



Compliance Audit Report Public Version

**South Central Power Company
NCR 08031**

**Audit Date
May 27 – 28, 2008**

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

**Report Date
July 21, 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 audited entity and NERC.

ReliabilityFirst scheduled the South Central Power Company (SCP) for an offsite audit of its compliance to the NERC Reliability Standards and the ReliabilityFirst Regional Standards that apply to SCP 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 SCP 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 SCP's compliance to the standards.

Fourteen Standards that included thirty requirements apply to SCP for the functions it performs with the ReliabilityFirst Region. No additional regional standards were reviewed. Of the 14 standards and applicable requirements, 12 requirements were determined to not apply to SCP since it does not own transmission protections equipment, underfrequency or undervoltage load shedding equipment, or special protection systems. SCP compliance to additional regional standards was not evaluated, because none are applicable to SCP. SCP was prepared for the audit and presented its documentation in a complete and concise manner. SCP did not have any violations or mitigation plans open for review during this audit. SCP was found to fully compliant with the requirements of the standards that applies to its operations 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.¹ The audit objectives are:

- Review SCP's compliance with the requirements of the reliability standards that are applicable to SCP based on SCP's registered functions.

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 SCP'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 SCP.

Scope

SCP 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 SCP 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 has been 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

SCP is subject to a compliance audit once every six years at the minimum, as indicated in the NERC Rules and Procedures. SCP has been provided 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 as part of the notification:

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

ReliabilityFirst has discussed with SCP the usage of technical experts and welcomes the usage of technical experts by SCP as it deems necessary to explain their compliance to the standards. SCP 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 were provided to SCP in advance to allow the necessary time to prepare for the audit. SCP cooperation and flexibility with the agenda was appreciated by the audit team.

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

Methodology

The audit team reviewed the evidence provided by SCP 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 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 exit briefing of audit findings and presented the audit findings to SCP 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 group and reviewed each applicable requirement to determine if SCP 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. SCP provided additional information or clarified existing information with review of its subject matter experts as needed.

Exit Briefing

The audit team used a web based exit presentation and teleconference to present the findings to the SCP staff. The team lead explained the findings from the audit. The presentation was attended by the following SCP staff:

Title	SCP Organization
Executive Vice President	South Central Power Company
Director of Engineering	South Central Power Company
Staff Engineer	South Central Power Company

The presentation was open for comments and discussion about the findings. Although it is not applicable in this case, the exit presentation would have also covered any possible violations and mitigation requirements if any were found. SCP was informed that they will receive an audit evaluation to complete and return to NERC.

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

Company Profile

SCP performs the following NERC function in the Reliability*First* region and is registered with NERC/Reliability*First* for this function:

- Distribution Provider (DP)

SCP is an electric distribution cooperative supplying power to consumer members in 24 counties of central, southern, and eastern Ohio. Buckeye Power has registered as a load-serving entity with Reliability First for all 24 of the cooperatives in Ohio.

SCP connects to America Electric Power (AEP) Company in 39 locations and one location each for Duke Energy Company and Dayton Power and Light Company (DP&L). Nine connections to AEP are at 138 kV. In additions to the 138 kV connections, SCP receives power at 69 kV, 34.5 kV, and 12.4 kV. SCP owns 1/2 mile of radial 138 kV line, 255.5 miles of 69 kV line, and 11,446 miles of lines less than 12 kV.

SCP owns the assets in the substation including protection systems for its auto transformers and power transformers. Line protection is owned by the delivery companies. The 138 kV line switches are operated by the delivery companies.

SCP has 105,268 residential customers, 7,994 Small Commercial (less than 50 kW) customers, and 467 Commercial & Industrial Large Power customers plus street lighting. Its peak load is 481 MW.

PJM is the reliability coordinator for SCP. It operates in the AEP, Duke, and DP&L balancing authority and transmission operator areas.

Audit Specifics

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

Audit Team

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

SCP Audit Participants

Title	SCP Organization
Executive Vice President	South Central Power Company
Director of Engineering	South Central Power Company
Staff Engineer	South Central Power Company

Audit Results

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

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.

SCP Off-site Audit Findings Table

Reliability Standard	Requirement	Finding
FAC-002-0	R1.	Compliant
FAC-002-0	R2.	Compliant
PRC-004-1	R1.	N/A
PRC-004-1	R3.	N/A
PRC-005-1	R1.	N/A
PRC-005-1	R2.	N/A
PRC-007-0	R1.	N/A
PRC-007-0	R2.	N/A
PRC-007-0	R3.	N/A
PRC-008-0	R1.	N/A
PRC-008-0	R2.	N/A
PRC-009-0	R1.	N/A
PRC-009-0	R2.	N/A
PRC-010-0	R1.	N/A
PRC-010-0	R2.	N/A
PRC-011-0	R1.	N/A
PRC-011-0	R2.	N/A
PRC-015-0	R1.	N/A
PRC-015-0	R2.	N/A
PRC-015-0	R3.	N/A
PRC-016-0	R1.	N/A
PRC-016-0	R2.	N/A
PRC-016-0	R3.	N/A
PRC-017-0	R1.	N/A
PRC-017-0	R2.	N/A
PRC-021-1	R1.	N/A
PRC-021-1	R2.	N/A
PRC-022-0	R1.	N/A
PRC-022-0	R2.	N/A
TOP-001-1	R4	Compliant

Compliance Culture

SCP 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 SCP compliance to the applicable requirements. SCP provided additional evidence and clarifications when requested by the audit team. SCP completed the Compliance Audit Questionnaire, individual Pre-Audit Questionnaires for each applicable standard, and the documentation section of the NERC Reliability Standard Audit Worksheets. The Reliability Standard Audit Worksheets were provided on a PDF format rather than the Word document requested making audit team documentation slightly more difficult.

Compliance to the standards has been assigned to the SCP engineering staff according to the Compliance Audit Questionnaire submitted to ReliabilityFirst by SCP. The Executive VP was provided to ReliabilityFirst as the compliance contact.