



**Compliance Audit Report
Public Version**

**Public Utility District No. 1 of Whatcom County
NCR05522**

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

Date of Audit: September 14, 2010

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Executive Summary

The Western Electricity Coordinating Council (WECC) performed a compliance audit of Public Utility District No. 1 of Whatcom County (WCPD) NERC ID 05522 on September 14, 2010. At the time of the audit, WCPD was registered on the North American Electric Reliability Corporation (NERC) Compliance Registry for the following functions:

Transmission Owner
Distribution Provider
Load Serving Entity

The Audit Team evaluated WCPD for compliance with Ninety (90) requirements in the NERC Compliance Monitoring and Enforcement Program 2010 Implementation Plan (CMEP IP). Additionally Four (04) requirements in the WECC Regional Reliability Standards were audited. The Audit Team reviewed the NERC Reliability Standards for the period of June 18, 2007 to September 14, 2010. WCPD submitted information and documentation for the Audit Team's evaluation of compliance with requirements. The Audit Team reviewed and evaluated all information provided by WCPD to assess compliance with standards applicable to WCPD at this time.

Based on the information and documentation provided by WCPD, the Audit Team found WCPD to be compliant with Twenty-Six (26) applicable requirements. The Audit Team determined that Sixty (60) Requirements were not applicable to WCPD. WCPD had Zero (0) Outstanding Violations. The Audit Team also found WCPD's functions to be Not Applicable to the Four (4) Requirements in the WECC Regional Reliability Standards audited. The Audit Team identified Zero (0) New Possible Violations.

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 Western Electricity Coordinating Council (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).*

* This statement replaces the Regional Entity Self-Certification process.

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 WCPD, based on the functions that WCPD 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, WCPD was registered for the functions Transmission Owner, Distribution Provider, Load Serving Entity. The Audit Team evaluated WCPD for compliance during the period of June 18, 2007 to September 14, 2010.

WECC notified WCPD of the audit on July 09, 2010. WECC informed WCPD 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 WCPD 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. WCPD was informed of WECC's obligations and responsibilities under the Delegation Agreement and Rules of Procedure. On July 09, 2010, WECC provided the work history for each Audit Team member to WCPD. WCPD 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 WCPD to submit any objections no later than fifteen days prior to the start of the audit. WCPD 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 WCPD.

Methodology

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

The Public Utility No.1 of Whatcom County (WCPD) is a not for profit municipal corporation organized under Title 54 of the revised code of Washington (RCW) for the

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State of Washington. The utility organization is governed by an elected three person Board of Commissioners.

Audit Participants

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

Audit Team Members

Audit Team Role	Title	Company
Audit Team Lead	Compliance Engineer	WECC
Member	Consultant	WECC

WCPD Audit Participants

Title	Company
Director of Utility Operations	WCPD
General Manager	WCPD
Electric System Supervisor	WCPD
Contract and Compliance Manager	WCPD

Audit Results

The Audit Team evaluated WCPD for compliance with Ninety (90) requirements in the NERC Compliance Monitoring and Enforcement Program 2010 Implementation Plan (CMEP IP) covering all applicable registered functions. Additionally Four (04) requirements in the WECC Regional Reliability Standards were audited. The Audit Team reviewed the NERC Reliability Standards for the period of June 18, 2007 to September 14, 2010. WCPD submitted information and documentation for the Audit Team's evaluation of compliance with requirements. The Audit Team reviewed and evaluated all information provided by WCPD to assess compliance with standards applicable to WCPD at this time.

Based on the information and documentation provided by WCPD, the Audit Team found WCPD to be compliant with Twenty-Six (26) applicable requirements. The Audit Team determined that Sixty (60) Requirements were not applicable to WCPD. WCPD had Zero (0) Outstanding Violations. The Audit Team also found WCPD compliant with Four (04) Requirements in the WECC Regional Reliability Standards audited. The Audit Team identified Zero (0) New Possible Violations.

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.

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-001-0	R1.	Compliant
FAC-001-0	R2.	Compliant
FAC-001-0	R3.	Compliant
FAC-002-0	R1.	Compliant
FAC-003-1	R1.	Not Applicable
FAC-003-1	R2.	Not Applicable
FAC-008-1	R1.	Compliant
FAC-008-1	R2.	Compliant
FAC-008-1	R3.	Compliant
FAC-009-1	R1.	Compliant
FAC-009-1	R2.	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

Standard	Req.	Finding
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
PRC-STD-001-1	WR1.	Not Applicable
PRC-STD-003-0	WR1.	Not Applicable
PRC-004-1	R1.	Compliant
PRC-004-1	R2.	Not Applicable
PRC-005-1	R1.	Compliant
PRC-005-1	R2.	Compliant
PRC-STD-005-1	WR1.	Not Applicable
PRC-008-0	R1.	Not Applicable
PRC-008-0	R2.	Not Applicable

Standard	Req.	Finding
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.	Compliant
TOP-001-1	R5.	Not Applicable
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

WCPD'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 WCPD'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 WCPD on October 06, 2010 for review and comment. On October 14, 2010, WCPD 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.