



Compliance Audit Report Public Version

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

**Bryan Municipal Utilities
NCR 08001**

**Audit Date
May 04 – 07, 2009**

**Report Date
June 18, 2009**

TABLE OF CONTENTS

Executive Summary	1
Audit Process	1
<i>Objectives</i>	1
<i>Scope</i>	2
<i>Confidentiality and Conflict of Interest</i>	2
<i>Off-site Audit</i>	2
<i>Methodology</i>	3
<i>Audit Overview</i>	3
<i>Audit</i>	4
<i>Exit Briefing</i>	4
<i>Company Profile</i>	4
<i>Audit Specifics</i>	4
Audit Results	5
<i>Findings</i>	6
<i>Compliance Culture</i>	7

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.

As part of the NERC Compliance Monitoring and Enforcement Program (CMEP) ReliabilityFirst scheduled the Bryan Municipal Utilities (BMU) for an offsite audit of its compliance to the NERC Reliability Standards and the ReliabilityFirst Regional Standards that apply to BMU for the distribution provider functions that it performs within the ReliabilityFirst area. ReliabilityFirst gave BMU a 60 day notification requesting data and information as evidence of their compliance to applicable Reliability Standards. The audit team reviewed this material and made a determination of BMU's compliance to these standards.

Seven Standards that included thirteen requirements which were in the CMEP scope for BMU. Six of the seven standards were determined to not apply to BMU at this time since BMU does not own transmission protections equipment, underfrequency or undervoltage load shedding equipment, or special protection systems during the audit period. No ReliabilityFirst standards were evaluated since none were applicable to functions performed by BMU. BMU was prepared for the audit and presented its documentation in a complete and concise manner. BMU did not have any violations or mitigation plans open for review during this audit. The Audit Team found BMU compliant with the one requirement for the one standard audited that applies to its operations.

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:

- Review BMU's compliance with the requirements of the reliability standards that are applicable to BMU based on BMU's registered function
- Validate compliance with applicable reliability standards from the NERC 2009 Implementation Plan list of actively monitored standards

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

- Validate evidence of 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 BMU's compliance culture
- Validate compliance with other NERC standards outside the 2009 implementation plan as selected by *ReliabilityFirst*
- Validate compliance with applicable *ReliabilityFirst* reliability standards that apply to BMU

Scope

BMU is subject to monitoring by *ReliabilityFirst* pertinent to its functions as a distribution provider (DP) on a six year basis. This audit was conducted on those standards which were in the 2009 CMEP Implementation Plan. *ReliabilityFirst* monitors all applicable *ReliabilityFirst* standards, self certifications, and mitigation plans as appropriate. This audit of BMU did not include any regional standards.

Confidentiality and Conflict of Interest

Confidentiality and Conflict of Interest of the audit team are governed under the *ReliabilityFirst* Delegation Agreement with NERC and the NERC Rules of Procedure Section 1500. The audited entity was informed of the *ReliabilityFirst* obligations and responsibilities under the above agreement and procedures. The work history for each audit team member was provided to the audited entity. 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 did not submit any objections by the stated fifteen day objection due date and by this action has accepted the audit team member participants without objections. *ReliabilityFirst* found no conflict of interest for any of the audit team members.

Off-site Audit

BMU as a registered DP is subject to a compliance audit once at least every six years, as indicated in the NERC Rules of Procedure. BMU was provided 60 day notification of this scheduled audit and at that time all necessary documents required by the NERC and *ReliabilityFirst* audit process were provided. The following documents were provided as part of the notification:

- 60 day Notification letter which contained request for evidence , information, and date submittals
- Audit Survey
- Audit Agenda as applicable
- Internal Compliance Survey Request
- Audit Team Work History with discussion of objection process

- General Instructions for Data or Information Submittals
- Reliability Standard Audit Worksheets (RSAWs)
- Reliability Standard Questionnaires

Documents were provided to BMU in both electronic and hardcopy format.

Reliability*First* discussed the use of technical experts with the BMU primary compliance contact and indicated that Reliability*First* would welcome the use of technical experts by BMU as it deems necessary to explain their compliance to the standards. As such, BMU was notified to provide any technical experts or personnel that it deemed necessary in order to provide the Audit Team an understanding of the evidence provided to meet compliance.

An audit agenda and/or schedule were provided to BMU in advance to allow the necessary time to prepare for the audit. BMU cooperation and flexibility with the agenda was appreciated by the audit team.

This audit was conducted in the Reliability*First* offices using material provided by BMU. The audit team made additional calls, as needed, to request additional information or to clarify information previously supplied to the team. The audit team leader requested telephone interviews with BMU employees representing subject matter expertise regarding all registered functions of BMU. These interviews in conjunction with evidence provided, supplied the audit team with a basis for using professional judgment when validating compliance to the reliability standards.

Methodology

The audit team reviewed the evidence provided by BMU for each of the requirements that apply to the functions performed by the company, to determine if BMU complied with those standards and associated requirements. The team reviewed each requirement, discussed the levels of compliance, and addressed each team member's observations from the audit material presented to determine its findings from the review.

Audit Overview

An Opening Briefing was conducted on a conference call/WebEx to discuss the following:

- Introduction of audit team
- Audit Objective and Scope
- Team Audit Expectations
- Discussion of Clarification Calls
- Audit Process
- Exit Briefing and schedule

Audit

The audit team worked as group and reviewed each applicable requirement to determine if BMU was compliant to the requirement. The audit followed the agenda closely. BMU subject matter experts provided additional information or clarified existing information during the review of its material.

Exit Briefing

The audit team used a web based exit presentation and teleconference to present its preliminary findings to the BMU staff. The team lead provided their basis for the preliminary findings from the audit. The presentation was attended by the following BMU staff:

Title	Organization
Director of Utilities	Bryan Municipal Utilities
Assistant Director of Utilities.	Bryan Municipal Utilities
Electric Distribution Superintendent	Bryan Municipal Utilities
Power Production Superintendent	Bryan Municipal Utilities

The presentation was open for comments and discussion about the compliance findings. The exit presentation also covered any possible violations and any ongoing mitigation plans, the reporting process going forward, and audit feedback.

Company Profile

BMU performs the following NERC function in the Reliability*First* region and is registered with NERC/Reliability*First* for this function:

- Distribution Provider (DP)

BMU provides electric energy to 5,028 residential, 51 industrial, and 732 commercial customers along with the municipal load in Bryan, Ohio. American Municipal Power, Ohio has registered as a load-serving entity with Reliability*First* for the load served by BMU. It is a summer peaking utility with a peak load of 66 MW.

At the transmission level, BMU is radially connected to American Electric Power (AEP) Company at one point on the 138 kV system. BMU owns 10.69 miles of transmission line connecting its distribution system to AEP. The 138 kV line protection, line switches, and breaker at the transmission connection are owned and operated by AEP as the Transmission Owner (TO). PJM is the reliability coordinator, balancing authority, and transmission operator.

Audit Specifics

The compliance audit was conducted on May 04 – 07, 2009 at the ReliabilityFirst office in Akron, OH.

Audit Team

Audit Team Role	Title	Company
Lead	Senior Consultant, Compliance	ReliabilityFirst Corporation
Member	Senior Engineer, Compliance	ReliabilityFirst Corporation
Member	Consultant	Sander-Reber

BMU Audit Participants

Title	Organization
Director of Utilities	Bryan Municipal Utilities
Assistant Director of Utilities.	Bryan Municipal Utilities
Electric Distribution Superintendent	Bryan Municipal Utilities
Power Production Superintendent	Bryan Municipal Utilities

Audit Results

BMU did not have any violations or mitigation plans open for review during this audit. After reviewing the evidence presented to the audit team, the Audit Team found BMU compliant with the one requirement for the one standard that applied to its operation.

Findings

The following table details the summarized auditor findings relating to evidence reviewed for the determination of BMU's compliance with the reliability standards listed in the NERC 2009 Implementation Plan. The table includes details, section and page numbers noted by the auditor relating to the evidence reviewed for compliance to the reliability standard and its applicable requirements.

BMU Off-site Audit Findings Table

Reliability Standard	Requirement	Finding
PRC-004-1	R1.	N/A
PRC-004-1	R3.	N/A
PRC-005-1	R1.	N/A
PRC-005-1	R2.	N/A
PRC-008-0	R1.	N/A
PRC-008-0	R2.	N/A
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-017-0	R1.	N/A
PRC-017-0	R2.	N/A
TOP-001-1	R4.	Compliant

Compliance Culture

BMU provided documentation to demonstrate its compliance to the requirements of the applicable standards. The documentation was complete and in order such that the audit team could reasonably determine BMU's compliance or applicability to the applicable requirements. BMU provided additional evidence and clarifications when requested by the audit team. BMU completed the Compliance Audit Questionnaire, individual Pre-Audit Questionnaires for each applicable standard, and the documentation section of the NERC Reliability Standard Audit Worksheets (RSAWS).

The *NERC Reliability Standard Compliance Policy* outlines the BMU compliance program and assigns responsibilities for maintaining compliance to the NERC and ReliabilityFirst standards. The BMU Compliance policy designates the Assistant Director of Utilities as the Compliance Manager and the *Compliance Audit Survey* submitted to ReliabilityFirst stated that the Electric Distribution Superintendent is the secondary compliance manager. The Assistant Director of Utilities reports to the Director of Utilities who is responsible for direct management of all the Bryan utilities and is appointed by and reports to the Board of Public Affairs. The Board of Public Affairs is elected by the residents of the city.

The Power Production Superintendent maintains tests reports and documents the requirements of the standards. To insure the integrity of the system and equipment an in-house staff and outside consultants are utilized.