

Compliance Audit Report Public Version

Northeast Louisiana Power Cooperative, Inc. (NCR11016)

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

Date of Audit: October 9-10, 2012 Date of Report: October 17, 2012

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Executive Summary

An on-site compliance audit of Northeast Louisiana Power Cooperative, Inc. (NELPCO) (NCR11016) was conducted October 9 and 10, 2012. At the time of the audit, NELPCO was registered for the Distribution Provider (DP), Load-Serving Entity (LSE) and Transmission Owner (TO) functions.

The audit team evaluated NELPCO for compliance with 23 requirements in the 2012 NERC Compliance Monitoring and Enforcement Program (CMEP). The audit team assessed compliance with the NERC Reliability Standards for the DP and LSE registration for the period of March 22, 2010 to October 10, 2012. The audit team assessed compliance with the NERC Reliability Standards for NELPCO's TO registration for the period of July 1, 2010 to October 10, 2012. NELPCO submitted information and documentation for the audit team's evaluation of compliance with requirements. The audit team reviewed and evaluated all information provided by NELPCO to assess compliance with standards applicable to NELPCO at this time.

Based on the information and documentation provided by NELPCO, the audit team found NELPCO to have no findings of non-compliance with 18 applicable requirements. The audit team notified NELPCO of no Areas of Concern¹.

The audit team determined that 5 requirements were not applicable to NELPCO.

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 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.

¹ Per FERC Guidance Order on Compliance Audits Conducted by the Electric Reliability Organization and Regional Entities, dated January 15, 2009

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.² The audit objectives are to:

- Review compliance with the requirements of reliability standards that are applicable to NELPCO, based on the functions that NELPCO is registered to perform;
- Validate compliance with applicable reliability standards from the NERC 2012 Implementation Plan list of actively monitored standards, and additional NERC Reliability Standards selected by SERC;
- Validate compliance with applicable regional standards from the SERC 2012
 Implementation Plan list of actively monitored standards;
- Validate evidence of self-reported violations and previous self-certifications;
- Observe and document NELPCO'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 2012 Implementation Plan. In addition, this audit would have included a review of mitigation plans or remedial action directives which have been completed or pending in the year of the compliance audit. NELPCO did not have any Open Enforcement Actions or mitigation plans to review during this audit.

At the time of the audit, NELPCO was registered for the Distribution Provider (DP), Load-Serving Entity (LSE) and Transmission Owner (TO) functions. The audit team evaluated NELPCO 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. NELPCO was informed of SERC's obligations and responsibilities under the agreement and procedures. The work history for each audit team member was provided to NELPCO. NELPCO 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. NELPCO 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 NELPCO.

North American Electric Reliability Corporation CMEP, paragraph 3.1, Compliance Audits

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Methodology

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

Northeast Louisiana Power Cooperative, Inc. (NELPCO) has nine members that make up the Board of Directors. The Board of Directors, collectively, is responsible to the members of the Cooperative for overall management of the affairs of the Cooperative in accordance with the bylaws. The General Manager is ultimately responsible for the daily operations of the Cooperative, and is responsible for reporting to the Board of Directors. NELPCO serves members in seven parishes – Franklin, Madison, Richland, Tensas, East Carroll, West Carroll, and Morehouse. There are about 2,559 miles of energized lines that serve 15,945 meters to 11,793 members. The Cooperative employs 49 in its three offices in Winnsboro, Bastrop, and Oak Grove. NELPCO connects to their neighboring Transmission Owners at 115kV. The neighboring Transmission Owners own the high side of the interconnection points except for two 115kV radial feeds to NELPCO loads.

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Audit Participants

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

Audit Team Participants

Role	Title	Entity
Audit Team Lead	Sr. Compliance Auditor	SERC
Team Member	Sr. Compliance Auditor	SERC
Team Member	Compliance Auditor	SERC

NELPCO Audit Participants

Title	Entity
General Manager	NELPCO
Senior Compliance Manager	NELPCO
Technical Trainer, Consultant	System Operations Success

Audit Results

An on-site compliance audit of Northeast Louisiana Power Cooperative, Inc. (NELPCO) (NCR11016) was conducted October 9 and 10, 2012. At the time of the audit, NELPCO was registered for the Distribution Provider (DP), Load-Serving Entity (LSE) and Transmission Owner (TO) functions.

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Based on the information and documentation provided by NELPCO, the audit team found NELPCO to have no findings of non-compliance with 18 applicable requirements. The audit team notified NELPCO of no Areas of Concern³.

The audit team determined that 5 requirements were not applicable to NELPCO.

Findings

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

Reliability Std.	Req.	Finding
CIP-001-2a	R1.	No Findings
CIP-001-2a	R2.	No Findings
CIP-001-2a	R3.	No Findings
CIP-001-2a	R4.	No Findings
EOP-004-1	R3.	No Findings
FAC-001-0	R2.	No Findings
FAC-002-1	R1.	No Findings
FAC-003-1	R1.	Not Applicable
FAC-003-1	R2.	Not Applicable
FAC-008-1	R1.	No Findings
FAC-009-1	R1.	No Findings
FAC-009-1	R2.	No Findings
IRO-005-3a	R10.	No Findings
MOD-004-1	R3.	No Findings
MOD-004-1	R10.	No Findings
PRC-004-2a	R1.	No Findings
PRC-004-2a	R3.	No Findings

³ Per FERC Guidance Order on Compliance Audits Conducted by the Electric Reliability Organization and Regional Entities, dated January 15, 2009

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Reliability Std.	Req.	Finding
PRC-005-1b	R1.	Not Applicable
PRC-005-1b	R2.	Not Applicable
PRC-023-1	R1.	Not Applicable
TOP-001-1a	R4.	No Findings
TOP-002-2b	R3.	No Findings
TOP-002-2b	R18.	No Findings

Compliance Culture

The audit team assessed NELPCO's Internal Compliance Program in conjunction with the audit. Evidence reviewed in assessing the program included: NELPCO's Compliance Pre-Audit Survey, Culture of Compliance Program for NELPCO Inc., compliance staff organizational charts, interviews with NELPCO 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 NELPCO's Internal Compliance Program documents and their staff's demonstrated compliance culture indicate effective compliance program.

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

Areas of Concerns

The audit team notified NELPCO of no Areas of Concern.