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Compliance Audit Report (Public Version)

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**City of Shelby
NERC ID#
NCR06018**

**Date of Audit
September 2-12, 2008.**

**Date of Report
February 20, 2009.**

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Executive Summary

This compliance audit report is the public version. Confidential information (including privileged and critical energy infrastructure information) has been redacted from this report. This compliance audit report will be submitted to NERC.

ReliabilityFirst scheduled the City of Shelby, NERC ID # NCR 06018, for an offsite audit on September 2-12, 2008, to monitor compliance to the NERC Reliability Standards and the ReliabilityFirst Regional Standards that apply to the City of Shelby for the Distribution Provider function that it performs within the ReliabilityFirst area as part of the NERC Compliance Monitoring and Enforcement Program (CMEP). The audit team reviewed the material provided by the City of Shelby in response to the initial ReliabilityFirst data request, and additional material requested by the audit team during their review as necessary to develop its findings. The ReliabilityFirst audit team reviewed the material and developed the preliminary results on the City of Shelby's compliance to the standards.

Seventeen requirements apply to the City of Shelby from the 8 NERC Standards which are applicable to the Distribution Provider function that the City of Shelby is registered to perform in the ReliabilityFirst area. Of the 8 standards and 17 associated requirements, all were determined to be Non-Applicable to the City of Shelby.

The City of Shelby was prepared for the audit and presented its documentation in a complete and concise manner. The City of Shelby did not have any violations or mitigation plans open for review during this audit, but did provide evidence of a mitigation plan from 2007 for the testing of equipment that had not been placed into service. All of the eight NERC Standards and seventeen associated requirements were found to be non-applicable to the City of Shelby.

Audit Process

The compliance audit process steps are detailed in the NERC 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:

- Review the City of Shelby's compliance with the requirements of the reliability standards that are applicable to the City of Shelby based on the City of Shelby'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 the City of Shelby's compliance culture.
- Validate compliance with other NERC standards outside the 2008 implementation plan as selected by ReliabilityFirst.
- Validate compliance with applicable ReliabilityFirst reliability standards that apply to the City of Shelby.

Scope

The City of Shelby is subject to auditing 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 been 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

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

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 not submitted any objections by the stated fifteen day objection due date and by this action has accepted the audit team member participants without objections. ReliabilityFirst found no conflict of interest for any of the audit team members.

Off-site Audit

The City of Shelby is subject to an audit once every six years at the minimum as provided by the NERC Rules and Procedures. The City of Shelby has been provided 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 as part of the notification:

- 60 day Notification letter which contained request for evidence , information, and date submittals
- Audit Survey
- Audit Agenda as applicable
- Internal Compliance Survey
- 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 the City of Shelby in both electronic and hardcopy format.

ReliabilityFirst has discussed with the City of Shelby the usage of technical experts and welcomes the usage of technical experts by the City of Shelby as it deems necessary to explain their compliance to the standards. The City of Shelby has been notified to provide any technical experts or personnel it deems necessary to provide an understanding of the evidence provided to meet compliance.

An audit agenda and/or schedule were provided to the City of Shelby in advance to allow the necessary time to prepare for the audit. The City of Shelby's cooperation and flexibility with the agenda was appreciated by the audit team.

This audit was conducted in the ReliabilityFirst offices using material provided by the City of Shelby. The audit team made additional calls to request additional information or to clarify information previously supplied to the team. The audit team leader requested telephone interviews with the City of Shelby employees representing subject matter

expertise regarding the registered function of the City of Shelby. These interviews in conjunction with evidence provide the audit team with a basis for professional judgment when validating compliance with reliability standards.

Methodology

Sixty (60) days prior to this scheduled audit, the City of Shelby 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. Upon receipt and review of the submitted information and receipt of evidence, the audit team conducted a review of the information and evidence for compliance to the applicable NERC and ReliabilityFirst Standards. The team reviewed each requirement, discussed the levels of compliance, and addressed each team member's notes from the audit. The audit team presented an exit briefing of audit findings, presented the audit findings to Keystone UR, LP, and answered all of their questions.

A draft report was compiled for review by ReliabilityFirst 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.

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 audit team worked as a group and reviewed each applicable requirement to determine if the City of Shelby met the requirement. The audit team requested additional information if it could not determine compliance, or if clarification of the existing information was needed. The City of Shelby provided additional information or clarified existing information with review of its subject matter experts as needed.

Exit Briefing

The audit team used a web based exit presentation and teleconference to present the findings to the City of Shelby staff. The team lead explained the findings from the audit. The presentation was attended by the following City of Shelby staff:

Title	Organization
Deputy Director of Public Service	City of Shelby
Distribution Superintendent	City of Shelby
Administrative Assistant of Utilities	City of Shelby
Electrical Engineer (Consultant)	GPD Associates

The presentation was open for comments and discussion about the findings. The exit presentation also covered any possible violations and mitigation requirements, the reporting process going forward, and audit feedback.

Company Profile

The City of Shelby is registered for the following NERC function(s) in the Reliability *First* region:

- Distribution Provider

The City of Shelby owns and operates four generating units in Ohio. All plants are within the PJM Balancing Authority area. PJM is the Reliability Coordinator and Transmission Operator. The Transmission Owner, where the City of Shelby is connected as a load, is American Electric Power.

Audit Specifics

The compliance audit was conducted on September 2-12, 2008 at the ReliabilityFirst office in Akron, OH.

Audit Team

Audit Team Role	Title	Company
Lead	Senior Engineer	ReliabilityFirst Corporation
Member	Senior Engineer	ReliabilityFirst Corporation

City of Shelby Audit Participants

Title	Organization
Deputy Director of Public Service	City of Shelby
Distribution Superintendent	City of Shelby
Administrative Assistant of Utilities	City of Shelby
Electrical Engineer (Consultant)	GPD Associates

Audit Results

The City of Shelby did not have any violations or mitigation plans open for review during this audit. Seventeen requirements apply to the City of Shelby from the 8 NERC Standards which are applicable to the Distribution Provider function that the City of Shelby is registered to perform in the ReliabilityFirst area. Of the 8 standards and 17 associated requirements, all were determined to be Non-Applicable to the City of Shelby.

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Findings

The following table details the findings for compliance with the Reliability Standards listed in the NERC 2008 Implementation Plan and/or selected for this audit:

Reliability Standard	Requirement	Finding
PRC-004-1	R1.	N/A
PRC-004-1	R3.	N/A
PRC-005-1	R1.	N/A
PRC-005-1	R2.	N/A
PRC-008-0	R1.	N/A
PRC-008-0	R2.	N/A
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-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.	N/A
PRC-021-1	R2.	N/A

Compliance Culture

The City of Shelby provided documentation to demonstrate its compliance to the requirements of the applicable standards. The documentation was complete and in order such that the audit team could reasonably determine the applicability or non-applicability of the Standards and Requirements of the City of Shelby.

The City of Shelby provided additional evidence and clarifications in a timely manner when requested by the audit team. The City of Shelby completed the Compliance Audit Questionnaire, individual Pre-Audit Questionnaires for each applicable standard, the documentation section of the NERC Reliability Standard Audit Worksheets, and the Internal Compliance Survey.

The City of Shelby staff was able to supply additional evidence of compliance in a timely manner when requested by the audit team. Its quick response to additional questions was appreciated by the audit team.

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Senior management attended the opening and exit briefing presentations. The City of Shelby was prepared for the audit and presented its documentation in a complete and concise manner.