



NORTHEAST POWER COORDINATING COUNCIL, INC.
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Compliance Audit Report

Public Version

Fitchburg Gas and Electric Light Company

NCR07086

August 10 to August 25, 2009

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

August 25, 2009

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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.

The off-site compliance audit of Fitchburg Gas and Electric Light Company (FG&E), NERC ID #NCR07086 was conducted between August 10 and August 25, 2009. At the time of the audit, FG&E was registered for the DP and LSE functions. The audit team evaluated FG&E for compliance with nineteen requirements in eleven NERC Reliability Standards in the 2009 NERC Compliance Monitoring and Enforcement Program (CMEP). The audit reviewed reliability standards identified in the NERC 2009 Implementation Plan for the audit period of the current year and previous from June 18, 2007 unless a different retention period is specified in an individual reliability standard. FG&E submitted information and documentation to aid the audit team's evaluation of compliance with requirements and provided subject matter experts for the standards resulting in a more clear understanding of the FG&E business model, which helped accelerate the audit process. When the evidence provided to demonstrate compliance or non-applicability required additional requests for information and evidence, the FG&E team responded to these requests in an expeditious manner. The audit was conducted using the data submitted by FG&E as well as telephone and email data exchanges. The audit team reviewed and evaluated all information provided by FG&E to assess compliance with the standards applicable to the Distribution Provider (DP) and Load Serving Entity (LSE) functions.

The audit team evaluated FG&E on 19 requirements in 11 Reliability Standards. Based on the information and documentation provided by FG&E, the audit team found FG&E to be compliant with 12 of 19 applicable requirements and 7 of the 11 applicable NERC Reliability Standards. The audit team determined that 7 requirements and 4 NERC Reliability Standards were not applicable to FG&E.

There were no ongoing or recently completed mitigation plans and, therefore, none were reviewed by the audit team.

All additional information requested was provided promptly and comprehensively. The audit team would like to thank the FG&E team for the support offered throughout the audit.

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 to:

- Independently review FG&E's compliance with the requirements of the reliability standards that are applicable to FG&E based on FG&E's registered functions.
- Validate compliance with applicable reliability standards from the NERC 2009 Implementation Plan list of actively monitored standards and additional NERC reliability standards selected by NERC.
- Validate compliance with applicable Regional Standards from the NPCC 2009 Implementation Plan list of actively monitored standards.
- Validate evidence of self-reported violations and previous self-certifications and confirm compliance with other requirements of the reliability standard.
- Review the status of associated mitigation plans.
- Observe and document FG&E's compliance program and culture.

Scope

The audit included all standards identified in the May 27, 2009 audit letter for the previous year. The audit was a regularly scheduled audit and no self-reported violations, made pre or post June 18, 2007, mitigation plans, previous audits, or compliance investigations were involved. There were no separate requests made by Compliance Enforcement to the entity to supply information as it pertains to compliance other than for this regularly scheduled audit.

At the time of the audit, FG&E was registered for the functions DP and LSE. The audit team evaluated FG&E for compliance during the period of June 18, 2007 to August 25, 2009.

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

Confidentiality and Conflict of Interest

Confidentiality and Conflict of Interest of the audit team are governed under the Delegation Agreement with NERC and Section 1500 of the NERC Rules of Procedure. Confidentiality agreements executed by the independent contractors and code of conduct documentation for the NERC representative and regional entity staff were provided to the audited entity in advance of the audit. The audited entity 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. The audited entity accepted the audit team member participants with no objections.

Off-site Audit

FG&E was provided with a pre-audit request letter identifying the standards and requirements subject to audit for the DP and LSE functions, which included CIP-001-1 R1, R2, R3, R4; EOP-002-2 R9; IRO-001-1 R8; IRO-004-1 R4; IRO-005-1 R13; PRC-004-1 R1, R3; PRC-005-1 R1, R2; PRC-008-0 R1, R2; PRC-017-0 R1, R2; TOP-001-1 R4, and TOP-002-2 R3, R18. The audit letter was sent to FG&E more than 60 days in advance of the scheduled audit.

This is an off-site audit conducted every six years or as determined to be necessary by the region. FG&E had no self-reported violations, made pre or post June 18, 2007, no mitigation plans, previous audits or compliance investigations, and there were no requests made to the entity to supply information as it pertains to compliance other than for this audit.

The audit team leader requested that FG&E employees representing subject matter expertise regarding the registered function of FG&E be made available for interviews should the need arise. These interviews in conjunction with evidence submitted would provide the audit team with a basis for professional judgment when validating compliance with reliability standards.

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.

Generally accepted government auditing standard 3.39 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 team prepared reliability standards audit worksheets (RSAWs) to evaluate each standard. The RSAWs are used to ensure consistency and to document evidence of compliance, non-compliance or non-applicability with the standards. All relevant documents are considered and to the extent they form a portion of the audit trail are included in the RSAWs.

Audit Overview

The auditor reviewed his career and noted that he had signed a confidentiality agreement. A brief explanation of the audit process was given and the audit timelines were discussed. The auditor stated that the auditors have the ability and authority to expand the audit beyond the initial set of standards and requirements identified in the audit notification letter should the need arise. The auditor also stated that corroborating evidence from other entities might be required to substantiate FG&E's compliance.

FG&E was given the opportunity to reject the auditor should they feel that there was a possible conflict of interest, any concerns regarding the auditor's background or if they thought that the auditor would not be impartial. FG&E accepted the auditor.

Audit

The auditor performed the audit off-site. The auditor reviewed the information submitted by FG&E and then developed a list of questions and requests for further information; the list was then sent to FG&E for their review. FG&E then took the time necessary to gather the required information and submitted the information back to the auditor via email.

Exit Briefing

The exit briefing was conducted via conference call at 8:30 am on Tuesday, August 25, 2009. The teleconference was between the NPCC auditor and a Unitil representative for FG&E. The NPCC staff reviewed the audit process and summarized the findings of the

audit for each standard and requirement. After reviewing all the data, the audit team found FG&E to be compliant with 12 of 19 applicable requirements and 7 of 11 applicable NERC Reliability Standards. The audit team determined 7 requirements and 4 NERC Reliability Standards were not applicable to FG&E.

FG&E was presented an opportunity to question the audit findings and provide comments on the audit. The auditor provided some ways to enhance their management of data evidence.

Company Profile

Fitchburg Gas and Electric Light Company (FG&E), a Massachusetts corporation organized in 1852, became part of the Unitil system in 1992. FG&E originally manufactured gas to illuminate the gaslights in downtown Fitchburg. Today, FG&E provides retail electric and natural gas distribution service in a 170 square mile service area in north-central Massachusetts, with an estimated population of 82,000. This includes electric distribution service to 27,812 customers in the communities of Fitchburg, Townsend, Lunenburg and Ashby, and natural gas distribution service to 15,120 customers in the communities of Fitchburg, Townsend, Lunenburg, Ashby, Westminster and Gardner.

FG&E electric power system is presently supplied from the New England Power/National Grid (NGrid) 115 kV transmission systems. Service is taken from NGrid at Unitil MA's Flagg Pond substation, located in southwest Fitchburg. FG&E does not own, operate or connect to the Bulk Electric System.

Audit Specifics

The compliance audit was conducted from August 10 to August 25, 2009 at NPCC offices in New York City, New York.

Audit Team Role	Title	Company
Lead	Contracted Consultant	NPCC-Compliance Audit Program
Member	Manager Compliance Audit Program	NPCC-Compliance Audit Program

Fitchburg Gas and Electric Light Company

Title	Organization
Director of Engineering	Unitil

Audit Results

FG&E provided data used to demonstrate their compliance or non-applicability with the standards identified in the audit letter from NPCC. When the auditor had additional questions, emails were used to request additional documentation.

The audit team prepared reliability standards audit worksheets (RSAWs) to evaluate each standard. The RSAWs are used to ensure consistency and to document evidence of compliance, non-compliance or non-applicability with the standards. All relevant documents are considered and to the extent they form a portion of the audit trail are included in the RSAWs.

After reviewing all the data, the audit team found FG&E to be compliant with 12 of 19 applicable requirements and 7 of 11 applicable NERC Reliability Standards. The audit team determined that 7 requirements and 4 NERC Reliability Standards were not applicable to FG&E.

Findings

The following table details findings for compliance with the reliability standards listed in the NERC 2009 Implementation Plan.

Reliability Standard	Requirement	Finding
CIP-001-1	R1	Compliant
CIP-001-1	R2	Compliant
CIP-001-1	R3	Compliant
CIP-001-1	R4	Compliant
EOP-002-2	R9	Not Applicable
IRO-001-1	R8	Not Applicable
IRO-004-1	R4	Compliant
IRO-005-1	R13	Compliant
PRC-004-1	R1	Compliant
PRC-004-1	R3	Not Applicable
PRC-005-1	R1	Not Applicable
PRC-005-1	R2	Not Applicable
PRC-008-0	R1	Compliant
PRC-008-0	R2	Compliant

PRC-017-0	R1	Not Applicable
PRC-017-0	R2	Not Applicable
TOP-001-1	R4	Compliant
TOP-002-2	R3	Compliant
TOP-002-2	R18	Compliant

Compliance Culture

The audit team reviewed FG&E's compliance culture. During all contacts, the FG&E representative was very professional and positive in his approach to compliance and understood the importance of the compliance and its role in maintaining reliability. All additional information requested was provided promptly and comprehensively.

FG&E has recently hired a Director of Emergency Management and Compliance. One of the tasks for this department is to develop an internal compliance program. FG&E is presently developing an internal compliance program.