



Compliance Audit Report Public Version

**South Carolina Electric & Gas Company
NCR00915
October 27-30, 2008**

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

December 24, 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.

South Carolina Electric & Gas Company (SCE&G) was audited on October 27-30, 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 SCE&G's registered functions. SCE&G 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 Owner (GO), Generator Operator (GOP), Load-Serving Entity (LSE), Purchasing-Selling Entity (PSE), Planning Authority (PA), Interchange Authority (IA) and Reserve Sharing Group (RSG). Forty-eight (48) standards were selected and identified to SCE&G as subject to review during this audit. The audit focused on documents and other evidence provided to SERC by the staff of SCE&G, 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.

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

The audit team determined that SCE&G does not own or operate Under Voltage Load Shedding or Special Protection Systems and, therefore, 5 of the 48 standards previously mentioned were not applicable. These standards are PRC-010, PRC-011, PRC-016, PRC-017 and PRC-021.

The audit team found SCE&G 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.¹ The audit objectives are:

¹ North American Electric Reliability Corporation CMEP, paragraph 3.1, Compliance Audits

- Independently review SCE&G compliance with the requirements of the Reliability Standards that are applicable to SCE&G based on the SCE&G 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 SCE&G compliance culture.

Scope

The scope of the audit of SCE&G included all monitored standards that are in the NERC 2008 CMEP. Based on the confirmed registration of SCE&G, the 48 Reliability Standards previously indentified were the focus of the compliance audit. The audit team determined that SCE&G does not own or operate Under Voltage Load Shedding or Special Protection Systems and therefore, 5 of the 48 were not applicable. These standards are PRC-010, PRC-011, PRC-016, PRC-017 and PRC-021.

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 SCE&G in advance of the audit. Work history and conflict of interest forms submitted by each audit team member were provided to SCE&G upon request. SERC has confirmed that confidentiality agreements have been executed by, and are on file for SERC Industry Volunteers. SCE&G 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. SCE&G accepted the audit team member participants with no objections.

On-site Audit

SCE&G was contacted by letter on May 2, 2008 by SERC staff. The letter provided SCE&G 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 SCE&G both verify their currently registered functions and complete and return an attached Pre-Audit Survey within 30 days.

On August 1, 2008, SERC staff forwarded an Audit Detail Letter to SCE&G, again confirming the scheduled audit dates and confirming SCE&G's registered functions within SERC. The Audit Detail Letter also provided SCE&G with notice of the Standards in Audit Scope, Proposed Audit Schedule, Audit Team Roster (with industry affiliations), and requested that SCE&G 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, SCE&G 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 SCE&G. The standards were grouped and scheduled for review to make the most efficient use of SCE&G staff's time. The audit team moderator (ATL or designee) initiated dialogue on each standard requirement and requested compliance evidence. This evidence and SCE&G's staff response was documented. SCE&G 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 SCE&G as subject to this audit. SCE&G staff responded by providing evidence in the form of reports, procedures, studies and other documents. SCE&G 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 SCE&G 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 SCE&G did not provide sufficient evidence to support a finding of compliance, then a possible violation was identified by the team and SCE&G staff was informed.

Audit Overview

The audit team arrived at the SCE&G offices at 2:55 p.m., October 27, 2008. Each member of the audit team was introduced and professional affiliation identified. The staff of SCE&G was introduced, and general housekeeping matters explained. The staff of SCE&G was excused and the audit team reviewed team assignments and a general overview for preparation of the audit activities starting on the next day. SCE&G provided the audit team with a tour of their new facilities and the audit team left the site at 5:23 p.m.

The audit team arrived at the SCE&G offices at 7:42 a.m., October 28, 2008. The audit began at 8:08 a.m., October 28, 2007 with an opening presentation by SCE&G during which SCE&G staff described SCE&G's corporate structure and compliance program. This was followed by an opening presentation by James Harrell, Senior Compliance Auditor and Audit Team Lead (ATL) at 8:20 a.m. Each member of the audit team was introduced and professional affiliation identified. The ATL reviewed the NERC compliance plan for 2008 in general, and how it applied to SCE&G specifically. The ATL introduced and reviewed the standards to be covered in the audit, and addressed both the expectations of SCE&G 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 SCE&G with entity staff to verify applicability of each standard. Each standard's audit began with a recitation of each requirement. SCE&G 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

SCE&G 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 12:04 p.m., October 30, 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 1:40 p.m., October 30, 2008. This was followed by an informal response and questions from the SCE&G 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 SCE&G staff, along with requesting that they fill out formal feedback forms for submission to NERC and SERC.

The audit team left the SCE&G offices at 2:15 p.m., October 30, 2008.

Company Profile

South Carolina Electric and Gas Company (SCE&G) is the principal subsidiary of SCANA Corporation, an energy-based holding company whose businesses include regulated electric and natural gas utility operations, telecommunications and other non-regulated energy-related businesses. The Corporate headquarters is located in Columbia, South Carolina.

SCE&G owns and operates electric generation, transmission and distribution and serves approximately 646,000 retail and wholesale customers throughout South Carolina. The service territory extends into 24 counties and covers approximately 16,000 square miles. The historical summer peak for SCE&G is approximately 4,926 megawatts.

Audit Specifics

The compliance audit was conducted on October 27-30, 2008 at the SCE&G office in Cayce, South Carolina.

Audit Team

Audit Team Role	Title	Company
Audit Team Leader	Senior Compliance Auditor	SERC
Member	SERC Industry Subject Matter Expert	Duke Energy Carolinas
Member	SERC Industry Subject Matter Expert	Southern Company
Member	SERC Industry Subject Matter Expert	Entergy
Member	SERC Industry Subject Matter Expert	Midwest ISO
Member	Senior Compliance Auditor	SERC
Member	Senior Compliance Auditor	SERC
Member	Compliance Auditor	SERC
Member	Compliance Auditor	SERC
Member	Senior Compliance Auditor	SERC
Member	Organization and Registration Certification Auditor	NERC

SCE&G Audit Participants Title and Organization

Title	SCE&G Organization
Manager, System Control	SCE&G
Reliability Specialist III, System Control	SCE&G
General Manager, Telecommunications	SCE&G
General Manager, Electric Transmission	SCE&G
Supervisor, Power Delivery R/W	SCE&G
General Manager, Fossil Hydro	SCE&G
Manager, Fossil Hydro	SCE&G
Manager, Transmission Planning	SCE&G
Sr. Engineer, Transmission Planning	SCE&G
Manager, Relay & SCADA	SCE&G
Engineer-Assistant, Relay & SCADA	SCE&G
Manager, Aiken Transmission Operation Maintenance	SCE&G
Director, Power Marketing	SCE&G
Power Marketer, Power Marketing	SCE&G
Reliability Specialist, Electric Transmission Support	SCE&G
Manager, Operation Planning	SCE&G
IT Auditor IV	SCE&G
System Controller, System Control	SCE&G
President	Powersmiths
IT Auditor IV	SCE&G
Analyst	SCE&G
Manager, Electric Transmission	SCE&G
Chief Compliance Officer, SCANA	SCE&G
Manager, ERO Compliance	SCE&G
Manager, Physical Security	SCE&G
Manager, Telecom	SCE&G
Manager, Two-Way Radio	SCE&G
Manager, Fiber Optics	SCE&G

AUDIT RESULTS

The audit team found SCE&G 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.	Compliant
BAL-001-0	R2.	Compliant
BAL-001-0	R3.	Compliant
BAL-001-0	R4.	Compliant
BAL-002-0	R1.	Compliant
BAL-002-0	R2.	Compliant
BAL-002-0	R3.	Compliant
BAL-002-0	R4.	Compliant
BAL-002-0	R5.	Compliant
BAL-002-0	R6.	Compliant
BAL-003-0	R1.	Compliant
BAL-003-0	R2.	Compliant
BAL-003-0	R3.	Compliant
BAL-003-0	R4.	Compliant
BAL-003-0	R5.	Compliant
BAL-003-0	R6.	Compliant
BAL-004-0	R1.	N/A
BAL-004-0	R2.	N/A
BAL-004-0	R3.	Compliant
BAL-004-0	R4.	N/A
BAL-005-0	R1.	Compliant
BAL-005-0	R2.	Compliant
BAL-005-0	R3.	Compliant
BAL-005-0	R4.	Compliant
BAL-005-0	R5.	Compliant
BAL-005-0	R6.	Compliant
BAL-005-0	R7.	Compliant
BAL-005-0	R8.	Compliant
BAL-005-0	R9.	Compliant
BAL-005-0	R10.	Compliant
BAL-005-0	R11.	Compliant
BAL-005-0	R12.	Compliant
BAL-005-0	R13.	Compliant
BAL-005-0	R14.	Compliant
BAL-005-0	R15.	Compliant
BAL-005-0	R16.	Compliant
BAL-005-0	R17.	Compliant
BAL-006-1	R1.	Compliant
BAL-006-1	R2.	Compliant
BAL-006-1	R3.	Compliant
BAL-006-1	R4.	Compliant

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

Reliability Standard	Requirement	Finding
BAL-006-1	R5.	Compliant
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		
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
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.	Compliant
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

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Reliability Standard	Requirement	Finding
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
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

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Reliability Standard	Requirement	Finding
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
IRO-005-1	R7.	N/A
IRO-005-1	R8.	Compliant
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.	N/A
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

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Reliability Standard	Requirement	Finding
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.	Compliant
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
PRC-008-0	R2.	Compliant
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-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
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

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Reliability Standard	Requirement	Finding
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.	N/A
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
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

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Reliability Standard	Requirement	Finding
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 SCE&G was obtained from the Pre-Audit Compliance Survey, Compliance Program Survey and Pre-Audit Questionnaires that were completed by SCE&G prior to the audit.