



Compliance Audit Report Public Version

**City of Marshall, MI
NCR06017**

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

Date of Audit – April 2-4, 2008

Date of Report – October 14, 2008

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Executive Summary

The City of Marshall, Michigan is registered as a Distribution Provider, (DP), within the Reliability*First* region.

The off-site compliance audit of the City of Marshall, MI was conducted, by Reliability*First* Corporation and NERC, on April 2-4, 2008 at the Reliability*First* offices located in Akron, Ohio. In preparation for the audit, the City of Marshall, MI supplied various materials for thirty (30) requirements in fourteen (14) NERC reliability standards. The City of Marshall was found to be compliant to five (5) applicable requirements in three (3) NERC reliability standards. Twenty-five (25) requirements in eleven (11) standards were found to be not applicable. No Reliability*First* requirements/standards were monitored as part of this audit. The audit team reviewed and evaluated all the material supplied by the City of Marshall, MI.

In addition, there were no ongoing mitigation plans and therefore none were required to be 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 were:

- Review the City of Marshall, MI's compliance with the requirements of the reliability standards that were applicable to the City of Marshall, MI based on its functions as a registered Distribution Provider.
- 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 Marshall, MI's compliance culture.

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

Scope

The compliance audit included all reliability standards applicable to the City of Marshall, MI monitored in the NERC Implementation Plan and included additional NERC requirements/standards applicable to the Registered Entity for the period June 18, 2007, to the audit date. 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.

At the time of the audit, City of Marshall was registered for the Distribution Provider (DP) function. The audit team evaluated City of Marshall for compliance with (30) requirements in fourteen (14) NERC Reliability Standards.

Confidentiality and Conflict of Interest

Confidentiality and Conflict of Interest of the audit team are governed under the Reliability*First* Delegation Agreement with NERC and the NERC Rules and Procedures Section 1500. The City of Marshall, MI was informed of the Reliability*First* obligations and responsibilities under the agreement and procedures. The work history for each audit team member was provided to the City of Marshall, MI. The City of Marshall 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 City of Marshall 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.

All members of the audit team, that audited the City of Marshall, MI are members of the Reliability*First* Staff and are bound by the NERC Rules of Procedure and the confidentiality that is within that FERC filed document.

Off-site Audit

The City of Marshall, MI 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, the City of Marshall, MI 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.

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 the City of Marshall, MI in both electronic and hardcopy format.

Reliability*First* had discussed with the City of Marshall, MI the usage of technical experts and welcomed the usage of technical experts by the City of Marshall, MI as it deemed necessary to explain their compliance to the reliability standards.

Due to the limited scope of this audit, the audit team leader did not request interviews with the City of Marshall, MI employees representing subject matter expertise regarding their registered DP function. 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. 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 had been provided to the City of Marshall, MI in advance to allow the necessary time to prepare for the audit. Reliability*First* and the audit team appreciated the City of Marshall, MI's cooperation and flexibility with the agenda.

Methodology

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. Sixty (60) days prior to this scheduled audit, the City of Marshall, MI, 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 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 ReliabilityFirst and the audited entity in both a public and non-public version. After completion of this review, the final reports are then submitted to the audited entity and NERC for posting. The off-site audits followed the following format.

Opening Briefing/Audit Overview

An Opening Briefing to discuss the following:

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

Audit

The off-site audit was conducted at the ReliabilityFirst offices in Akron, Ohio on April 2-4, 2008. The approach used by the ReliabilityFirst Audit team was to review each reliability standard as to the applicable requirements, 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 intent of the requirement, clarification calls and or clarification e-mails were sent to the entity for additional detail, clarification and or evidence in the form of examples. The City of Marshall, MI was NOT permitted to create new documents and or edit existing material and or documents that were provided as evidence.

Exit Briefing

The ReliabilityFirst audit team conducted an exit briefing by a voice and web conference with the City of Marshall, MI team. The remaining schedule of the off-site audit process was explained, followed by the audit scope, preliminary audit findings addressing possible violations and their basis, recommendations, compliance audit report process, and feedback forms. The City of Marshall, MI was provided an opportunity to ask questions concerning the requirements/standards that the audit team addressed.

Company Profile

The City of Marshall, MI was registered as a Distribution Provider (DP) in 2007. It considers Michigan Electric Transmission Company /ITC to be its Transmission Owner (TO) and Transmission Operator (TOP). Michigan Electric Coordinated Systems is the Balancing Authority (BA) and MISO is the Reliability Coordinator (RC) in the area in which the City of Marshall, MI resides.

The City of Marshall, MI is interconnected with ITC/METC at 138kV.

Audit Specifics

The off-site compliance audit was conducted on April 2 - 4, 2008 at the ReliabilityFirst Offices in Akron, Ohio.

ReliabilityFirst Audit Team consisted of:

Audit Team Role	Title	Company
Lead	Senior Consultant-Compliance	ReliabilityFirst Corp.
Member	Senior Consultant-Operations	ReliabilityFirst Corp.

City of Marshall, MI Audit Participants consisted of:

Title	Organization
Power Plant Superintendent / Critical Infrastructure Protection Manager Utilities	City of Marshall, MI

Audit Results

The City of Marshall, MI had no compliance violations for the five requirements in the three applicable standards as a registered Distribution Provider (DP) that owns transmission protection equipment. The other twenty five requirements in the eleven other standards are not applicable to the City of Marshall, MI, since they did not own or operate the equipment referenced in those standards.

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 City of
Marshall, MI:**

Reliability Standard	Requirement	Finding
PRC-004-1	R1	Compliant
PRC-004-1	R3	Compliant
PRC-005-1	R1 & sub Req	Compliant
PRC-005-1	R2 & sub Req	Compliant
TOP-001-1	R4	Compliant

**Standards and Requirements that were reviewed and that are not applicable to City of
Marshall, MI:**

Reliability Standard	Requirement	Finding
FAC-002-0	R1 & sub Req	Not Applicable
FAC-002-0	R2	Not Applicable
PRC-007-0	R1	Not Applicable
PRC-007-0	R2	Not Applicable
PRC-007-0	R3	Not Applicable
PRC-008-0	R1	Not Applicable
PRC-008-0	R2	Not Applicable
PRC-009-0	R1 & sub Req	Not Applicable
PRC-009-0	R2	Not Applicable
PRC-010-0	R1	Not Applicable
PRC-010-0	R2	Not Applicable
PRC-011-0	R1	Not Applicable
PRC-011-0	R2	Not Applicable
PRC-015-0	R1	Not Applicable
PRC-015-0	R2	Not Applicable
PRC-015-0	R3	Not Applicable
PRC-016-0	R1	Not Applicable
PRC-016-0	R2	Not Applicable
PRC-016-0	R3	Not Applicable
PRC-017-0	R1 & sub Req	Not Applicable
PRC-017-0	R2.	Not Applicable
PRC-021-1	R1	Not Applicable
PRC-021-1	R2	Not Applicable
PRC-022-1	R1 & sub Req	Not Applicable
PRC-022-1	R2	Not Applicable

Compliance Culture

The Power Plant Superintendent / Critical Infrastructure Protection Manager, at the City of Marshall, MI, is the primary compliance contact and is responsible for compliance to all the applicable NERC Standards/requirements as a DP. The Electric Superintendent, is the alternate compliance contact and therefore also receives all compliance notifications.

The Power Plant Superintendent / Critical Infrastructure Protection Manager was very cooperative during the Audit when we asked clarifying questions regarding details which helped define their responses to questions relating to compliance. Compliance documents for each applicable NERC standard have been developed and are to be followed for compliance. The city appears dedicated to compliance both from their audit data submittals and helping the audit team understand the City of Marshall's electrical configuration and operations.