustion Turbine Manager	IMPA
Senior Combustion Turbine Operator/Technician -	IMPA

Compliance Specialist	
Senior Vice President, Planning & Operations	IMPA
Vice President, Market Operations	IMPA
Manager, Power System Coordination	IMPA
Vice President & Staff Counsel	IMPA
Generation/Compliance Engineer	IMPA
Electric Operations Analyst	IMPA

Audit Results

The audit team evaluated IMPA for compliance with twenty-seven (27) requirements in the 2011 NERC Compliance Monitoring and Enforcement Program (CMEP). The audit reviewed NERC Reliability Standards for the period of January 01, 2008 to May 16, 2011 or per data retention requirements specified in the reliability standards. IMPA submitted information and documentation for the audit team's evaluation of compliance with requirements. The audit team reviewed and evaluated all information provided by IMPA to assess compliance with standards applicable to IMPA at this time.

Based on the information and documentation provided by IMPA, the audit team found IMPA to have no findings for twenty-three (23) applicable requirements. The audit team determined that four (4) requirements were not applicable to IMPA. The audit team found no requirements were involved in Open Enforcement Actions. The Audit Team did not identify any Possible Violations as a result of this review.

Findings

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

Reliability Std	Requirement	Finding
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-002-2	R1.	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-005-2	R13.	No Finding
PRC-001-1	R1.	No Finding
PRC-001-1	R2.	No Finding
PRC-001-1	R3.	No Finding
PRC-001-1	R5.	No Finding
PRC-004-1	R2.	No Finding
PRC-005-1	R1.	No Finding
PRC-005-1	R2.	No Finding
PRC-017-0	R1.	Not Applicable
PRC-017-0	R2.	Not Applicable
PRC-023-1	R1.	Not Applicable
PRC-023-1	R2.	Not Applicable
TOP-002-2a	R3.	No Finding
TOP-002-2a	R18.	No Finding
VAR-002-1.1b	R1.	No Finding
VAR-002-1.1b	R2.	No Finding
VAR-002-1.1b	R3.	No Finding

Compliance Culture

IMPA's compliance culture was reviewed by the audit team.

IMPA has an internal compliance program. IMPA program states that an internal audit of the standards/requirements for the registered functions is performed annually. IMPA's program also states that they actively participates on the review teams for the reliability standards under development, the balloting of reliability standards, and the standards drafting teams.

IMPA has a Reliability Compliance Officer, who is in charge of the overall supervision of the internal audit compliance program. IMPA also has a Reliability Compliance Manager, who is in charge of daily activities involving the Standards Compliance Team. The Reliability Compliance Officer and the Reliability Compliance Manager report directly to the President. Both positions are independent from each other, and also have independent access to the President who in turn has access to the Board of Directors.

IMPA states that they have sufficient resources for the internal compliance program. Employees are trained by attending various workshops, webinars, and in-house training. NERC emails and newsletters are distributed to compliance team members. IMPA's President has indicated to the employees that he will make any necessary resources available to implement a strong compliance program, and that the compliance program should be of the highest priority for those involved in the compliance program. The Internal Compliance Program outlines regulatory

compliance in personnel performance assessments and has the disciplinary consequences for infractions of reliability compliance procedures.

The audit team found IMPA to be very cooperative and responsive to the audit team's requests for clarification of information as well as requests for additional evidence.

Additional information pertaining to the compliance culture of IMPA can found in the Compliance Pre-Audit Survey.