



# **Compliance Audit Report Public Version**

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Has Been Removed**

**City of Westerville Electric Division  
NERC ID# - NCR06019**

**Date of Audit: October 17 – 23, 2008**

**Date of Audit Report: January 21, 2009**

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## Executive Summary

The off-site compliance audit of City of Westerville Electric Division (CoWED) registered as a Distribution Provider (DP) was conducted from October 17 – October 23, 2008 at the offices of ReliabilityFirst Corporation (RFC) in Akron, OH. The audit team consisted of one ReliabilityFirst auditor and contract auditor.

The audit team evaluated CoWED for compliance with eight (8) NERC reliability standards which consisted of seventeen (17) requirements for the period of June 18, 2007 to October 23, 2008. CoWED submitted information and documentation to facilitate the audit team's evaluation of compliance to standards applicable to Westerville's registered function as a Distribution Provider (DP). The audit team reviewed and evaluated the documentation provided by CoWED to determine compliance with the referenced standards.

Of the seventeen (17) NERC requirements audited, thirteen (13) were not applicable with the remaining four (4) found to be compliant. The basis for these findings is detailed in the Audit Result Findings related to TPS. There were no on-going mitigation plans and therefore none were reviewed by the audit team.

## Audit Process

The compliance audit process steps are detailed in the NERC and ReliabilityFirst Compliance Monitoring Enforcement Programs (CMEP). The NERC and ReliabilityFirst CMEPs generally conform to the United States Government Accountability Office Government Auditing Standards (GAOGAS) and other generally accepted audit practices.

### **Objectives**

All registered entities are subject to audit for compliance with all reliability standards applicable to the functions for which the Registered Entity is registered. The audit objectives are:

- Review CoWED's compliance with the requirements of the reliability standards that are applicable to CoWED based on the CoWED registered functions.
- Validate compliance with applicable reliability standards from the NERC 2008 Implementation Plan list of actively monitored standards.
- Validate compliance with additional NERC reliability standards selected by ReliabilityFirst.
- Validate evidence of self-reported violations and previous self-certifications, confirm compliance with other requirements of the reliability standards, and review the status of associated mitigation plans.
- Document CoWED's compliance culture.

## **Scope**

CoWED is subject to monitoring by *ReliabilityFirst* on a six year basis as a DP. This audit was conducted on those standards, which were provided by NERC for monitoring in the 2008 CMEP Implementation Plan and those selected by *ReliabilityFirst*. *ReliabilityFirst* monitors all applicable *ReliabilityFirst* standards, self-certifications and mitigation plans as appropriate.

## **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 and Procedures. CoWED was informed of the *ReliabilityFirst* obligations and responsibilities under the agreement and procedures. The work history for each audit team member was provided to CoWED. CoWED was given an opportunity to object to an audit team member 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. CoWED had not submitted any objections by the stated fifteen day objection due date and by this action, had accepted the audit team member participants without objections.

## **Off-site Audit**

CoWED is subject to an audit once every six years at the minimum as provided by the NERC Rules of Procedure. CoWED was provided with a sixty (60) day notification of this scheduled audit and at that time, all necessary documents required by the NERC and *ReliabilityFirst* audit process were provided. The following documents were provided to CoWED as part of the notification:

- 60-day Notification letter which contained request for evidence, information and date submittals
- Audit Survey
- Internal Compliance Survey
- Audit Agenda as applicable
- Audit Team Work History with discussion of objection process
- General Instructions of Data or Information Submittals
- Reliability Standard Auditor Worksheets (RSAWs)
- Reliability Standard Questionnaires

Documents were provided to CoWED in both electronic and hardcopy format. *ReliabilityFirst* discussed with CoWED the usage of technical experts and welcomed the use of technical experts by CoWED as it deemed necessary to explain their compliance to the standards.

At times, and according to the generally accepted government auditing standard 3.31, auditors are required to use professional judgment in planning, performing audits, attestation engagements and in reporting the results.

Additionally, and with the generally accepted government auditing standard 3.39, while this standard places responsibility on each auditor and audit organization to exercise professional judgment in planning and performing an audit or attestation engagement, it does not imply unlimited responsibility, nor does it imply infallibility on the part of either the individual auditor or the audit organization.

Professional judgment does not mean eliminating all possible limitations or weaknesses associated with a specific audit, but rather identifying, considering, minimizing, mitigating, and explaining them.

### ***Methodology***

Reliability*First* conducted this compliance audit off-site. Sixty (60) days prior to this scheduled audit, CoWED had been provided with a pre-audit package, which included all the necessary documents and information, required by NERC and Reliability*First*, to complete the audit process. Upon receipt and review of the submitted information and evidence, the audit team conducted a review of the information and evidence for compliance to the applicable standards. With reviews completed on the applicable requirements, the audit team conducted an exit briefing to provide the entity with the team findings. A draft report was compiled for review by Reliability*First* and the audited entity in both a public and non-public version. After completion of this review, the final reports are submitted to the audited entity and NERC for posting. This off-site audit followed the following format:

### ***Opening Briefing***

An Opening Briefing was conducted as a conference call to discuss the following:

- Introduction of audit team
- Audit Objective and Scope
- Team Audit Expectations
- Discussion on Clarification Calls
- Audit Process
- Exit Briefing and schedule

## **Audit**

The Audit team consisted of one ReliabilityFirst Compliance person, and a contractor working for ReliabilityFirst. The ReliabilityFirst Compliance staff individual was designated as the audit team lead responsible for facilitating the audit process and serving as the primary contact person for the audit, while the ReliabilityFirst contract person participated and recorded findings as determined by evaluation of the submitted evidence with the team lead. Audit team members substantiate findings to evaluate whether a possible compliance violation exists by scrutinizing the sufficiency, credibility and appropriateness of the submitted evidence. Any clarifications and additional requests for evidence were communicated to CoWED's primary contact through phone conversations and/or email.

The ReliabilityFirst Audit team reviewed each reliability standard and applicable requirements, then evaluated and measured the evidence provided by the entity against the requirement within the standard. If there were concerns that the supporting evidence did not meet the requirement, clarification calls and/or clarification emails were sent to the entity for additional detail, and/or additional evidence in the form of examples. CoWED was NOT permitted to create new documents or edit existing material and documents that were provided as evidence.

## **Exit Briefing**

An Exit Briefing was conducted with a presentation via conference call for the off-site audit of CoWED. The ReliabilityFirst audit team and the CoWED team participated. Status of the off-site audit process was explained, followed by audit scope, preliminary audit findings and basis, recommendations, compliance audit report process, and feedback forms. If possible violations were identified during the audit they would have been reviewed during the discussion of our preliminary results. CoWED was provided an opportunity to ask questions that the audit team addressed. In addition, the audit team identified recommendations on quality of evidence that were reviewed with CoWED.

## **Company Profile**

At the time of the audit, the City of Westerville Electric Division was registered for the NERC function of Distribution Provider (DP) in the ReliabilityFirst region.

The City of Westerville Electric Division is a municipal electric utility serving the residential and commercial customers of the City of Westerville, OH, a 12.615 square mile suburban municipality of Columbus in central Ohio. The City of Westerville Electric Division presently owns a total of 11.67 miles of 69 kV transmission line and four (4) 69/13.2 kV substations. Power is delivered to the City of Westerville's 69 kV system from an American Electric Power substation located adjacent to one of the City's substations. The City of Westerville Electric Division also owns a 138/13.2 kV substation which is fed via a tap from an American Electric Power 138 kV transmission line. A new 138/69/13.2 kV substation is presently under

construction for the City of Westerville Electric Division. It will be fed at 138 kV via bus taps from a new American Electric Power substation, also under construction, and will tie into the City's existing 69 kV system as well as provide 13.2 kV distribution.

Of the 15, 878 customers served by the City of Westerville Electric Division 13,864 are residential, 1,998 are commercial, and the remaining 16 are industrial. The 2007 peak load was 111.3 MW set on August 9 during the 1600 hr. The 2006 system peak was 108.3 MW set on August 2 during the 1400 hr. Westerville is a summer peaking utility.

The City of Westerville Electric Division owns one substation connected at 138 kV via a tap from an American Electric Power 138 kV transmission line. The Westerville assets at this substation include two 138 kV breakers fed from the AEP tap, which each protects a 138/13.2 kV, 30 MVA step-down transformer for electric distribution of energy.

The Reliability Coordinator, Balancing Authority and Transmission Operator for the City of Westerville Electric Division is PJM. PJM delegates AEP to perform the transmission operator functions for the City of Westerville Electric Division.

The City of Westerville Electric Division's 24/7 operation only involves trouble crews for resolving distribution customer service outages.

### ***Audit Specifics***

The compliance audit was conducted on October 17 - 23 at the ReliabilityFirst office in Akron, Ohio.

### **ReliabilityFirst Audit Team Participants**

<b>Audit Team Role</b>	<b>Title</b>	<b>Company</b>
Lead	Senior Consultant Operations	ReliabilityFirst
Member	Contractor	ReliabilityFirst Contractor

### **CoWED Audit Participants**

<b>Title</b>	<b>Organization</b>
Electric Operations Manager	City of Westerville Electric Division

## Audit Results

The audit team evaluated compliance with seventeen (17) requirements in eight (8) applicable NERC reliability standards for the period June 18, 2007 to October 23, 2008. The audit team used data provided by CoWED to determine compliance with standards. Of the seventeen (17) NERC requirements audited, thirteen (13) were not applicable and four (4) were found to be compliant. .

The audit team reviewed CoWED's documentation in the form of one (1) hardcopy manual submitted by CoWED. The city did give ReliabilityFirst compliance access to the City of Westerville's FTP site where an electronic version of the data submitted in the hard copy manual could be viewed. This submitted evidence was very well organized and supported by electronic versions and additional collaborating evidence as required.

## **Findings**

The following table details findings for compliance with the reliability standards listed in the NERC 2008 Implementation Plan for this audit:

### **CoWED Audited Reliability Standards**

<b>Reliability Standard</b>	<b>Requirement</b>	<b>Finding</b>
PRC-004-1	R1.	Compliant
PRC-004-1	R3.	Compliant
PRC-005-1	R1. & Sub Reqs	Compliant
PRC-005-1	R2. & Sub Reqs	Compliant
PRC-008-0	R1.	N/A
PRC-008-0	R2.	N/A
PRC-010-0	R1. & Sub Reqs	N/A
PRC-010-0	R2.	N/A
PRC-011-0	R1. & Subs Reqs	N/A
PRC-011-0	R2.	N/A
PRC-016-0	R1.	N/A
PRC-016-0	R2.	N/A
PRC-016-0	R3.	N/A
PRC-017-0	R1.	N/A
PRC-017-0	R2.	N/A
PRC-021-1	R1. & Sub Reqs	N/A
PRC-021-1	R2.	N/A

## ***Compliance Culture***

The City of Westerville Electric Division (Westerville Electric Division) is a small municipal electric utility consisting of 44 employees and is NERC registered as a Distribution Provider. The Westerville Electric Division has created a small compliance team comprised of managers of the division. The role of the team is to monitor the standards which apply for each function in which the Westerville Electric Division is registered and assure that the Westerville Electric Division is in compliance.

Because of the small number of personnel within the City of Westerville Electric Division, the compliance functions are typically handled by the Operations Manager of the Westerville Electric Division since the compliance program functions are already being completed by the Operations Manager as a normal course of business within the division: i.e. substation maintenance and testing.

The Electric Utility Manager manages and directly oversees all functions and supervisors within the City of Westerville Electric Division. The Reliability Compliance Officer has independent access to the CEO (City Manager) and the Board of Directors (City Council) through the City Manager being that the City of Westerville Electric Division is a municipal electric utility. However, because of the small number of employees making up the Westerville Electric Division staff, it is not possible for the internal compliance program to be operated and managed in a manner that is independent from departments responsible for performance to the Reliability Standards.

Within its current registered function (Distribution Provider) and the current definition of BES, the City of Westerville Electric Division is capable of maintaining compliance with existing staff and budget. However, should the definition of BES or other criteria change that would increase the requirements for Distribution Provider or require the City of Westerville Electric Division to register for additional functional roles, then there would be a significant challenge to existing staff and budget in order to maintain compliance.

Because of the small staff size at the City of Westerville Electric Division, senior management can directly manage and support the compliance program for all division employees.

Per the City of Westerville Electric Division's own "NERC Reliability Standard Compliance Policy", the Westerville Electric Division reviews all reliability standards and its compliance program within its registered function at least every 90 days. The City of Westerville Electric Division will perform self audits of its compliance program at least once every 24 months.

The City of Westerville Electric Division compliance team does make use of outside resources for informing the compliance team of necessary changes which should be incorporated into its compliance program.

Upon implementation of a policy and/or procedure for reliability compliance the Westerville Electric Division will perform periodic self audits to ensure the applicable standards are in place and being met. The Westerville Electric Division will perform spot checks and self-certifications, as required. If the Westerville Electric Division finds a non-compliance to an applicable requirement/ standard, then a mitigation plan will be immediately prepared and strategy implemented to correct the anomaly. The City of Westerville Electric Division will report the non-compliance to Reliability*First* and provide them with a mitigation plan, correcting the non compliance for approval by Reliability*First* Corporation.