



# **Compliance Audit Report Public Version**

**Lassen Municipal Utility District (LMUD)  
NERC ID# NCR05216**

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

**Date of Audit: February 24, 2011**

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## Executive Summary

A compliance audit of Lassen Municipal Utility (“LMUD”), NERC ID # - NCR05216 was conducted on February 24, 2011. At the time of the audit, LMUD was registered for the Distribution Provider (“DP”) and Load Serving Entity (“LSE”) functions.

The audit team evaluated LMUD for compliance with forty-four (44) Reliability standard requirements, which included forty-three (43) requirements as directed by the 2011 NERC Compliance Monitoring and Enforcement Program Implementation Plan (“CMEP IP”) and one (1) of the WECC Regional Reliability Standards requirements. The evaluation was for the period of June 18, 2007 – February 24, 2011.

LMUD submitted information and documentation for the audit team’s evaluation of compliance with requirements. The audit team reviewed and evaluated all information provided by LMUD to assess compliance with standards applicable to LMUD at this time. Based on the information and documentation provided by LMUD, the audit team determined the following findings for LMUD, summarized in the table below:

	<b>No Finding</b>	<b>Not Applicable</b>	<b>OEA*</b>	<b>Possible Violation</b>	<b>Total</b>
<b>Reliability Standard Requirements</b>	9	34	0	0	43
<b>WECC Regional Standard Requirements</b>	0	1	0	0	1
<b>Total</b>	<b>9</b>	<b>35</b>	<b>0</b>	<b>0</b>	<b>44</b>

\* Open Enforcement Action (see Findings section below for detailed explanation).

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, and applicable WECC Regional Reliability Standards, within the scope of the compliance audit. Any Possible Violations will be processed through the NERC and WECC CMEP. There were no ongoing or recently completed mitigation plans and therefore none were reviewed by the Audit Team.

The WECC audit team lead certifies that the audit team adhered to all applicable requirements of the NERC Rules of Procedure (“ROP”) and CMEP.<sup>1</sup>

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<sup>1</sup> This statement replaces the Regional Entity Self-Certification process.

## **Audit Process**

The compliance audit process steps are detailed in the WECC CMEP. The WECC 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.<sup>2</sup> The audit objectives are to:

- Review compliance with the requirements of reliability standards that are applicable to LMUD, based on the functions that LMUD 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 WECC;
- Validate compliance with applicable regional standards from the WECC 2011 Implementation Plan list of actively monitored standards;
- Validate evidence of self-reported violations and previous self-certifications;
- Observe and document LMUD's compliance program and culture; and
- Review the status of mitigation plans.

## **Scope**

The scope of the compliance audit included the NERC Reliability Standards from the WECC 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, LMUD was registered for the functions of DP and LSE. The audit team evaluated LMUD for compliance during the period of June 18, 2007 to February 24, 2011

## **Confidentiality and Conflict 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. LMUD was informed of WECC's obligations and responsibilities under the agreement and procedures. The work history for each audit team member was provided to LMUD.

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<sup>2</sup> North American Electric Reliability Corporation CMEP, paragraph 3.1, Compliance Audits

LMUD 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. LMUD 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 LMUD.

### ***Methodology***

The audit team reviewed the information, data, and evidence submitted by LMUD and assessed compliance with requirements of the applicable reliability standards. Submittal of information and data were sent to WECC 20 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 reviewed documentation provided by LMUD. 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. 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 their professional judgment. All findings were developed based upon the consensus of the audit team.

### ***Company Profile***

Lassen Municipal Utility District (LMUD) is a public utility district created in 1988. It is managed by a publicly elected board of directors. It serves approximately 11,500 customers within an area of 1933 square miles in Lassen County in Northern California. Its system consists of 60kV sub-transmission and distribution services at 14.4kV, 12.4kV and 4kV.

### **Audit Participants**

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

#### **Audit Team Participants**

<b>Role</b>	<b>Title</b>	<b>Entity</b>
Audit Team Lead	Senior Compliance Engineer	WECC
Team Member	Consultant	WECC
Observer	Compliance Engineer	WECC
Documentation	Compliance Program Coordinator	WECC

#### **LMUD Audit Participants**

<b>Title</b>	<b>Entity</b>
General Manager	LMUD
Executive Assistant	LMUD

### **Audit Results**

The audit team evaluated LMUD for compliance with forty-four (44) Reliability standard requirements, which included forty-three (43) requirements as directed by the 2011 NERC Compliance Monitoring and Enforcement Program Implementation Plan (“CMEP IP”) and one (1) of the WECC Regional Reliability Standards requirements. The evaluation was for the period of June 18, 2007 – February 24, 2011.

LMUD submitted information and documentation for the audit team’s evaluation of compliance with requirements. The audit team reviewed and evaluated all information provided by LMUD to assess compliance with standards applicable to LMUD at this time. Based on the information and documentation provided by LMUD, the audit team determined the following findings for LMUD, summarized in the table below:

	<b>No Finding</b>	<b>Not Applicable</b>	<b>OEA*</b>	<b>Possible Violation</b>	<b>Total</b>
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\* Open Enforcement Action (see Findings section below for detailed explanation).

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, and applicable WECC Regional Reliability Standards, within the scope of the compliance audit. Any Possible Violations will be processed through the NERC and WECC CMEP. There were no ongoing or recently completed mitigation plans and therefore none were reviewed by the Audit Team.

**Findings**

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

**No Finding:** The audit team did not discover areas of non-compliance based on the evidence presented by the Registered Entity and reviewed by the audit team.

**Not Applicable:**

- The requirement does not apply to the Registered Entity based on the entity’s registered functions.
- The requirement applies to the Registered Entity based on their functional registration but the entity does not possess the system(s) referenced in the requirement.

Reliability Standard	Req.	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
IRO-004-1	R1.	Not Applicable
IRO-004-1	R2.	Not Applicable
IRO-004-1	R3.	Not Applicable
IRO-004-1	R4.	No Finding
IRO-004-1	R5.	Not Applicable
IRO-004-1	R6.	Not Applicable
IRO-004-1	R7.	Not Applicable
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	R6.	Not Applicable
IRO-005-2	R7.	Not Applicable
IRO-005-2	R8.	Not Applicable
IRO-005-2	R9.	Not Applicable

<b>Reliability Standard</b>	<b>Req.</b>	<b>Finding</b>
IRO-005-2	R10.	Not Applicable
IRO-005-2	R11.	Not Applicable
IRO-005-2	R12.	Not Applicable
IRO-005-2	R13.	No Finding
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.	Not Applicable
PRC-004-1	R1.	Not Applicable
PRC-004-1	R2.	Not Applicable
PRC-005-1	R1.	Not Applicable
PRC-005-1	R2.	Not Applicable
PRC-008-0	R1.	No Finding
PRC-008-0	R2.	No Finding
PRC-011-0	R1.	Not Applicable
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	R6.	Not Applicable
TOP-002-2a	R11.	Not Applicable
TOP-002-2a	R18.	Not Applicable

### ***Compliance Culture***

LMUD compliance culture was not reviewed by the audit team. LMUD stated in the pre-audit questionnaire that it has no formal ICP.

### **Exit Briefing**

To conclude the audit, the Audit Team leader gave a presentation for LMUD’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 LMUD on March 08, 2011 for review and comment. However, LMUD provided no comments.

**Management Approval**

This report was reviewed and approved by John McGhee, WECC Director of Compliance Audits and Investigations on June 13, 2011.