



Compliance Audit Report Public Version

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

**Hancock-Wood Electric Cooperative, Inc.
NCR08053**

**Date of Audit
August 24 – 28, 2009**

**Date of Report
September 9, 2009**

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Executive Summary

This 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.

An off-site compliance audit of Hancock-Wood Electric Cooperative, Inc. (HWEC) – NCR08053 was conducted from August 24 – 28, 2009. ReliabilityFirst conducts compliance audits as part of the ReliabilityFirst Compliance Monitoring and Enforcement Program (CMEP). At the time of the audit, HWEC was registered for the Distribution Provider (DP) function that it performs in the ReliabilityFirst region.

ReliabilityFirst provided a 90 day notification to HWEC which requested data and information to provide evidence of compliance with NERC Reliability Standards within the scope of the audit. HWEC submitted material that the Audit Team reviewed and used to assess HWEC's compliance with the NERC Reliability Standards. The Audit Team developed findings based on this review and assessment.

The Audit Team assessed HWEC's compliance with five (5) NERC Reliability Standards, which are applicable to HWEC for the function it is registered to perform in the ReliabilityFirst region. The five (5) NERC Reliability Standards included eight (8) requirements that are applicable to the DP function. No ReliabilityFirst regional standards were included in the scope of the audit.

HWEC was prepared for the audit and provided documentation in a complete and concise manner. The Audit Team did not identify any violations as a result of this review. Four (4) NERC Reliability Standards consisting of seven (7) requirements were found to be not-applicable. HWEC was found to be fully compliant with one (1) NERC Reliability Standard and the one (1) requirement.

There were no ongoing 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:

- Review compliance with the requirements of the Reliability Standards that are applicable to HWEC based on HWEC's registered function(s)
- Validate compliance with applicable Reliability Standards from the NERC 2009 Implementation Plan list of actively monitored Standards
- Validate evidence of self-reported violations and previous self-certifications, confirm compliance with other requirements of the Reliability Standard, and review the status of associated mitigation plans
- Document HWEC's internal compliance culture
- Validate compliance with other NERC Reliability Standards outside the 2009 implementation plan as selected by *ReliabilityFirst*
- Validate compliance with applicable *ReliabilityFirst* reliability standards that are applicable to HWEC

Scope

The scope of the audit included Reliability Standards which were selected by NERC for monitoring by audit in the 2009 CMEP Implementation Plan. *ReliabilityFirst* also monitored all applicable *ReliabilityFirst* standards, self certifications, and mitigation plans as appropriate for the period from August 22, 2007 through the date of the audit.

Confidentiality and Conflict of Interest

Confidentiality and Conflict of Interest of the Audit Team are governed under the *ReliabilityFirst* Delegation Agreement with NERC and Section 1500 of the NERC Rules of Procedure. HWEC was informed of the *ReliabilityFirst* obligations and responsibilities under the agreement and procedures. The work history of each Audit Team member was provided to the audited entity. HWEC 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. HWEC 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 objection. *ReliabilityFirst* found no conflict of interest for any of the Audit Team members.

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

Off-Site Audit

HWEC is subject to an audit once every six years as provided by the NERC Rules of Procedure. HWEC was provided a 90 day notification of this scheduled audit and at that time, all of the necessary documents required by the NERC and Reliability*First* audit process were provided to the entity. The following documents were provided as part of the notification:

- 90 day Notification Letter which contained a request for evidence, information, and data submittals
- Compliance Audit Survey
- Audit Agenda as applicable
- Internal Compliance Survey
- Audit Team Work History with discussion of the objection process
- General Instructions of Data or Information Submittals
- Reliability Standard Questionnaire/Reliability Standard Auditor Worksheets (RSAWs)

Documents were provided to HWEC in electronic format.

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

An audit agenda and/or schedule were provided to HWEC in advance to allow the necessary time to prepare for the audit. HWEC's cooperation and flexibility with the agenda was appreciated by the Audit Team.

The Audit Team reviewed HWEC's compliance processes for all applicable standards with HWEC technical experts and requested 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 professional judgment when validating compliance to the Reliability Standards.

Methodology

The Audit Team reviewed the evidence provided by HWEC for each of the requirements that are applicable to the function performed by the company to determine if the company complied with those Reliability Standards and associated requirements. The team reviewed each requirement, discussed the levels of compliance and addressed each team member's observations from the audit to determine its findings from the review.

Opening Briefing

An Opening Briefing was conducted to discuss the following:

- Introduction of Audit Team
- Audit Objective and Scope
- Audit Team Expectations
- Discussion on Clarification Calls
- Audit Process
- Exit Briefing and Schedule

Audit

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

Exit Briefing

The Audit Team presented its preliminary findings to the HWEC staff. The team lead explained the findings from the audit. The exit presentation also covered the report process moving forward, and audit feedback forms that the region is using to improve the audit process. HWEC was provided an opportunity to ask questions which the Audit Team answered.

Company Profile

Hancock-Wood Electric Cooperative, Inc. is registered with NERC/Reliability*First* and performs the Distribution Provider (DP) function in the Reliability*First* region.

HWEC is a member owned electric cooperative serving the electrical requirements to residential, commercial and industrial accounts in Northwest Ohio. HWEC owns approximately 1,812 miles of 12,470 volt distribution lines, 0.5 miles of 69 kV line, and 5.5 miles of 34.5 kV line. The 18 substations owned by HWEC are supplied from fifteen delivery points of American Electric Power and three from the First Energy Corporation. Only two delivery points are above 100kV and both are served from a radial tap to American Electric Power. All other delivery voltages are 69kV and below. HWEC owns no generation facilities. All energy is purchased from Buckeye Power in Columbus, Ohio.

HWEC owns and operates a 138kV circuit switcher for transformer protection at both its Marion distribution substation and its Leipsic distribution substation. The transformer steps the voltage down from 138kV to 12.47kV/7.2kV. Peak demand to date is 78,581 Kw (August 24, 2007) and peaks normally occurs in the summertime.

Audit Specifics

The compliance audit was conducted from August 24 – 28, 2009 at the ReliabilityFirst office in Akron, Ohio.

Audit Team

Audit Team Role	Title	Company
Lead	Senior Consultant, Compliance	ReliabilityFirst Corporation
Member	Associate Compliance Specialist	ReliabilityFirst Corporation

HWEC Audit Participants

Title	Organization
Vice-President, Engineering and Operations	HWEC
Senior Distribution Engineer	HWEC

Audit Results

The Audit Team assessed HWEC's compliance with five (5) NERC Reliability Standards, including eight (8) requirements that are applicable to the DP function.

After reviewing all of the evidence presented, HWEC was found to be compliant with one (1) requirement in one (1) of the NERC Reliability Standards that applies to the DP function. Seven (7) requirements in four (4) NERC Reliability Standards were found to be not-applicable. The Audit Team did not find any Possible Violations (PV). 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 auditor findings relating to evidence reviewed for compliance with the Reliability Standards within the scope of the compliance audit.

HWEC 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-008-0	R1	NA
PRC-008-0	R2	NA
PRC-017-0	R1	NA
TOP-001-1	R4	Compliant

Compliance Culture

Hancock-Wood Electric Cooperative, Inc. (HWEC) reviews the ReliabilityFirst Corporation (RFC) reporting requirements of a Distribution Provider (DP). HWEC indicated that they respond to all compliance monitoring requests, including those in the ReliabilityFirst Portal. All DP submittals are reviewed by the Engineering Department on a monthly basis and in coordination with the published monthly RFC Compliance Monitoring schedule.

The Vice-President of Engineering and Operations serves as Reliability Compliance Manager and the Senior Distribution Engineer serves as Alternative Compliance Officer at HWEC. The President/CEO is responsible for all compliance and reports directly to the Board of Directors. However, the Vice President of Engineering and Operations also attends meetings with the Board of Directors and routinely updates the Board on NERC compliance issues.

It is the responsibility of the Engineering Department to review all NERC Reliability Standards at HWEC. The staff is comprised of Electrical Engineers, the Vice- President of Engineering and Operations and the Senior Distribution Engineer. This team is responsible for reviewing the standards and determining the course of action for compliance. All NERC Reliability Standards that require certification are directly reviewed by the company's senior management team led by the President/CEO and Vice-President of Engineering and Operations.

HWEC is a small distribution electric cooperative and maintains adequate resources to manage their internal compliance program. Senior management is fully engaged in the compliance area, supports all the necessary training for the compliance staff and is directly involved in overseeing the internal compliance at HWEC.