



# **Compliance Audit Report Public Version**

**South Carolina Electric & Gas Company  
Power Marketing  
NCR00915**

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

**Audit Date**

**May 27-30, 2008**

**Report Date**

**June 19, 2008**

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## Executive Summary

This final compliance audit report is the public version. Confidential information (including privileged and critical energy infrastructure information) has been redacted from this report. The full final compliance audit report was submitted to the South Carolina Electric & Gas Company (SCEG) and NERC.

ReliabilityFirst scheduled SCEG for an offsite audit of its compliance to the NERC Reliability Standards and the ReliabilityFirst Regional Standards that apply to SCEG for the functions that it performs within the ReliabilityFirst area as part of the NERC Compliance Monitoring and Enforcement Program (CMEP). The audit team reviewed the material provided by SCEG in response to the initial ReliabilityFirst data request and additional material requested by the audit team during their review as necessary to develop its findings. The ReliabilityFirst audit team reviewed the material and developed the audit findings on SCEG's compliance to the standards.

Seven requirements apply to SCEG in the five NERC Standards which are applicable to the reliability functions it performs within the ReliabilityFirst Region. Two requirements were found to be not applicable to SCEG operations. SCEG compliance to additional regional standards was not evaluated, because none are applicable to SCEG. SCEG was prepared for the audit and presented its documentation in a complete and concise manner. SCEG did not have any violations or mitigation plans open for review during this audit. SCEG is found to be compliant with all applicable standards reviewed for which it is registered in the ReliabilityFirst area.

## Audit Process

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>1</sup> The audit objectives are:

- Review SCEG's compliance with the requirements of the reliability standards that are applicable to SCEG based on the SCEG's registered functions.
- Validate compliance with applicable reliability standards from the NERC 2008 Implementation Plan list of actively monitored standards.

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

- 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 SCEG's compliance culture.
- Validate compliance with other NERC standards outside the 2008 implementation plan as selected by *ReliabilityFirst*.
- Validate compliance with applicable *ReliabilityFirst* reliability standards that apply to SCEG.

## **Scope**

SCEG 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. *ReliabilityFirst* monitors all applicable *ReliabilityFirst* standards, self certifications and mitigation plans as appropriate. This audit of SCEG did not include any regional 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 audited entity 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 audited entity. 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 has not submitted any objections by the stated fifteen day objection due date and by this action has accepted the audit team member participants without objections. *ReliabilityFirst* found no conflict of interest for any of the audit team members.

## **Off-site Audit**

SCEG is subject to an audit once every six years at the minimum as provided by the NERC Rules and Procedures. SCEG had been provided 60 day notification of this scheduled audit and at that time a list of all necessary documents required by NERC and *ReliabilityFirst* audit process were provided. The following documents were provided as part of the notification:

- 60 day Notification letter which contained request for evidence ,and information and date 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 SCEG in both electronic and hardcopy format.

ReliabilityFirst has discussed with SCEG the usage of technical experts and will allow the usage of technical experts by SCEG as it deems necessary to explain their compliance to the standards. SCEG has been notified to provide any technical experts or personnel it deems necessary to provide an understanding of the evidence provided to meet compliance.

An audit agenda and/or schedule had been provided to SCEG in advance to allow the necessary time to prepare for the audit. SCEG's cooperation and flexibility with the agenda and audit schedule was appreciated by the audit team.

This audit was conducted in the ReliabilityFirst offices using material provided by SCEG. The audit team made additional calls to request additional information or to clarify information previously supplied to the team. The audit team leader requested telephone interviews with SCEG employees representing subject matter expertise regarding all of registered functions of SCEG. These interviews in conjunction with evidence provided by SCEG, both initial and follow up material as requested, aided the audit team with a basis for professional judgment when validating compliance with reliability standards.

### **Methodology**

The audit team reviewed the evidence supplied by the company for each requirement of all NERC standards that apply to the functions performed by the company to determine if the company complied with that requirement. The company would be found to be noncompliant with requirements where compliance cannot be confirmed.

The audit team reviewed the evidence provided by SCEG. The team reviewed each requirement and discussed the levels of compliance and addressed each team member's notes from the audit. The audit team decided on the findings to present to the company and ReliabilityFirst. The audit team developed the closing presentation of audit findings and presented the audit findings to SCEG and answered all their questions.

### **Audit Overview**

An Opening Briefing was conducted as a conference call/WebEx 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 worked as a group and reviewed each applicable requirement to determine if SCEG met the requirement. The audit followed the agenda closely. The audit team requested additional information if it could not determine compliance or if clarification of the existing information was needed. SCEG provided additional information or clarified existing information with review of its subject matter experts as needed.

The following standards apply to the PSE function and the compliance of SCEG to the requirements of these standards was reviewed during this audit:

- INT-001-2 Interchange Information
- INT-004-1 Dynamic Interchange Transaction Modifications
- IRO-001-1 Reliability Coordination – Responsibilities and Authorities
- TOP-005-1 Operational Reliability Information
- VAR-001-1 Voltage and Reactive Control

## **Exit Briefing**

The audit team used a web based exit presentation and teleconference to provide the findings to the SCEG staff. The team lead explained the findings from the audit. The presentation was attended by the SCEG staff that participated in the audit.

The presentation was open for comments and discussion about the findings. Although there were no noncompliance findings found during this audit, the exit presentation is also the time when possible violations and mitigation requirements are discussed with the entity. SCEG was informed that they will receive an audit evaluation to complete and return to ReliabilityFirst.

The audit team used the exit presentation to help verify that the information presented is correct.

## **Company Profile**

SCEG performs the following NERC function in the ReliabilityFirst region and is registered with NERC/ReliabilityFirst for this function:

- Purchasing selling entity (PSE)

SCEG Power Marketing provides SCEG's interface with the wholesale electric markets for purchase and sale transactions that support or complement SCEG's regulated electric business. This includes short and long-term sales and purchases that optimize the value of SCEG's generating resources, reduce the cost of energy for ratepayers and enhance the reliability of service to firm customers. While performing these functions, SCEG has the ability to buy power

from and/or sell power into the PJM market. SCEG is registered as a PSE with ReliabilityFirst because it completes transactions in the ReliabilityFirst area. SCEG does not own any facilities in the ReliabilityFirst area.

### **Audit Specifics**

The compliance audit was conducted on May 27 - 28, 2008 at the ReliabilityFirst office in Akron, OH.

### **Audit Team**

<b>Audit Team Role</b>	<b>Title</b>	<b>Company</b>
Lead	Manager, Compliance Program Implementation	ReliabilityFirst Corporation
Member	Consultant	Sander-Reber

### **SCEG Audit Participants**

<b>Title</b>	<b>SCEG Organization</b>
Vice President, SCE&G Electric Transmission	South Carolina Electric & Gas Company
Manager ERO Compliance	South Carolina Electric & Gas Company
Director, Power Marketing	South Carolina Electric & Gas Company
Power Marketer	South Carolina Electric & Gas Company
Esquire	Representation for South Carolina Electric & Gas Company
Esquire	Representation for South Carolina Electric & Gas Company

## **Audit Results**

SCEG did not have any violations or mitigation plans open for review during this audit. After reviewing the evidence presented to the audit team, SCEG is found to be compliant with all applicable standards reviewed.

Senior management attended the opening and exit briefing presentations. SCEG was prepared for the audit and presented its documentation in a complete and concise manner.

### **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. The table includes details summarizing auditor notes relating to evidence reviewed for reliability standard requirements.

### **SCEG Off-site Audit Findings Table**

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

### **Compliance Culture**

SCEG provided documentation to demonstrate its compliance to the requirements of the applicable standards. The documentation was complete and in order such that the audit team could reasonably determine SCEG compliance to the applicable requirements. SCEG provided additional evidence and clarifications in a timely manner when requested by the audit team.

SCEG provided its internal compliance program documentation, *ERO Compliance Program*, for the audit team. The document clearly outlines the compliance obligations, organizational responsibilities and training requirements. For its compliance program, SCEG conducts an internal audit of each standard annually and provides training on the requirements for each of its operators. SCEG has assigned a manager in charge of the compliance program. The Vice President, SCE&G Electric Transmission is the executive with oversight over the program.

The compliance training policy is included in the *ERO Compliance Program*. The audit team reviewed the SCEG training outline for each of the applicable standards and a training overview of the SCEG compliance program. The list of completed training on the standards and SCEG internal procedures that meet the standards along with the dates completed for each operator confirmed that the training SCEG provided was completed. SCEG demonstrated that it includes reliability in its corporate culture.