



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

Orange and Rockland Utilities, Inc.
NCR07186

May 14 to May 16, 2008

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

June 2, 2008

TABLE OF CONTENTS

Executive Summary	3
Audit Process	3
<i>Objectives</i>	3
<i>Scope</i>	3
<i>Confidentiality and Conflict of Interest</i>	4
<i>On-site Audit</i>	4
<i>Methodology</i>	4
<i>Audit Overview</i>	4
<i>Audit</i>	5
<i>Exit Briefing</i>	5
<i>Company Profile</i>	5
<i>Audit Specifics</i>	6
Audit Results	7
<i>Findings</i>	7
<i>Compliance Culture</i>	8

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 onsite compliance audit of Orange and Rockland Utilities, Inc. (O&R) was conducted between May 14 and May 16, 2008. The audit was completed using data submitted by O&R prior to the audit team arriving at the site, material provided at the O&R offices and data provided as a result of questions raised during the audit.

The audit team evaluated O&R's compliance with eighteen 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 eighteen standards audited, thirteen were judged to be compliant and five were judged to be not applicable. O&R provided subject matter experts for each standard resulting in a more clear understanding of the O&R business model and accelerated the audit process. The evidence provided to demonstrate compliance was complete and well organized. The audit team would like to thank the O&R audit preparation team for the support offered through the audit.

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:

- Independently review O&R compliance with the requirements of the reliability standards that are applicable to O&R based on the O&R 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 O&R compliance culture.

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

Scope

The audit included all standards identified in the February 25, 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

The audited entity was informed in advance of the audit that the independent contractors executed confidentiality agreements and code of conduct documentation was in place for the NERC representative and regional entity staff. Work history and conflict of interest forms submitted by each audit team member are on file in the NPCC corporate offices. 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.

On-site Audit

O&R was provided with a pre-audit request letter identifying the standards and requirements subject to audit. The audit letter was sent to O&R more than 60 days in advance of the scheduled audit. This is an on-site audit conducted every six years or as determined to be necessary by the region. O&R had not self reported any violations

The audit team leader requested interviews with O&R employees representing subject matter expertise regarding all of registered functions of O&R. These interviews in conjunction with evidence provide the audit team with a basis for professional judgment when validating compliance with reliability standards.

Methodology

[Methodology: the auditing standards and best practices that are to be followed by compliance auditors in carrying out their work as described in the Compliance Auditor Manual. The criteria should be objective, measurable, complete and relevant to the audit objectives. The auditor should identify potential sources of audit evidence and consider the amount and type of evidence needed given the risk and significance when defining the audit methodology.]

Audit Overview

The audit overview was conducted at 12:00 PM May 14, 2008 at the O&R offices. The audit team reviewed the proposed audit schedule to insure appropriate O&R staff was available to resolve questions as they arose. There were no changes to the schedule. Each audit team member reviewed his or her career and noted they had signed confidentially agreements. A brief explanation of the audit process was given and the timelines were discussed. O&R was given the opportunity to reject any auditor should they feel that there was a possible conflict of interest or they thought the auditor would not be impartial. O&R accepted the audit team.

Audit

Prior to arrival at the site Garth Arnott as the lead auditor, assigned standards to each of the audit team members. Each member, prior to arriving at the site, reviewed all data submitted for the standards assigned to them and produced a set of questions that required subject matter experts responses. That team member then lead the on-site questioning and produced the RSAW for the standard. All other team members participated in the question process. Some questions were resolved using the data provided and others were answered by follow up emails and data submittals.

Exit Briefing

The exit briefing was conducted at the O&R offices on May 16/08. The entire team of both the NPCC auditors and O&R staff attended. An audit presentation summarized the results of the audit, O&R was given an opportunity to provide feedback on the audit and commented it was a positive experience.

Company Profile

Orange and Rockland Utilities, Inc., a wholly owned subsidiary of Consolidated Edison, Inc., is an electric and gas utility headquartered in Pearl River, NY. O&R and its two utility subsidiaries, Rockland Electric Company and Pike County Light & Power Co.

Orange and Rockland is organized utilizing a corporate hierarchal structure. Within this structure, Operations is divided into three main areas; Electric Operations, Control Center Operations, and Electrical Engineering. O&R's Organization Chart is attached.

Located in the northwestern suburbs of New York City, Orange & Rockland and its two utility subsidiaries, Rockland Electric Company and Pike County Light & Power Co., deliver energy to customers in seven counties in New York, northern New Jersey and the northeastern corner of Pennsylvania. The company serves approximately 296,000 electric customers in all three states. O&R's service territory encompasses a thriving 1,350 square-mile region, principally residential in nature, with a broad base of commercial, industrial, agricultural and recreational facilities.

Orange and Rockland is registered with NERC as a Transmission Owner (TO), Load Serving Entity (LSE) and as a Distribution Provider (DP). O&R operates within two Regional Reliability Organization (RRO) areas; Northeast Power Coordination Council (NPCC - NY) and Reliability First Corporation (RFC – NJ & PA). Within the NPCC footprint, O&R is a member of the NY Independent System Operator (NYISO) and a member of PJM within the RFC area. The NYSIO and PJM respectively serve as the Balancing Authority, Transmission Operator, and Reliability Coordinator for their control areas. As such, O&R acts in accordance with the responsibilities and requirements governed by operating agreements with these ISOs in support of maintaining the integrity of the interconnected Bulk Power System.

The peak system load of 1617 MW was reached on Wednesday 08/02/06 at 17:00 hrs

Audit Specifics

The compliance audit was conducted on May 14 to May 16, 2008 at O&R's offices in Spring Valley New York.

Audit Team Role	Title	Company
Lead	Contracted Consultant	NPCC-Compliance Audit Program
Member	Manager Compliance	NPCC-Compliance Audit Program
Auditor	Contracted Consultant	NPCC-Compliance Audit Program

O&R

Title	[Audited Entity] Organization
Vice President – Operations	O&R
Director	O&R
Program Manager Compliance	O&R
Chief System Operator	O&R
Bulk Power Trainer	O&R
Senior Specialist – Corporate Security	O&R
Section Manager Transmission Distribution Maintenance	O&R
Transmission Distribution Maintenance	O&R
Principal Engineer Substation and Transmission Engineering	O&R
Section Manager – Substation Operations	O&R
Manager – Substation Operations	O&R
Substation Operations	O&R

Title	[Audited Entity] Organization
Manager	
Manager – Distribution Control Center	O&R
Chief Transmission and Substation Engineer	O&R
Electrical Engineer – Substation and Transmission Engineering	O&R
Principal Engineer – Electrical Engineering	O&R
Director – Electrical Engineering	O&R

Audit Results

Prior to arrival at the site Garth Arnott as the lead auditor, assigned standards to each of the audit team members. Each member, prior to arriving at the site, reviewed all data submitted for the standards assigned to them and produced a set of questions that required subject matter experts responses. That team member then lead the on-site questioning and produced the RSAW for the standard. All other team members participated in the question process. At times the documentation initially provided did not provide sufficient detail and some additional evidence was requested. Evidence was provided using the data provided and others were answered by follow up emails and data submittals.

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.

Reliability Standard	Requirement	Finding
BAL-005-0	R1.	Compliant
CIP-001-1	R1.	Compliant
CIP-001-1	R2.	Compliant
CIP-001-1	R3.	Compliant
CIP-001-1	R4.	Compliant

Reliability Standard	Requirement	Finding
EOP-002-2	R9.	N/A
EOP-004-1	R2.	N/A
EOP-004-1	R3.	N/A
FAC-003-1	R1.	Compliant
FAC-003-1	R2.	Compliant
FAC-003-1	R3.	Compliant
FAC-008-1	R1.	Compliant
FAC-008-1	R2.	N/A
FAC-008-1	R3.	N/A
FAC-009-1	R1.	Compliant
FAC-009-1	R2.	Compliant
IRO-001-1	R8.	Compliant
IRO-004-1	R4.	Compliant
PRC-004-1	R1.	Compliant
PRC-004-1	R3.	N/A
PRC-005-1	R1.	Compliant
PRC-005-1	R2.	N/A
PRC-008-0	R1.	Compliant
PRC-008-0	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-016-0	R1.	Compliant
PRC-016-0	R2.	N/A
PRC-016-0	R3.	N/A
PRC-017-0	R1.	Compliant
PRC-017-0	R2.	N/A
PRC-021-1	R1.	N/A
PRC-021-1	R2.	N/A
TOP-002-2	R3.	Compliant
TOP-002-2	R18.	Compliant

Compliance Culture

The audit team reviewed O&R's compliance culture. O&R demonstrated a clear commitment to compliance that is directly supported by its Compliance Program. During all contacts O&R staff was professional in their approach to compliance and understood the importance of the compliance and its role in maintaining reliability. The company has added a dedicated Manager of compliance to oversee the utilities compliance activities.