



## **Compliance Audit Report Public Version**

**Contains Confidential Information (including  
Privileged and Critical Energy Infrastructure  
Information) – Do Not Distribute**

**Guernsey Muskingum EC  
NERC ID # - NCR08022**

**Date of Audit - August 24- September 4, 2009**

**Date of Report –October 26, 2009**

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## Executive Summary

This compliance audit report is the non-public version which contains confidential information (including privileged and critical energy infrastructure information). This non-public compliance audit report will be submitted to NERC.

A compliance audit of Guernsey Muskingum EC (Guernsey Muskingum) was conducted from August 24, 2009 to September 4, 2009 by an audit team led by ReliabilityFirst. ReliabilityFirst conducts compliance audits as part of the ReliabilityFirst Compliance Monitoring and Enforcement Program (CMEP). At the time of the audit, Guernsey Muskingum, NERC ID # - NCR08022 was registered for the Distribution Provider (DP) function that it performs in the ReliabilityFirst region.

The Audit Team evaluated Guernsey Muskingum for compliance with five (5) NERC Reliability Standards consisting of eight (8) requirements for the period of June 27, 2007 (date of NERC registration) to September 4, 2009. Guernsey Muskingum 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 Guernsey Muskingum to assess compliance with requirements/standards applicable to the DP function.

Guernsey Muskingum was found compliant to one (1) NERC Reliability Standard consisting of one (1) requirement. The remaining four (4) Standards consisting of seven (7) requirements were found to be not applicable. The Audit Team did not identify any Possible Violations (PVs). 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.<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

- Review Guernsey Muskingum's compliance with the requirements of Reliability Standards that are applicable to Guernsey Muskingum based on Guernsey Muskingum's registered function.
- 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 Guernsey Muskingum's 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 ReliabilityFirst reliability standards that apply to Guernsey Muskingum.

### **Scope**

The scope of the compliance audit included applicable NERC Reliability Standards applicable to Guernsey Muskingum in the 2009 ReliabilityFirst Implementation Plan. ReliabilityFirst 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 ReliabilityFirst Delegation Agreement with NERC and the NERC Rules of Procedure Section 1500. Guernsey Muskingum was informed of the ReliabilityFirst obligations and responsibilities under this agreement and procedure. The work history for each Audit Team member was provided to Guernsey Muskingum. Guernsey Muskingum 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. Guernsey Muskingum 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**

Guernsey Muskingum is currently subject to a compliance audit at a minimum of once every six years as provided by the NERC Rules of Procedure. Guernsey Muskingum was provided with a 90 day notification of this scheduled audit and at that time was provided with all necessary documents required by the NERC and ReliabilityFirst audit process. The following documents were provided as part of the 90 day notification:

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

Documents were provided to Guernsey Muskingum in electronic format.

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

Guernsey Muskingum's cooperation and flexibility with the agenda to address the requirements/standards was appreciated by the Audit Team.

This audit was conducted at the Reliability*First* offices in Akron, Ohio, using material provided by Guernsey Muskingum. The Audit Team reviewed Guernsey Muskingum's evidence of compliance for all applicable standards with Guernsey Muskingum's 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 Guernsey Muskingum for each of the Reliability Standards and requirements that apply to the DP function performed by the company to assess Guernsey Muskingum's compliance with those NERC Reliability Standards and associated requirements. 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 Guernsey Muskingum to discuss the following:

- Introduction of Audit Team
- Audit Objective and Scope

- Confidentiality of data and information
- Audit Team Expectations
- Clarification Calls' information
- Audit Process
- Exit Briefing and schedule

## ***Audit***

The Reliability*First* Audit Team reviewed Guernsey Muskingum's 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.

The Audit Team reviewed each requirement and the evidence provided to determine if Guernsey Muskingum was compliant with the requirement. The team discussed its findings to determine Guernsey Muskingum's compliance to each of the standards. Upon request, Guernsey Muskingum provided additional information or clarified existing information during the review of its material with their subject matter experts.

## ***Exit Briefing***

The Audit Team conducted an exit briefing with a presentation to Guernsey Muskingum via web-ex/conference call on September 4, 2009. The presentation was attended by Guernsey Muskingum 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. Guernsey Muskingum was provided an opportunity to ask questions concerning the topics that the Audit Team addressed.

## ***Company Profile***

At the time of the audit, Guernsey Muskingum was registered for the DP function in the Reliability*First* region.

Guernsey Muskingum serves approximately 16,600 customers and a summer peak load of about 50 MW. The breakdown of customers consists of 14,739 residential, 1875 commercial and 20 industrial. Guernsey Muskingum is interconnected with American Electric Power (AEP) at 138-kV and is a member of Buckeye Power, Inc. Guernsey Muskingum operates in a 24/7 environment. Guernsey Muskingum has PJM as its Reliability Coordinator (RC) and Balancing Authority (BA).

### **Audit Specifics**

The compliance audit was conducted from August 24 – September 4, 2009 at the ReliabilityFirst Office in Akron, Ohio.

### **Audit Team**

<b>Audit Team Role</b>	<b>Title</b>	<b>Company</b>
Lead	Senior Consultant	ReliabilityFirst Corporation
Member	Consultant	RNJ-Energy

### **Guernsey Muskingum Audit Participants**

<b>Title</b>	<b>Company</b>
Distribution System Engineer	Guernsey Muskingum

## **Audit Results**

After reviewing all of the evidence presented, Guernsey Muskingum was found compliant to one (1) NERC Reliability Standard consisting of one (1) requirement. The remaining four (4) Standards consisting of seven (7) requirements were found to be not applicable. The audit team did not find any Possible Violations (PVs). 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 details the Audit Team's findings and evidence reviewed for compliance with five (5) applicable NERC Reliability Standards for Guernsey Muskingum's registered function. The table includes details, document sections, and page numbers noted by the Audit Team relating to the evidence reviewed for compliance to each Reliability Standard and the associated requirements.

### Guernsey Muskingum Off-site Audit Findings Table

Reliability Standard	Requirement	Finding
PRC-004-1	R1	NA
PRC-004-1	R3	NA
PRC-005-1	R1	NA
PRC-005-1	R2	NA
PRC-008-1	R1	NA
PRC-008-1	R2	NA
PRC-017-0	R1	NA
TOP-001-1	R4	Compliant

#### *Compliance Culture*

As part of the audit, Guernsey Muskingum provided a brief description outlining Guernsey Muskingum's compliance program. Overall responsibility for the compliance affairs of Guernsey Muskingum is vested in the Distribution System Engineer who has independent access to the CEO and Board of Directors. The Operations Supervisor and CEO/GM are directly involved in the compliance program and are kept abreast of changes in the applicable NERC/Reliability *First* reliability standards/requirements and resultant compliance obligations.

The internal compliance program is operated and managed by the staff and departments that are also responsible for the performance of reliability standards. Guernsey Muskingum feels, however, that an objective stance is taken on evaluating internal compliance to help ensure an effective reliability program.

Staff is limited, but Guernsey Muskingum feels its compliance program and culture is effective.