



Compliance Audit Report Public Version

**City of Orangeburg
Department of Public Utilities
NERC ID NCR01202**

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

Date of Audit: January 25-26, 2011

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Executive Summary

An off-site compliance audit of the City of Orangeburg Department of Public Utilities (Orangeburg) (NCR01202) was conducted on January 25-26, 2011. At the time of the audit, Orangeburg was registered for the Distribution Provider (DP) and Load-Serving Entity (LSE) functions.

The audit team evaluated Orangeburg for compliance with 17 requirements in the 2011 NERC Compliance Monitoring and Enforcement Program (CMEP). The audit team assessed compliance with the NERC Reliability Standards for the period of June 18, 2007 to present. Orangeburg submitted information and documentation for the audit team's evaluation of compliance with requirements. The audit team reviewed and evaluated all information provided by Orangeburg to assess compliance with standards applicable to Orangeburg at this time.

Based on the information and documentation provided by Orangeburg, the audit team found Orangeburg to be compliant with eight applicable requirements.

The audit team determined that nine requirements were not applicable to Orangeburg.

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. There were two recently completed mitigation plans and therefore both were reviewed by the audit team.

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) with the following exceptions: The SERC audit team did not adhere to the NERC Compliance Checklist or NERC Compliance Auditor Manual regarding Reliability Coordinator Questionnaires due to the fact that SERC only sends Reliability Coordinator Questionnaires when auditing entities registered as Balancing Authorities (BA) and Transmission Operators (TOP).

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.¹ The audit objectives are to:

¹ North American Electric Reliability Corporation CMEP, paragraph 3.1, Compliance Audits
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- Review compliance with the requirements of reliability standards that are applicable to Orangeburg, based on the functions that Orangeburg is registered to perform;
- Validate compliance with applicable reliability standards from the NERC 2011 Implementation Plan list of actively monitored standards.
- Validate compliance with applicable regional standards from the SERC 2011 Implementation Plan list of actively monitored standards;
- Validate evidence of self-reported violations and previous self-certifications;
- Observe and document Orangeburg'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 2011 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, Orangeburg was registered for the functions Distribution Provider (DP) and Load-Serving Entity (LSE). The audit team evaluated Orangeburg for the 2011 compliance program; the monitoring period for the compliance audit will generally be the lesser of: 1) date of registration to date of exit presentation; 2) date of last audit or spot check to date of exit presentation; or, 3) June 18, 2007 to date of exit presentation. 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. Orangeburg was informed of SERC's obligations and responsibilities under the agreement and procedures. The work history for each audit team member was provided to Orangeburg. Orangeburg 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. Orangeburg 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 Orangeburg.

Methodology

The audit team reviewed the information, data, and evidence submitted by Orangeburg 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 Orangeburg. 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 Orangeburg Department of Public Utilities (Orangeburg) is located in the central portion of South Carolina. The Orangeburg electric system serves 24,000 electric customers of which 20,000 are residential and 4,000 are Commercial and Industrial. Orangeburg service area covers approximately 340 square miles (about 1/3 of Orangeburg County). Orangeburg purchases its energy through a full requirements contract with SCE&G for resale to retail customers. The Department of Public Utilities (DPU) is under the control of the Manager of the DPU who reports directly to City Council. The day-to-day operations of the Orangeburg System are handled by the Director of the Electric Division, who reports directly to the Manager.

Audit Participants

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

Audit Team Participants

Title	Entity
Senior Compliance Auditor/Audit Team Leader	SERC
Compliance Auditor	SERC
Senior Compliance Auditor	SERC

Orangeburg Audit Participants

Title	Entity
Director, Electric Division	Orangeburg

Audit Results

The audit team evaluated Orangeburg for compliance with 17 requirements in the 2011 NERC Compliance Monitoring and Enforcement Program (CMEP). The audit reviewed NERC Reliability Standards for the period from June 18, 2007 to present. Orangeburg submitted information and documentation for the audit team's evaluation of compliance with requirements. The audit team reviewed and evaluated all information provided by Orangeburg to assess compliance with standards applicable to Orangeburg at this time.

Based on the information and documentation provided by Orangeburg, the audit team found Orangeburg to be compliant with eight applicable requirements. The audit team determined that nine requirements were not applicable to Orangeburg.

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 Finding
CIP-001-1	R2.	No Finding
CIP-001-1	R3.	No Finding
CIP-001-1	R4.	No Finding
CIP-002 through CIP-009		Reviewed by a separate Monitoring Process
IRO-004-1	R4.	No Finding
IRO-005-2	R13.	No Findings
PRC-004-1	R1.	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-011-0	R1.	N/A
PRC-017-0	R1.	N/A
PRC-017-0	R2.	N/A
PRC-023-1	R1.	N/A
TOP-002-2	R3.	No Finding
TOP-002-2	R18.	No Finding

Compliance Culture

The audit team assessed Orangeburg's Internal Compliance Program in conjunction with the audit. Evidence reviewed in assessing the program included: Orangeburg's Compliance Pre-Audit Survey, compliance staff organizational charts, interviews with Orangeburg 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 Orangeburg'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 Orangeburg can be found in the Internal Compliance Survey.