



Compliance Audit Report Public Version

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**Licking Rural Electrification, Inc.
NERC ID# NCR08057**

Date of Audit: September 3-9, 2008

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Executive Summary

An off-site compliance audit of Licking Rural Electrification, Inc. was conducted from September 3, 2008 to September 9, 2008. At the time of the audit, Licking Rural Electrification, Inc. was registered for the Distribution Provider (DP) function.

The audit team evaluated Licking Rural Electrification, Inc. for compliance with seventeen (17) applicable requirements in eight (8) NERC Reliability Standards for the period of June 18, 2007 to September 9, 2008. Licking Rural Electrification, Inc. 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 Licking Rural Electrification, Inc. to assess compliance with standards applicable to the DP function.

Based on the information and documentation provided by Licking Rural Electrification, Inc., the audit team made the determination that all seventeen (17) requirements in eight (8) NERC Reliability Standards were not applicable to Licking Rural Electrification, Inc. The audit team did not identify any possible compliance violations of NERC Reliability Standards. These results are further explained in the Audit Results section of this report which includes detailed information of the audit team's determination of applicability and compliance for the Reliability Standards within the scope of the compliance audit.

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 NERC 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 Licking Rural Electrification, Inc.'s compliance with the requirements of Reliability Standards that are applicable to Licking Rural Electrification, Inc. based on the functions that Licking Rural Electrification, Inc. is registered to perform.
- Validate compliance with applicable Reliability Standards from the NERC 2008 Implementation Plan list of actively monitored standards.
- 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 culture and program of Licking Rural Electrification, Inc.

Scope

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

At the time of the audit, Licking Rural Electrification, Inc. was registered for the Distribution Provider (DP) function. The audit team evaluated Licking Rural Electrification, Inc. for compliance with eight (8) NERC Reliability Standards for the period of June 18, 2007 to September 9, 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. Licking Rural Electrification, Inc. was informed of the ReliabilityFirst obligations and responsibilities under the agreement and procedures. The work history for each audit team member was provided to Licking Rural Electrification, Inc. Licking Rural Electrification, Inc. 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. Licking Rural Electrification, Inc. had not submitted any objections by the stated fifteen day objection due date and accepted the audit team member participants without objection.

Off-site Audit

Licking Rural Electrification, Inc. is currently subject to a compliance audit at a minimum of once every six years per the NERC Compliance Audit Schedule. Licking Rural Electrification, Inc. was provided with a sixty (60) day notification of this scheduled audit and at that time, all necessary documents required by the Reliability*First* audit process were provided. The following documents were provided to Licking Rural Electrification, Inc. as part of the notification:

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

Documents were provided to Licking Rural Electrification, Inc. in both electronic and hardcopy format.

Reliability*First* discussed the use of technical experts with Licking Rural Electrification, Inc. and allowed their usage as deemed necessary by Licking Rural Electrification, Inc. to provide the audit team an understanding of the evidence provided to demonstrate their compliance to the standards.

An audit agenda was provided to Licking Rural Electrification, Inc. in advance to allow the necessary time to prepare for the audit. Licking Rural Electrification, Inc.'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.

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 from its Akron office. The audit team reviewed the information, evidence and data submitted by Licking Rural Electrification, Inc. 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 September 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 Licking Rural Electrification, Inc. and assessed compliance with the requirements of the standards that were audited. Requests for additional information, verification and clarification were communicated to the Licking Rural Electrification, Inc. primary contact through phone conversations and/or email. Licking Rural Electrification, Inc. 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 Licking Rural Electrification, Inc. on September 9, 2008 via a conference call/Webex utilizing a PowerPoint presentation. The primary and alternate compliance contacts for Licking Rural Electrification, Inc. participated in the exit briefing. The status of the off-site audit process was discussed, followed by the audit scope, preliminary audit findings, compliance audit report process, and feedback forms. No possible violations were identified during the audit and this was discussed in the preliminary results. Licking Rural Electrification, Inc. was provided an opportunity to ask questions about the compliance findings that the audit team addressed.

Company Profile

At the time of the audit, Licking Rural Electrification, Inc. was registered for the Distribution provider (DP) function. Licking Rural Electric is a not-for-profit energy enterprise doing business as The Energy Cooperative. It is under direct control of its member/consumers who elect directors to oversee cooperative operations.

Audit Specifics

The compliance audit was conducted from September 3, 2008 to September 9, 2008 at the Reliability*First* offices in Akron, Ohio.

Audit Team Participants

Audit Team Role	Title	Company
Team Lead	Senior Consultant	Reliability <i>First</i>
Team Member	Consultant	Contractor

Licking Rural Electrification, Inc. Audit Participants

Title	Organization
Manager of Engineering	Licking Rural Electrification, Inc.
Measurement and Control Supervisor	Licking Rural Electrification, Inc.

Audit Results

The audit team evaluated Licking Rural Electrification, Inc.'s compliance with seventeen (17) applicable requirements in eight (8) NERC Reliability Standards for the period since June 18, 2007. The audit team used data provided by Licking Rural Electrification, Inc. to determine compliance with requirements in eight (8) standards. Based on information provided by Licking Rural Electrification, Inc., of the seventeen (17) requirements in eight (8) Reliability Standards audited, all seventeen (17) requirements were determined to be not applicable. The audit team found that Licking Rural Electrification, Inc., therefore, 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 applicable requirements of the Reliability Standards. If the evidence was inadequate or did not cover all of the applicable requirements in the Reliability Standard, the audit team asked for additional evidence and/or clarification. Licking Rural Electrification, Inc. provided a primary compliance contact for clarification of submittals 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 Licking Rural Electrification, Inc.

Findings

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

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

Compliance Culture

Licking Rural Electrification, Inc. has developed a compliance culture by creating a series of policies, guides and procedures (PGP) to address the requirements of the NERC Reliability Standards. These documents are approved by the Compliance Officer who is a member of Senior Management.

The Director of Engineering is assigned to monitor the requirements of the NERC reliability Standards and verify that the PGP's address the requirements of the standards. The requirements of the Regional Entity (Reliability*First*) are also monitored to verify that the PGP's address the requirements of Reliability*First*. Specific individuals are given copies of the entity's PGPs and the supporting information and are responsible for implementing the various tasks needed to fulfill the requirements of the PGPs and the entity's compliance program.