



# **Compliance Audit Report Public Version**

**City of St. Marys  
NERC ID# NCR08011**

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

**Date of Audit: September 9 – 12, 2008**

**Date of Audit Report - September 20, 2008**

## TABLE OF CONTENTS

Executive Summary .....	1
Audit Process .....	1
<i>Objectives</i> .....	1
<i>Scope</i> .....	2
<i>Confidentiality and Conflict of Interest</i> .....	2
<i>Off-site Audit</i> .....	2
<i>Methodology</i> .....	3
<i>Opening Briefing</i> .....	3
<i>Audit</i> .....	4
<i>Exit Briefing</i> .....	4
<i>Company Profile</i> .....	4
<i>Audit Specifics</i> .....	5
Audit Results.....	5
<i>Findings</i> .....	5
<i>Compliance Culture</i> .....	7

## Executive Summary

The off-site compliance audit of the City of St. Marys (CoSM) registered as a Distribution Provider (DP) was conducted from September 9 – September 12, 2008 at the offices of ReliabilityFirst Corporation in Akron, OH. The audit team consisted of a ReliabilityFirst auditor and contract auditor.

The audit team evaluated CoSM for compliance with eight (8) NERC reliability standards which consisted of seventeen (17) requirements for the period of June 18, 2007 to September 12, 2008. CoSM submitted information and documentation to facilitate the audit team's evaluation of compliance with these standards applicable to the registered functions. The audit team reviewed and evaluated the documentation provided by CoSM to determine compliance with the referenced standards.

Of the seventeen (17) NERC requirements audited, thirteen (13) were not applicable and the remaining four (4) were found to be compliant.

There were no on-going mitigation plans and therefore none were reviewed by the audit team.

## Audit Process

The compliance audit process steps are detailed in the NERC and ReliabilityFirst Compliance Monitoring Enforcement Programs (CMEP). The NERC and ReliabilityFirst CMEPs generally conform to the United States Government Accountability Office Government Auditing Standards (GAOGAS) 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. The audit objectives are:

- Review CoSM's compliance with the requirements of the reliability standards that are applicable to CoSM based on the CoSM registered functions.
- Validate compliance with applicable reliability standards from the NERC 2008 Implementation Plan list of actively monitored standards.
- Validate compliance with additional NERC reliability standards selected by ReliabilityFirst.
- Validate evidence of self-reported violations and previous self-certifications, confirm compliance with other requirements of the reliability standards, and review the status of associated mitigation plans.
- Document CoSM's compliance culture.

## **Scope**

CoSM is subject to monitoring by ReliabilityFirst on a six year basis. This audit was conducted on those standards, which were provided by NERC for monitoring in the 2008 CMEP Implementation Plan and those selected by ReliabilityFirst. ReliabilityFirst monitors all applicable ReliabilityFirst standards, self-certifications and mitigation plans as appropriate.

## **Confidentiality and Conflict of Interest**

Confidentiality and Conflict of Interest of the audit team are governed under the ReliabilityFirst Delegation Agreement with NERC and Section 1500 of the NERC Rules and Procedures. CoSM was informed of the ReliabilityFirst obligations and responsibilities under the agreement and procedures. The work history for each audit team member was provided to CoSM. CoSM 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 an audit team member's impartial performance of duties. CoSM 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.

## **Off-site Audit**

CoSM is subject to an audit once every six years at the minimum as provided by the NERC Rules of Procedure. CoSM was provided with a sixty (60) day notification of this scheduled audit and at that time, all necessary documents required by the NERC and ReliabilityFirst audit process were provided. The following documents were provided to CoSM as part of the notification:

- 60-day Notification letter which contained request for evidence, information and date submittals
- Audit Survey
- Internal Compliance Survey
- Audit Agenda as applicable
- Audit Team Work History with discussion of objection process
- General Instructions of Data or Information Submittals
- Reliability Standard Auditor Worksheets (RSAWs)
- Reliability Standard Questionnaires

Documents were provided to CoSM in both electronic and hardcopy format. ReliabilityFirst discussed with CoSM the usage of technical experts and welcomed the use of technical experts by CoSM as it deemed necessary to explain their compliance to the standards.

At times, and according to the generally accepted government auditing standard 3.31, auditors are required to use professional judgment in planning, performing audits, 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.

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***

Reliability*First* conducted this compliance audit via an off-site method. Sixty (60) days prior to this scheduled audit, COSM had been provided with a pre-audit package, which included all the necessary documents and information, required by NERC and Reliability*First*, to complete the audit process. Upon receipt and review of the submitted information and receipt of evidence, 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 Reliability*First* and the audited entity in both a public and non-public version. After completion of this review, the final reports are submitted to the audited entity and NERC for posting. This on-site audit followed the following format:

### ***Opening Briefing***

An Opening Briefing was conducted as a conference call to discuss the following:

- Introduction of audit team
- Audit Objective and Scope
- Team Audit Expectations
- Discussion of Clarification Calls
- Audit Process
- Exit Briefing and schedule

## **Audit**

The Audit team consisted of one ReliabilityFirst Compliance person, and one contract person working for ReliabilityFirst. The RFC Compliance staff individual was designated as the audit team lead responsible for facilitating the audit process and serving as the primary contact person for the audit while the RFC contractor participated in the audit and recorded findings as determined by evaluation of the submitted evidence with the team lead. Audit team members substantiated findings to support a possible compliance violation utilizing the sufficiency, credibility and appropriateness of submitted evidence. Any clarifications and additional requests for evidence were communicated to CoSM's primary contact through phone conversations and/or email.

The ReliabilityFirst audit team reviewed each reliability standard and the applicable requirements, and evaluated the evidence provided by the entity against the requirement within the standard. When there was concern that the supporting evidence did not meet the requirement, clarification calls and/or clarification emails were sent to the entity for additional detail, and/or additional evidence. CoSM was NOT permitted to create new documents or edit existing material and documents that were provided as evidence.

## **Exit Briefing**

An Exit Briefing was conducted via conference call/webEx for the off-site audit of CoSM. The ReliabilityFirst audit team and the CoSM team participated. Status of the off-site audit process was explained, followed by the audit scope, preliminary audit findings and basis, recommendations, compliance audit report process, and feedback forms. If possible violations were identified during the audit they would have been reviewed during the discussion of our preliminary results. CoSM was provided an opportunity to ask questions. In addition, the audit team identified recommendations on quality of evidence that were reviewed with CoSM.

## **Company Profile**

At the time of the audit, CoSM was registered for the NERC function of Distribution Provider (DP) in the ReliabilityFirst region.

CoSM is on the eastern shore of Grand Lake St. Marys in the west central portion of Ohio in Auglaize County. CoSM serves approximately 4100 customers and has a summer peak load of about 41 MW. CoSM is interconnected with American Electric Power (AEP) at 138-kV at CoSM's Hegemann Substation and at 69-kV at AEP's West Moulton Substation.

Existing wholly owned generating facilities consist of one combustion turbine generator located within the city and is referred to as Unit 7 and has a nameplate rating of 14 MW. Its output is connected to CoSM's Tomlinson and Spokeworks Substations at 12.47-kV. In addition, CoSM

has a 4 MW share of a jointly owned 11 MW combustion turbine designated GE-11 is part of a distributed generation project known as OMEGA JV-2 and is administered by AMP-Ohio.

CoSM does not work in a 24/7 environment. CoSM has PJM as its Reliability Coordinator (RC), Balancing Authority (BA), and Transmission Operator (TOP).

### **Audit Specifics**

The compliance audit was conducted on September 9 – 12, 2008 at the ReliabilityFirst Corporation offices in Akron, Ohio.

#### **ReliabilityFirst Audit Team Participants**

<b>Audit Team Role</b>	<b>Title</b>	<b>Company</b>
Lead	Senior Compliance Engineer	ReliabilityFirst Corporation
Member	Contractor	ReliabilityFirst Corporation

#### **CoSM Audit Participant**

<b>Title</b>	<b>Organization</b>
Electric System Superintendent	City of St. Marys

## **Audit Results**

The audit team evaluated CoSM's compliance with eight (8) NERC reliability standards for the period June 18, 2007 to September 12, 2008. The audit team used data provided by CoSM to determine compliance with standards.

Of the seventeen (17) NERC requirements audited, thirteen (13) were not applicable and four (4) were found to be compliant.

The audit team reviewed CoSM's documentation in the form of one hardcopy manual submitted by CoSM. This submitted evidence was well organized and supported by electronic versions and additional collaborating evidence as required.

### **Findings**

The following table details findings for compliance with the reliability standards listed in the NERC 2008 Implementation Plan for this audit:

**CoSM Audited Reliability Standards**

<b>Reliability Standard</b>	<b>Req</b>	<b>Finding</b>
PRC-004-1	R1.	Compliant
PRC-004-1	R3.	Compliant
PRC-005-1	R1. & sub Reqs	Compliant
PRC-005-1	R2. & sub Reqs	Compliant
PRC-008-0	R1	N/A
PRC-008-0	R2	N/A
PRC-010-0	R1. & sub Reqs	N/A
PRC-010-0	R2	N/A
PRC-011-0	R1. & sub Reqs	N/A
PRC-011-0	R2.	N/A
PRC-016-0	R1.	N/A
PRC-016-0	R2.	N/A
PRC-016-0	R3.	N/A
PRC-017-0	R1. & sub Reqs	N/A
PRC-017-0	R2.	N/A
PRC-021-0	R1. & sub Reqs	N/A
PRC-021-0	R2.	N/A

### ***Compliance Culture***

As part of the audit, CoSM provided a brief description outlining CoSM's compliance program. Overall responsibility for the affairs of CoSM is vested in the Director of Public Service and Safety of the municipal government of the City of St. Marys. The Electric System Superintendent is CoSM's "Reliability Compliance Manager" and has direct access to the Director of Public Service and Safety. Senior management fully supports the compliance program. Their participation includes review and acceptance of policy and procedures as well as approval of expenditures in the performance of the program.

Under present requirements and structure, CoSM's feels there are sufficient resources for their compliance program. The internal compliance program is reviewed with every relevant email and announcement received and includes appropriate and sufficient compliance adherence training. The training consists of the review of the reliability standards. At this time, only the Electric System Superintendent is directly involved. The CoSM compliance program is not distributed within the organization and is not operated and managed in a manner that is independent from departments responsible for performance to the reliability standards.

CoSM does not have a formal self-auditing schedule. Self-assessment and self-enforcement of internal controls to prevent reoccurrence of violations is provided by the Electric System Superintendent and the Director of Public Service and Safety. Appropriate disciplinary action for employees involved with reliability standard violations is given as needed.