



Compliance Audit Report Public Version

**Old Dominion Electric Cooperative
(ODEC)
NRC00859**

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

April 18, 2008

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Executive Summary

Old Dominion Electric Cooperative (ODEC) is registered as a Distribution Provider (DP), a Generation Owner (GO), a Generation Operator (GOP), a Load Serving Entity (LSE) and Purchase-Selling Entity (PSE) within the ReliabilityFirst region.

The off-site compliance audit of ODEC was conducted, by ReliabilityFirst Corporation and NERC, on April 2-17, 2008 at the ReliabilityFirst offices located in Fairlawn, Ohio. In preparation for the audit, ODEC supplied various materials as evidence of compliance with the applicable requirements in forty-one (41) NERC reliability standards and two (2) ReliabilityFirst standards. The audit team reviewed and evaluated all the material supplied by ODEC. As a result, the audit team determined that ODEC had NO alleged violation(s) and was in compliance with the applicable requirements in the forty-one (41) NERC reliability standards and two (2) ReliabilityFirst standards.

Furthermore, there were no ongoing mitigation plans and therefore none were reviewed by the audit team

Audit Process

The compliance audit process steps are detailed in the NERC Compliance Monitoring and Enforcement Program (CMEP). The NERC 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 audit for compliance with all reliability standards applicable to the functions for which the Registered Entity is registered.¹ The audit objectives are:

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

Scope

¹ North American Electric Reliability Corporation CMEP, paragraph 3.1, Compliance Audits

The ODEC's compliance audit included all reliability standards that are applicable to ODEC and monitored in the NERC Implementation Plans for the period June 18, 2007 to March 31, 2008. The scope of the off-site compliance audit was part of the regularly scheduled cycle and was not due to or as part of a compliance investigation.

ODEC is subject to monitoring by *ReliabilityFirst* on a six year basis. This audit was conducted on those standards which were provided by NERC for monitoring in the 2008 CMEP Implementation Plan. *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 the NERC Rules and Procedures Section 1500. The audited entity has informed of the *ReliabilityFirst* obligations and responsibilities under the agreement and procedures. The work history for each audit team member was provided to the audited entity. The audited entity 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 the audit team member's impartial performance of duties. The audited entity (has or has not) submitted any objections by the stated fifteen day objection due date and by this action has accepted the audit team member participants (with or without) objections.

All members of the audit team, that audited ODEC, are members of the *ReliabilityFirst* Staff and are bound by the NERC Rules of Procedure and the confidentiality that is within that FERC filed document.

The Audit

ODEC is subject to an audit once every six years, at the minimum, as provided by the NERC Rules and Procedures. Sixty (60) days prior to this scheduled audit, ODEC had been provided with a pre-audit package which included all the necessary documents and information, required by NERC and *ReliabilityFirst*, to complete the audit process. This pre-audit package included the following:

- 60 day Notification letter which contained request for evidence, information and data submittals
- Audit 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 ODEC in both electronic and hardcopy format.

Reliability*First* had discussed with ODEC the usage of technical experts and agreed to allow the usage of technical experts by ODEC as it deemed necessary to explain their compliance to the reliability standards.

ODEC had been notified to provide any technical experts or personnel it deemed necessary to provide an understanding of the evidence provided to meet compliance.

In evaluating the scope of this audit, the audit team leader did not request interviews with ODEC employees representing subject matter expertise regarding all of registered functions of ODEC. If these interviews had taken place, they would have provided the audit team with a basis for professional judgment when validating compliance with reliability standards.

At times, and according to the generally accepted government auditing standard 3.31, auditors were to use professional judgment in planning and performing audits and 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. Absolute assurance is not attainable because of the nature of evidence and the characteristics of fraud. 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.

An audit agenda and/or schedule had been provided to ODEC in advance to allow the necessary time to prepare for the audit. Reliability*First* and the audit team appreciated your cooperation and flexibility with the agenda.

Methodology

Reliability*First* conducted this audit via an off-site method. Sixty (60) days prior to this scheduled audit, ODEC 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 the audit team conducted a review of the information and evidence for compliance to the applicable standards. With reviews completed on applicable requirements, the audit team conducted an exit briefing to provide the entity with the team findings. An audit report, summarizing the audit activities and results, is compiled in a public and non-public version and submitted to the audited entity for

review, comment and acceptance. Once finalized, the audit report is submitted to NERC for posting. The off-site audits followed the following format.

Opening Briefing/Audit Overview

An Opening Briefing was conducted as a conference call/Webex 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 approach used by the Reliability*First* Audit team was to review each reliability standard and applicable requirement and then evaluate and measure the evidence provided, by the entity, against the requirement within the standard. When there was concern that the supporting evidence did not meet the requirement, clarification calls and or clarification e-mails were sent to the entity for additional detail, clarification and or additional evidence in the form of examples. The entity was NOT permitted to create new documents and or edit existing material and or documents that were provided as evidence.

Exit Briefing

An exit briefing was conducted with a presentation, via Webex, for the off-site audit of ODEC. The Reliability*First* audit team and the ODEC team participated. The audit process was again reviewed. If alleged violations would have been identified during the audit they would have been reviewed during the discussion of our preliminary results however, ODEC was provided an opportunity to ask questions that the audit team addressed. Moreover, the audit team identified a few recommendations on quality of evidence that were reviewed with ODEC. These recommendations will be provided to ODEC in a separate document and not as part of the audit report. This is required as specified in section 3.1.6 of the Uniform Compliance Monitoring and Enforcement Program of the North American Electric Reliability Corporation

Company Profile

ODEC is a not-for-profit Generation and Transmission (G&T) Cooperative operating in the states of Virginia, Maryland and Delaware. ODEC is comprised of 12 Distribution

Cooperatives Members; 10 in Virginia, 1 in Maryland and 1 in Delaware. Total peak load is ~2500MWs with most of this load in the SERC region (~1800MWs) and the remainder in the RFC region (~700MWs).

ODEC owns two generation facilities in Virginia and the Louisa and Marsh Run Combustion Turbine sites in the SERC region. In addition, ODEC jointly owns, with Dominion Virginia Power, a coal fired generation facility called Clover Power Station and a nuclear facility called North Anna Power Station. Both of these stations are in Virginia and the SERC region. In RFC, ODEC owns 2 combustion turbines at Rock Springs which Consolidated Edison Development operates on their behalf. Consolidated Edison owns and operates the other two combustion turbines at Rock Springs. In addition, ODEC and Consolidated Edison Development are joint owners of a 500kV five breaker substation and ~1000 feet of 500kV transmission line at the Rock Springs site.

All of ODEC's load and generation is within the PJM service boundaries. ODEC is a part owner of ACES Power Marketing Inc. which provides 7/24 communication coverage for real times activities on behalf of ODEC's load and generation.

ODEC is structured into two major departments: Power Supply which handles compliance, power construction and operations, power supply planning and procurement, rates and regulations. The other major department is their Finance and Accounting department. Supporting departments include HR, IT and Member Relations. Additional information on ODEC can be found on the ODEC website.

Audit Specifics

The compliance audit was conducted on April 2 - 17, 2008 at the ReliabilityFirst Office in Fairlawn, Ohio.

Audit Team Role	Title	Company
Lead	Manager, Compliance Program Implementation	ReliabilityFirst
Member	Senior Consultant	ReliabilityFirst

Title	Organization
Director of Transmission	ODEC
System Planning Engineer	ODEC
Senior Vice President of Power Supply	ODEC
VP of Power Supply and Transmission Planning	ODEC

Audit Results

In general the evidence was reviewed and validated during the offsite audit for compliance to the standards or requirements. Where the evidence was not deemed sufficient or a clarification was required, the audited entity was contacted and asked to provide additional detail and/or examples of how compliance was met. No new documents were permitted or edits to existing documents allowed. Examples of adherence to compliance needed to be in the form of real-time applications and/or dated material to prove the entity's process and/or procedures were being followed.

Findings

The following table details the summarized auditor notes relating to evidence reviewed for compliance with the reliability standards listed in the NERC 2008 Implementation Plan. This table also includes the details summarizing auditor notes relating to evidence reviewed for reliability standard requirements.

Standards and Requirements that were reviewed and that are applicable to ODEC

Reliability Standard	Requirement	Finding
BAL-001-0	R1.	Compliant
CIP-001-1	R1.	Compliant
CIP-001-1	R2.	Compliant
CIP-001-1	R3.	Compliant
CIP-001-1	R4.	Compliant
COM-002-2	R1.	Compliant
EOP-002-2	R9.	Compliant
EOP-003-1	R1.	Compliant
EOP-004-1	R2.	Compliant
EOP-004-1	R3.	Compliant
EOP-009-0	R1.	N/A
EOP-009-0	R2.	N/A
FAC-002-0	R1.	Compliant
FAC-002-0	R2.	Compliant
FAC-008-1	R1.	Compliant
FAC-008-1	R2.	Compliant
FAC-008-1	R3.	Compliant
FAC-009-1	R1.	Compliant
FAC-009-1	R2.	Compliant

Reliability Standard	Requirement	Finding
INT-001-2	R1.	Compliant
INT-004-1	R1.	Compliant
INT-004-1	R2.	Compliant
IRO-001-1	R8.	Compliant
IRO-004-1	R4.	Compliant
MOD-010-0	R1.	Compliant
MOD-010-0	R2.	Compliant
MOD-012-0	R1.	Compliant
MOD-012-0	R2.	Compliant
MOD-017-0	R1.	Compliant
MOD-018-0	R1.	Compliant
MOD-018-0	R1.	Compliant
MOD-019-0	R1.	Compliant
MOD-020-0	R1.	Compliant
MOD-021-0	R1.	Compliant
MOD-021-0	R2.	Compliant
MOD-021-0	R3.	Compliant
PRC-001-1	R1.	Compliant
PRC-001-1	R2.	Compliant
PRC-001-1	R3.	Compliant
PRC-001-1	R5.	Compliant
PRC-004-1	R1.	N/A
PRC-004-1	R2.	Compliant
PRC-004-1	R3.	Compliant
PRC-005-1	R1.	Compliant
PRC-005-1	R2.	Compliant
PRC-007-0	R1.	Compliant
PRC-007-0	R2.	Compliant
PRC-007-0	R3.	Compliant
PRC-008-0	R1.	Compliant
PRC-008-0	R2.	Compliant
PRC-009-0	R1.	Compliant
PRC-009-0	R2.	Compliant
PRC-010-0	R1.	N/A
PRC-010-0	R2.	N/A
PRC-011-0	R1.	N/A
PRC-011-0	R2.	N/A
PRC-015-0	R1.	N/A
PRC-015-0	R2.	N/A

Reliability Standard	Requirement	Finding
PRC-015-0	R3.	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-018-0	R1.	N/A
PRC-018-0	R2.	N/A
PRC-018-0	R3.	N/A
PRC-018-0	R4.	N/A
PRC-018-0	R5.	N/A
PRC-018-0	R6.	N/A
PRC-021-1	R1.	N/A
PRC-021-1	R2.	N/A
PRC-022-1	R1.	N/A
PRC-022-1	R2.	N/A
TOP-001-1	R3.	Compliant
TOP-001-1	R4.	Compliant
TOP-001-1	R6.	Compliant
TOP-001-1	R7.	Compliant
TOP-002-2	R3.	Compliant
TOP-002-2	R13.	Compliant
TOP-002-2	R14.	Compliant
TOP-002-2	R15.	Compliant
TOP-002-2	R18.	Compliant
TOP-003-0	R2.	Compliant
TOP-003-0	R3.	Compliant
TOP-005-1	R4.	Compliant
TOP-006-1	R1.	Compliant
VAR-001-1	R5.	Compliant
VAR-002-1	R1.	Compliant
VAR-002-1	R2.	Compliant
VAR-002-1	R3.	Compliant
VAR-002-1	R4.	Compliant
VAR-002-1	R5.	Compliant
BAL-502-RFC-01	R2.	Compliant
BAL-502-RFC-01	R5.	Compliant
EOP-007-RFC-01	R4.	Compliant

Compliance Culture

The ODEC NERC/SERC/RFC Compliance Program is structured as follows. The lead person, responsible for all compliance activities at ODEC, is the Director of Transmission. This person is responsible for ensuring that ODEC is following all applicable NERC and regional standards and that ODEC has the appropriate and necessary documentation available to verify compliance. Supporting the Director of Transmission is a System Planning Engineer. This person serves as a critical resource in compliance activities and they also focus on LSE and DP compliance requirements with ODEC's 12 Distribution Cooperatives Members. ODEC's System Planning Engineer is the critical link to ODEC's 12 Members to ensure they are informed of the requirements they must meet to ensure ODEC is in compliance on their behalf. The overall Compliance Officer for ODEC is their Senior Vice President of Power Supply. The Senior Vice President has the overall corporate compliance responsibilities for ODEC as well as all generation planning, generation operations, engineering services, rates and regulatory activities, transmission and member relations functions within ODEC.

ODEC utilizes operating agreements and delegation agreements to define many of their compliance responsibilities. They have several delegation agreements in place for interaction with the RC, BA and TOP for all load and generation. For their SERC assets, their O&M Agreement Dominion Virginia Power covers their Clover and North Anna generation assets. For their RFC assets, their O&M Agreement and pending delegation agreement with Consolidated Edison Development Rock Springs LLC details the compliance responsibilities for each entity. Finally, ODEC has assumed the compliance responsibilities for their 12 distribution cooperative members as part of their corporate agreement (called the Wholesale Power Contract which is the reason of the existence of ODEC, to provide all power and transmission services to their 12 distribution cooperative members). All other compliance requirements are handled internally at ODEC.

The corporate structure at ODEC is as follows: ODEC President and CEO have a direct reporting relationship to the Sr. VP of Power Supply who is accountable for ODEC Compliance.