



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 Retail Inc.**  
**NCR00758**

**October 24 to November 10, 2008**

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(Including Privileged and Critical Energy Infrastructure Information)  
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**11/10/2008**

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## Executive Summary

Northeast Power Coordinating Council (NPCC) conducted a compliance audit of Dominion Retail, as a part of its normal six year cycle on the behalf of Texas RE, the Midwest Reliability Organization (MRO), Northeast Power Coordinating Council (NPCC), Reliability First Corporation (RFC), SERC Reliability Council (SERC), Southwest Power Pool (SPP) and Western Electricity Coordinating Council (WECC). The offsite compliance audit was conducted between October 24 and November 10, 2008. The audit was completed using data submitted by Dominion Retail and telephone and email data exchanges. The audit team evaluated Dominion Retail's compliance with three 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 three standards audited, only one was deemed to be applicable and it was judged to be compliant.

Dominion Retail provided a subject matter expert for each standard resulting in a more clear understanding of the Dominion Retail business model and accelerated the audit process. The evidence provided to demonstrate compliance required requests for additional information and evidence. The Dominion Retail audit team responded to requests for further information in an expeditious manner. The audit team would like to thank the Dominion Retail 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 Retail's compliance with the requirements of the reliability standards that are applicable to Dominion Retail based on the Dominion Retail 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 Dominion Retail and information via email data exchanges. The audit team evaluated Dominion Retail's compliance with three 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.

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

Of the three standards audited (two of the standards were deemed to be not applicable to Dominion Retail), one was 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 Retail's compliance with the requirements of the reliability standards that are applicable to Dominion Retail based on the 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 Retail'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.

### ***Confidentiality and Conflict of Interest***

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

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

The audit team leader requested that Dominion Retail employees representing subject matter expertise regarding all of registered functions of Dominion Retail 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 between NPCC, Dominion Retail and NERC staff. The auditor reviewed his career and noted that he had signed a confidentiality agreement. The Dominion Retail Audit Staff also shared their background with the NPCC auditor. A brief explanation of the audit process was given and the timelines were discussed. Dominion Retail 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. Dominion Retail accepted the audit team.

## ***Audit***

The audit was performed off site by the auditor. The auditor developed a list of questions for Dominion Retail to answer; the list was then sent to Dominion Retail for their review. Dominion Retail then took the time necessary to develop the answers and submitted them by email to the auditor.

## ***Exit Briefing***

The exit briefing was conducted via conference call at 11:00 Monday, November 10, 2008. The teleconference was between members of NPCC, Dominion Retail and NERC. The NPCC staff reviewed the audit process and summarized the findings of the audit. After reviewing all the data, Dominion Retail was judged to be compliant with one of the three standards, however two of the standards were deemed to be not applicable to Dominion Retail.

Dominion Retail was presented an opportunity to question the audit findings and provide comment on the audit. Dominion Retail representatives commented that the audit went smoothly thanks to the preparation of their compliance team.

## ***Company Profile***

Dominion Retail, Inc. ("Dominion Retail ") is an indirect subsidiary of Dominion Resources, Inc., a registered public utility holding company. Dominion Retail is a Delaware corporation with its operations based in Virginia. Dominion Retail is a retail electricity and natural gas supplier, licensed as a retail electricity supplier in the states of Illinois, Connecticut, Maine, Maryland, Massachusetts, New Jersey,

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New York, Ohio, Pennsylvania, Rhode Island, Virginia, and the District of Columbia. At present, Dominion Retail serves approximately 300,000 retail electricity customers, with nearly half of those located in New England.

Dominion Retail is registered as a Purchasing and Selling Entity (PSE) in NPCC and RFC. For its activities in NPCC, ISO-NE is the Reliability Coordinator (RC), Balancing Authority (BA), and Transmission Operator, (TOP).

Dominion Retail meets its obligations to its retail electric customers in accordance with ISO-NE market rules and tariff. Dominion Retail does not control or operate any elements of the bulk power system, and its activities do not have an impact on transmission system operations.

***Audit Specifics***

The compliance audit was conducted from October 24 and November 10, 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	Manager Compliance Audit Program	NPCC-Compliance Audit Program

**Dominion Retail**

<b>Title</b>	<b>Organization</b>
Director, Retail Electric Commodity Operations	Dominion Retail Inc.
Coordinator, Retail Electric Operations	Dominion Retail Inc.

## Audit Results

Dominion Retail 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 Retail had demonstrated compliance.

### *Findings*

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

### **Compliance Culture**

The audit team reviewed the Dominion Retail compliance culture. The regional entity compliance staff may review additional aspects of the Dominion Retail compliance culture. During all contacts, the Dominion Retail 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 requested was provided promptly and comprehensively

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