



# **Compliance Audit Report Public Version**

**Duquesne Light Energy LLC  
NERC ID# NCR00763**

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

**Date of Audit: June 3-13, 2008**

**Date of Audit Report: July 2, 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> .....	4
<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> .....	6
<i>Compliance Culture</i> .....	6

## Executive Summary

An off-site compliance audit of Duquesne Light Energy LLC was conducted from June 3, 2008 to June 13, 2008. At the time of the audit, Duquesne Light Energy LLC was registered for the Purchasing Selling Entity (PSE) function.

The audit team evaluated Duquesne Light Energy LLC for compliance with five (5) NERC Reliability Standards for the period of June 18, 2007 to June 13, 2008. Duquesne Light Energy LLC submitted information and documentation to aid the audit team's evaluation of compliance with standards. The audit team reviewed and evaluated all information provided by Duquesne Light Energy LLC to assess compliance with standards applicable to the PSE function.

Based on the information and documentation provided by Duquesne Light Energy LLC, the audit team made the following determinations: two (2) NERC Reliability Standards were determined to be not applicable to Duquesne Light Energy LLC. Duquesne Light Energy LLC was found to be compliant with three (3) applicable NERC Reliability Standards. The audit team did not identify any possible compliance violations of NERC Reliability Standards. These results are listed in the Findings in the Audit Results section of this report.

There were no ongoing 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 and Enforcement Program (CMEP). The NERC and ReliabilityFirst CMEP generally conform 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 entity is registered. The audit objectives are to:

- Review Duquesne Light Energy LLC compliance with the requirements of Reliability Standards that are applicable to Duquesne Light Energy LLC, based on the functions that Duquesne Light Energy LLC is registered to perform.
- Validate compliance with applicable Reliability Standards from the NERC 2008 Implementation Plan list of actively monitored standards, and additional NERC Reliability Standards selected by ReliabilityFirst.
- Validate compliance with applicable regional standards from the ReliabilityFirst 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 compliance program and culture of Duquesne Light Energy LLC.

### **Scope**

The scope of the compliance audit included applicable NERC Reliability Standards in the NERC 2008 Implementation Plan.

At the time of the audit, Duquesne Light Energy LLC was registered for the Purchasing Selling Entity (PSE) function. The audit team evaluated Duquesne Light Energy LLC for compliance with five (5) NERC Reliability Standards for the period of June 18, 2007 to June 13, 2008.

### **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 of Procedure. Duquesne Light Energy LLC was informed of the ReliabilityFirst obligations and responsibilities under the agreement and procedures. The work history for each audit team member was provided to Duquesne Light Energy LLC. Duquesne Light Energy LLC 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. The work history for one of the audit team members was provided one week prior to the Opening Briefing. Duquesne Light Energy LLC had not submitted any objections by the stated fifteen day objection due date and did not object to the audit team member introduced during the Opening Briefing. Duquesne Light Energy LLC accepted the audit team member participants without objection.

### **Off-site Audit**

Duquesne Light Energy LLC is currently subject to a compliance audit at a minimum of once every six years. Duquesne Light Energy LLC was provided with a sixty (60) day notification of this scheduled audit and at that time, all necessary documents required by the ReliabilityFirst audit process were provided. The following documents were provided to Duquesne Light Energy LLC as part of the notification:

- 60-day Notification letter which contained a request for evidence, information and data submittals
- Audit 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 Duquesne Light Energy LLC in both electronic and hardcopy format.

Reliability*First* discussed the usage of technical experts with Duquesne Light Energy LLC and allowed the usage of technical experts by Duquesne Light Energy LLC as it deemed necessary to provide the audit team an understanding of the evidence provided to demonstrate their compliance to the standards.

An audit agenda was provided to Duquesne Light Energy LLC in advance to allow the necessary time to prepare for the audit. Duquesne Light Energy LLC's cooperation and flexibility with the agenda was appreciated by the audit team.

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. 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***

Reliability*First* staff conducted the audit off-site. The audit team reviewed the information, evidence and data submitted by Duquesne Light Energy LLC and assessed compliance with requirements of applicable Reliability Standards. The audit team requested and received, via email and phone conversations, additional information and clarification when the audit team determined it was necessary.

## ***Opening Briefing***

An Opening Briefing was conducted on June 3, 2008 via a conference call/Webex utilizing a PowerPoint presentation to discuss the following:

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

## ***Audit***

The Audit team consisted of one Reliability*First* Compliance staff member and one contract auditor. The Reliability*First* Compliance staff member was designated as the audit team lead responsible for facilitating the audit process, serving as the primary contact person for the audit team, and completing the audit report. The audit team worked together to review evidence provided by Duquesne Light Energy LLC and assessed compliance with the requirements of the standards that were audited. Requests for additional information, verification and clarification were communicated to the Duquesne Light Energy LLC primary contact through phone conversations and/or email. Duquesne Light Energy LLC was NOT permitted to create new documents and or edit existing material and or documents that were previously provided as evidence.

## ***Exit Briefing***

The audit team conducted an exit briefing with Duquesne Light Energy LLC on June 13, 2008 via a conference call/Webex utilizing a PowerPoint presentation. The primary and alternate compliance contacts for Duquesne Light Energy LLC participated in the exit briefing. The status of the off-site audit process was discussed, followed by audit scope, preliminary audit findings addressing possible violations and their basis, recommendations, compliance audit report process, and feedback forms. No possible violations were identified during the audit and this was discussed with the preliminary results. Duquesne Light Energy LLC was provided an opportunity to ask questions that the audit team addressed.

## ***Company Profile***

At the time of the audit, Duquesne Light Energy LLC was registered for the Purchasing Selling Entity (PSE) function. Duquesne Light Energy LLC is an unregulated subsidiary of Duquesne

Light Holdings, a Pittsburgh-based electric utility holding company with 120 years of experience delivering electricity to Pittsburgh and southwestern Pennsylvania.

Duquesne Light Energy LLC was created to offer a stable and reliable source of energy to large commercial and industrial businesses in Allegheny and Beaver counties.

### **Audit Specifics**

The compliance audit was conducted from June 3, 2008 to June 5, 2008 at the *ReliabilityFirst* offices in Akron, Ohio and from June 6, 2008 to June 13, 2008 via conference call and email.

### **Audit Team Participants**

<b>Audit Team Role</b>	<b>Title</b>	<b>Company</b>
Team Lead	Senior Consultant	<i>ReliabilityFirst</i>
Team Member	Consultant	Scott Porteous and Associates

### **Duquesne Light Energy LLC Audit Participants**

<b>Title</b>	<b>Organization</b>
Regulatory Compliance Supervisor	Duquesne Light Energy LLC
Compliance Coordinator	Duquesne Light Energy LLC

## **Audit Results**

The audit team evaluated Duquesne Light Energy LLC's compliance with five (5) NERC Reliability Standards for the period since June 18, 2007. The audit team used data provided by Duquesne Light Energy LLC to determine compliance with standards. Based on information provided by Duquesne Light Energy LLC, of the five (5) Reliability Standards audited, two (2) were determined to be not applicable. The audit team determined that Duquesne Light Energy LLC was compliant with three (3) NERC Reliability Standards. The audit team found that Duquesne Light Energy LLC did not have any possible violations of NERC Reliability Standards that were within the scope of the compliance audit.

The audit team carefully and methodically reviewed the submitted evidence and discussed findings as a team to determine if the evidence met the requirements of the Reliability Standards. If the evidence was inadequate or did not cover all of the requirements in the Reliability Standard, the audit team asked for additional evidence and/or clarification. Duquesne Light Energy LLC provided a primary compliance contact for clarification through phone

conversations and e-mail correspondence. Throughout the audit, the audit team members took notes on findings of evidence of compliance.

The audit team reviewed documentation in hardcopy and electronic forms provided by Duquesne Light Energy LLC.

### **Findings**

The following table summarizes the findings for compliance with the Reliability Standards listed in the NERC 2008 Implementation Plan and/or selected for this audit:

<b>Reliability Standard</b>	<b>Requirement</b>	<b>Finding</b>
INT-001-2	R1.	N/A
INT-004-1	R1.	N/A
INT-004-1	R2.	N/A
IRO-001-1	R8.	Compliant
TOP-005-1	R4.	Compliant
VAR-001-1	R5.	Compliant

### **Compliance Culture**

As part of the Compliance Audit Questionnaire, Duquesne Light Energy LLC indicated that they have an internal compliance program - The Duquesne Light Energy LLC Compliance Program. This document was provided to the audit team for review. To support their corporate commitment to compliance, Duquesne Light Energy LLC established a Compliance Section as a formal and dedicated resource group tasked with ensuring the Company complies with all laws, regulations, policies, reporting requirements and ethical guidelines that apply to their business.

In the event of a violation, ReliabilityFirst will review additional aspects of Duquesne Light Energy LLC's compliance program and culture.