



Compliance Audit Report Public

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

**Seattle City Light (SCL)
NCR05382
September 8-12, 2008**

June 4, 2010

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Executive Summary

Note – This SCL compliance audit report provides a record of SCL's compliance status as documented by the WECC Compliance Department during the on-site audit of September 8-12, 2008. This report does not reflect any actions SCL may have taken since the on-site audit.

The Western Electricity Coordinating Council (WECC) Compliance Department conducted an on-site compliance audit of Seattle City Light (SCL) on September 8-12, 2008. The audit was conducted at Seattle City Light's System Control Center (SCC) in Seattle, Washington. The nine member audit team was made up of four WECC compliance staff, three WECC consultants (independent contractors) and two NERC staff members. Federal Energy Regulatory Commission (FERC) staff did not attend the audit.

The audit began at approximately 1:30 PM on September 8, 2008, with introductions followed by a short presentation by the WECC audit team about the audit process, and an overview of Seattle City Light presented by SCL personnel. The audit then proceeded each day thereafter, concluding in the morning on Friday, September 12, 2008, with an exit briefing on the preliminary audit findings to SCL personnel.

The audit scope involved the audit of forty-eight (48) NERC reliability standards and six (6) WECC Regional Reliability Standards.

Prior to the start of the audit, SCL self-reported several outstanding compliance violations and submitted mitigation plans for each one. Some of the mitigation plan completions and evidence were audited by the WECC Compliance Department prior to the on-site audit. The audit team also reviewed mitigation plan completion forms and evidence for the standards audited to determine compliance for the outstanding violations. The WECC Compliance Department will send SCL formal documentation of the mitigation plans review status.

The audit team used the Reliability Standard Audit Worksheets (RSAWs) during the compliance review of each reliability standard. Note: Some reliability standards do not have a developed RSAW. For these reliability standards the requirements and measures for each standard were relied on for compliance review. The audit team used the evidence (documentation provided and interviews) as the factual basis to support audit findings and conclusions.

As background, FERC Order 693 was issued on March 16, 2007, and made compliance to eighty-three (83) of the NERC Reliability Standards mandatory and enforceable in the United States on June 18, 2007. Each of these reliability standards is subject to the sanction guidelines effective on that date. As of the SCL audit, there are ninety-four (94) FERC approved standards.

Audit Process

The compliance audit process steps are detailed in both the WECC and NERC Compliance Monitoring and Enforcement Programs (CMEPs).

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:

- Independently review SCL's compliance with the requirements of the reliability standards that are applicable to SCL based on SCL's registered functions.
- Validate compliance with applicable reliability standards from the NERC 2008 Implementation Plan list of actively monitored reliability standards.
- Validate compliance to WECC regional standards.
- Document SCL's compliance culture and Internal Compliance Program.

Scope

A compliance audit includes all reliability standards applicable to the Registered Entity monitored in the NERC Implementation Plans in the current and two previous years, and may include other reliability standards applicable to the Registered Entity. The scope of an on-site compliance audit can vary depending on whether it is scheduled as part of a regular, periodic scheduled audit or as part of a compliance investigation.

Note: For the 2008 compliance program, the monitoring period for the compliance audit will generally be the past twelve 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.

The SCL audit scope involved the audit of forty-eight NERC Reliability Standards and six WECC Regional Reliability Standards.

Confidentiality and Conflict of Interest

Confidentiality agreements, executed by the WECC independent contractors (consultants) and code of conduct documentation for the NERC representative and WECC compliance staff, were available to SCL, if requested, in advance of the audit. Work histories submitted by audit team members were provided to SCL. SCL 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

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

could interfere with the audit team member's impartial performance of duties. SCL accepted the audit team member participants with no objections.

On-site Audit

On-site audits of Reliability Coordinators (RCs), Balancing Authorities (BAs), and Transmission Operators (TOPs) are conducted on a three-year cycle. SCL is registered as a BA, TOP, Transmission Owner (TO), Transmission Planner (TP), Generation Operator (GOP), Generation Owner (GO), Load-Serving Entity (LSE), Distribution Provider (DP), Planning Authority (PA), Purchasing-Selling Entity (PSE), and Resource Planner (RP); and is, therefore, subject to an on-site audit every three years.

SCL was officially notified of the September 8-12, 2008 on-site audit (60-day Notice of Audit). Accompanying this notification were several documents relating to the audit as listed below:

- Pre-Audit Introduction Letter
- Notice of Compliance Audit (An explanation of Compliance Monitoring Authority and Registered Entity Obligations regarding collection of data and information necessary to assess compliance with approved reliability standards)
- WECC Compliance Audit Team Biographies
- NERC 2008 Actively Monitored Standards
- Pre-Audit Questionnaire
- 2008 Audit Documentation Matrix.

SCL was notified in the Pre-Audit Letter that personnel (subject matter experts representing all the registered functions) would need to be available to answer questions (interviews) the audit team might have regarding the documentation.

The audit team had the flexibility to expand the scope of the audit by notifying SCL in advance via the agenda that additions to the initial scope of the audit would be requested by the audit team leader, if necessary, during the audit overview meeting between the audit team and SCL.

SCL was asked to submit the completed questionnaire and certain requested documents back to WECC. These requested documents included:

- Sabotage Reporting Procedure (CIP-001-1)
- Capacity and Energy Emergency Plan (EOP-002-2)
- Manual Load Shed Plan or Procedure (EOP-003-1)
- System Restoration Plan (EOP-005-1)
- Loss of Primary Control Center Plan (EOP-008-0)
- Vegetation Management Plan (FAC-003-1)
- Operator Training Program (PER-002-0)
- Planning Studies and Assessment (TPL Standards)
- List of NERC Certified Operators and Certification Numbers.

SCL also received the audit folders and Reliability Standard Audit Worksheets (RSAWs) approximately thirty (30) days ahead of the on-site audit.

The Audit Documentation Matrix was completed by SCL and sent to WECC approximately five (5) days ahead of the on-site audit. This matrix provided guidance to the audit team on where to look in the documentation for compliance to each of the reliability standards.

SCL was also informed that the on-site compliance audit would be conducted consistent with the following WECC Regional and NERC documents:

- WECC Compliance Monitoring and Enforcement Program
- NERC Reliability Standard Audit Worksheets.

Professional judgment was used by the audit team during the audit process. The audit team leader requested interviews with several SCL employees who were subject matter experts in one or more of the registered functions of SCL. These interviews in conjunction with SCL evidence, gave the audit team a factual basis for determining compliance with the NERC reliability standards.

Reference - Generally accepted government auditing standard 3.31 - Auditors must use professional judgment in planning and performing audits and attestation engagements and in reporting the results.

Reference - Generally accepted government auditing standard 3.39 - While this standard places responsibility on each auditor and audit organization to exercise professional judgment in planning and performing an audit or attestation engagement, it does not imply unlimited responsibility, nor does it imply infallibility on the part of either the individual auditor or the audit organization. Absolute assurance is not attainable because of the nature of evidence and the characteristics of fraud. Professional judgment does not mean eliminating all possible limitations or weaknesses associated with a specific audit, but rather identifying, considering, minimizing, mitigating, and explaining them.

Methodology

The audit methodology includes best practices that are to be followed by compliance auditors in carrying out their work. These practices should be objective, measurable, complete and relevant to the audit objectives. The auditors should identify potential sources of audit evidence and consider the amount and type of evidence needed to determine findings.

Audit Overview

Depending on the size of the entity being audited, the on-site audits typically begin with an opening meeting at 1:30 PM on a Monday and conclude with an exit preliminary findings meeting around 3:00 PM on Friday. The audit opening

meeting on the afternoon of the first day was the initial meeting between the audit team and SCL personnel.

The opening meeting also provided the audit team with a good overview of SCL's operation and organization prior to actually beginning the audit process.

Audit

The audit began at approximately 1:30 PM on September 8, 2008, with the opening meeting.

The audit then proceeded each day thereafter with adjustments in the accommodations for the audit team, to the agenda to accommodate interviews, and to receive additional documentation. The audit team broke into sub-teams of two or three auditors to complete the audit for each reliability standard. At least twice a day, the audit team recapped preliminary findings to ensure the entire team concurred with each sub-team's findings.

SCL was flexible in having subject matter experts available for interviews. The interviews were conducted in designated adjacent conference rooms or at the control center and not in the main audit room.

On September 12, 2008, the audit concluded in the morning with the preliminary audit findings presented to SCL personnel in an exit briefing.

Exit Briefing

The exit briefing with SCL personnel was conducted during the morning of September 12, 2008.

Company Profile

The following Seattle City Light (SCL) profile is from the Pre-Audit Questionnaire.

Seattle City Light is a department of the City of Seattle. The Mayor of Seattle provides executive oversight and budget authority and the Seattle City Council exercises legislative and budgetary oversight of SCL.

The corporate structure consists of a superintendent, five officers and a chief of staff. Officers are in charge of the business units including: Customer Service and Energy Delivery, Power Supply and Environmental Affairs, Financial Services, Human Resources, Internal Compliance and Office of Superintendent. The System Operations Division, which includes the System Control Center (SCC), is responsible for executing Transmission Operator, Generation Operator and Balancing Authority functions for SCL. The System Operations Division reports to the Customer Service and Energy Delivery Officer.

Audit Specifics

The SCL compliance audit was conducted on September 8-12, 2008, at Seattle City Light's System Control Center (SCC) in Seattle, Washington.

Audit Team

Audit Team Role	Title	Company
Lead	Senior Compliance Engineer	WECC
Member	Senior Compliance Engineer	WECC
Member	Senior Compliance Engineer	WECC
Member	Compliance Program Coordinator	WECC
Member	Compliance Consultant	WECC
Member	Compliance Consultant	WECC
Member	Compliance Consultant	WECC
Oversight	Regional Compliance Program Coordinator	NERC
Oversight	Regional Compliance Program Coordinator	NERC

SCL Audit Participants

Title	Organization
Chief Power Operations Dispatcher	SCL
Chief Power Dispatcher Distribution System Operations	SCL
Chief Compliance Officer	SCL
Compliance Coordinator	SCL
Protection and Control Electrician II	SCL
Chief - Protection and Control Electrician	SCL
Protection and Control Electrician	SCL
Electrical Power System Principal, T&D Planning	SCL
Manager of Central Engineering	SCL
IT Prof B acting as Power Systems Analyst, T&D Planning	SCL
System Operations Engineer	SCL

Audit Results

The audit team reviewed and validated all SCL evidence, including additional evidence requested and provided during the on-site audit and interviews with SCL subject matter experts.

- The audit team spent significant time reviewing the evidence, findings, and conclusions. An extensive review of SCL procedures, descriptions of processes, transactions and records was also conducted.
- Professional judgments were made by the audit team during the overall assessment of the evidence, and included a determination of whether the evidence was sufficient and appropriate to confirm compliance with the NERC Reliability Standards.
- Communications with SCL management were ongoing during the audit.
- Reliability Standard Audit Worksheets (RSAW) and summaries of auditor notes from interviews were used to validate compliance with each reliability standard and to complete the Findings for the audit.
- This audit report includes information about possible compliance violations. This information will be used to determine the severity level of any sanctions and/or penalties.

Findings

The “Finding” column contains one of the following: Compliant, Possible Violation (PV), New Possible Violation (NPV), Not Applicable (NA), Not Audited, Outstanding Alleged Violation (OAV), Retraction requested (Retract), Self-reported Violation (Self-report), or other appropriate description.

Reliability Standard	Requirement	Finding
BAL-001-0	R1.	Compliant
BAL-001-0	R2.	Compliant
BAL-001-0	R3.	N/A
BAL-001-0	R4.	N/A
BAL-002-0	R1.	Compliant
BAL-002-0	R2.	N/A
BAL-002-0	R3.	Compliant
BAL-002-0	R4.	N/A
BAL-002-0	R5.	N/A
BAL-002-0	R6.	N/A
BAL-STD-002-0	WR1.	Compliant
BAL-003-0	R1.	Compliant
BAL-003-0	R2.	Compliant
BAL-003-0	R3.	Compliant
BAL-003-0	R4.	N/A
BAL-003-0	R5.	Compliant
BAL-003-0	R6.	N/A
BAL-004-0	R1.	N/A
BAL-004-0	R2.	N/A
BAL-004-0	R3.	Compliant
BAL-004-0	R4.	N/A

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Reliability Standard	Requirement	Finding
BAL-005-0	R1.	Compliant
BAL-005-0	R2.	Compliant
BAL-005-0	R3.	N/A
BAL-005-0	R4.	N/A
BAL-005-0	R5.	N/A
BAL-005-0	R6.	Compliant
BAL-005-0	R7.	Compliant
BAL-005-0	R8.	Compliant
BAL-005-0	R9.	Compliant
BAL-005-0	R10.	N/A
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.	Not Audited
BAL-006-1	R4.	Compliant
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
COM-001-1	R1.	Compliant
COM-001-1	R2.	OAV
COM-001-1	R3.	Compliant
COM-001-1	R4.	Compliant
COM-001-1	R5.	Compliant
COM-001-1	R6.	N/A
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

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Reliability Standard	Requirement	Finding
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.	N/A
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-008-0	R1.	Compliant
EOP-009-0	R1.	Compliant
EOP-009-0	R2.	Compliant
FAC-003-1	R1.	Compliant
FAC-003-1	R2.	OAV
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

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Reliability Standard	Requirement	Finding
FAC-009-1	R1.	Compliant
FAC-009-1	R2.	Compliant
FAC-013-1	R1.	Compliant
FAC-013-1	R2.	Compliant
INT-001-2	R1.	N/A
INT-001-2	R2.	Compliant
INT-003-2	R1.	Compliant
INT-004-1	R1.	Compliant
INT-004-1	R2.	N/A
IRO-001-1	R1.	N/A
IRO-001-1	R2.	N/A
IRO-001-1	R3.	Compliant
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-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.	N/A
IRO-005-1	R15.	N/A
IRO-005-1	R16.	N/A
IRO-005-1	R17.	N/A

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Reliability Standard	Requirement	Finding
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-STD-006-0	WR1.	Compliant
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
PRC-004-1	R1.	Compliant
PRC-004-1	R2.	Compliant
PRC-004-1	R3.	Compliant
PRC-005-1	R1.	Compliant
PRC-005-1	R2.	OAV
PRC-STD-005-1	WR1.	N/A
PRC-008-0	R1.	Compliant
PRC-008-0	R2.	Compliant
PRC-010-0	R1.	Compliant
PRC-010-0	R2.	Compliant
PRC-011-0	R1.	Compliant
PRC-011-0	R2.	Compliant
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.	Compliant
PRC-021-1	R2.	Compliant
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.	N/A
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.	N/A
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
TOP-STD-007-0	WR1.	N/A
TPL-001-0	R1.	Compliant
TPL-001-0	R2.	Compliant
TPL-001-0	R3.	Compliant
TPL-002-0	R1.	NPV
TPL-002-0	R2.	NPV
TPL-002-0	R3.	Compliant
TPL-003-0	R1.	NPV
TPL-003-0	R2.	NPV
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

Reliability Standard	Requirement	Finding
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
VAR-STD-002a-1	WR1.	Compliant
VAR-STD-002b-1	WR1.	Compliant

Compliance Culture

For an Internal Compliance Program (ICP):

- SCL has developed an ICP that has been shared only with senior management and the reliability standards compliance committee at this time.