

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



**Compliance Audit Report
Public Version**

**Wellsboro Electric Company
NERC ID# NCR00943**

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

Date of Audit: September 10, 2012

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Executive Summary

A compliance audit of Wellsboro Electric Company (Wellsboro), NERC ID # - NCR00943 was conducted from September 10, 2012 for the applicable Operation and Planning standards. At the time of the audit, Wellsboro was registered for the Purchasing-Selling Entity (PSE) function.

The audit team evaluated Wellsboro for compliance with one (1) requirement in the 2012 NERC Compliance Monitoring and Enforcement Program (CMEP). The audit team assessed compliance with the NERC Reliability Standards, and applicable Regional Reliability Standards, for the period of January 28, 2008 to September 10, 2012, or per data retention requirements specified in the reliability standards. For each applicable requirement, the audit team examined compliance as of the date of the 90 day notification [June 12, 2012] letter, by evaluating evidence in effect as of this date. At the audit team's discretion, the audit team examined evidence which was in effect before or after 90 day date for the applicable version of the NERC Reliability Standards.

Based on the information and documentation provided by Wellsboro, the audit team found Wellsboro to have No Findings for one (1) applicable requirement. The audit team determined that zero (0) requirements were Not Applicable to Wellsboro. The audit team found zero (0) requirements were involved in Open Enforcement Actions. The Audit Team did not identify any Possible Violations as a result of this review. The audit team notified Wellsboro of zero (0) Areas of Concern¹ & zero (0) Recommendations.

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 Standard within the scope of the compliance audit. Any Possible Violations will be processed through the NERC CMEP. There were not ongoing or recently completed mitigation plans and therefore none were reviewed by the audit team.

The Reliability *First* 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).²

Audit Process

The compliance audit process steps are detailed in the NERC CMEP. The NERC CMEP generally conforms to the United States Government Accountability Office Government Auditing Standards and other generally accepted audit practices.

Objectives

¹ Per FERC Guidance Order on Compliance Audits Conducted by the Electric Reliability Organization and Regional Entities, dated January 15, 2009.

² This statement replaces the Regional Entity Self-Certification process.

All Registered Entities are subject to an audit for compliance with all reliability standards applicable to the functions for which the Entity is registered.³ The audit objectives are to:

- Review compliance with the requirements of reliability standards that are applicable to Wellsboro, based on the functions that Wellsboro is registered to perform;
- Validate compliance with applicable reliability standards from the NERC 2012 Implementation Plan list of actively monitored standards, and additional NERC Reliability Standards selected by *ReliabilityFirst*;
- Validate evidence of self-reported violations and previous self-certifications, as directed;
- Observe and document Wellsboro's compliance program and culture;
- Review the status of mitigation plans, as directed;

Scope

The scope of the compliance audit included the NERC Reliability Standards from the *ReliabilityFirst* 2012 Implementation Plan.

At the time of the audit, Wellsboro was registered for the Purchasing-Selling Entity (PSE) function. The scope of the audit covered the time period from of January 28, 2008 to September 10, 2012, per the data retention requirements specified in the NERC Reliability Standards.

For each applicable requirement, the audit team examined compliance as of 90 day date by evaluating evidence in effect as of this date. At the audit team's discretion, the audit team examined evidence which was in effect before or after 90 day date for the applicable version of the NERC Reliability Standards.

Confidentiality and Conflict of Interest

Confidentiality and conflict of interest of the audit team are governed under the *ReliabilityFirst* Delegation Agreement with NERC, and Section 1500 of the NERC Rules of Procedure. Wellsboro was informed of *ReliabilityFirst*'s obligations and responsibilities under the agreement and procedures. The work history for each audit team member was provided to Wellsboro. Wellsboro 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. Wellsboro 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 Wellsboro.

³ North American Electric Reliability Corporation CMEP, paragraph 3.1, Compliance Audits

Methodology

The audit team reviewed evidence of compliance which was in place and implemented as of the ninety day notification date. In performance of the audit team's review of the submitted information, and utilizing professional judgment, the audit team may request additional information before or after the date of the ninety day notification.

The audit team reviewed the information, data, and evidence submitted by Wellsboro and assessed compliance with requirements of the applicable reliability standard. Submittal of information and data was due forty (40) days before the scheduled date of the entity review. Additional information relevant to the audit could be submitted by the date and time established by the audit team lead. After that date and time, 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, appropriateness and validity according to the Generally Accepted Government Auditing Standards.

The audit team reviewed documentation provided by Wellsboro. 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 NERC sampling methodology.

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

Wellsboro Electric Company (Wellsboro) is owned and operated by C&T Enterprises, which in turn is jointly owned by Tri-County Rural Electric Cooperative and Claverack Rural Electric Cooperative. Wellsboro operates in Tioga County, Pennsylvania, and serves 6000 customers in townships of Delmar, Charleston, Middlebury, and the Borough of Wellsboro.

Wellsboro has about 600 miles of distribution line and have one interconnect point (located in Tioga County) with First Energy Corp at 34.5 kV. Wellsboro's Balancing Authority, Reliability Coordinator, and Transmission Operator is PJM. The Transmission Owner is First Energy. Wellsboro's summer peak load is 23 MW.

Audit Participants

The following is a listing of all personnel from the audit team and Wellsboro who were present during the meetings or interviews.

Audit Team Participants

| Audit Team Role | Title | Entity |
|------------------------|----------------------------------|------------------|
| Audit Team Lead | Sr. Engineer, Compliance Auditor | ReliabilityFirst |
| Audit Team Member | Sr. Engineer, Investigator | ReliabilityFirst |
| Observer/Scribe | Investigator | ReliabilityFirst |

Wellsboro Audit Participants

| Title | Entity |
|--|----------------------------|
| President/CEO | Wellsboro Electric Company |
| Vice-President, Engineering and Operations | Wellsboro Electric Company |

Audit Results

The audit team evaluated Wellsboro for compliance with one (1) requirement in the 2012 NERC Compliance Monitoring and Enforcement Program (CMEP). Wellsboro submitted information and documentation for the audit team's evaluation of compliance with requirements. The audit team reviewed and evaluated all information provided by Wellsboro to assess compliance with standards applicable to Wellsboro at this time.

Based on the information and documentation provided by Wellsboro, the audit team found Wellsboro to have No Findings for one (1) applicable requirement. The audit team determined that zero (0) requirements were Not Applicable to Wellsboro. The audit team found zero (0) requirements were involved in Open Enforcement Actions. The Audit Team did not identify any Possible Violations as a result of this review. The audit team notified Wellsboro of zero (0) Areas of Concern⁴ & zero (0) Recommendations.

Findings

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

⁴ Per FERC Guidance Order on Compliance Audits Conducted by the Electric Reliability Organization and Regional Entities, dated January 15, 2009.

| Reliability Std | Req. | Finding |
|------------------------|-------------|-------------------|
| IRO-005-3a | R10 | No Finding |

Compliance Culture

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

Wellsboro's compliance program consists of two people who receive all training, workshops, and newsletters from NERC and *ReliabilityFirst*. They also use a consulting firm to assist with any program issues. The Reliability Compliance Manager (RCM) reports directly to the President and CEO, who in turn, reports to the Board of Directors.

The Wellsboro compliance program is monitored, reviewed, and updated on an annual basis by the RCM. This is supplemented by independent audits to ensure the compliance program remains effective. Wellsboro has developed a Compliance Awareness Program and a Compliance Training Program to ensure all personnel, including those who do not have direct responsibility for compliance with reliability standards, are aware of the key requirements associated with the applicable NERC and Regional Reliability Standards. Personnel are made aware of the possible sanctions/penalties associated with violations to help ensure that NERC and *ReliabilityFirst* Compliance is given the necessary high level of priority.

If there are any suspected standard violations, a self-report is made to the President/CEO and *ReliabilityFirst* on a timely basis, including any required documentation and mitigation plans. Any personnel who are demonstrated to be violators of the NERC/*ReliabilityFirst* compliance requirements are reported to the appropriate responsible manager and subject to reprimand and/or dismissal.

The audit team found Wellsboro to be receptive to the audit process.

Additional information pertaining to the compliance culture of Wellsboro can found in the Compliance Pre-Audit Survey.

Areas of Concern & Recommendations

The audit team notified Wellsboro of zero (0) Areas of Concern.

The audit team notified Wellsboro of zero (0) Recommendations.