



Compliance Audit Report Public Version

**City of Radford, VA
NCR00720**

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

Date of Audit - April 2-4, 2008

Date of Report - May 1, 2008

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Executive Summary

The City of Radford, VA, is registered as a Distribution Provider (DP) within the ReliabilityFirst region.

The off-site compliance audit of the City of Radford, VA, was conducted by ReliabilityFirst Corporation on April 2-4, 2008, at the ReliabilityFirst offices located in Akron, Ohio. In preparation for the audit, the City of Radford, VA, supplied various materials for thirty (30) requirements in fourteen (14) NERC Reliability Standards. The City of Radford provided evidence of compliance with the five (5) applicable requirements in three (3) NERC reliability standards, which were found to be compliant, and twenty five (25) requirements in eleven (11) standards, which were found to be not applicable since they reference certain equipment not owned or operated by the city of Radford, VA or that certain events that pose a threat to reliability had not occurred. No ReliabilityFirst requirements/standards were monitored as part of this audit. The audit team reviewed and evaluated all the material supplied by the City of Radford, VA.

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 Radford, VA's compliance with the requirements of the reliability standards that are applicable to the City of Radford, VA, based on its functions as a registered Distribution Provider.

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

- 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 Radford, VA's compliance culture.

Scope

The compliance audit included all reliability standards applicable to the City of Radford, VA, monitored in the NERC 2008 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 audit cycle and was not due to or as part of a compliance investigation.

At the time of the audit, the City of Radford, VA, was registered for the Distribution Provider (DP) function. The audit team evaluated the City of Radford, VA, for compliance with twenty five (25) 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 *ReliabilityFirst* Delegation Agreement with NERC and the NERC Rules and Procedures Section 1500. The City of Radford, VA, was informed of the *ReliabilityFirst* obligations and responsibilities under the agreement and procedures. The work history for each audit team member was provided to the City of Radford, VA. The city 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 had not submitted any objections by the stated fifteen day objection due date and by this action had accepted the audit team member participants without objections.

All members of the audit team that audited the City of Radford, VA, are members of the *ReliabilityFirst* 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 Radford, VA, 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 Radford, VA, had been provided with a pre-audit package, which included all the necessary documents and information, required by NERC and *ReliabilityFirst*, 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 the objection process
- General Instructions of Data or Information Submittals
- Reliability Standard Auditor Worksheets (RSAWs)
- Reliability Standard Questionnaires

Documents were provided to the City of Radford, VA, in both electronic and hardcopy format.

ReliabilityFirst had discussed with the City of Radford, VA, the usage of technical experts and welcomed the use of technical experts by the City of Radford, VA, if it was 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 Radford, VA, 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. 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.

An audit agenda had been provided to the City of Radford, VA, in advance to allow the city the necessary time to prepare for the audit. ReliabilityFirst and the audit team appreciated the City of Radford, VA's cooperation and flexibility with the agenda. Methodology

The approach used by the ReliabilityFirst Audit team was to review each reliability standard and applicable requirement, 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 Radford, VA, had been provided with a pre-audit package which included all the necessary documents and information required by NERC and ReliabilityFirst 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

An Opening Briefing was conducted to discuss the following:

- Introduction of audit team
- Audit Objective and Scope
- Team Audit Expectations
- Discussion on Clarification Calls
- Audit Process
- The audit schedule and 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 a request for additional evidence in the form of examples. The City of Radford, VA, was NOT permitted to create new documents and/or edit existing material and or documents that could be provided as evidence.

Exit Briefing

An Exit Briefing was conducted by the ReliabilityFirst audit team with the City of Radford, VA, team present. The remaining schedule of the on-site audit process was explained, followed by an audit scope, preliminary audit findings addressing possible violations and their basis, recommendations, compliance audit report process, and feedback forms. The City of Radford, VA, was provided an opportunity to ask questions concerning the requirements/standards that the audit team addressed.

Company Profile

The City of Radford, VA, is registered as a Distribution Provider (DP) with ReliabilityFirst. It considers AEP, as agent for Appalachian Power, to be their Transmission Owner and Operator (TO, TOP). PJM is the Reliability Coordinator (RC) for the area in which the City of Radford, VA, resides.

The City of Radford, VA, is interconnected with AEP (agent for Appalachian Power) at 138kV.

Audit Specifics

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

Audit Team Participants

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

City of Radford, VA, Audit Participants

Title	[Audited Entity] Organization
Assistant Director of Utilities	City of Radford,VA
Electrical Engineer	City of Radford,VA

Audit Results

The City of Radford had no compliance violations for the five requirements in the three applicable standards for their function as a 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 Radford, VA, as they do 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 applicable to City of Radford, VA:

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
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 & sub Req	Not Applicable
PRC-010-0	R2	Not Applicable
PRC-011-0	R1 & sub Req	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 & sub Req	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 Director of Public Utilities, at the City of Radford, VA, is the acting Authorizing Officer responsible for compliance to all the applicable NERC Standards/requirements as to the city's function as a DP. The program is structured so that both the Director and the Assistant Director (as Primary Compliance Contact) of Public Utilities at the City of Radford, VA, are aware of all Reliability *First* compliance requirements, ensure the resources are available, delegate responsibility to various personnel for compliance, and hold the respective personnel accountable for compliance on an annual basis.

The Assistant Director of Public Utilities was very cooperative during the audit when we asked clarifying questions regarding details which helped define their responses to questions relating to compliance. The city appears dedicated to compliance from both their audit data submittals and helping the audit team understand the City of Radford's electrical configuration and operations.