



# **Compliance Audit Report Public Version**

**City of Dalton d/b/a Dalton Utilities  
NCR01199  
May 13-14, 2008**

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

**June 13, 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.

City of Dalton d/b/a Dalton Utilities was audited on May 13-14, 2008 for compliance with the requirements contained in the currently mandatory and enforceable Reliability Standards in the 2008 NERC Compliance Monitoring and Enforcement Program (CMEP) that are applicable to Dalton Utilities' registered functions. Dalton Utilities is registered with SERC Reliability Corporation (SERC) as a Distribution Provider (DP), Load-Serving Entity (LSE) and Transmission Owner (TO). Eighteen standards were selected and identified to Dalton Utilities as subject to review during this audit. The audit focused on documents and other evidence provided to SERC by the staff of Dalton Utilities, and did not include any evidence obtained through system observation or inspection. The findings of the audit are based on the state of compliance and current mitigation activity at the time of the audit, and do not reflect past compliance activities or activities that will be completed in the future.

Dalton Utilities staff was requested to provide valid evidence of meeting each and every applicable requirement and sub-requirement contained in each standard that had been previously identified by SERC Compliance staff to Dalton Utilities as subject to this audit. Dalton Utilities staff responded by providing evidence in the form of reports, procedures, studies, and other documents. Dalton Utilities staff then cited specific portions of the evidence that demonstrated compliance. This evidence and the citations were documented and evaluated by the audit team to assess the level of compliance. If all of the requirements and sub-requirements of an audited standard were met, then Dalton Utilities was judged to be compliant. Likewise, if any of the requirements or sub-requirements were not fully met, then Dalton Utilities was judged to have a possible violation of the standard. A score of 100% is required for compliance.

The audit team determined that Dalton Utilities does not own or operate Under Voltage Load Shedding or Special Protection Systems and therefore, five standards applicable to Dalton Utilities were not assessed. These standards are PRC-010, PRC-011, PRC-016, PRC -017 and PRC-021.

The audit team found Dalton Utilities to be in compliance with all of the NERC Reliability Standards in the audit scope.

## 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:

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

- Independently review Dalton Utilities compliance with the requirements of the reliability standards that are applicable to Dalton Utilities based on the Dalton Utilities registered functions.
- 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 Dalton Utilities compliance culture.

### **Scope**

The scope of the audit of Dalton Utilities included all monitored standards that are in the NERC 2008 CMEP. Based on the confirmed registration of Dalton Utilities, the 18 Reliability Standards previously identified were the focus of the compliance audit. Of these 18 standards, 5 standards; PRC-010, PRC-011, PRC-016-0, PRC-017-0 and PRC-021 were not assessed. This is detailed in the Audit Results section.

Note: For the 2008 compliance program, the monitoring period for the compliance audit will generally be the past 12 months or periods specified in individual reliability standards. The monitoring period is not limited to the time period for which penalties and sanctions are assessed.

### **Confidentiality and Conflict of Interest**

Code of conduct documentation for the NERC representative and regional entity staff were provided to Dalton Utilities in advance of the audit. Work history and conflict of interest forms submitted by each audit team member were provided to Dalton Utilities upon request. SERC has confirmed that confidentiality agreements have been executed by, and are on file for SERC Industry Volunteers. Dalton Utilities 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. Dalton Utilities accepted the audit team member participants with no objections.

### **On-site Audit**

Dalton Utilities was contacted by letter on December 14, 2007 by SERC staff. The letter provided Dalton Utilities with their initial notification of their upcoming audit in 2008, and the desire to schedule audit dates that would be acceptable to both parties. SERC staff then provided formal acknowledgement of the scheduled audit dates and requested that Dalton Utilities both verify their currently registered functions and complete and return an attached Pre-Audit Survey within 30 days.

On February 18, 2008, SERC staff forwarded an Audit Detail Letter to Dalton Utilities, again confirming the scheduled audit dates and confirming Dalton Utilities' registered functions within SERC. The Audit Detail Letter also provided Dalton Utilities with notice of the Standards in Audit Scope, Proposed Audit Schedule, Audit Team Roster (with industry affiliations), and requested that Dalton Utilities Subject Matter Experts (SMEs) responsible for and knowledgeable of compliance submittals be available for interview during the audit. In addition to the Audit Detail Letter, Dalton Utilities was provided with a Non-Disclosure Agreement Signature Verification for audit team members, a Pre-Audit Questionnaire, a list of Documents to be Provided or Have Available, and Reliability Standard Auditor Worksheets (RSAWs) for each standard to be audited.

Interviews with SMEs were requested, in conjunction with documented evidence, to provide the audit team with additional information or clarification as a basis for professional judgment when validating compliance with reliability standards.

### ***Methodology***

A team of auditors and SMEs were identified and conducted the audit of Dalton Utilities. The standards were grouped and scheduled for review to make the most efficient use of Dalton Utilities staff's time. The audit team moderator (ATL or designee) initiated dialogue on each standard requirement and requested compliance evidence. This evidence and Dalton Utilities staff response was documented. Dalton Utilities staff was requested to show valid evidence of meeting each applicable requirement and sub-requirement contained in the 18 standards that had been previously identified by SERC to Dalton Utilities as subject to this audit. Dalton Utilities staff responded by providing evidence in the form of reports, procedures, studies, and other documents. Dalton Utilities staff would then cite specific portions of the evidence that demonstrated compliance.

This evidence and the citations were documented by the scribe on the RSAWs and evaluated by the audit team for the level of compliance and agreement with the requirement. Discrepancies between the requirement and the evidence provided were the subject of dialogue among the team members and Dalton Utilities staff members until it was determined that each requirement was met by the cited evidence or other evidence offered.

Once all the evidence was presented and discussed, if Dalton Utilities did not provide sufficient evidence to support a finding of compliance, then a possible violation was identified by the team and Dalton Utilities staff was informed.

### ***Audit Overview***

The audit team arrived at the Dalton Utilities offices at 3:00 p.m., May 13, 2008. Each member of the audit team was introduced and professional affiliation identified. The staff of Dalton Utilities was introduced, and general housekeeping matters explained. The staff of Dalton Utilities was excused and the audit team reviewed team assignments and a general overview for preparation of the audit activities starting on the next day.

The audit team arrived at the Dalton Utilities offices at 8:00 a.m., May 14, 2008. At 8:15 a.m., May 14, 2008 Steve Gibe, Senior Compliance Auditor and Audit Team Lead (ATL) began the session with an opening presentation. He reviewed the NERC compliance plan for 2008 in general, and how it applied to Dalton Utilities specifically. The ATL introduced and reviewed the standards to be covered in the audit, and addressed both the expectations of Dalton Utilities staff and the quality of evidence to be presented. The ATL also covered the basic procedure for the audit, and the bounding rules of conduct. Dalton Utilities staff made a brief presentation covering the background of Dalton Utilities and its compliance activities took place.

### ***Audit***

The audit team initially reviewed the registration status of Dalton Utilities with entity staff to verify applicability of each standard. Each standard's audit began with a recitation of each requirement. Dalton Utilities staff then presented evidence supporting requirement compliance, or cited evidence previously provided to the audit team. At that point, the evidence was reviewed and discussed until the team reached agreement on the evidence. By audit team consensus a determination of compliance was reached for each of the requirements, and communicated to Dalton Utilities staff before proceeding to the next requirement. At that point

the team scribe would record the evidence presented to satisfy the requirement and the team's recommendation on that requirement using the RSAW.

The review of all applicable standards was completed at 2:30 p.m., May 14, 2008 and the audit team met to review and discuss the findings. Following these discussions, the scribe collected all notes and evidence as needed and began to finalize the RSAW's.

### ***Exit Briefing***

The ATL presented an exit briefing to the assembled audit team and entity staff at 3:10 p.m., May 14, 2008. This was followed by an informal response and questions from the Dalton Utilities staff. The exit briefing summarized the team's preliminary conclusions, including any items of potential noncompliance or possible violation with supporting information, areas of concern, any added information required and the expected timeline for review and issuance of the audit report.

The ATL solicited both informal comments from Dalton Utilities staff, along with requesting that they fill out formal feedback forms for submission to NERC and SERC.

The audit team left the Dalton Utilities meeting room at 4:00 p.m., May 14, 2008.

### ***Company Profile***

Dalton Utilities has provided the City of Dalton, Georgia with electricity since 1898.

- Dalton Utilities serves approximately 14,523 electrical customers, 87 percent of which are commercial/industrial
- The annual consumption of electricity by the utility's customers is 262 megawatts (MW) peak demand – 1.2 billion kWh annual consumption
- Dalton Utilities get its electricity from three sources.
  1. Owned generation - Dalton Utilities owns partial interests in two nuclear and two coal-fired power plants which are Plant Vogtle, Plant Hatch, Plant Wansley and Plant Scherer.
  2. Southeastern Power Administration (SEPA) sells Dalton Utilities hydroelectric power.
  3. Southern Wholesale Energy sells blocks of power to Dalton Utilities to meet peak demand.
- Dalton Utilities is one of four joint owners of the Georgia Integrated Transmission System. Dalton Utilities shares electrical transmission lines that run throughout the state of Georgia. Dalton Utilities owns 407 mile of 46 kV, 115 kV and 230 kV transmission lines, all located within Georgia.
- Dalton Utilities owns nine substations with a total 544 MVA (60 breakers). The distribution system (12 kV distribution system) consists of 320 miles of a combination of overhead and underground lines.
- Distribution serves the City of Dalton

### ***Audit Specifics***

The compliance audit was conducted on May 13-14, 2008 at the Dalton Utilities office in Dalton, Georgia.

### Audit Team

Audit Team Role	Name	Title	Company
Lead	Steve Gibe	Senior Compliance Auditor	SERC
Member	Michael Vastano	Compliance Auditor	SERC

### Dalton Utilities Audit Participants Title and Organization

Title	Dalton Utilities Organization
V.P. Electric and Gas	Dalton Utilities
Project Manager	Georgia Power
Senior Engineer	Dalton Utilities
Supervisor Forestry and Right of Way Services	Georgia Power

## AUDIT RESULTS

The audit team found Dalton Utilities to be in compliance with all of the NERC Reliability Standards in the audit scope. Please see Findings Table below.

### Findings

Reliability Standard	Requirement	Finding
BAL-001-0	R1.	NA
BAL-001-0	R2.	NA
BAL-001-0	R3.	NA
BAL-001-0	R4.	NA
BAL-002-0	R1.	NA
BAL-002-0	R2.	NA
BAL-002-0	R3.	NA
BAL-002-0	R4.	NA
BAL-002-0	R5.	NA
BAL-002-0	R6.	NA
BAL-003-0	R1.	NA
BAL-003-0	R2.	NA
BAL-003-0	R3.	NA
BAL-003-0	R4.	NA
BAL-003-0	R5.	NA
BAL-003-0	R6.	NA
BAL-004-0	R1.	NA
BAL-004-0	R2.	NA
BAL-004-0	R3.	NA
BAL-004-0	R4.	NA
BAL-005-0	R1.	Compliant
BAL-005-0	R2.	NA
BAL-005-0	R3.	NA

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

<b>Reliability Standard</b>	<b>Requirement</b>	<b>Finding</b>
BAL-005-0	R4.	NA
BAL-005-0	R5.	NA
BAL-005-0	R6.	NA
BAL-005-0	R7.	NA
BAL-005-0	R8.	NA
BAL-005-0	R9.	NA
BAL-005-0	R10.	NA
BAL-005-0	R11.	NA
BAL-005-0	R12.	NA
BAL-005-0	R13.	NA
BAL-005-0	R14.	NA
BAL-005-0	R15.	NA
BAL-005-0	R16.	NA
BAL-005-0	R17.	NA
BAL-006-1	R1.	NA
BAL-006-1	R2.	NA
BAL-006-1	R3.	NA
BAL-006-1	R4.	NA
BAL-006-1	R5.	NA
CIP-001-1	R1.	Compliant
CIP-001-1	R2.	Compliant
CIP-001-1	R3.	Compliant
CIP-001-1	R4.	Compliant
CIP-002-1 through CIP-009-1		Not Assessed
COM-001-1	R1.	NA
COM-001-1	R2.	NA
COM-001-1	R3.	NA
COM-001-1	R4.	NA
COM-001-1	R5.	NA
COM-001-1	R6.	NA
COM-002-2	R1.	NA
COM-002-2	R2.	NA
EOP-001-0	R1.	NA
EOP-001-0	R2.	NA
EOP-001-0	R3.	NA
EOP-001-0	R4.	NA
EOP-001-0	R5.	NA
EOP-001-0	R6.	NA
EOP-001-0	R7.	NA
EOP-002-2	R1.	NA
EOP-002-2	R2.	NA
EOP-002-2	R3.	NA

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<b>Reliability Standard</b>	<b>Requirement</b>	<b>Finding</b>
EOP-002-2	R4.	NA
EOP-002-2	R5.	NA
EOP-002-2	R6.	NA
EOP-002-2	R7.	NA
EOP-002-2	R8.	NA
EOP-002-2	R9.	NA
EOP-003-1	R1.	NA
EOP-003-1	R2.	NA
EOP-003-1	R3.	NA
EOP-003-1	R4.	NA
EOP-003-1	R5.	NA
EOP-003-1	R6.	NA
EOP-003-1	R7.	NA
EOP-003-1	R8.	NA
EOP-004-1	R1.	NA
EOP-004-1	R2.	Compliant
EOP-004-1	R3.	Compliant
EOP-004-1	R4.	NA
EOP-004-1	R5.	NA
EOP-005-1	R1.	NA
EOP-005-1	R2.	NA
EOP-005-1	R3.	NA
EOP-005-1	R4.	NA
EOP-005-1	R5.	NA
EOP-005-1	R6.	NA
EOP-005-1	R7.	NA
EOP-005-1	R8.	NA
EOP-005-1	R9.	NA
EOP-005-1	R10.	NA
EOP-005-1	R11.	NA
EOP-006-1	R1.	NA
EOP-006-1	R2.	NA
EOP-006-1	R3.	NA
EOP-006-1	R4.	NA
EOP-006-1	R5.	NA
EOP-006-1	R6.	NA
EOP-008-0	R1.	NA
EOP-009-0	R1.	NA
EOP-009-0	R2.	NA
FAC-003-1	R1.	Compliant
FAC-003-1	R2.	Compliant
FAC-003-1	R3.	Compliant

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<b>Reliability Standard</b>	<b>Requirement</b>	<b>Finding</b>
FAC-003-1	R4.	NA
FAC-008-1	R1.	Compliant
FAC-008-1	R2.	Compliant
FAC-008-1	R3.	Compliant
FAC-009-1	R1.	Compliant
FAC-009-1	R2.	Compliant
FAC-013-1	R1.	NA
FAC-013-1	R2.	NA
INT-001-2	R1.	NA
INT-001-2	R2.	NA
INT-003-2	R1.	NA
INT-004-1	R1.	NA
INT-004-1	R2.	NA
IRO-001-1	R1.	NA
IRO-001-1	R2.	NA
IRO-001-1	R3.	NA
IRO-001-1	R4.	NA
IRO-001-1	R5.	NA
IRO-001-1	R6.	NA
IRO-001-1	R7.	NA
IRO-001-1	R8.	Compliant
IRO-001-1	R9.	NA
IRO-003-2	R1.	NA
IRO-003-2	R2.	NA
IRO-004-1	R1.	NA
IRO-004-1	R2.	NA
IRO-004-1	R3.	NA
IRO-004-1	R4.	Compliant
IRO-004-1	R5.	N/A
IRO-004-1	R6.	NA
IRO-004-1	R7.	NA
IRO-005-1	R1.	NA
IRO-005-1	R2.	NA
IRO-005-1	R3.	NA
IRO-005-1	R4.	NA
IRO-005-1	R5.	NA
IRO-005-1	R6.	NA
IRO-005-1	R7.	NA
IRO-005-1	R8.	NA
IRO-005-1	R9.	NA
IRO-005-1	R10.	NA
IRO-005-1	R11.	NA

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<b>Reliability Standard</b>	<b>Requirement</b>	<b>Finding</b>
IRO-005-1	R12.	NA
IRO-005-1	R13.	Not Assessed
IRO-005-1	R14.	NA
IRO-005-1	R15.	NA
IRO-005-1	R16.	NA
IRO-005-1	R17.	NA
IRO-006-3	R1.	NA
IRO-006-3	R2.	NA
IRO-006-3	R3.	NA
IRO-006-3	R4.	NA
IRO-006-3	R5.	NA
IRO-006-3	R6.	NA
IRO-014-1	R1.	NA
IRO-014-1	R2.	NA
IRO-014-1	R3.	NA
IRO-014-1	R4.	NA
IRO-015-1	R1.	NA
IRO-015-1	R2.	NA
IRO-015-1	R3.	NA
IRO-016-1	R1.	NA
IRO-016-1	R2.	NA
PER-002-0	R1.	NA
PER-002-0	R2.	NA
PER-002-0	R3.	NA
PER-002-0	R4.	NA
PER-003-0	R1.	NA
PER-004-1	R1.	NA
PER-004-1	R2.	NA
PER-004-1	R3.	NA
PER-004-1	R4.	NA
PER-004-1	R5.	NA
PRC-004-1	R1.	Compliant
PRC-004-1	R2.	NA
PRC-004-1	R3.	Not Assessed
PRC-005-1	R1.	Compliant
PRC-005-1	R2.	Compliant
PRC-008-0	R1.	Compliant
PRC-008-0	R2.	Compliant
PRC-010-0	R1.	Not Assessed
PRC-010-0	R2.	Not Assessed
PRC-011-0	R1.	Not Assessed
PRC-011-0	R2.	Not Assessed

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<b>Reliability Standard</b>	<b>Requirement</b>	<b>Finding</b>
PRC-016-0	R1.	Not Assessed
PRC-016-0	R2.	Not Assessed
PRC-016-0	R3.	Not Assessed
PRC-017-0	R1.	Not Assessed
PRC-017-0	R2.	Not Assessed
PRC-021-1	R1.	Not Assessed
PRC-021-1	R2.	Not Assessed
TOP-002-2	R1.	NA
TOP-002-2	R2.	NA
TOP-002-2	R3.	Compliant
TOP-002-2	R4.	NA
TOP-002-2	R5.	NA
TOP-002-2	R6.	NA
TOP-002-2	R7.	NA
TOP-002-2	R8.	NA
TOP-002-2	R9.	NA
TOP-002-2	R10.	NA
TOP-002-2	R11.	NA
TOP-002-2	R12.	NA
TOP-002-2	R13.	NA
TOP-002-2	R14.	NA
TOP-002-2	R15.	NA
TOP-002-2	R16.	NA
TOP-002-2	R17.	NA
TOP-002-2	R18.	Compliant
TOP-002-2	R19.	NA
TOP-003-0	R1.	NA
TOP-003-0	R2.	NA
TOP-003-0	R3.	NA
TOP-003-0	R4.	NA
TOP-004-1	R1.	NA
TOP-004-1	R2.	NA
TOP-004-1	R3.	NA
TOP-004-1	R4.	NA
TOP-004-1	R5.	NA
TOP-004-1	R6.	NA
TOP-005-1	R1.	NA
TOP-005-1	R2.	NA
TOP-005-1	R3.	NA
TOP-005-1	R4.	NA
TOP-007-0	R1.	NA
TOP-007-0	R2.	NA

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<b>Reliability Standard</b>	<b>Requirement</b>	<b>Finding</b>
TOP-007-0	R3.	NA
TOP-007-0	R4.	NA
TPL-001-0	R1.	NA
TPL-001-0	R2.	NA
TPL-001-0	R3.	NA
TPL-002-0	R1.	NA
TPL-002-0	R2.	NA
TPL-002-0	R3.	NA
TPL-003-0	R1.	NA
TPL-003-0	R2.	NA
TPL-003-0	R3.	NA
TPL-004-0	R1.	NA
TPL-004-0	R2.	NA
VAR-001-1	R1.	NA
VAR-001-1	R2.	NA
VAR-001-1	R3.	NA
VAR-001-1	R4.	NA
VAR-001-1	R5.	NA
VAR-001-1	R6.	NA
VAR-001-1	R7.	NA
VAR-001-1	R8.	NA
VAR-001-1	R9.	NA
VAR-001-1	R10.	NA
VAR-001-1	R11.	NA
VAR-001-1	R12.	NA
VAR-002-1	R1.	NA
VAR-002-1	R2.	NA
VAR-002-1	R3.	NA
VAR-002-1	R4.	NA
VAR-002-1	R5.	NA

**Compliance Culture**

Information regarding the compliance culture of Dalton Utilities was obtained from other sources and has been documented.