



# **Compliance Audit Report Public Version**

Salmon River Electric Coop./PNGC (SREC)  
NERC ID# NCR05371

**Contains Confidential Information (including  
Privileged and Critical Energy Infrastructure  
Information) – Do Not Distribute**

**Date of Audit: August 16, 2011  
Date of Report: October 14, 2011**

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## Executive Summary

A compliance audit of Salmon River Electric Coop./PNGC (SREC), NERC ID # - NCR05371 was conducted on August 16, 2011. At the time of the audit, SREC was registered for the Distribution Provider (DP), Load-Serving Entity (LSE), and Transmission Owner (TO) functions.

The audit team evaluated SREC for compliance with sixty-eight (68) requirements in the 2011 NERC Compliance Monitoring and Enforcement Program (CMEP). The audit team assessed compliance with the NERC Reliability Standards, and applicable Regional Reliability Standards, for the period of June 18, 2007 through August 16, 2011. SREC submitted information and documentation for the audit team's evaluation of compliance with requirements. The audit team reviewed and evaluated all information provided by SREC to assess compliance with standards applicable to SREC at this time. Based on the information and documentation provided by SREC, the audit team determined the following findings for SREC, summarized in the table below:

	No Finding	Not Applicable	OEA*	Possible Violation	Total
<b>Reliability Standard Requirements</b>	20	46	0	0	66
<b>WECC Regional Standard Requirements</b>	0	2	0	0	2
<b>Total</b>	<b>20</b>	<b>48</b>	<b>0</b>	<b>0</b>	<b>68</b>

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

The audit team notified SREC of no Areas of Concern\* and no Recommendations.

The 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 to the NERC Reliability Standards, and Applicable Regional Reliability Standards, within the scope of the compliance audit. Possible Violations will be processed as outlined in 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.†

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\* Per FERC Guidance Order on Compliance Audits Conducted by the Electric Reliability Organization and Regional Entities, dated January 15, 2009.

† 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>‡</sup> The audit objectives are to:

- Review compliance with the requirements of reliability standards that are applicable to SREC, based on the functions that SREC 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;
- 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, SREC was registered for the functions of DP, LSE, and TO. The audit team evaluated SREC for compliance during the period of June 18, 2007 through August 16, 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 ROP. SREC was informed of WECC's obligations and responsibilities under the agreement and procedures. The work history for each audit team member was provided to SREC. SREC 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. SREC had not submitted any objections by the stated fifteen day

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

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 SREC.

## **Methodology**

The audit team reviewed the information, data, and evidence submitted by SREC and assessed compliance with requirements of the applicable reliability standards. Submittal of information and data were sent to WECC twenty (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 SREC. 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**

SREC is a rural-electric cooperative, owned by SREC's members. The General Manager reports to SREC's Board of Directors, which is made up of members of SREC. Internally, SREC has sixteen (16) employees who all report, either directly or indirectly, to the General Manager and all operational staff report to the Operations Manager.

SREC delivers retail electric service to approximately 2,700 electric accounts across 5,000 square miles in south central Idaho, including parts of Custer, Lemhi, and Blaine Counties. SREC is a non-profit corporation, formed in 1948, and comprised of member-owners whose goal was, and is, to provide electrical service to the area. SREC's system was energized in 1953.

SREC purchases its power from the Bonneville Power Administration (BPA) and interconnects with the BPA system at the Round Valley 230kV/69kV POD and at the Spar Canyon 230kV/230kV POD. SREC has over 630 miles of overhead distribution lines and 85 miles of distribution lines operating at 69kV. SREC owns two 69kV/24.9kV substations and operated and maintains a 230kV transmission line and substation for Thompson Creek Mining. SREC receives a large percentage of its revenue from electric sales to Thompson Creek Mine. SREC is a winter peaking entity, with a peak load in 2010 of 46 MW.

## Audit Participants

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

### Audit Team Participants

Role	Title	Entity
Audit Team Lead	Senior Compliance Engineer	WECC
Team Member	Compliance Auditor, Cyber Security	WECC
Team Member	Compliance Auditor, Cyber Security	WECC
Team Member	Consultant	WECC
Documentation	Lead Compliance Program Coordinator	WECC

### SREC Audit Participants

Title	Entity
Manager of Compliance	PNGC
Manager of Operations	SREC

## Audit Results

The audit team evaluated SREC for compliance with sixty-eight (68) requirements in the 2011 NERC Compliance Monitoring and Enforcement Program (CMEP). The audit team assessed compliance with the NERC Reliability Standards, and applicable Regional Reliability Standards, for the period of June 18, 2007 through August 16, 2011. SREC submitted information and documentation for the audit team's evaluation of compliance with requirements. The audit team reviewed and evaluated all information provided by SREC to assess compliance with standards applicable to SREC at this time. Based on the information and documentation provided by SREC, the audit team determined the following findings for SREC, summarized in the table below:

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

The audit team notified SREC of no Areas of Concern<sup>§</sup> and no Recommendations.

The 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 to the NERC Reliability Standards, and Applicable Regional Reliability Standards, within the scope of the compliance audit. Possible Violations will be processed as outlined in 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 (NF):** 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.

**Possible Violation (PV):** The audit team discovered areas of possible non-compliance based on the evidence presented by the Registered Entity and reviewed by the audit team.

### Not Applicable (NA):

- The Requirement does not apply to the Registered Entity based on functions for which the entity is registered.
- 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. Examples could be that the entity does not possess black start units, SPS, or UVLS.

**Open Enforcement Action (OEA):** At the time of the audit, the Registered Entity had an open action item regarding the Requirement. Such items may include, but not limited to, open mitigation plans, self-reports, or settlement agreements.

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
COM-001-1.1	R1.	Not Applicable
COM-001-1.1	R2.	Not Applicable
COM-001-1.1	R3.	Not Applicable
COM-001-1.1	R4.	Not Applicable
COM-001-1.1	R5.	Not Applicable

<sup>§</sup> Per FERC Guidance Order on Compliance Audits Conducted by the Electric Reliability Organization and Regional Entities, dated January 15, 2009.

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COM-001-1.1	R6.	Not Applicable
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	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
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
MOD-004-1	R1.	Not Applicable
MOD-004-1	R2.	Not Applicable
MOD-004-1	R3.	No Finding
MOD-004-1	R4.	Not Applicable
MOD-004-1	R5.	Not Applicable
MOD-004-1	R6.	Not Applicable
MOD-004-1	R7.	Not Applicable
MOD-004-1	R8.	Not Applicable
MOD-004-1	R9.	Not Applicable
MOD-004-1	R10.	No Finding

MOD-004-1	R11.	Not Applicable
MOD-004-1	R12.	Not Applicable
PRC-004-1	R1.	No Finding
PRC-004-1	R2.	Not Applicable
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-STD-003-0	WR1.	Not Applicable
PRC-STD-005-1	WR1.	Not Applicable
TOP-002-2a	R3.	No Finding
TOP-002-2a	R6.	Not Applicable
TOP-002-2a	R11.	Not Applicable
TOP-002-2a	R18.	No Finding

## Compliance Culture

SREC compliance culture was not reviewed by the audit team.

## Areas of Concern & Recommendations

The audit team did not identify any areas of concern or recommendations for SREC.

## Exit Briefing

To conclude the audit, the Audit Team leader gave a PowerPoint presentation for SREC'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 SREC on September 14, 2011 for review and comment. However, SREC provided no comments.

## Management Approval

This report was reviewed and approved by John McGhee, WECC Director of Compliance Audits and Investigations on October 17<sup>th</sup>, 2011.