



RELIABILITY FIRST

NERC ID:	Registered Entity Name
NCR00918	Southern Maryland Electric Cooperative, Inc.

Reliability Standards Audit Scope:	Compliance Operations (FERC Order 693) Audit Report
Compliance Monitoring Process:	Compliance Audit
Distribution:	Public Version. Confidential Information Has Been Removed, Including Privileged and Critical Energy Infrastructure Information.
Lead Region:	ReliabilityFirst (RF)
Dates of Review:	From November 10, 2014 to November 13, 2014
Date of Report:	December 23, 2014
Possible Violations Identified:	0
Jurisdiction:	United States

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I. Executive Summary

ReliabilityFirst (RF) conducted an Operations & Planning monitoring engagement of Southern Maryland Electric Cooperative, Inc. (SMECO), NCR00918, from November 10, 2014 to November 13, 2014.

At the time of the monitoring engagement, SMECO was registered for the functions of DP and LSE.

PJM Interconnection, LLC (PJM) serves as the Reliability Coordinator (RC), Balancing Authority (BA), and Transmission Operator (TOP) for SMECO. Potomac Electric Power Company (Pepco) is the registered Transmission Owner (TO) that supplies power to the SMECO distribution area interconnection points, and is also the PJM designated Local Control Center (LCC) performing delegated TOP tasks.

The monitoring team evaluated SMECO for compliance with 7 requirements in the 2014 NERC Compliance Monitoring and Enforcement Program (CMEP) and the ReliabilityFirst CMEP Implementation Plan. The monitoring team assessed compliance with the NERC Reliability Standards applicable for the period of September 12, 2008 to November 13, 2014. The monitoring team reviewed and evaluated all evidence provided by SMECO and assessed compliance with the Reliability Standards applicable to SMECO, at this time. Based on the results of this monitoring engagement, no Possible Violations or Open Enforcement Actions were identified for the standards and applicable requirements in the scope of the engagement.

The Team notified SMECO of:

- 1 Recommendation

The findings included in this report are the same as the findings presented to SMECO during the exit briefing.

There were no open mitigation plans; therefore, none was reviewed by the monitoring team.

The team lead certifies that the monitoring team adhered to all applicable requirements of the NERC Rules of Procedure (ROP) and the CMEP.

II. Compliance Process

The compliance process steps are detailed in the NERC Rules of Procedure, the NERC CMEP, and the ReliabilityFirst CMEP Implementation Plan. The CMEP generally conforms to the United States Government Auditing Standards and other generally accepted audit practices.

Objectives

All registered entities are subject to compliance assessments with all reliability standards applicable to the functions for which the registered entity is registered in the Region(s) performing the assessment. The objectives are to:

- Review compliance with the requirements of Reliability Standards applicable to SMECO based on the functions that SMECO is registered to perform;
- Validate compliance with applicable Reliability Standards from the NERC 2014 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;
- Observe and document SMECO's compliance program and culture;
- Review the status of open mitigation plans.

Scope

The scope of the monitoring engagement included the NERC Reliability Standards from the ReliabilityFirst CMEP Implementation Plan. In addition, the scope of the audit included a review of mitigation plans or remedial action directives that were open during the monitoring engagement. The standards and requirements in the scope for this monitoring engagement are illustrated in the Table below:

Scope	
Reliability Standard	Requirement
IRO-001-1.1	R8
MOD-004-1	R3, R3.1, R3.2
PRC-005-1.1b	R1, R1.1, R1.2, R2, R2.1, R2.2
PRC-006-1	R9
PRC-023-2	R1, R2

The monitoring team did not expand the scope of the monitoring engagement beyond what was stated in the notification letter.

Confidentiality and Conflict of Interest

Confidentiality and conflict of interest of the monitoring team are governed under the ReliabilityFirst Delegation Agreement with NERC, and Section 1500 of the NERC Rules of Procedure. SMECO was informed of ReliabilityFirst’s obligations and responsibilities under the agreement and procedures. The work history for each monitoring team member was provided to SMECO, which was given an opportunity to object to a monitoring team member’s participation on the basis of a possible conflict of interest or the existence of other circumstances that could interfere with a monitoring team member’s impartial performance of duties. SMECO did not submit any objections by the stated 15-day objection due date and accepted the monitoring team member participants without objection. There were no denials or access limitations placed upon this monitoring team by SMECO.

Methodology

The monitoring team reviewed the evidence submitted by SMECO and assessed compliance with requirements of the applicable Reliability Standards. ReliabilityFirst provided SMECO with a Request for Information (RFI) prior to commencement of the monitoring engagement. Additional evidence could be submitted until the agreed-upon deadline prior to the exit briefing. After that date, only data or information that was relevant to the content of the report or its finding could be submitted with the agreement of the team lead.

The monitoring team reviewed documentation provided by SMECO, requested additional evidence and sought clarification from subject matter experts during the monitoring engagement. Evidence submitted in the form of policies, procedures, emails, logs, studies, data sheets, etc., were validated, substantiated, and cross-checked for accuracy, as appropriate. Where sampling is applicable to a requirement, the sample set was determined by a statistical methodology, along with the monitoring team's professional judgment.

Findings were based on the monitoring team's professional judgment, knowledge of the bulk electric system (BES), the NERC Reliability Standards, the facts, and documentation that were reviewed. All findings were developed based upon the consensus of the monitoring team.

Company Profile

The Southern Maryland Electric Cooperative (SMECO) is an electric distribution cooperative which is headquartered in Hughesville, Maryland. SMECO serves approximately 156,000 customers in Calvert, Charles, Prince George's, and St. Mary's counties of southern Maryland. SMECO's core business is to provide electric service to residential, small commercial and large commercial customers.

SMECO owns a 77 MW combustion turbine located at the Chalk Point Generating Station connected to the 69 kV system. There are four 69 kV and three 230 kV interconnection points with Pepco. SMECO has 90.4 mile of 230kV configured in a radial manner to serve load and also has 364 miles of 69 kV transmission.

PJM is the TOP, BA, and RC for SMECO. Pepco is the registered TO that supplies power to the SMECO distribution area interconnection points, and is also the PJM designated LCC performing delegated TOP tasks.

Participants

Following is a list of all personnel from the ReliabilityFirst monitoring team and SMECO directly involved during the meetings and interviews:

ReliabilityFirst Team	
Role	Entity
Audit Team Lead	ReliabilityFirst
Scribe	ReliabilityFirst

Registered Entity Participants – SMECO	
Role	Entity
Controller	SMECO
Managing Director Transmission & Substation Operations	SMECO
Managing Director, Asset Management, Engineering & Operations	SMECO
Protection Engineer	SMECO
Relaying & Communication Director	SMECO
Reliability, Compliance & Security Director	SMECO
Senior CIP Compliance Manager	SMECO
Senior Reliability Compliance Manager	SMECO
System Operations and Automation Director	SMECO
System Planning and Reliability Director	SMECO
Transmission & Substation Operations Director	SMECO
Transmission System Operations Manager	SMECO
Vice President, Rates & Energy Procurement	SMECO

Date of Southern Maryland Electric Cooperative, Inc. Compliance Audit: From November 10, 2014 to November 13, 2014

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III. Compliance Findings

Based on the results of this monitoring engagement, no Possible Violations or Open Enforcement Actions were identified for the standards and applicable requirements in the scope of this engagement.

IV. Recommendations

The monitoring team identified and informed SMECO of 1 Recommendation.

V. Compliance Culture

The monitoring team performed an assessment of SMECO's compliance culture in conjunction with the review process. The assessment was accomplished through a review of responses to the Internal Compliance Survey questionnaire and additional information that was gathered during interviews and observations.

Within the last three years since the previous audit, SMECO has been timely with its self-certifications and had no violations.

During the audit, senior management participated in the Opening briefing. The SMECO team was very responsive to the audit team's requests for additional information and the audit team appreciated the input from Subject Matter Experts. The SMECO team welcomed recommendations for improving reliability and/or compliance.

SMECO provided the following information in the Pre-audit Survey:

SMECO's Internal Compliance Program starts with and is supported by its Board. This program is supported by their *Board Policy No 5-10 - Electric Reliability* procedure document that defines its Internal Compliance Program.

According to the SMECO Pre-Audit Survey, SMECO is governed by a dedicated Board of Directors. SMECO's President/ CEO appoints a Reliability, Compliance

and Security Director who has independent access to the President/ CEO and/or the Board of Directors. The SMECO Sr. Vice-President & COO, Engineering & Operations is responsible for the oversight of the NERC Compliance program. The Reliability, Compliance and Security Director is responsible for the overall management of the NERC Compliance Program and reports directly to the Vice President & CIO Information & Customer Services as well as the President/ CEO. Senior Management also supports and actively participates in the SMECO internal compliance program.

The Reliability, Compliance and Security Director operates independently and has no direct responsibility over the departments or business units whose day-to-day responsibilities require compliance with the Reliability Standards. Compliance with the Reliability Standards is managed by the Standard Owner who reports to a SMECO Vice President. All Standard Owners or Subject matter Experts have the authority and responsibility to take compliance matters directly to the Reliability, Compliance and Security Director.

SMECO states that they are committed to reliability and ensures that the organization has sufficient resources to manage and maintain its internal compliance program.

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