



**Compliance Audit Report  
Public Version**

**Peninsula Light Company, Inc.**  
NCR05316

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

**Date of Audit: September 30, 2010**

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## **Executive Summary**

The Western Electricity Coordinating Council (WECC) performed a compliance audit of Peninsula Light Company, Inc. (PLC) NERC ID NCR05316 on September 30, 2010. At the time of the audit, PLC was registered on the North American Electric Reliability Corporation (NERC) Compliance Registry for the following functions:

Distribution Provider (DP)  
Load Serving Entity (LSE)

The Audit Team evaluated PLC for compliance with seventy-nine (79) requirements in the NERC Compliance Monitoring and Enforcement Program 2010 Implementation Plan (CMEP IP). Additionally one requirement in the WECC Regional Reliability Standards was audited. The Audit Team assessed compliance with the NERC Reliability Standards for the period of June 18, 2007 through September 30, 2010. PLC submitted information and documentation for the Audit Team's evaluation of compliance with requirements. The Audit Team reviewed and evaluated all information provided by PLC to assess compliance with standards applicable to PLC at this time.

Based on the information and documentation provided by PLC, the Audit Team found PLC to be compliant with twelve (12) applicable requirements. The Audit Team determined that sixty-seven (67) requirements were not applicable to PLC. PLC had no Outstanding Violations. The Audit Team also found PLC not applicable with one requirement in the WECC Regional Reliability Standards audited. The Audit Team identified no (0) New Possible Violation(s).

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, and Applicable Regional Reliability Standards, within the scope of the compliance audit. Any Possible Violations will be processed through the NERC and WECC CMEP. There were not ongoing or recently completed mitigation plans and therefore none were reviewed by the Audit Team.

The WECC 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 WECC CMEP. The audit process generally conforms to the United States Government Accountability Office Government Auditing Standards (GAGAS) and to other generally accepted audit practices.

## **Objectives**

A Registered Entity is subject to audit for compliance with all Reliability Standards applicable to its registered functions.

The audit objectives are to:

- Review compliance with the requirements of Reliability Standards that are applicable to PLC, based on the functions that PLC is registered to perform;
- Validate compliance with applicable Reliability Standards from the NERC 2010 CMEP Implementation Plan list of actively-monitored Reliability Standards and any applicable NERC Reliability Standards selected by WECC;
- Validate compliance with applicable Regional Standards from the WECC 2010 CMEP Implementation Plan list of actively monitored standards;
- Validate evidence of self-reported violations and previous self-certifications;
- Review the status of mitigation plans.

## **Scope**

The scope of the compliance audit included the NERC Reliability Standards from the WECC CMEP 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, PLC was registered for the functions DP, and LSE. The Audit Team evaluated PLC for compliance during the period of June 18, 2007 through September 30, 2010.

WECC notified PLC of the audit on June 11, 2010. WECC informed PLC that the Audit Team would perform the audit in accordance with the CMEP and the 2010 NERC Compliance Questionnaire and Reliability Standard Audit Worksheets (RSAW). In preparation for the audit, the Audit Team reviewed the RSAWs and other documents submitted by PLC to evaluate compliance with each applicable Reliability Standard.

## **Confidentiality and Conflicts of Interest**

Confidentiality and Conflict of Interest of the Audit Team are governed under the WECC Delegation Agreement with NERC, and Section 1500 of the NERC Rules of Procedure. PLC was informed of WECC's obligations and responsibilities under the Delegation Agreement and Rules of Procedure. On June 11, 2010 WECC provided the work history for each Audit Team member to PLC. PLC had the opportunity to object to an Audit Team member's participation in the audit on the basis of a possible conflict of interest or because of other circumstances that could interfere with an Audit Team member's

impartiality. Section 3.1.5 of the WECC CMEP requires the PLC to submit any objections no later than fifteen days prior to the start of the audit. PLC did not submit any objections regarding any Audit Team members. There have been no denials of information or access limitations placed upon this Audit Team by PLC.

## **Methodology**

The Audit Team reviewed the information, data, and evidence submitted by PLC and assessed compliance with requirements of the applicable Reliability Standards. Submittals of information and requests for data were sent to PLC at least thirty days before the scheduled date of the audit. Additional information relevant to the audit could be submitted until the last day of the review at the audit site. After that date, only data or information which was relevant to the content of the report or its findings 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 reviewed documentation provided by PLC. Data, information and evidence submitted in the form of policies, procedures, emails, logs, data sheets, etc., was validated, substantiated and cross checked for accuracy as appropriate. Where sampling is applicable to a requirement, the sample set is determined by a statistical methodology augmented with professional judgment to ensure that the sample set is representative of the requirement's significance to the reliability of the Bulk Electrical System (BES).

Findings were based on the Audit Team's knowledge of the BES, the NERC Reliability Standards and team members' professional judgment. All findings were developed based on the consensus of the Audit Team.

## **Company Profile**

PLC's has 8 substations -tapped from Tacoma Power's Potlatch line #1 or #2 and serve the Gig Harbor and Key Peninsula areas on Washington's Kitsap Peninsula. The transmission voltage is nominally operated at 110 kV and distribution service is 12.5 kV. PLC has 7 tap points from the transmission system that serve its substations.

PLC can be feed from the Cushman Generating Plant 1 and Plant 2 and the Pearl substation.

PLC is bordered by Mason PUD #3, Puget Sound Energy, and Tacoma Power.

PLC set a system peak of 167 MW in December 2009. PLC normally peaks in the Winter months.

BPA is PLC's BA and Tacoma Power is PLC's TOP.

### **Audit Participants**

The following is a list of WECC Audit Team members and PLC personnel who participated in the audit.

#### Audit Team Members

| <b>Audit Team Role</b> | <b>Title</b>        | <b>Company</b> |
|------------------------|---------------------|----------------|
| Audit Team Lead        | Compliance Engineer | WECC           |
| Member                 | Consultant          | WECC           |

#### PLC Audit Participants

| <b>Title</b>   | <b>Company</b> |
|----------------|----------------|
| Chief Engineer | PLC            |

### **Audit Results**

The Audit Team evaluated PLC for compliance with seventy-nine (79) requirements in the NERC Compliance Monitoring and Enforcement Program 2010 Implementation Plan (CMEP IP). Additionally one requirement in the WECC Regional Reliability Standards was audited. The Audit Team assessed compliance with the NERC Reliability Standards for the period of June 18, 2007 through September 30, 2010. PLC submitted information and documentation for the Audit Team's evaluation of compliance with requirements. The Audit Team reviewed and evaluated all information provided by PLC to assess compliance with standards applicable to PLC at this time.

Based on the information and documentation provided by PLC, the Audit Team found PLC to be compliant with twelve (12) applicable requirements. The Audit Team determined that sixty-seven (67) requirements were not applicable to PLC. PLC had no Outstanding Violations. The Audit Team also found PLC not applicable with one requirement in the WECC Regional Reliability Standards audited. The Audit Team identified no (0) New Possible Violation(s).

## Findings

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

The Finding column may contain any one of the following: Compliant, New Possible Violation (NPV), Not Applicable (N/A), Outstanding Violation (OV), or other appropriate description.

| <b>Standard</b> | <b>Req.</b> | <b>Finding</b> |
|-----------------|-------------|----------------|
| CIP-001-1       | R1.         | Compliant      |
| CIP-001-1       | R2.         | Compliant      |
| CIP-001-1       | R3.         | Compliant      |
| CIP-001-1       | R4.         | Compliant      |
| EOP-002-2       | R1.         | N/A            |
| EOP-002-2       | R2.         | N/A            |
| EOP-002-2       | R3.         | N/A            |
| EOP-002-2       | R4.         | N/A            |
| EOP-002-2       | R5.         | N/A            |
| EOP-002-2       | R6.         | N/A            |
| EOP-002-2       | R7.         | N/A            |
| EOP-002-2       | R8.         | N/A            |
| EOP-002-2       | R9.         | Compliant      |
| FAC-002-0       | R1.         | Compliant      |
| IRO-001-1.1     | R3.         | N/A            |
| IRO-001-1.1     | R7.         | N/A            |
| IRO-001-1.1     | R8.         | Compliant      |
| IRO-001-1.1     | R9.         | N/A            |
| IRO-004-1       | R1.         | N/A            |
| IRO-004-1       | R2.         | N/A            |
| IRO-004-1       | R3.         | N/A            |
| IRO-004-1       | R4.         | Compliant      |
| IRO-004-1       | R5.         | N/A            |
| IRO-004-1       | R6.         | N/A            |
| IRO-004-1       | R7.         | N/A            |
| IRO-005-2       | R1.         | N/A            |
| IRO-005-2       | R2.         | N/A            |
| IRO-005-2       | R3.         | N/A            |
| IRO-005-2       | R4.         | N/A            |
| IRO-005-2       | R5.         | N/A            |
| IRO-005-2       | R7.         | N/A            |
| IRO-005-2       | R8.         | N/A            |

| <b>Standard</b> | <b>Req.</b> | <b>Finding</b> |
|-----------------|-------------|----------------|
| IRO-005-2       | R9.         | N/A            |
| IRO-005-2       | R10.        | N/A            |
| IRO-005-2       | R11.        | N/A            |
| IRO-005-2       | R12.        | N/A            |
| IRO-005-2       | R13.        | Compliant      |
| IRO-005-2       | R14.        | N/A            |
| IRO-005-2       | R15.        | N/A            |
| IRO-005-2       | R16.        | N/A            |
| IRO-005-2       | R17.        | N/A            |
| IRO-STD-006-0   | WR1.        | N/A            |
| NUC-001-2       | R1.         | N/A            |
| NUC-001-2       | R2.         | N/A            |
| NUC-001-2       | R3.         | N/A            |
| NUC-001-2       | R4.         | N/A            |
| NUC-001-2       | R5.         | N/A            |
| NUC-001-2       | R6.         | N/A            |
| NUC-001-2       | R7.         | N/A            |
| NUC-001-2       | R8.         | N/A            |
| NUC-001-2       | R9.         | N/A            |
| PRC-004-1       | R1.         | N/A            |
| PRC-004-1       | R2.         | N/A            |
| PRC-005-1       | R1.         | N/A            |
| PRC-005-1       | R2.         | N/A            |
| PRC-008-0       | R1.         | N/A            |
| PRC-008-0       | R2.         | N/A            |
| PRC-017-0       | R1.         | N/A            |
| TOP-001-1       | R1.         | N/A            |
| TOP-001-1       | R2.         | N/A            |
| TOP-001-1       | R3.         | N/A            |
| TOP-001-1       | R4.         | Compliant      |
| TOP-001-1       | R5.         | N/A            |
| TOP-001-1       | R6.         | N/A            |
| TOP-001-1       | R7.         | N/A            |
| TOP-001-1       | R8.         | N/A            |
| TOP-002-2       | R1.         | N/A            |
| TOP-002-2       | R2.         | N/A            |
| TOP-002-2       | R3.         | Compliant      |
| TOP-002-2       | R4.         | N/A            |
| TOP-002-2       | R5.         | N/A            |
| TOP-002-2       | R6.         | N/A            |

| <b>Standard</b> | <b>Req.</b> | <b>Finding</b> |
|-----------------|-------------|----------------|
| TOP-002-2       | R11.        | N/A            |
| TOP-002-2       | R13.        | N/A            |
| TOP-002-2       | R14.        | N/A            |
| TOP-002-2       | R15.        | N/A            |
| TOP-002-2       | R16.        | N/A            |
| TOP-002-2       | R17.        | N/A            |
| TOP-002-2       | R18.        | Compliant      |
| TOP-002-2       | R19.        | N/A            |

### **Compliance Culture**

PLC's compliance culture was not reviewed by the Audit Team.

### **Exit Briefing**

To conclude the audit, the Audit Team leader gave a PowerPoint presentation for PLC's personnel summarizing the Audit Team's preliminary findings. The Audit Team leader also explained the next steps in the audit process and how WECC handles possible violations under the CMEP.

### **In Accordance with WECC CMEP Section 3.1.6:**

WECC provided the draft of this audit report and an Entity Comment Form to PLC on October 15, 2010 for review and comment. On October 23, 2010, PLC provided comments. The Entity Comment Form on file in the WECC Compliance Department provides and record of these comments and WECC's consideration of them for inclusion in this final report.

### **Management Approval**

This report was reviewed and approved by John McGhee, WECC Director of Compliance Audits and Investigations on November 1, 2010.