



**Compliance Audit Report
Public Version**

**Parkland Light and Water Company (PLW)
NCR05314**

**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 Parkland Light and Water Company (PLW) NERC ID NCR05314 on September 30, 2010. At the time of the audit, PLW 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 PLW for compliance with 79 (seventy-nine) requirements in the NERC Compliance Monitoring and Enforcement Program 2010 Implementation Plan (CMEP IP). Additionally, 1 (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. PLW submitted information and documentation for the Audit Team's evaluation of compliance with requirements. The Audit Team reviewed and evaluated all information provided by PLW to assess compliance with standards applicable to PLW at this time.

Based on the information and documentation provided by PLW, the Audit Team found PLW to be compliant with 15 (fifteen) applicable requirements. The Audit Team determined that 64 (sixty-four) requirements were not applicable to PLW. PLW had no Outstanding Violations. The Audit Team also found 1 (one) requirement in the WECC Regional Reliability Standards was not applicable.

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.

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 PLW, based on the functions that PLW 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, PLW was registered for the functions. The Audit Team evaluated PLW for compliance during the period of June 18, 2007 through September 30, 2010.

WECC notified PLW of the audit on June 11, 2010. WECC informed PLW 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 PLW 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. PLW 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 PLW. PLW 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 PLW to submit any objections no later than fifteen days prior to the start of the audit. PLW 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 PLW.

Methodology

The Audit Team reviewed the information, data, and evidence submitted by PLW and assessed compliance with requirements of the applicable Reliability Standards. Submittals of information and requests for data were sent to PLW 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 PLW. 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

PLW was formed in 1914 is a mutual cooperative with 4300 electric and 7600 water customers. PLW has six full time electric employees out of a total of 27 employees. PLW has only one BES substation, Curtis connected at 115 kV with Tacoma Power. PLW has 3700 residential customers, 638 small commercial customers and 62 large commercial customers. PLW peak load occurs in winter. Their 2009 winter peak was 30 MW and occurred in December.

Audit Participants

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

Audit Team Members

| Audit Team Role | Title | Company |
|------------------------|----------------------------|----------------|
| Audit Team Lead | Senior Compliance Engineer | WECC |
| Member | Consultant | WECC |

PLW Audit Participants

| Title | Company |
|-------------------------|----------------|
| General Manager | PLW |
| PLW Consultant | PLW |
| Electric Superintendent | PLW |

Audit Results

The Audit Team evaluated PLW for compliance with 79 (seventy-nine) requirements in the NERC Compliance Monitoring and Enforcement Program 2010 Implementation Plan (CMEP IP). Additionally, 1 (one) requirements in the WECC Regional Reliability Standards were audited. The Audit Team assessed compliance with the NERC Reliability Standards for the period of June 18, 2007 through September 30, 2010. PLW submitted information and documentation for the Audit Team's evaluation of compliance with requirements. The Audit Team reviewed and evaluated all information provided by PLW to assess compliance with standards applicable to PLW at this time.

Based on the information and documentation provided by PLW, the Audit Team found PLW to be compliant with 15 (fifteen) applicable requirements. The Audit Team determined that 64 (sixty-four) requirements were not applicable to PLW. PLW had no Outstanding Violations. The Audit Team also found 1 (one) requirement in the WECC Regional Reliability Standards was not applicable.

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, Not Applicable, Outstanding Violation, Retraction Requested, Self-Reported Violation, or other appropriate description.

| Reliability Standard | Req. | Finding |
|-----------------------------|-------------|----------------|
| CIP-001-1 | R1. | Compliant |
| CIP-001-1 | R2. | Compliant |
| CIP-001-1 | R3. | Compliant |
| CIP-001-1 | R4. | Compliant |
| EOP-002-2 | R1. | Not Applicable |
| EOP-002-2 | R2. | Not Applicable |
| EOP-002-2 | R3. | Not Applicable |
| EOP-002-2 | R4. | Not Applicable |
| EOP-002-2 | R5. | Not Applicable |
| EOP-002-2 | R6. | Not Applicable |
| EOP-002-2 | R7. | Not Applicable |
| EOP-002-2 | R8. | Not Applicable |
| EOP-002-2 | R9. | Compliant |
| FAC-002-0 | R1. | Compliant |
| IRO-001-1.1 | R3. | Not Applicable |
| IRO-001-1.1 | R7. | Not Applicable |
| IRO-001-1.1 | R8. | Compliant |
| IRO-001-1.1 | R9. | Not Applicable |
| IRO-004-1 | R1. | Not Applicable |
| IRO-004-1 | R2. | Not Applicable |
| IRO-004-1 | R3. | Not Applicable |
| IRO-004-1 | R4. | Compliant |
| IRO-004-1 | R5. | Not Applicable |
| IRO-004-1 | R6. | Not Applicable |
| IRO-004-1 | R7. | Not Applicable |
| IRO-005-2 | R1. | Not Applicable |
| IRO-005-2 | R2. | Not Applicable |
| IRO-005-2 | R3. | Not Applicable |
| IRO-005-2 | R4. | Not Applicable |
| IRO-005-2 | R5. | Not Applicable |
| IRO-005-2 | R7. | Not Applicable |
| IRO-005-2 | R8. | Not Applicable |
| IRO-005-2 | R9. | Not Applicable |
| IRO-005-2 | R10. | Not Applicable |
| IRO-005-2 | R11. | Not Applicable |
| IRO-005-2 | R12. | Not Applicable |
| IRO-005-2 | R13. | Compliant |
| IRO-005-2 | R14. | Not Applicable |

| | | |
|---------------|------|----------------|
| IRO-005-2 | R15. | Not Applicable |
| IRO-005-2 | R16. | Not Applicable |
| IRO-005-2 | R17. | Not Applicable |
| IRO-STD-006-0 | WR1. | Not applicable |
| NUC-001-2 | R1. | Not Applicable |
| NUC-001-2 | R2. | Not Applicable |
| NUC-001-2 | R3. | Not Applicable |
| NUC-001-2 | R4. | Not Applicable |
| NUC-001-2 | R5. | Not Applicable |
| NUC-001-2 | R6. | Not Applicable |
| NUC-001-2 | R7. | Not Applicable |
| NUC-001-2 | R8. | Not Applicable |
| NUC-001-2 | R9. | Not Applicable |
| PRC-004-1 | R1. | Compliant |
| PRC-004-1 | R2. | Not Applicable |
| PRC-005-1 | R1. | Compliant |
| PRC-005-1 | R2. | Compliant |
| PRC-008-0 | R1. | Not Applicable |
| PRC-008-0 | R2. | Not Applicable |
| PRC-017-0 | R1. | Not Applicable |
| TOP-001-1 | R1. | Not Applicable |
| TOP-001-1 | R2. | Not Applicable |
| TOP-001-1 | R3. | Not Applicable |
| TOP-001-1 | R4. | Not Applicable |
| TOP-001-1 | R5. | Compliant |
| TOP-001-1 | R6. | Not Applicable |
| TOP-001-1 | R7. | Not Applicable |
| TOP-001-1 | R8. | Not Applicable |
| TOP-002-2 | R1. | Not Applicable |
| TOP-002-2 | R2. | Not Applicable |
| TOP-002-2 | R3. | Compliant |
| TOP-002-2 | R4. | Not Applicable |
| TOP-002-2 | R5. | Not Applicable |
| TOP-002-2 | R6. | Not Applicable |
| TOP-002-2 | R11. | Not Applicable |
| TOP-002-2 | R13. | Not Applicable |
| TOP-002-2 | R14. | Not Applicable |
| TOP-002-2 | R15. | Not Applicable |
| TOP-002-2 | R16. | Not Applicable |
| TOP-002-2 | R17. | Not Applicable |

| | | |
|-----------|------|----------------|
| TOP-002-2 | R18. | Compliant |
| TOP-002-2 | R19. | Not Applicable |

Compliance Culture

PLW'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 PLW'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 PLW on October 08, 2010 for review and comment. However, PLW provided no comments.

Management Approval

This report was reviewed and approved by John McGhee, WECC Director of Compliance Audits and Investigations on November 15, 2010.