



NORTHEAST POWER COORDINATING COUNCIL, INC.  
1040 AVE OF THE AMERICAS, NEW YORK, NY 10018 TELEPHONE (212) 840-1070 FAX (212) 302-2782

# **Compliance Audit Report Public Version**

## **Massachusetts Municipal Wholesale Electric Company NCR 07136**

**October 2 to October 28, 2009**

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

**October 28, 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 Massachusetts Municipal Wholesale Electric Company (MMWEC), NERC ID #NCR07136 was conducted between October 2 and October 28, 2009. At the time of the audit, MMWEC was registered for the GO, GOP and PSE functions. The audit was completed using data submitted by MMWEC prior to the start of the off-site audit and data provided as a result of questions that arose during the audit. The audit was performed by NPCC to demonstrate compliance within the NPCC footprint.

The auditor evaluated MMWEC's compliance with 15 reliability standards and 32 requirements in the 2009 NERC Compliance Monitoring and Enforcement Program (CMEP). The audit reviewed reliability standards identified in the NERC 2009 Implementation Plan for the period since June 18, 2007 or the last audit, or monitoring timeframes specified in each reliability standard. There were no ongoing or recently completed mitigation plans and, therefore, none were reviewed by the audit team.

Of the 15 standards and 32 requirements audited for the functions MMWEC is registered, 14 standards and 31 requirements were judged to be compliant and 1 standard and 1 requirement were judged to be not applicable.

MMWEC staff provided overviews of each standard resulting in a more clear understanding of their business model and accelerated the audit process. The evidence provided to demonstrate compliance was well presented and well organized. The audit team would like to thank the MMWEC staff for their 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.<sup>1</sup> The audit objectives are to:

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

- Independently review Massachusetts Municipal Wholesale Electric Company's compliance with the requirements of the reliability standards that are applicable to MMWEC based on MMWEC'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 the Massachusetts Municipal Wholesale Electric Company compliance program and culture.

### **Scope**

The audit included all standards identified in the July 29, 2009 audit letter. The audit was a regularly scheduled audit and no compliance investigations were involved in the audit. The audit was performed by NPCC to demonstrate compliance within the NPCC footprint.

At the time of the audit, MMWEC was registered for the functions GO, GOP and PSE. The audit team evaluated MMWEC for compliance during the period of June 18, 2007 to October 28, 2009.

### **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.

The audited entity was informed in advance of the audit that the independent contractors executed confidentiality agreements and code of conduct documentation was in place for the NERC representative and regional entity staff. Work history and conflict of interest forms submitted by each audit team member are on file in the NPCC corporate offices. 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**

MMWEC was provided with a pre-audit request letter identifying the standards and requirements subject to audit. The audit letter was sent to MMWEC more than 60 days in advance of the scheduled audit. This was an off-site audit conducted every six years or as determined to be

necessary by the region. MMWEC had not self-reported any violations. MMWEC is registered as a GO, GOP and a PSE in NPCC.

In all cases the auditor requested interviews with MMWEC employees representing subject matter expertise regarding all of the registered functions of MMWEC. These interviews resulted in data requests that in conjunction with the submitted evidence would provide the auditor with a basis for professional judgment when validating compliance with reliability standards.

### ***Methodology***

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

### ***Audit Overview***

The audit overview was provided to MMWEC via conference call on October 19, 2009 between the auditor for NPCC and MMWEC staff and consultants. The audit leader member reviewed his career and noted they had signed confidentiality agreements. A brief explanation of the audit process was given and the timelines were discussed. MMWEC was given an opportunity to reject the auditors but accepted the auditors and their credentials for this audit.

### ***Audit***

The audit lead performed the audit off-site. Prior to calls to MMWEC, the auditor developed a list of questions for MMWEC and provided the questions via email. MMWEC then took the time necessary to develop the answers and submitted them by email to the auditor.

### ***Exit Briefing***

The exit briefing was conducted by conference call on October 28, 2009 between the auditor for NPCC and MMWEC staff and consultants. NPCC staff reviewed the audit process and summarized the findings of the audit. The results of the audit were that 14 standards and 31 requirements were found to be compliant and 1 standard and 1 requirement were found to be not applicable. MMWEC was given an opportunity to question the audit findings and provide comment on the audit. MMWEC said they thought the process was beneficial.

### ***Company Profile***

The Massachusetts Municipal Wholesale Electric Company is a joint action agency formed in 1976. The Massachusetts Municipal Wholesale Electric Company (MMWEC), through a public energy partnership established in 1969, provides the services, expertise and strategic vision to

help municipal utilities optimize their energy resources and find value in the shifting structure of New England's wholesale power markets. MMWEC is governed by a 12-member Board of Directors. Seven of the directors are managers or commissioners of MMWEC Member utilities elected by the membership. Two directors are appointed by the governor of Massachusetts and serve at the pleasure of the governor. Three representatives are appointed by the governing bodies of the towns of Hampden, Ludlow and Wilbraham to vote on matters affecting their respective towns.

### ***Audit Specifics***

The compliance audit was conducted between October 2 and October 28, 2009 at the auditor's offices.

<b>NPCC Audit Team Role</b>	<b>Title</b>	<b>Company</b>
Regional staff	Manager Compliance	NPCC-Compliance Audit Program
Lead Auditor	Contracted Consultant	NPCC-Compliance Audit Program

### **MMWEC**

<b>Title</b>	<b>Organization</b>
Plant Manager	MMWEC
Consultant	Utility Services

## **Audit Results**

MMWEC provided electronic files and emails containing data used to demonstrate their compliance with the standards identified in the audit letter from NPCC. When the auditor had additional questions, conference calls were used to request additional documentation until the auditors were convinced that the standards and requirements had been met and MMWEC had demonstrated compliance.

After reviewing all the data, MMWEC was judged to be compliant with 14 standards and 31 requirements and 1 standard and 1 requirement were judged to be not applicable.

### ***Findings***

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

<b>Reliability Standard</b>	<b>Requirement</b>	<b>Finding</b>
CIP-001-1	R1.	Compliant
CIP-001-1	R2.	Compliant
CIP-001-1	R3.	Compliant
CIP-001-1	R4.	Compliant
COM-002-2	R1.	Compliant
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
IRO-001-1	R8.	Compliant
IRO-004-1	R4.	Compliant
IRO-005-1	R13.	Compliant
PRC-001-1	R1.	Compliant
PRC-001-1	R2.	Compliant
PRC-001-1	R3.	Compliant
PRC-001-1	R5.	Compliant
PRC-004-1	R2.	Compliant
PRC-004-1	R3.	Compliant
PRC-005-1	R1.	Compliant
PRC-005-1	R2.	Compliant
PRC-017-0	R1.	N/A
TOP-001-1	R3.	Compliant
TOP-001-1	R6.	Compliant
TOP-001-1	R7.	Compliant
TOP-002-2	R3.	Compliant
TOP-002-2	R13.	Compliant
TOP-002-2	R14.	Compliant
TOP-002-2	R15.	Compliant
TOP-002-2	R18.	Compliant
TOP-005-1	R4.	Compliant
VAR-001-1	R5.	Compliant

### ***Compliance Culture***

The audit team reviewed Massachusetts Municipal Wholesale Electric Company's compliance culture. During all contacts, MMWEC staff was professional in their approach to compliance and understood the importance of the compliance and its role in maintaining reliability.