



NORTHEAST POWER COORDINATING COUNCIL, INC.  
1515 BROADWAY, NEW YORK, NY 10036-8901 TELEPHONE: (212) 840-1070 FAX: (212) 302-2782

# Compliance Audit Report Public Version

## Dominion Energy Salem Harbor, LLC NCR07064

### October 24 to November 21, 2008

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

**11/21/2008**

## TABLE OF CONTENTS

Executive Summary .....	3
Audit Process.....	3
<i>Objectives</i> .....	4
<i>Scope</i> .....	4
<i>Confidentiality and Conflict of Interest</i> .....	5
<i>On-site Audit</i> .....	5
<i>Methodology</i> .....	5
<i>Audit Overview</i> .....	5
<i>Audit</i> .....	6
<i>Exit Briefing</i> .....	6
<i>Company Profile</i> .....	6
Audit Results.....	8
<i>Findings</i> .....	8
<i>Compliance Culture</i> .....	9

## 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 Dominion Energy Salem Harbor was conducted between October 24 and November 21, 2008. The audit was completed using data submitted by Dominion Energy Salem Harbor and telephone and email data exchanges. The audit team evaluated Dominion Energy Salem Harbor's compliance with ten reliability standards 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 ten standards audited, two were deemed to be non-applicable; of the remaining standards, eight were judged to be compliant.

Dominion Energy Salem Harbor provided a subject matter expert for each standard resulting in a more clear understanding of the Dominion Energy Salem Harbor business model and accelerated the audit process. The evidence provided to demonstrate compliance required requests for additional information and evidence. The Dominion Energy Salem Harbor audit team responded to requests for further information in an expeditious manner. The audit team would like to thank the Dominion Energy Salem Harbor team for the support offered throughout the audit.

## 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 Dominion Energy Salem Harbor's compliance with the requirements of the reliability standards that are applicable to them based on their registered functions.
- Validate compliance with applicable reliability standards from the NERC 2008 Implementation Plan list of actively monitored standards.

---

<sup>1</sup> North American Electric Reliability Corporation CMEP, paragraph 3.1, Compliance Audits

The audit was completed using data submitted by Dominion Energy Salem Harbor and information via email data exchanges. The audit team evaluated Dominion Energy Salem Harbor's compliance with ten reliability standards 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 ten standards audited (two of the standards were deemed to be not applicable to Dominion Energy Salem Harbor), eight were judged to be compliant 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.

### **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 Dominion Energy Salem Harbor's compliance with the requirements of the reliability standards that are applicable to them based on their 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 Dominion Energy Salem Harbor's compliance culture.

### **Scope**

The audit included all standards identified in the August 6, 2008 audit letter for the previous year. The audit was a regularly scheduled audit and no self reported violations or compliance investigations were involved.

---

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

### ***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. 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***

Dominion Energy Salem Harbor was provided with a pre-audit request letter identifying the standards and requirements subject to audit. The audit letter was sent to Dominion Energy Salem Harbor 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. Dominion Energy Salem Harbor had not self reported any violations.

The audit team leader requested that Dominion Energy Salem Harbor employees representing subject matter expertise regarding all of registered functions of Dominion Energy Salem Harbor be made available for interviews should the need arise. These interviews, in conjunction with evidence submitted, provide 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 at 11:00 AM October 24, 2008 via conference call. The teleconference was between representatives of NPCC, Dominion Energy Salem Harbor and NERC. The auditors reviewed their careers and noted that they had signed a confidentiality agreement. The Dominion Energy Salem Harbor Audit Staff also shared their background with the NPCC auditors. A brief explanation of the audit process was given and the timelines were discussed. Dominion Energy Salem Harbor was given the opportunity to reject any of the auditors should they feel that there was a possible conflict of interest or they thought that the auditors would not be impartial. Dominion Energy Salem Harbor accepted the audit team.

### ***Audit***

The audit was performed off site by a team of NPCC auditors. The auditors reviewed the information submitted by Dominion Energy Salem Harbor and then developed a list of questions and requests for further information; the list was then sent to Dominion Energy Salem Harbor for their review. Dominion Energy Salem Harbor then took the time necessary to gather the necessary information and submitted them by email to the auditor.

### ***Exit Briefing***

The exit briefing was conducted via conference call at 11:00 November 21, 2008. The teleconference was between the NPCC auditor team and representatives of Dominion Energy Salem Harbor. The NPCC staff reviewed the audit process and summarized the findings of the audit. After reviewing all the data, Dominion Energy Salem Harbor was judged to be compliant with eight of the ten standards, however two of the standards were deemed to be not applicable to Dominion Energy Salem Harbor.

Dominion Energy Salem Harbor was presented an opportunity to question the audit findings and provide comment on the audit. Dominion Energy Salem Harbor representatives commented that they appreciated the thoroughness of the audit and thanked the audit team for their flexibility in combining the DENE, DEBP, DEMS and the DESH audits and performing them at the same time.

### ***Company Profile***

Dominion Energy Salem Harbor, LLC (“Salem Harbor”) is a limited liability company incorporated in the Commonwealth of Virginia and a wholly owned subsidiary of Dominion Energy New England, Inc (“DENE”). Salem Harbor owns and operates the Salem Harbor Station located in Salem, MA. As an independent power producer, Salem Harbor is registered with FERC as an exempt wholesale generator to produce and sell wholesale electric power into the New England competitive markets. Salem Harbor is functionally registered with NERC as a GOP. Its parent DENE is registered as a GO. Salem Harbor Station consists of three coal-fired generating units and one oil-fired unit with a total net summer capacity of 738 MW. The station began commercial operation in 1951 with the startup of Unit 1, followed shortly by Unit 2 in 1952. As the youngest Salem Harbor unit, Unit 4 began commercial operation in 1972. The station’s four primary units each employ a conventional fossil fueled boiler driving individual steam turbine-generators.

The Salem Harbor units interconnect to the 115 kV bulk power grid through the transmission facilities of host Transmission Owner, New England Power Company (NEP), a subsidiary of National Grid USA. The coal units also are connected to the 23 kV distribution system of NEP’s retail affiliate, Massachusetts Electric Company. The Salem Harbor transmission interconnection is the subject of a Standard Large Generator Interconnection Agreement (LGIA) with NEP in accordance with the provisions of ISO New England’s (ISO-NE) FERC approved Open Access Transmission Tariff. The LGIA between Salem Harbor and NEP is an approved filing with FERC. Salem Harbor is electrically located within the North East Massachusetts Area (NEMA) load zone of the New England control area. Salem Harbor does not own or operate any transmission facilities that are part of the New England Bulk Electric System as defined under NPCC A-10 – Classification of Bulk Power System Elements.

### **Audit Specifics**

The compliance audit was conducted from October 24 and November 21, 2008 at the offices of the NPCC Audit Staff.

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

### **Dominion Energy Salem Harbor**

<b>Title</b>	<b>Organization</b>
Manager, NEPOOL Operations	Dominion Energy Salem Harbor Inc.

## **Audit Results**

Dominion Energy Salem Harbor provided data used to demonstrate their compliance with the standards identified in the audit letter from NPCC. When the auditor had additional questions, emails were used to request additional documentation until the auditor was convinced that the standards and requirements had been met and Dominion Energy Salem Harbor had demonstrated compliance.

**Findings**

<b>Reliability Standard</b>	<b>Requirement</b>	<b>Finding</b>
BAL-005-0	R1.	Compliant
CIP-001-1	R1	Compliant
	R2	Compliant
	R3	Compliant
	R4	Compliant
COM-002-2	R1	Compliant
EOP-004-1	R2	Not Applicable
	R3	Not Applicable
EOP-009-0	R1	Not Applicable
	R2	Not Applicable
IRO-001-1	R8	Compliant
IRO-004-1	R4	Compliant
TOP-002-2	R3	Compliant
	R13	Compliant
	R14	Compliant
	R15	Compliant
	R18	Compliant
TOP-003-0	R1	Compliant
	R2	Compliant
	R3	Compliant
VAR-002-1	R1	Compliant
	R2	Compliant
	R3	Compliant
	R5	Compliant

**Compliance Culture**

The audit team reviewed the Dominion Energy Salem Harbor compliance culture. The regional entity compliance staff may review additional aspects of the Dominion Energy Salem Harbor compliance culture. During all contacts with the Dominion Energy Salem Harbor staff they acted professionally in their approach to compliance and understood the importance of the compliance and its role in maintaining reliability.