



# **Compliance Audit Report Public Version**

**Municipal Electric Authority of Georgia  
(MEAG)  
NERC ID NCR01278**

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

**Date of Audit: November 8-11, 2010**

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## **Executive Summary**

An on-site compliance audit of Municipal Electric Authority of Georgia (MEAG) (NERC ID – NCR01278) was conducted from November 8–11, 2010. At the time of the audit, MEAG was registered for the Generator Owner (GO), Generator Operator (GOP), Load-Serving Entity (LSE), Planning Authority (PA), Purchasing-Selling Entity (PSE), Resource Planner (RP), Transmission Owner (TO), Transmission Planner (TP), Transmission Service Provider (TSP) and Joint Registration Organization (JRO) functions.

During the course of this audit, the audit team utilized the NERC and Regional sampling guidelines to determine the samples reviewed in several of the NERC Standards within the scope of the audit.

The audit team evaluated MEAG for compliance with 65 requirements in the 2010 NERC Compliance Monitoring and Enforcement Program (CMEP). The audit team assessed compliance with the NERC Reliability Standards for the period from June 18, 2007 to present. MEAG submitted information and documentation for the audit team's evaluation of compliance with requirements. The audit team reviewed and evaluated all information provided by MEAG to assess compliance with standards applicable to MEAG at this time.

Based on the information and documentation provided by MEAG, the audit team did not find any areas of non-compliance based on the evidence presented by MEAG and review by the audit team for 64 of the applicable requirements.

The audit team determined that one requirement was not applicable to MEAG.

These audit results are further explained in the Audit Results Findings section of this report which includes detailed information of the audit team's findings of applicability and compliance for the NERC Reliability Standards within the scope of the compliance audit. Any Possible Violations will be processed through the NERC and SERC Reliability Corporation (SERC) CMEP.

The SERC audit team lead certifies that the audit team adhered to all applicable requirements of the NERC Rules of Procedure (ROP) and Compliance Monitoring and Enforcement Program (CMEP).

## **Audit Process**

The compliance audit process steps are detailed in the SERC CMEP. The SERC 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 an 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:

- Review compliance with the requirements of reliability standards that are applicable to MEAG, based on the functions that MEAG is registered to perform;
- Validate compliance with applicable reliability standards from the NERC 2010 Implementation Plan list of actively monitored standards, and additional NERC Reliability Standards selected by SERC;
- Validate compliance with applicable regional standards from the SERC 2010 Implementation Plan list of actively monitored standards;
- Validate evidence of self-reported violations and previous self-certifications;
- Observe and document MEAG's compliance program and culture;
- Review the status of mitigation plans.

## **Scope**

The scope of the compliance audit included the NERC Reliability Standards from the SERC 2010 Implementation Plan. In addition, this audit included a review of mitigation plans or remedial action directives which have been completed or pending in the year of the compliance audit.

At the time of the audit, MEAG was registered for the functions Generator Owner (GO), Generator Operator (GOP), Load-Serving Entity (LSE), Planning Authority (PA), Purchasing-Selling Entity (PSE), Resource Planner (RP), Transmission Owner (TO), Transmission Planner (TP), Transmission Service Provider (TSP) and Joint Registration Organization (JRO) functions.

The audit team evaluated MEAG for the 2010 compliance program; the monitoring period for the compliance audit will generally be the lesser of: 1) Date of registration to current date; 2) Date of last audit or spot check to current date; or, 3) June 18, 2007 to current date. The monitoring period is not limited to the time period for which penalties and sanctions are assessed.

## **Confidentiality and Conflict of Interest**

Confidentiality and Conflict of Interest of the audit team are governed under the SERC Delegation Agreement with NERC, and Section 1500 of the NERC Rules of Procedure. MEAG was informed of SERC's obligations and responsibilities under the agreement and procedures. The work history for each audit team member was provided to MEAG. MEAG was given an opportunity to object to an audit team member's participation on the basis of a possible conflict of interest or the existence of other circumstances that could interfere with an audit team member's impartial performance of duties. MEAG had not submitted any objections by the stated 15 day objection due date and accepted the audit team member participants without objection. There have been no denials of or access limitations placed upon this audit team by MEAG.

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

### **Methodology**

The audit team reviewed the information, data, and evidence submitted by MEAG and assessed compliance with requirements of the applicable reliability standards. Submittal of information and data were sent to SERC 30 days before the scheduled date of the entity review. Additional information relevant to the audit could be submitted until the last day of the review at the audit site.

The audit team requested and received additional information and sought clarification from subject matter experts during the audit.

The audit team reviewed documentation provided by MEAG. Data, information, and evidence submitted in the form of policies, procedures, emails, logs, studies, data sheets, etc. were validated, substantiated, and cross-checked for accuracy as appropriate. Requirements which required a sampling to be conducted were developed based upon the significance of the sampling to the reliability of the bulk electric system (BES).

Findings were based on the audit team's knowledge of the BES, the NERC Reliability Standards, and their professional judgment. All findings were developed based upon the consensus of the audit team.

### **Company Profile**

The Municipal Electric Authority of Georgia ("MEAG" or "MEAG Power") was created by the State of Georgia for the purpose of owning and operating electric generation and transmission facilities to supply bulk electric power to political subdivisions of Georgia. MEAG currently provides bulk electric power to 48 cities and one county in the State of Georgia (the "Participants") pursuant to separate power sales contracts with each Participant. MEAG does not engage in retail sales. Rather, the Participants provide retail electric service to their end users under arrangements that do not involve MEAG. The approximate load requirement of the Participants is 2,100 MW and 11,000 GWh. MEAG has joint ownership interests in nine electric generating units that are operated by other joint owners. For these jointly-owned plants, MEAG and the respective joint owners have entered into written agreements whereby the operating owners are responsible for compliance with the NERC Reliability Standards.

### **Audit Participants**

The following is a listing of all personnel from the Audit Team and MEAG who were present during the meetings or interviews.

#### **Audit Team Participants**

<b>Title</b>	<b>Entity</b>
Audit Team Leader	SERC
Senior Compliance Auditor	SERC
Compliance Auditor	SERC
Senior Compliance Auditor	SERC
Senior Compliance Auditor	SERC
Director, Reliability Services	SERC
Subject Matter Expert	Ameren Services Company
Subject Matter Expert	South Carolina Public Service Authority

**MEAG Audit Participants**

<b>Title</b>	<b>Entity</b>
Manager, Corporate Affairs	MEAG
VP-Corporate Affairs	MEAG
Manager, Regulatory Compliance	MEAG
Manager, Transmission Policy	MEAG
VP, Power Supply	MEAG
O & M Supervisor	MEAG
O & M Manager	MEAG
Executive Secretary	MEAG
Manager, Planning	MEAG
Principle Engineer, Planning	MEAG
Principal Engineer	MEAG
Senior Operations Engineer	MEAG
Supervisor Trans Monitoring/Training	MEAG
Manager, Engineering & Construction	MEAG
Assistant to VP of Transmission	MEAG
EHS Manager	General Electric
Manager of Power Generation	MEAG
VP Transmission	MEAG
Manager of Bulk Power Operations	MEAG
Manager of Engineering Technical Services	MEAG
Engineering Technician	MEAG
Manager, Protection and Control	MEAG
Transmission Planner	Southern Company
Forestry Services	Georgia Power Company

## Audit Results

The audit team evaluated MEAG for compliance with 65 requirements in the 2010 NERC Compliance Monitoring and Enforcement Program (CMEP). The audit reviewed NERC Reliability Standards for the period of June 18, 2007 to present. MEAG submitted information and documentation for the audit team’s evaluation of compliance with requirements. The audit team reviewed and evaluated all information provided by MEAG to assess compliance with standards applicable to MEAG at this time.

Based on the information and documentation provided by MEAG, the audit team did not find any areas of non-compliance based on the evidence presented by MEAG and review by the audit team for 64 of the applicable requirements. The audit team determined that one requirement was currently not applicable to MEAG.

## Findings

The following table details the findings for compliance for the scope identified for this audit.

Reliability Std.	Req.	Finding
CIP-001-1	R1.	No Findings
CIP-001-1	R2.	No Findings
CIP-001-1	R3.	No Findings
CIP-001-1	R4.	No Findings
CIP-002 through CIP-009		Reviewed by a separate Monitoring Process
COM-002-2	R1.	No Findings
EOP-002-2.1	R9.	No Findings
FAC-001-0	R1.	No Findings
FAC-001-0	R2.	No Findings
FAC-001-0	R3.	No Findings
FAC-002-0	R1.	No Findings
FAC-003-1	R1.	No Findings
FAC-003-1	R2.	No Findings
FAC-008-1	R1.	No Findings
FAC-008-1	R2.	No Findings
FAC-008-1	R3.	No Findings
FAC-009-1	R1.	No Findings
FAC-009-1	R2.	No Findings
FAC-010-2	R2.	No Findings
FAC-014-2	R5.	No Findings
IRO-001-1.1	R8.	No Findings
IRO-004-1	R4.	No Findings
IRO-004-1	R7.	No Findings
IRO-005-2	R13.	No Findings
IRO-005-2	R14.	No Findings
NUC-001-1	R1.	No Findings
NUC-001-1	R2.	No Findings
NUC-001-1	R3.	No Findings
NUC-001-1	R4.	No Findings

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<b>Reliability Std.</b>	<b>Req.</b>	<b>Finding</b>
NUC-001-1	R5.	No Findings
NUC-001-1	R6.	No Findings
NUC-001-1	R7.	No Findings
NUC-001-1	R8.	No Findings
NUC-001-1	R9.	No Findings
PRC-001-1	R1.	No Findings
PRC-001-1	R2.	No Findings
PRC-001-1	R3.	No Findings
PRC-001-1	R5.	No Findings
PRC-004-1	R1.	No Findings
PRC-004-1	R2.	No Findings
PRC-005-1	R1.	No Findings
PRC-005-1	R2.	No Findings
PRC-008-0	R1.	No Findings
PRC-008-0	R2.	No Findings
PRC-017-0	R1.	N/A
TOP-001-1	R3.	No Findings
TOP-001-1	R4.	No Findings
TOP-001-1	R6.	No Findings
TOP-001-1	R7.	No Findings
TOP-002-2	R3.	No Findings
TOP-002-2	R13.	No Findings
TOP-002-2	R14.	No Findings
TOP-002-2	R15.	No Findings
TOP-002-2	R18.	No Findings
TOP-003-0	R1.	No Findings
TOP-003-0	R2.	No Findings
TOP-003-0	R3.	No Findings
TPL-001-0.1	R1.	No Findings
TPL-002-0	R1.	No Findings
TPL-003-0	R1.	No Findings
VAR-001-1	R5.	No Findings
VAR-002-1.1a	R1.	No Findings
VAR-002-1.1a	R2.	No Findings
VAR-002-1.1a	R3.	No Findings
VAR-002-1.1a	R4.	No Findings
VAR-002-1.1a	R5.	No Findings

## **Compliance Culture**

The audit team assessed MEAG's Internal Compliance Program in conjunction with the audit. Evidence reviewed in assessing the program included: MEAG's Compliance Pre-Audit Survey, compliance staff organizational charts, interviews with MEAG staff, and observation of staff responses in preparation for and during the audit.

Four factors that characterize a vigorous and effective compliance program are: active engagement and leadership by a company's senior management; preventive measures appropriate to the individual circumstances of the company; promptly detecting, stopping, and reporting a violation; and, ultimately fixing the problem and working to avoid future possible violations.

SERC recognizes that there isn't one standard formula for an effective compliance program, and that there will be variations in each company's program and culture based on countless factors, including the size and age of the company, as well as the nature and extent of its business. Ultimately what matters are the results and whether the compliance program worked as it should.

The audit team determined that MEAG's Internal Compliance Program documents and their staff's demonstrated compliance culture indicate an effective compliance program.

Additional information pertaining to the compliance culture of MEAG can be found in the Internal Compliance Survey.