



Compliance Audit Report Public Version

Allegheny Electric Cooperative, Inc.
NERC ID# NCR00669

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

Date of Audit: April 05 - April 16, 2010

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Executive Summary

A compliance audit of Allegheny Electric Cooperative, Inc. (AEC), NERC ID # - NCR00669 was conducted from April 05 - April 16, 2010. At the time of the audit, AEC was registered for the Purchasing-Selling Entity (PSE) function.

The audit team evaluated AEC for compliance with three (3) requirements in the 2010 NERC Compliance Monitoring and Enforcement Program (CMEP). The audit team reviewed the NERC Reliability Standards for the period of June 18, 2007 to April 16, 2010. AEC submitted information and documentation for the audit team's evaluation of compliance with requirements. The audit team reviewed and evaluated all information provided by AEC to assess compliance with standards applicable to AEC at this time.

Based on the information and documentation provided by AEC, the audit team found AEC to be compliant with three (3) applicable requirements. The audit team determined that zero (0) requirements were not applicable to AEC. The Audit Team did not identify any violations as a result of this review.

Any Possible Violations will be processed through the NERC and Reliability *First* CMEP.

There were no ongoing or recently completed mitigation plans and therefore none were reviewed by the audit team.

Audit Process

The compliance audit process steps are detailed in the Reliability*First* CMEP. The Reliability*First* 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.* The audit objectives are to:

- Review compliance with the requirements of reliability standards that are applicable to AEC, based on the functions that AEC 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 Reliability*First*;
- Validate compliance with applicable regional standards from the Reliability*First* 2010 Implementation Plan list of actively monitored standards;
- Validate evidence of self-reported violations and previous self-certifications;
- Observe and document AEC'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 Reliability*First* 2010 Implementation Plan. In addition, this audit included any self-reports, self-certifications, outstanding 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, AEC was registered for the Purchasing-Selling Entity (PSE) function. The audit team evaluated AEC for compliance during the period of June 18, 2007 to April 16, 2010.

Confidentiality and Conflict of Interest

Confidentiality and conflict of interest of the audit team are governed under the Reliability*First* Delegation Agreement with NERC, and Section 1500 of the NERC Rules of Procedure. AEC was informed of Reliability*First*'s obligations and responsibilities under the agreement and procedures. The work history for each audit team member was provided to AEC. AEC was given an opportunity to object to an audit team member's participation on the basis of a possible

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

conflict of interest or the existence of other circumstances that could interfere with an audit team member's impartial performance of duties. AEC had not submitted any objections by the stated fifteen 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 AEC.

Methodology

The audit team reviewed the information, data, and evidence submitted by AEC and assessed compliance with requirements of the applicable reliability standards. Submittal of information and data was due thirty (30) days before the scheduled date of the entity review. Additional information relevant to the audit could be submitted until the conclusion of the exit briefing. After that date, only data or information which was relevant to the content of the report or its finding can be submitted upon agreement by the audit team lead.

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

The audit team evaluated all evidence of compliance for sufficiency and appropriateness, according to the Generally Accepted Government Auditing Standards.

The audit team reviewed documentation provided by AEC. Data, information and evidence submitted in the form of policies, procedures, e-mails, logs, studies, data sheets, etc. which 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

AEC is a non-profit Pennsylvania Electric Cooperative Corporation organized under Pennsylvania law that provides electricity for resale at wholesale to its distribution cooperative members. AEC's organization consists of the following functional divisions each with its own vice-president that reports to the President & CEO:

- Strategic & Corporate Services
- Public Affairs & Member Services
- Power Supply & Engineering
- Finance & Accounting

Additionally, the President's Office includes the President & CEO and the General Counsel who reports to the President & CEO.

AEC is based out of Harrisburg, PA.

Audit Participants

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

Audit Team Participants

Audit Team Role	Title	Entity
Audit Team Lead	Senior Engineer	ReliabilityFirst
Audit Team Member	Engineer	ReliabilityFirst

AEC Audit Participants

Title	Entity
Vice President – Strategic & Corporate Services (Compliance Officer)	Allegheny Electric Cooperative, Inc.
General Counsel	Allegheny Electric Cooperative, Inc.
Vice President – Power Supply & Engineering	Allegheny Electric Cooperative, Inc.
Assistant Vice President – Power Supply & Engineering	Allegheny Electric Cooperative, Inc.
Manager of Planning	Allegheny Electric Cooperative, Inc.
Director - Energy Management Systems	Allegheny Electric Cooperative, Inc.
Principal Engineer – Power Supply & Engineering	Allegheny Electric Cooperative, Inc.
Principal Engineer – Planning & Delivery Services	Allegheny Electric Cooperative, Inc.
Director of Rates & Regulation (Compliance Manager)	Allegheny Electric Cooperative, Inc.

Audit Results

The audit team evaluated AEC for compliance with three (3) 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 April 16, 2010. AEC submitted information and documentation for the audit team’s evaluation of compliance with requirements. The audit team reviewed and evaluated all information provided by AEC to assess compliance with standards applicable to AEC at this time.

Based on the information and documentation provided by AEC, the audit team found AEC to be compliant with three (3) applicable requirements. The audit team determined that zero (0) requirements were not applicable to AEC. The Audit Team did not identify any violations as a result of this review.

Findings

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

Reliability Std	Requirement	Finding
IRO-001-1.1	R8.	Compliant
IRO-005-2	R13.	Compliant
VAR-001-1	R5.	Compliant

Compliance Culture

AEC's compliance culture was reviewed by the audit team.

AEC has an internal compliance program in place. AEC's compliance program is supported by senior management, who also participate in the compliance program. The Reliability Compliance Officer directly reports to the President & CEO and has independent access to the the Executive Committee and the Board of Directors. AEC personnel receive compliance training at least annually and receive interim training sessions if new developments warrant additional training.

In the Pre-Audit Survey, AEC states that when a violation does occur, the Compliance Working Group reviews the violation to determine what went wrong, why it went wrong, the steps to take to prevent it from happening again (corrective action plan) and the responsible manager to implement the corrective action plan. The Reliability Compliance Manager will verify that the corrective action plan has been implemented.