



NORTHEAST POWER COORDINATING COUNCIL, INC.  
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# **Compliance Audit Report Public Version**

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

**Connecticut Municipal Electric Energy  
Cooperative (CMEEC)**

**NCR07033**

**August 5 to September 3, 2008**

September 3, 2008

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## Executive Summary

This final compliance audit report is the public version. Confidential information (including privileged and critical energy infrastructure information) has been redacted from this report. The full final compliance audit report was submitted to the audited entity and NERC.

The offsite compliance audit of the Connecticut Municipal Electric Energy Cooperative (CMEEC) was conducted between August 5, and September 3, 2008. The audit was completed using data submitted by CMEEC and telephone and email data exchanges. The audit team evaluated CMEEC compliance with three reliability standards applicable to registered Purchasing Selling Entity (PSE) as identified in the NERC 2008 Implementation Plan for the period of the last twelve months or monitoring timeframes specified in each reliability standard. Of the three standards and four requirements audited, one requirement was judged to be compliant and three requirements were judged to be not applicable. CMEEC provided subject matter experts for the standards resulting in a more clear understanding of the CMEEC business model and accelerated the audit process. The evidence provided to demonstrate compliance was incomplete at submission but follow-up emails and conference calls provided the additional information required to determine compliance. The audit team would like to thank the CMEEC audit preparation team for the support offered throughout the audit process.

## Audit Process

All registered entities are subject to audit for compliance with all reliability standards applicable to the functions for which the registered entity is registered.<sup>1</sup> The audit objectives are:

- Independently review CMEEC compliance with the requirements of the reliability standards that are applicable to CMEEC based on the CMEEC registered functions.
- Validate compliance with applicable reliability standards from the NERC 2008 Implementation Plan list of actively monitored standards.

The audit was completed using data submitted by CMEEC and telephone and email data exchanges. The audit team evaluated CMEEC compliance with three reliability standards and four requirements identified in the NERC 2008 Implementation Plan for the period of the last twelve months or monitoring timeframes specified in each reliability standard. Of the three standards and four requirements audited, one requirement was judged to be compliant and three requirements were judged to be not applicable, based on the data submitted in response to the audit request and further data provided as a result of follow up questions.

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.

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<sup>1</sup> North American Electric Reliability Corporation CMEP, paragraph 3.1, Compliance Audits  
3 CMEEC Compliance Audit Report  
September 3, 2008

## **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.<sup>2</sup> The audit objectives are:

- Independently review CMEEC compliance with the requirements of the reliability standards that are applicable to CMEEC based on the CMEEC registered function.
- 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 CMEEC compliance culture.

## **Scope**

The audit included all standards identified in the May 30, 2008 audit letter for the previous year. The audit was a regularly scheduled audit and no self reported violations or compliance investigations were involved.

## **Confidentiality and Conflict of Interest**

Confidentiality agreements executed by the independent contractors and code of conduct documentation for the NERC representative and regional entity staffs were provided to the audited entity in advance of the audit. Work history and conflict of interest forms submitted by each audit team member were 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 accepted the audit team member participants with no objections.

## **Off-site Audit**

CMEEC was provided with a pre-audit request letter identifying the standards and requirements subject to audit. The audit letter was sent to CMEEC more than 60 days in advance of the scheduled audit. This is an off site audit conducted every six years or as determined to be necessary by the region. CMEEC did not have any self-reported violations, mitigation plans or NPCC Spot Checks.

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<sup>2</sup> North American Electric Reliability Corporation CMEP, paragraph 3.1, Compliance Audits

The audit team leader requested conference calls with the CMEEC, Manager of Engineering Services, and CMEEC, Director Planning and Project Development, who were subject matter experts regarding the registered function of CMEEC. In addition, a conference call was conducted on August 22, 2008 with representatives of NPCC, CMEEC, MMWEC and Utility Services, LLC. These conference calls in conjunction with documentation and email correspondence provided the audit team with a basis for professional judgment when validating compliance with reliability standards.

Generally accepted government auditing standard 3.39 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.

### ***Methodology***

The audit team prepared reliability standards auditor worksheets (RSAWs) to evaluate each standard. The RSAW's are used to ensure consistency and to document evidence of compliance or non-compliance with the standards. All relevant documents are considered and to the extent they form portion of the audit trail are included in the RSAW's.

### ***Audit Overview***

The audit overview was conducted on August 5, 2008 with Thomas F. Solinsky, CMEEC Manager of Engineering Services, via conference call. The auditor reviewed his career and noted that he had signed a confidentially agreement. A brief explanation of the audit process was given and the timelines were discussed. CMEEC was given the opportunity to reject the auditor should they feel that there was a possible conflict of interest or they thought the auditor would not be impartial. CMEEC accepted the auditor.

### ***Audit***

Anthony M. Giasi performed the audit off site. Prior to calls to CMEEC, the auditor developed and provided a list of questions for CMEEC and then asked the questions. CMEEC then took the time necessary to develop the answer and submitted them by email to the auditor. Additional audit time was needed due to responses required from the ISO-NE and the Massachusetts Municipal Wholesale Electric Company (MMWEC) to provide corroborating evidence for CMEEC responses, as well as, CMEEC evidence responses to INT-004-1 R1 and R2, and IRO-001-1 R8.

## ***Exit Briefing***

The exit briefing was conducted by conference call on September 3, 2008. On the call was Anthony M. Giasi of NPCC, Thomas Solinsky and Gabriel Stern of CMEEC, Brian Evans-Mongeon, Principal of Utility Services, LLC, and Rosanna Jiminez, NERC Regional Compliance Program Coordinator. NPCC staff reviewed the audit process and summarized the findings of the audit. Of the three standards and four requirements audited, one requirement was judged to be compliant and three requirements were judged to be not applicable. CMEEC was given an opportunity to question the audit findings and provide comment on the audit. CMEEC indicated that they had no comments at this time, but may elect to provide comments at a later date.

## ***Company Profile***

The Connecticut Municipal Electric Energy Cooperative ("CMEEC") is a not-for-profit joint-action power supply agency empowered to finance, plan, acquire, construct, operate, repair, extend, or improve electric generation and transmission facilities and sell power to serve the needs of Connecticut municipal utility and other utility systems. CMEEC sells power at wholesale to several distribution companies. The CMEEC Member utilities are (1) Norwalk Third Taxing District Electrical Department ("ENEW"), (2) Groton Utilities ("GU"), (3) Jewett City Department of Public Utilities ("JCDPU"), (4) Norwich Public Utilities ("NPU"), and (5) South Norwalk Electric & Water ("SNEW"). The Wallingford Department of Public Utilities ("WED") is a CMEEC Participant who along with the Bozrah Light & Power Company ("BL&P") and the Mohegan Tribal Utility Authority ("MTUA") is a full-requirements wholesale customer of CMEEC.

The joint power supply system established by the Connecticut Municipal Electric Energy Cooperative, or "CMEEC", is intended to meet the diversified needs of the seven Connecticut community-owned utilities that are its five Members and two Participants. CMEEC's mission is to meet these requirements reliably and at the lowest possible cost over the long term. Today, CMEEC's portfolio consists of CMEEC and member-owned generation, unit entitlement contracts, long term system contracts, intermediate and short-term system contracts, financial instruments from ISO New England and market purchases.

CMEEC does not have a geographic service territory. They provide wholesale services for the following member entities: Groton Utilities (GU), including Bozrah Light & Power Company (BL&P), a wholly owned subsidiary by GU, Jewett City Department of Public Utilities (JCDPU), Norwich Public Utilities (NPU), City of Norwalk, III Taxing District Electric Department (ENEW), South Norwalk Electric and Water (SNEW), and the following participants: Town of Wallingford Electrical Division (WED) and Mohegan Tribal Utility Authority (MTUA).

ISO-New England is CMEEC's Balancing Authority and Reliability Coordinator, ISO-New England and Northeast Utilities Services Company are CMEEC's transmission operators. The CMEEC system peak demand occurred on August 3, 2006 at hour ending 14 (i.e. 2:00 pm). CMEEC does not own any transmission or distribution facilities. CMEEC owns 8 generation units. 7 are 2 MW oil fired units and 1 is an 84 MW oil/gas fired combustion turbine unit. Total capacity is 111 MW (winter rating) and 91.5 MW (summer rating). CMEEC's regional reliability organization affiliation is with NPCC and CMEEC is registered with NERC as a PSE.

## ***Audit Specifics***

The compliance audit was conducted from August 5 to September 3, 2008 off-site and at the NPCC offices in New York, New York.

<b>Audit Team Role</b>	<b>Title</b>	<b>Company</b>
Lead	Contracted Consultant	NPCC-Compliance Audit Program
Member	Manager, Compliance	NPCC-Compliance Audit Program
NERC Coordinator	Regional Compliance Program Coordinator	NERC

### **CMEEC Audit Participants**

<b>Title</b>	<b>Company</b>
Manager, Engineering Services	CMEEC
Load and Generation Analyst	CMEEC
Director, Planning and Project Development	CMEEC
Executive Assistant	CMEEC
Principal	Utility Services, LLC

## **Audit Results**

CMEEC provided a CD containing data used to demonstrate their compliance with the standards identified in the audit letter from NPCC. When the auditor had additional questions conference calls and emails were used to request additional documentation.

After reviewing all the data including responses from the ISO-NE, of the three standards and four requirements audited, one requirement was judged to be compliant and three requirements were judged to be not applicable. CMEEC has had no self-reported violations, mitigation plans or NPCC Spot Checks for the audit period.

### **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 can also include details summarizing auditor notes relating to evidence reviewed for reliability standard requirements for self-reported violations, ongoing mitigation plans, and other discussions.

The Reliability Standards and Requirements identified in the table below are applicable to the PSE – Purchasing Selling Entity function.

<b>Reliability Standard</b>	<b>Requirement</b>	<b>Finding</b>
INT-004-1	R1	Not Applicable.
INT-004-1	R2, R2.1, R2.2 & R2.3	Not Applicable.
IRO-001-1	R8	Not Applicable.
VAR-001-1	R5	Compliant.

### ***Compliance Culture***

The audit team reviewed the CMEEC compliance culture. The regional entity compliance staff may review additional aspects of the CMEEC compliance culture. During all contacts, the CMEEC representatives were very professional and positive in their approach to compliance and understood the importance of the compliance and its role in maintaining reliability. All additional information submitted by CMEEC was comprehensive and well organized.