



Compliance Audit Report Public

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

**Portland General Electric Company
(PGE)
NCR05325**

May 27-30, 2008

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Executive Summary

Note – This PGE compliance audit report provides a record of PGE's compliance status as documented by the WECC Compliance Department during the on-site audit of May 27-30, 2008. This report does not reflect any actions PGE may have taken since the on-site audit.

The Western Electricity Coordinating Council (WECC) Compliance Department conducted an on-site compliance audit of the Portland General Electric Company (PGE) on May 27-30, 2008. The audit was conducted at the PGE headquarters in Portland, Oregon. The twelve-member audit team was made up of six WECC compliance staff, four WECC consultants (independent contractors) and two NERC staff members. Federal Energy Regulatory Commission (FERC) staff did not attend the audit.

The audit began at approximately 8:00 AM on May 27, 2008, with introductions followed by a short presentation by the WECC audit team about the audit process, and an overview of Portland General Electric presented by PGE personnel. The audit then proceeded each day thereafter, concluding in the early afternoon on Friday, May 30, 2008, with an exit briefing on the preliminary audit findings to PGE personnel.

The audit scope involved the audit of fifty-four (54) NERC reliability standards and six (6) WECC Regional Reliability Standards.

Prior to the on-site audit, PGE self-reported several outstanding compliance violations, and had submitted mitigation plans and then mitigation plan completion forms and evidence of completion. The following mitigation plan completions were confirmed complete prior to the on-site audit and are not included in this audit report: MOD-016-1, PRC-001-1, and TOP-006-1.

At the on-site audit, the audit team reviewed mitigation plans for six requirements in five standards, along with four mitigation plan completion forms to determine compliance for the outstanding violations. The WECC Compliance Department will send PGE formal on-site audit documentation of the review status of each mitigation plan.

As background, FERC Order 693 was issued on March 16, 2007, and made compliance to eighty-three (83) of the NERC Reliability Standards mandatory and enforceable in the United States on June 18, 2007. Each of these reliability standards is subject to the sanctions guidelines effective on that date.

<http://www.nerc.com/filez/enforcement/index.html>

Audit Process

The compliance audit process steps are detailed in both the WECC and NERC Compliance Monitoring and Enforcement Programs (CMEPs).

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:

- Independently review PGE's compliance with the requirements of the reliability standards that are applicable to PGE based on PGE's registered functions;
- Validate compliance with applicable reliability standards from the NERC 2008 Implementation Plan list of actively monitored reliability standards;
- Validate compliance to WECC regional standards;
- Document PGE's compliance culture and Internal Compliance Program.

Scope

A compliance audit includes all reliability standards applicable to the Registered Entity monitored in the NERC Implementation Plans in the current and two previous years, and may include other reliability standards applicable to the Registered Entity. The scope of an on-site compliance audit can vary depending on whether it is scheduled as part of a regular, periodic scheduled audit or as part of a compliance investigation.

Note: For the 2008 compliance program, the monitoring period for the compliance audit will be the past twelve months or periods specified in individual reliability standards. The monitoring period is not limited to the time period for which penalties and sanctions are assessed.

The PGE audit scope involved the audit of fifty-four (54) NERC Reliability Standards and six (6) WECC Regional Reliability Standards.

Confidentiality and Conflict of Interest

Confidentiality agreements, executed by the WECC independent contractors (consultants) and code of conduct documentation for the NERC representative and WECC compliance staff, were available to PGE, if requested in advance of the audit. Work histories submitted by audit team members were provided to PGE. PGE was given an opportunity to object to an audit team member on the

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

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. PGE accepted the audit team member participants with no objections.

On-site Audit

On-site audits of Reliability Coordinators (RCs), Balancing Authorities (BAs), and Transmission Operators (TOPs) are conducted on a three-year cycle. PGE is registered as a BA, TOP, TO, TP, TSP, PA, GOP, GO, RP, PSE, LSE and DP; and is, therefore, subject to an on-site audit every three years.

PGE was officially notified of the May 27-30, 2008 on-site audit on April 4, 2008 (fifty-four days ahead of the audit). Accompanying this notification were several documents relating to the audit as listed below:

- Pre-Audit Introduction Letter
- Notice of Compliance Audit (An explanation of Compliance Monitoring Authority and Registered Entity Obligations regarding collection of data and information necessary to assess compliance with approved reliability standards)
- WECC Compliance Audit Team Biographies
- NERC 2008 Actively Monitored Standards
- Pre-Audit Questionnaire
- 2008 Audit Documentation Matrix.

PGE was notified in the Pre-Audit Letter that personnel (subject matter experts representing all the registered functions) would need to be available to answer questions (interviews) the audit team might have regarding the documentation.

The audit team had the flexibility to expand the scope of the audit by notifying PGE in advance via the agenda that additions to the initial scope of the audit would be requested by the audit team leader, if necessary, during the audit overview meeting between the audit team and PGE.

PGE was asked to submit the completed questionnaire and certain requested documents back to WECC. These requested documents included:

- Sabotage Reporting Procedure (CIP-001-1)
- Capacity and Energy Emergency Plan (EOP-002-2)
- Manual Load Shed Plan or Procedure (EOP-003-1)
- System Restoration Plan (EOP-005-1)
- Loss of Primary Control Center Plan (EOP-008-0)
- Vegetation Management Plan (FAC-003-1)
- Operator Training Program (PER-002-0)
- Planning Studies and Assessment (TPL Standards)
- List of NERC Certified Operators and Certification Numbers.

PGE also received the audit folders and Reliability Standard Audit Worksheets (RSAWs) approximately thirty (30) days ahead of the on-site audit.

The Audit Documentation Matrix was completed by PGE and sent to WECC approximately five days ahead of the on-site audit. This matrix provided guidance to the audit team on where to look in the documentation for compliance to each of the reliability standards.

PGE was also informed that the on-site compliance audit would be conducted consistent with the following WECC Regional and NERC documents:

- WECC Compliance Monitoring and Enforcement Program
- NERC Reliability Standard Audit Worksheets.

Professional judgment was used by the audit team during the audit process. The audit team leader requested interviews with several PGE employees who were subject matter experts in one or more of the registered functions of PGE. These interviews in conjunction with PGE evidence, gave the audit team a factual basis for determining compliance with the NERC reliability standards.

Reference - 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.

Reference - Generally accepted government auditing standard 3.39 - While this standard 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 methodology includes best practices that are to be followed by compliance auditors in carrying out their work. These practices should be objective, measurable, complete and relevant to the audit objectives. The auditors should identify potential sources of audit evidence and consider the amount and type of evidence needed to determine findings.

Company Profile

The following Portland General Electric Company (PGE) profile is from the Pre-Audit Questionnaire.

PGE, incorporated in 1930, is a publicly owned, vertically integrated electric utility engaged in the generation, purchase, transmission, distribution, and retail sale of electricity in the State of Oregon. PGE also sells electricity and natural gas in the wholesale market to utilities and energy marketers in the western United States.

PGE's state-approved service area allocation of approximately 4,000 square miles is located entirely within Oregon and includes fifty-two (52) incorporated cities, of which Portland and Salem are the largest. The Company estimates that at the end of 2007 its service area population was approximately 1.6 million, comprising about 43% of the state's population.

Audit Specifics

The PGE compliance audit was conducted on May 27-30, 2008, at the PGE headquarters in Portland, Oregon.

Audit Team

Audit Team Role	Title	Company
Lead	Senior Compliance Engineer	WECC
Member	Manager of Audits and Investigations	WECC
Member	Senior Compliance Engineer	WECC
Member	Compliance Program Coordinator	WECC
Member	Compliance Program Coordinator	WECC
Member	Regional Compliance Program Coordinator	NERC
Member	Compliance Consultant	WECC
Member	Compliance Consultant	WECC
Member	Compliance Consultant	WECC
Member	Compliance Consultant	WECC
Observer	Senior Compliance Engineer	WECC
Observer	Regional Compliance Program Coordinator	NERC

PGE Audit Participants

Title	PGE/Other Organization
Manager FERC Compliance	PGE
Manager PGE Corporate Security	PGE
Transmission and Distribution Dispatcher	PGE
Balancing Area Operator	PGE
Manager, Transmission and Distribution Operations	PGE
Manager, Control Area Operations	PGE

Title	PGE/Other Organization
Specialist, FERC Compliance – Observer	PGE
Supervisor V Tree Trimming	PGE
Manager PNSC Reliability Coordination Center	PNSC
Training Coordinator	PGE
Dispatch Operator	PGE
Senior Engineer	PGE
Senior Relay Technician	PGE
Manager, EM&C Technical Services	PGE
Compliance Engineer	PGE
T&D Planning Engineer, Lead	PGE
Planning Engineer, Transmission & Reliability Services	PGE
Planning Engineer, Transmission & Reliability Services	PGE
T&D Planning Engineer	PGE

Audit Results

The audit team reviewed and validated all PGE evidence, including additional evidence requested during the on-site audit and interviews with PGE subject matter experts.

- The audit team spent significant time reviewing the evidence, findings, and conclusions. An extensive review of PGE procedures, descriptions of processes, transactions and records was also conducted.
- Professional judgments were made by the audit team during the overall assessment of the evidence, and included a determination of whether the evidence was sufficient and appropriate to confirm compliance with the NERC Reliability Standards.
- Communications with PGE management was ongoing during the audit.
- Reliability Standard Audit Worksheets (RSAW) and summaries of auditor notes from interviews were used to validate compliance with each reliability standard and to complete the Findings for the audit.
- This audit report includes information about possible compliance violations. This information will be used to determine the severity level of any sanctions and/or penalties.

Findings

The “Finding” column contains one of the following: Compliant, Possible Violation (PV), New Possible Violation (NPV), Not Applicable (NA), Not Audited, Outstanding Alleged Violation (OV), Retraction requested (Retract), Self-reported Violation (Self-Report), or other appropriate description.

Reliability Standard	Requirement	Finding
BAL-001-0	R1.	Compliant
BAL-001-0	R2.	Compliant
BAL-001-0	R3.	NA
BAL-001-0	R4.	NA
BAL-002-0	R1.	Compliant
BAL-002-0	R2.	NA
BAL-002-0	R3.	Compliant
BAL-002-0	R4.	Compliant
BAL-002-0	R5.	NA
BAL-002-0	R6.	Compliant
BAL-STD-002-0	WR1.	OV
BAL-003-0	R1.	Compliant
BAL-003-0	R2.	Compliant
BAL-003-0	R3.	Compliant
BAL-003-0	R4.	Compliant
BAL-003-0	R5.	Compliant
BAL-003-0	R6.	NA
BAL-004-0	R1.	NA
BAL-004-0	R2.	NA
BAL-004-0	R3.	Compliant
BAL-004-0	R4.	Compliant
BAL-005-0	R1.	Compliant
BAL-005-0	R2.	Compliant
BAL-005-0	R3.	NA
BAL-005-0	R4.	NA
BAL-005-0	R5.	NA
BAL-005-0	R6.	Compliant
BAL-005-0	R7.	Compliant
BAL-005-0	R8.	Compliant
BAL-005-0	R9.	Compliant
BAL-005-0	R10.	Compliant
BAL-005-0	R11.	Compliant
BAL-005-0	R12.	Not Audited
BAL-005-0	R13.	Compliant
BAL-005-0	R14.	Compliant

Reliability Standard	Requirement	Finding
BAL-005-0	R15.	Compliant
BAL-005-0	R16.	Compliant
BAL-005-0	R17.	OV
BAL-006-1	R1.	Compliant
BAL-006-1	R2.	Compliant
BAL-006-1	R3.	Not Audited
BAL-006-1	R4.	Compliant
BAL-006-1	R5.	Compliant
CIP-001-1	R1.	Compliant
CIP-001-1	R2.	Compliant
CIP-001-1	R3.	Compliant
CIP-001-1	R4.	Compliant
COM-001-1	R1.	Compliant
COM-001-1	R2.	Compliant
COM-001-1	R3.	Compliant
COM-001-1	R4.	Compliant
COM-001-1	R5.	Compliant
COM-001-1	R6.	NA
COM-002-2	R1.	Compliant
COM-002-2	R2.	Compliant
EOP-001-0	R1.	NPV
EOP-001-0	R2.	NA
EOP-001-0	R3.	Compliant
EOP-001-0	R4.	Compliant
EOP-001-0	R5.	Compliant
EOP-001-0	R6.	Compliant
EOP-001-0	R7.	Compliant
EOP-002-2	R1.	Compliant
EOP-002-2	R2.	Compliant
EOP-002-2	R3.	Compliant
EOP-002-2	R4.	Compliant
EOP-002-2	R5.	Compliant
EOP-002-2	R6.	Compliant
EOP-002-2	R7.	Compliant
EOP-002-2	R8.	NA
EOP-002-2	R9.	NA
EOP-003-1	R1.	Compliant
EOP-003-1	R2.	Compliant
EOP-003-1	R3.	Compliant
EOP-003-1	R4.	Compliant
EOP-003-1	R5.	Compliant
EOP-003-1	R6.	Compliant

Reliability Standard	Requirement	Finding
EOP-003-1	R7.	Compliant
EOP-003-1	R8.	Compliant
EOP-004-1	R1.	NA
EOP-004-1	R2.	Compliant
EOP-004-1	R3.	Compliant
EOP-004-1	R4.	NA
EOP-004-1	R5.	NA
EOP-005-1	R1.	Compliant
EOP-005-1	R2.	Compliant
EOP-005-1	R3.	Compliant
EOP-005-1	R4.	Compliant
EOP-005-1	R5.	Compliant
EOP-005-1	R6.	Compliant
EOP-005-1	R7.	Compliant
EOP-005-1	R8.	Compliant
EOP-005-1	R9.	Compliant
EOP-005-1	R10.	Compliant
EOP-005-1	R11.	Compliant
EOP-008-0	R1.	Compliant
EOP-009-0	R1.	Compliant
EOP-009-0	R2.	Compliant
FAC-001-0	R1.	Compliant
FAC-001-0	R2.	Compliant
FAC-001-0	R3.	Compliant
FAC-003-1	R1.	Compliant
FAC-003-1	R2.	Compliant
FAC-003-1	R3.	Compliant
FAC-003-1	R4.	NA
FAC-008-1	R1.	Compliant
FAC-008-1	R2.	Compliant
FAC-008-1	R3.	Compliant
FAC-009-1	R1.	NPV
FAC-009-1	R2.	Compliant
FAC-013-1	R1.	Compliant
FAC-013-1	R2.	Compliant
INT-001-2	R1.	Compliant
INT-001-2	R2.	Compliant
INT-003-2	R1.	Compliant
INT-004-1	R1.	Compliant
INT-004-1	R2.	Compliant
IRO-001-1	R1.	NA
IRO-001-1	R2.	NA

Confidential Information (including privileged and
Critical Energy Infrastructure information) – Has Been Removed

Reliability Standard	Requirement	Finding
IRO-001-1	R3.	Compliant
IRO-001-1	R4.	NA
IRO-001-1	R5.	NA
IRO-001-1	R6.	NA
IRO-001-1	R7.	NA
IRO-001-1	R8.	Compliant
IRO-001-1	R9.	NA
IRO-004-1	R1.	NA
IRO-004-1	R2.	NA
IRO-004-1	R3.	NA
IRO-004-1	R4.	Compliant
IRO-004-1	R5.	NA
IRO-004-1	R6.	NA
IRO-004-1	R7.	Compliant
IRO-005-1	R1.	NA
IRO-005-1	R2.	NA
IRO-005-1	R3.	NA
IRO-005-1	R4.	NA
IRO-005-1	R5.	NA
IRO-005-1	R6.	NA
IRO-005-1	R7.	NA
IRO-005-1	R8.	Compliant
IRO-005-1	R9.	NA
IRO-005-1	R10.	NA
IRO-005-1	R11.	NA
IRO-005-1	R12.	NA
IRO-005-1	R13.	Compliant
IRO-005-1	R14.	Compliant
IRO-005-1	R15.	NA
IRO-005-1	R16.	NA
IRO-005-1	R17.	NA
IRO-006-3	R1.	NA
IRO-006-3	R2.	NA
IRO-006-3	R3.	NA
IRO-006-3	R4.	NA
IRO-006-3	R5.	NA
IRO-006-3	R6.	Compliant
IRO-STD-006-0	WR1.	Compliant
MOD-010-0	R1.	Compliant
MOD-010-0	R2.	Compliant
MOD-012-0	R1.	Compliant
MOD-012-0	R2.	Compliant

Reliability Standard	Requirement	Finding
PER-001-0	R1.	Compliant
PER-002-0	R1.	Compliant
PER-002-0	R2.	Compliant
PER-002-0	R3.	NPV
PER-002-0	R4.	Compliant
PER-003-0	R1.	Compliant
PRC-004-1	R1.	Compliant
PRC-004-1	R2.	Compliant
PRC-004-1	R3.	Compliant
PRC-005-1	R1.	NPV
PRC-005-1	R2.	NPV
PRC-STD-005-1	WR1.	NPV
PRC-007-0	R1.	Compliant
PRC-007-0	R2.	Compliant
PRC-007-0	R3.	Compliant
PRC-008-0	R1.	Compliant
PRC-008-0	R2.	Compliant
PRC-010-0	R1.	Compliant
PRC-010-0	R2.	Compliant
PRC-011-0	R1.	Compliant
PRC-011-0	R2.	Compliant
PRC-016-0	R1.	NA
PRC-016-0	R2.	NA
PRC-016-0	R3.	NA
PRC-017-0	R1.	NA
PRC-017-0	R2.	NA
PRC-021-1	R1.	Compliant
PRC-021-1	R2.	Compliant
TOP-001-1	R1.	Compliant
TOP-001-1	R2.	Compliant
TOP-001-1	R3.	Compliant
TOP-001-1	R4.	Compliant
TOP-001-1	R5.	Compliant
TOP-001-1	R6.	Compliant
TOP-001-1	R7.	Compliant
TOP-001-1	R8.	Compliant
TOP-002-2	R1.	Compliant
TOP-002-2	R2.	Compliant
TOP-002-2	R3.	Compliant
TOP-002-2	R4.	Compliant
TOP-002-2	R5.	Compliant
TOP-002-2	R6.	Compliant

Reliability Standard	Requirement	Finding
TOP-002-2	R7.	Compliant
TOP-002-2	R8.	Compliant
TOP-002-2	R9.	Compliant
TOP-002-2	R10.	Compliant
TOP-002-2	R11.	Compliant
TOP-002-2	R12.	Compliant
TOP-002-2	R13.	Compliant
TOP-002-2	R14.	Compliant
TOP-002-2	R15.	Compliant
TOP-002-2	R16.	Compliant
TOP-002-2	R17.	Compliant
TOP-002-2	R18.	Compliant
TOP-002-2	R19.	Compliant
TOP-003-0	R1.	Compliant
TOP-003-0	R2.	Compliant
TOP-003-0	R3.	Compliant
TOP-003-0	R4.	NA
TOP-004-1	R1.	Compliant
TOP-004-1	R2.	Compliant
TOP-004-1	R3.	Compliant
TOP-004-1	R4.	Compliant
TOP-004-1	R5.	Compliant
TOP-004-1	R6.	Compliant
TOP-005-1	R1.	Compliant
TOP-005-1	R2.	NA
TOP-005-1	R3.	Compliant
TOP-005-1	R4.	Compliant
TOP-007-0	R1.	Compliant
TOP-007-0	R2.	Compliant
TOP-007-0	R3.	Compliant
TOP-007-0	R4.	Compliant
TOP-STD-007-0	WR1.	NA
TPL-001-0	R1.	OV
TPL-001-0	R2.	Compliant
TPL-001-0	R3.	NPV
TPL-002-0	R1.	NPV
TPL-002-0	R2.	NPV
TPL-002-0	R3.	NPV
TPL-003-0	R1.	NPV
TPL-003-0	R2.	NPV
TPL-003-0	R3.	NPV
TPL-004-0	R1.	NPV

Reliability Standard	Requirement	Finding
TPL-004-0	R2.	NPV
VAR-001-1	R1.	Compliant
VAR-001-1	R2.	Compliant
VAR-001-1	R3.	Compliant
VAR-001-1	R4.	Compliant
VAR-001-1	R5.	Compliant
VAR-001-1	R6.	Compliant
VAR-001-1	R7.	Compliant
VAR-001-1	R8.	Compliant
VAR-001-1	R9.	Compliant
VAR-001-1	R10.	Compliant
VAR-001-1	R11.	Compliant
VAR-001-1	R12.	Compliant
VAR-002-1	R1.	Compliant
VAR-002-1	R2.	Compliant
VAR-002-1	R3.	Compliant
VAR-002-1	R4.	Compliant
VAR-002-1	R5.	Compliant
VAR-STD-002a-1	WR1.	Compliant
VAR-STD-002b-1	WR1.	Compliant

Compliance Culture

The PGE Internal Compliance Program (ICP) was reviewed: