



# **Compliance Audit Report Public Version**

**Progress Energy Carolinas  
(PEC)**

**NRC01298**

**April 28–May 1, 2008**

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

**June 20, 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.

Progress Energy Carolina (PEC) was audited on April 28–May 1, 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 PEC's registered functions. PEC is registered with SERC Reliability Corporation (SERC) as a Balancing Authority (BA), Transmission Owner (TO), Transmission Service Provider (TSP), Transmission Operator (TOP), Transmission Planner, (TP), Resource Planner (RP), Distribution Provider (DP), Generator Operator (GOP), Generator Owner (GO), Load-Serving Entity (LSE), Purchasing-Selling Entity (PSE), Planning Authority (PA) and Reserve Sharing Group (RSG). The audit focused on documents and other evidence provided to SERC by the staff of PEC, 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.

PEC 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 PEC as subject to this audit. PEC staff responded by providing evidence in the form of reports, procedures, studies, and other documents. PEC 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 PEC was judged to be compliant. Likewise, if any of the requirements or sub-requirements were not fully met, then PEC was judged to have a possible violation of the standard. A score of 100% is required for compliance.

The audit team determined that PEC does not own or operate Under Voltage Load Shedding or Special Protection Systems and therefore, five standards applicable to PEC were not assessed. These standards are PRC-010-0, PRC-011-0, PRC-016, PRC -017 and PRC-021-1.

During the audit site visit, PEC had open mitigation plans regarding NERC Reliability Standards FAC-003-1 Requirement 3, PRC-004-1 Requirement 2, PRC-005-1 Requirement 2 and VAR-002-1 Requirement 2 that are currently in process. The audit team reviewed the current status of these mitigation plans.

PEC recently closed a mitigation plan regarding NERC Reliability Standard FAC-010-1 Requirement 4. The audit team reviewed the mitigation plan completion documentation to ensure compliance.

With the exception of the above-mentioned Standards and/or Requirements that were not assessed or currently in mitigation, the Audit Team found PEC to be compliant with all of the Standards reviewed.

## 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:

- Independently review PEC compliance with the requirements of the reliability standards that are applicable to PEC based on the PEC 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 PEC compliance culture.

### **Scope**

The scope of the audit of PEC included all monitored standards that are in the NERC 2008 CMEP. Based on the confirmed registration of PEC, the 48 Reliability Standards previously indentified were the focus of the compliance audit. Of these 48 standards, 5 standards; PRC-010-0, PRC-011-0 PRC-016-0, PRC-017-0 and PRC-021-1 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 PEC in advance of the audit. Work history and conflict of interest forms submitted by each audit team member were provided to PEC upon request. SERC has confirmed that confidentiality agreements have been executed by, and are on file for SERC Industry Volunteers. PEC 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. PEC accepted the audit team member participants with no objections.

### **On-site Audit**

PEC was contacted by letter on November 6, 2007 by SERC staff. The letter provided PEC 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 PEC both verify their currently registered functions and complete and return an attached Pre-Audit Survey within 30 days.

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

On February 4, 2008, SERC staff forwarded an Audit Detail Letter to PEC again, confirming the scheduled audit dates and confirming PEC's registered functions within SERC. The Audit Detail Letter also provided PEC with notice of the Standards in Audit Scope, Proposed Audit Schedule, Audit Team Roster (with industry affiliations), and requested that PEC 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, PEC 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 PEC. The audit team was split into two sub-teams. The standards were grouped and scheduled for review to make the most efficient use of PEC staff's time. Each sub-team had a moderator who initiated dialogue on each standard requirement and requested compliance evidence. This evidence and PEC's staff response was documented. PEC staff was requested to show valid evidence of meeting each applicable requirement and sub-requirement contained in the 48 standards that had been previously identified by SERC to PEC as subject to this audit. PEC staff responded by providing evidence in the form of reports, procedures, studies, and other documents. PEC 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 PEC 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 PEC did not provide sufficient evidence to support a finding of compliance, then a possible violation was identified by the team and PEC staff was informed.

### ***Audit Overview***

The audit team arrived at the PEC offices at 3:00 p.m., April 28, 2008. Each member of the audit team was introduced and professional affiliation identified. The staff of PEC was introduced, and general housekeeping matters explained. The staff of PEC 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 PEC offices at 7:45 a.m., April 29, 2008. At 8:00 a.m., April 29, 2008, Steve Gibe, SERC 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 PEC specifically. The ATL introduced and reviewed the standards to be covered in the audit, and addressed both the expectations of PEC 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.

### **Audit**

The audit team initially reviewed the registration status of PEC with entity staff to verify applicability of each standard. Each standard's audit began with a recitation of each requirement. PEC 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 PEC 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 approximately 2:45 p.m., May 1, 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.

### **Exit Briefing**

The ATL presented an exit briefing to the assembled audit team and entity staff at 4:00 p.m., May 1, 2008. This was followed by an informal response and questions from the PEC staff. The exit briefing summarized the team 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 PEC staff, along with requesting that they fill out formal feedback forms for submission to NERC and SERC.

The audit team left the PEC meeting room at 4:45 p.m., May 1, 2008.

### **Company Profile**

Progress Energy (NYSE: PGN), headquartered in Raleigh, N.C., is a Fortune 250 diversified energy company with more than 24,500 megawatts of supply resources and \$9.5 billion in annual revenues. The company's holdings include two electric utilities (Progress Energy Carolinas and Progress Energy Florida) serving approximately 3.1 million customers in North Carolina, South Carolina, and Florida. Excess generation sales from the Progress Energy Carolinas Regulated Commercial Operations department include transactions with other member utilities in SERC, and utilities within RFC and FRCC.

Progress Energy Carolinas, Inc. (PEC) is a vertically integrated utility serving approximately 1.4 million customers in North and South Carolina. High level divisions in PEC include the Transmission Operations and Planning Department and the Distribution Department. In addition, PEC utilizes shared resources from: the Power Operations Group that consists of the Power Generation Carolinas, Regulated Fuels, and Regulated Commercial Operations Departments; and the Nuclear Generation Group.

PECs' all-time summer system peak load is 12,656 MWh, and their all-time winter system peak load is 12,142 MWh. PEC normally has a summer peak.

### **Audit Specifics**

The compliance audit was conducted on April 28–May 1, 2008 at the PEC office in Raleigh, North Carolina.

### Audit Team

<b>Audit Team Role</b>	<b>Name</b>	<b>Title</b>	<b>Company</b>
Lead	Steve Gibe	SERC Senior Compliance Auditor	SERC Staff, formerly of SOS
Member	James Harrell	SERC Senior Compliance Auditor	SERC Staff, formerly of Cogentrix
Member	Joe Spencer	SERC Senior Compliance Auditor	SERC Staff, formerly of Altran Solutions
Member	Matt Bullard	SERC Industry SME	SCANA
Member	Mookie Chander	SERC Industry SME	Entergy
Member	Jay Farrington	SERC Industry SME	PowerSouth
Member	Bob Kenyon	NERC Regional Compliance Coordinator	NERC Staff, formerly of NSTAR Electric & Gas
Member	John Neagle	SERC Industry SME	AECI
Member	Loy Owens	SERC Industry SME	TVA
Member	Marjorie Parsons	SERC Industry SME	TVA

### PEC Audit Participants

<b>Title</b>	<b>PEC Organization</b>
VP-Trans, Operations & Planning	PEC
Manager – Transmission Services	PEC
Lead Engr. Power Ops Group	PEC
Federal Reg. Affairs	PGN
Transmission – System Grid Engineer	PEC
Associate General Counsel	PGN
Trans. Asset Mgmt. Component Engineer	PEC
Training Instructor	PEC
Mgr, Transmission Planning	PEC
Mgr, Carolinas Telecom – Regional	PEC
Operations Engineer Telecommunications	PEC
Resource Coordinator	PEC
Ops Management Specialist	PEC
Mgr. Federal Reg. Affairs	PGN
Mgr., Transmission ROW	PEC
Principal Engineer	PEC
VP – Power Generation	PEC
Principal Engineer, Nuclear Generation	PEC
Trans Line Eng – Mgr	PEC
Reg. Performance Leader – TOPD	PEC
Mgr. – Central Engrg.	PEC
Component Engineering	PEC
Manager, IT Security	PGN
Mgr – STDs Transmission	PEC

<b>Title</b>	<b>PEC Organization</b>
Mgr., Maint. Resource Mgmt.	PEC
System Operator II	PEC
Sr. Specialist	PEC
Training Instructor	PEC
Principal Engineer	PEC
Director, Corp Security	PGN
Manager – Power System Ops.	PEC
PEC Support	PEC
Sr. Work Mgmt. Specialist	PEC
Mgr, EMS Projects	PEC
Project Lead – EMS Support	PEC
Director – ECC	PEC
Engineer II	PEC
CIP Manager	PGN
President CEO	PEC

## AUDIT RESULTS

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

### *Findings*

<b>Reliability Standard</b>	<b>Requirement</b>	<b>Finding</b>
BAL-001-0	R1.	N/A
BAL-001-0	R2.	Compliant
BAL-001-0	R3.	Not Assessed
BAL-001-0	R4.	Not Assessed
BAL-002-0	R1.	Compliant
BAL-002-0	R2.	Compliant
BAL-002-0	R3.	Compliant
BAL-002-0	R4.	Compliant
BAL-002-0	R5.	Not Assessed
BAL-002-0	R6.	Compliant
BAL-003-0	R1.	Compliant
BAL-003-0	R2.	Compliant
BAL-003-0	R3.	Compliant
BAL-003-0	R4.	Not Assessed
BAL-003-0	R5.	Compliant
BAL-003-0	R6.	Not Assessed
BAL-004-0	R1.	N/A
BAL-004-0	R2.	Not Assessed
BAL-004-0	R3.	Compliant
BAL-004-0	R4.	N/A

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	R1.	Compliant
BAL-005-0	R2.	Compliant
BAL-005-0	R3.	Not Assessed
BAL-005-0	R4.	Not Assessed
BAL-005-0	R5.	Not Assessed
BAL-005-0	R6.	Compliant
BAL-005-0	R7.	Compliant
BAL-005-0	R8.	Compliant
BAL-005-0	R9.	Not Assessed
BAL-005-0	R10.	Compliant
BAL-005-0	R11.	Compliant
BAL-005-0	R12.	Compliant
BAL-005-0	R13.	N/A
BAL-005-0	R14.	Compliant
BAL-005-0	R15.	Compliant
BAL-005-0	R16.	N/A
BAL-005-0	R17.	N/A
BAL-006-1	R1.	Compliant
BAL-006-1	R2.	Compliant
BAL-006-1	R3.	Compliant
BAL-006-1	R4.	Compliant
BAL-006-1	R5.	Compliant
CIP-001-1	R1.	Compliant
CIP-001-1	R1 Cont'd	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.	Compliant
COM-001-1	R2.	Compliant
COM-001-1	R3.	Compliant
COM-001-1	R4.	Compliant
COM-001-1	R5.	Compliant
COM-001-1	R6.	Compliant
COM-002-2	R1.	Compliant
COM-002-2	R2.	Compliant
EOP-001-0	R1.	Compliant
EOP-001-0	R2.	Compliant
EOP-001-0	R3.	Compliant
EOP-001-0	R4.	Compliant
EOP-001-0	R5.	Compliant

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<b>Reliability Standard</b>	<b>Requirement</b>	<b>Finding</b>
EOP-001-0	R6.	Compliant
EOP-001-0	R7.	Compliant
EOP-002-2	R1.	Compliant
EOP-002-2	R2.	Compliant
EOP-002-2	R3.	Compliant
EOP-002-2	R4.	Compliant
EOP-002-2	R5.	Compliant
EOP-002-2	R6.	Compliant
EOP-002-2	R7.	N/A
EOP-002-2	R8.	N/A
EOP-002-2	R9.	Compliant
EOP-003-1	R1.	Compliant
EOP-003-1	R2.	Compliant
EOP-003-1	R3.	Compliant
EOP-003-1	R4.	Compliant
EOP-003-1	R5.	Compliant
EOP-003-1	R6.	Compliant
EOP-003-1	R7.	Compliant
EOP-003-1	R8.	Compliant
EOP-004-1	R1.	N/A
EOP-004-1	R2.	Compliant
EOP-004-1	R3.	Compliant
EOP-004-1	R4.	N/A
EOP-004-1	R5.	N/A
EOP-005-1	R1.	Compliant
EOP-005-1	R2.	Compliant
EOP-005-1	R3.	Compliant
EOP-005-1	R4.	Compliant
EOP-005-1	R5.	Compliant
EOP-005-1	R6.	Compliant
EOP-005-1	R7.	Compliant
EOP-005-1	R8.	Compliant
EOP-005-1	R9.	Compliant
EOP-005-1	R10.	Compliant
EOP-005-1	R11.	Compliant
EOP-006-1	R1.	N/A
EOP-006-1	R2.	N/A
EOP-006-1	R3.	N/A
EOP-006-1	R4.	N/A
EOP-006-1	R5.	N/A
EOP-006-1	R6.	N/A
EOP-008-0	R1.	Compliant

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<b>Reliability Standard</b>	<b>Requirement</b>	<b>Finding</b>
EOP-009-0	R1.	Compliant
EOP-009-0	R2.	Compliant
FAC-003-1	R1.	Compliant
FAC-003-1	R2.	Compliant
FAC-003-1	R3.	Compliant
FAC-003-1	R4.	N/A
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.	Compliant
FAC-013-1	R2.	Compliant
INT-001-2	R1.	Compliant
INT-001-2	R2.	Compliant
INT-003-2	R1.	Compliant
INT-004-1	R1.	Compliant
INT-004-1	R2.	Compliant
IRO-001-1	R1.	N/A
IRO-001-1	R2.	N/A
IRO-001-1	R3.	N/A
IRO-001-1	R4.	N/A
IRO-001-1	R5.	N/A
IRO-001-1	R6.	N/A
IRO-001-1	R7.	N/A
IRO-001-1	R8.	Compliant
IRO-001-1	R9.	N/A
IRO-003-2	R1.	N/A
IRO-003-2	R2.	N/A
IRO-004-1	R1.	N/A
IRO-004-1	R2.	N/A
IRO-004-1	R3.	N/A
IRO-004-1	R4.	Compliant
IRO-004-1	R5.	N/A
IRO-004-1	R6.	N/A
IRO-004-1	R7.	Compliant
IRO-005-1	R1.	N/A
IRO-005-1	R2.	N/A
IRO-005-1	R3.	N/A
IRO-005-1	R4.	N/A
IRO-005-1	R5.	N/A
IRO-005-1	R6.	N/A

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<b>Reliability Standard</b>	<b>Requirement</b>	<b>Finding</b>
IRO-005-1	R7.	N/A
IRO-005-1	R8.	N/A
IRO-005-1	R9.	N/A
IRO-005-1	R10.	N/A
IRO-005-1	R11.	N/A
IRO-005-1	R12.	N/A
IRO-005-1	R13.	Compliant
IRO-005-1	R14.	Compliant
IRO-005-1	R15.	N/A
IRO-005-1	R16.	N/A
IRO-005-1	R17.	N/A
IRO-006-3	R1.	N/A
IRO-006-3	R2.	N/A
IRO-006-3	R3.	Compliant
IRO-006-3	R4.	N/A
IRO-006-3	R5.	N/A
IRO-006-3	R6.	Compliant
IRO-014-1	R1.	N/A
IRO-014-1	R2.	N/A
IRO-014-1	R3.	N/A
IRO-014-1	R4.	N/A
IRO-015-1	R1.	N/A
IRO-015-1	R2.	N/A
IRO-015-1	R3.	N/A
IRO-016-1	R1.	N/A
IRO-016-1	R2.	N/A
PER-002-0	R1.	Compliant
PER-002-0	R2.	Compliant
PER-002-0	R3.	Compliant
PER-002-0	R4.	Compliant
PER-003-0	R1.	Compliant
PER-004-1	R1.	N/A
PER-004-1	R2.	N/A
PER-004-1	R3.	N/A
PER-004-1	R4.	N/A
PER-004-1	R5.	N/A
PRC-004-1	R1.	Complaint
PRC-004-1	R2.	Compliant
PRC-004-1	R3.	Compliant
PRC-005-1	R1.	Compliant
PRC-005-1	R2.	Compliant
PRC-008-0	R1.	Compliant

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<b>Reliability Standard</b>	<b>Requirement</b>	<b>Finding</b>
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
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.	Compliant
TOP-002-2	R2.	Compliant
TOP-002-2	R3.	Compliant
TOP-002-2	R4.	Compliant
TOP-002-2	R5.	Compliant
TOP-002-2	R6.	Compliant
TOP-002-2	R7.	Compliant
TOP-002-2	R8.	Compliant
TOP-002-2	R9.	Compliant
TOP-002-2	R10.	Compliant
TOP-002-2	R11.	Compliant
TOP-002-2	R12.	Compliant
TOP-002-2	R13.	Compliant
TOP-002-2	R14.	Compliant
TOP-002-2	R15.	Compliant
TOP-002-2	R16.	Compliant
TOP-002-2	R17.	Compliant
TOP-002-2	R18.	Compliant
TOP-002-2	R19.	Compliant
TOP-003-0	R1.	Compliant
TOP-003-0	R2.	Compliant
TOP-003-0	R3.	Compliant
TOP-003-0	R4.	Compliant
TOP-004-1	R1.	Compliant
TOP-004-1	R2.	Compliant
TOP-004-1	R3.	Compliant
TOP-004-1	R4.	Compliant
TOP-004-1	R5.	Compliant
TOP-004-1	R6.	Compliant
TOP-005-1	R1.	Compliant

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<b>Reliability Standard</b>	<b>Requirement</b>	<b>Finding</b>
TOP-005-1	R2.	Compliant
TOP-005-1	R3.	Compliant
TOP-005-1	R4.	Compliant
TOP-007-0	R1.	Compliant
TOP-007-0	R2.	Compliant
TOP-007-0	R3.	Compliant
TOP-007-0	R4.	N/A
TPL-001-0	R1.	Compliant
TPL-001-0	R2.	Compliant
TPL-001-0	R3.	Compliant
TPL-002-0	R1.	Compliant
TPL-002-0	R2.	Compliant
TPL-002-0	R3.	Compliant
TPL-003-0	R1.	Compliant
TPL-003-0	R2.	Compliant
TPL-003-0	R3.	Compliant
TPL-004-0	R1.	Compliant
TPL-004-0	R2.	Compliant
VAR-001-1	R1.	Compliant
VAR-001-1	R2.	Compliant
VAR-001-1	R3.	Compliant
VAR-001-1	R4.	Compliant
VAR-001-1	R5.	Compliant
VAR-001-1	R6.	Compliant
VAR-001-1	R7.	Compliant
VAR-001-1	R8.	Compliant
VAR-001-1	R9.	Compliant
VAR-001-1	R10.	Compliant
VAR-001-1	R11.	Compliant
VAR-001-1	R12.	Compliant
VAR-002-1	R1.	Compliant
VAR-002-1	R2.	Compliant
VAR-002-1	R3.	Compliant
VAR-002-1	R4.	Compliant
VAR-002-1	R5.	Compliant

**Compliance Culture**

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