



Compliance Audit Report Public Version

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

**Citizen's Electric Company
of Lewisburg, PA
NERC ID # - NCR00709**

Date of Audit - May 4-11, 2009

Date of Report – May 26, 2009

TABLE OF CONTENTS

Executive Summary	1
Audit Process	1
Objectives	1
Scope.....	2
Confidentiality and Conflict of Interest	2
Off-site Audit	2
Methodology	3
Opening Briefing	3
Audit	4
Exit Briefing.....	4
Company Profile.....	4
Audit Specifics.....	5
Audit Results.....	5
Findings.....	5
Compliance Culture	7

Executive Summary

This compliance audit report is the public version. Confidential information (including privileged and critical energy infrastructure information) has been removed. This public compliance audit report will be submitted to NERC and posted on the NERC website.

A compliance audit of Citizens' Electric Company of Lewisburg, PA (Citizens' Electric) was conducted from May 4 - 11, 2009 by an audit team lead by ReliabilityFirst. ReliabilityFirst conducts compliance audits as part of the ReliabilityFirst Compliance Monitoring and Enforcement Program (CMEP). At the time of the audit, Citizens' Electric, NERC ID # - NCR00709; was registered for the Purchasing-Selling Entity (PSE) function that it performs in the ReliabilityFirst region.

The Audit Team evaluated Citizens' Electric for compliance with six (6) NERC Reliability Standards which consisted of six (6) requirements for the period of June 18, 2007 to May 11, 2009. Citizens' Electric provided information and documentation to aid the Audit Team's evaluation of compliance with the applicable standards. The Audit Team reviewed and evaluated all information provided by Citizens' Electric to assess compliance with requirements/standards applicable to the PSE function.

Citizens' Electric was found compliant to one (1) of the applicable NERC Reliability standards consisting of one requirement. The remaining five (5) standards consisting of five (5) requirements were found to be not applicable. The Audit Team did not identify any Possible Alleged Violations (PAVs). The basis for these findings is detailed in the Audit Result Findings section of this report.

There were no on-going mitigation plans and therefore none were reviewed by the audit team.

Audit Process

The compliance audit process steps are detailed in the ReliabilityFirst CMEP. The ReliabilityFirst 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 to:

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

- Review Citizens' Electric compliance with the requirements of Reliability Standards that are applicable to Citizens' Electric based on Citizens' Electric registered functions.
- Validate compliance with applicable Reliability Standards from the NERC 2009 Implementation Plan list of actively monitored standards.
- Validate evidence of outstanding self-reported violations and previous self-certifications, confirm compliance with other requirements of the Reliability Standards, and review the status of associated Mitigation Plans.
- Document Citizens' Electric compliance program and culture.
- Validate compliance with additional NERC standards selected by the regions that are not in the NERC 2009 Implementation Plan.
- Validate compliance with applicable Reliability *First* and other regional reliability standards that apply to Citizens' Electric.

Scope

The scope of the compliance audit included applicable NERC Reliability Standards applicable to the Registered Entity being monitored in the 2009 Reliability *First* Implementation Plan for the current and two previous years to June 18, 2007. Reliability *First* also included a review of appropriate mitigation plans and self-certifications.

Confidentiality and Conflict of Interest

Confidentiality and Conflict of Interest of the Audit Team are governed under the Reliability *First* Delegation Agreement with NERC and the NERC Rules of Procedure Section 1500. Citizens' Electric was informed of the Reliability *First* obligations and responsibilities under this agreement and rules of procedure. The work history for each Audit Team member was provided to Citizens' Electric. Citizens' Electric 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. Citizens' Electric did not submit any objections by the stated fifteen day objection due date and by this action accepted the Audit Team member participants without objection.

Off-site Audit

Citizens' Electric is currently subject to a compliance audit at a minimum of once every six years as provided by the NERC Rules of Procedure. Every PSE in the NERC Compliance Registry is required to have an audit once every six years. Citizens' Electric was provided with a 60 day notification of this scheduled audit and at that time was provided with all necessary documents required by the NERC and Reliability *First* audit process. The following documents were provided as part of the 60 day notification:

- 60 day Notification letter which contained request for evidence , information, and date submittals for each applicable requirement/standard
- Compliance Audit Survey
- Audit Agenda as applicable
- Confidentiality Agreements
- Internal Compliance Program Survey
- Audit Team Work History with discussion of the objection process
- General Instructions of Data and/or Information Submittals
- Reliability Standard Auditor Worksheets (RSAWs)
- Reliability Standard Questionnaires

Documents were provided to Citizens' Electric in both electronic and hardcopy format.

Reliability*First* discussed the use of technical experts with the Citizens' Electric primary compliance contact and indicated that Reliability*First* would welcome the use of technical experts by Citizens' Electric as deemed necessary to explain their compliance to the requirements/standards.

Citizens' Electric cooperation and flexibility with the agenda to address the requirements/standards was appreciated by the Audit Team.

This audit was conducted in the Reliability*First* offices in Akron, Ohio, using material provided by Citizens' Electric. The Audit Team reviewed Citizens' Electric evidence of compliance for all applicable standards with Citizens' Electric technical experts, and requested, as required, additional information to clarify information previously supplied to the team. These interviews, in conjunction with evidence provided, supplied the Audit Team with a basis for using their professional judgment when validating compliance to the Reliability Requirements/Standards.

Methodology

The Audit Team reviewed the evidence provided by Citizens' Electric for each of the Reliability Standards and requirements that apply to the functions performed by the company to assess Citizens' Electric compliance with those NERC Reliability Standards and associated requirements, and a review of self-certifications. The Audit Team reviewed each requirement, discussed the levels of compliance and addressed each team member's observations during the audit to determine the team's compliance findings from the audit review.

Opening Briefing

An Opening Briefing was conducted with Citizens' Electric to discuss the following:

- Introduction of Audit Team
- Audit Objective and Scope
- Confidentiality of data and information
- Team Audit Expectations
- Discussion on Clarification Calls
- Audit Process
- Exit Briefing and schedule

Audit

The Reliability*First* Audit Team reviewed Citizens' Electric applicable reliability standards/requirements and evaluated and measured the evidence provided for each to determine compliance. When there was concern that the supporting evidence was not adequate or did not meet the intent of the requirement, the Audit Team requested signed attestations.

Exit Briefing

The Audit Team conducted an exit briefing with a presentation to Citizens' Electric via web-ex/conference call on May 11, 2009. The presentation was attended by Citizens' Electric staff as well as the audit team. The status of the off-site audit process was discussed, followed by a review of the audit scope, the preliminary audit findings, and the compliance audit report process and entity feedback. Citizens' Electric was provided an opportunity to ask questions concerning the topics that the Audit Team addressed.

The presentation was attended by the following Citizens' Electric staff via conference call/web-ex.

Title	Company
President and CEO	Citizens' Electric
Vice President, Engineering and Operations	Citizens' Electric

Company Profile

At the time of the audit, Citizens' Electric was registered for the NERC function of Purchasing Selling Entity (PSE) in Reliability*First*.

As a PSE, Citizens' Electric does not own or operate any assets. Citizens' Electric operates a small 12 kV distribution system in Lewisburg, Pennsylvania and the immediate vicinity on a 24/7 basis. Citizen serves 5,646 residential, 40 industrial and 1,092 commercial customers. The Reliability Coordinator (RC), Balancing Authority (BA) and Transmission Operator (TOP) for this area is the PJM Interconnection.

By formal agreement, Citizens' Electric' Electric Company has delegated the responsibility for INT-001-3 and INT-004-2 to PPL Electric Utilities for the purposes of wholesale load scheduling, and to ACES Power Marketing, LLC for the purposes of energy supply scheduling.

Audit Specifics

The compliance audit was conducted from May 4 - 11, 2009 at the ReliabilityFirst Office in Akron, Ohio.

Audit Team

Audit Team Role	Title	Company
Lead	Senior Engineer	ReliabilityFirst Corporation
Member	Consultant	RNJ Energy

Citizens' Electric Audit Participants

Title	Company
President and CEO	Citizens' Electric
Vice President, Engineering and Operations	Citizens' Electric

Audit Results

After reviewing all of the evidence presented, Citizens' Electric was found to be compliant with one (1) of the applicable NERC Reliability Standards, consisting of one (1) requirement that applies to the function Citizens' Electric is registered to perform in ReliabilityFirst. The audit team did not find any Possible Alleged Violations (PAVs). There were no mitigation plans, self certifications, or applicable regional standards that were in need of review by the audit team.

Findings

The following table lists the Audit Team's findings for the NERC Reliability Standards associated with Citizens' Electric registered function.

Citizens' Electric Off-site Audit Findings Table

Reliability Standard	Requirement	Finding
INT-001-3	R1	NA
INT-004-2	R2	NA
IRO-001-1	R8	NA
IRO-005-2	R13	NA
TOP-005-1	R4	NA
VAR-001-1	R5	Compliant

Compliance Culture

The Citizens' Electric Compliance Program is a procedure detailing the compliance standards applicable to its status as a registered PSE and the requirements which must be followed to be in compliance with these standards. Where appropriate, compliance procedures are reviewed with operations employees to ensure understanding of the responsibilities involved.

The Vice President, Engineering & Operations is responsible for reliability compliance at Citizens' Electric Company and reports directly to the President and CEO. He is responsible for the development of the compliance program and to ensure that the program is successfully carried out. In addition, the Vice President, Engineering & Operations attends all Board of Directors meetings and provides operations reports to the Board.

Due to the small size of the organization, all management responsibilities for the compliance program and operational performance are carried out by the same individual.

As part of the normal employee performance appraisal process, violations of any Company procedures, including compliance standards, are reviewed and can result in disciplinary action. This appraisal could occur at any time if circumstances warrant.

The V.P., Engineering & Operations, and President/CEO work closely to ensure compliance with all appropriate rules and regulations. A violation of any kind will result in the development of an action plan to prevent recurrence.