Internal Audit Report

Semi-Annual Report

Dmitriy Turchik, Senior Manager of Internal Audit

Grant PUD

Powering our way of life.

Meeting Agenda

- Review 2024 audit plan

  - Status of open audits and work projects
  - Proposed plan updates

- Emerging risks

- Additional discussion and questions

2024 Audit Plan

- Vendor Payments – *drafting report*

- Human Resource Policy Compliance
  - Employee recognition policy (management leave recognition) – *drafting report*

- Payroll Processing – emerging risk
  - *Continuous monitoring / follow-up work*

- Inventory – field work

- Small and Attractive Assets

- Overtime

- Customer Billing and Adjustments – (included in external audit)

- System Access – Roles and Responsibilities – (included in external audit)

- Purchase Cards (P-Card) – (included in external audit)

2024 Audit Plan – continued

- Statutory Expenditure Review & Other Requests

  - Weekly voucher review
  - Bi-weekly payroll review
  - Policy review

- Emerging Risk and Audit Requests

  - Customer billing and adjustments

  - Paid leave

  - Procurement – emergency declaration purchases

- Follow-up: Monitor Audit Recommendations

Moving Forward

- Washington State Auditor's Office

  - 2021 and 2022 compliance audit

  - 2023 compliance audit is scheduled for fall 2024

- Internal Audit Program Development

  - Audit Charter Updates – new standards will be applicable beginning of 2025

  - Improve audit department framework

- Deferred Compensation Plan Audit

- Co-sourcing Audit Engagements

  - Relying on the work of others

  - *District hiring, promotions, and compensation audit*

Thank You

Agenda

- **Grant PUD Reliability Organization**

- **Potential Noncompliance Update**
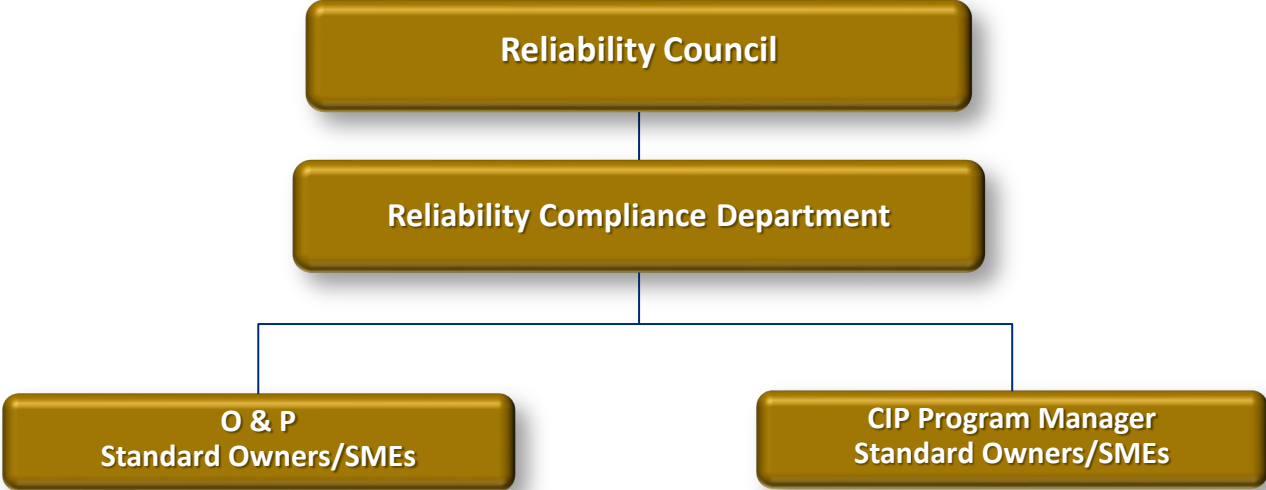
- **Reliability Compliance 2024 Work Plan Update**

# Grant PUD's Reliability Organization

Reliability Council

Chief Compliance Officer* (CFO) – Bonnie Overfield

CIP Senior Manager* (GM/ CEO) – Richard Wallen

O&P Senior Manager/ (COO) – Jeff Grizzel

Chief ESS Officer (CAO) – Fallon Long

Director Power Delivery – Ron Alexander

Director Power Production – Rey Pulido

Primary Compliance Contact* (Chair) – Glen Pruitt

* NERC Registered Positions

```
Reliability Council
        |
Reliability Compliance Department
        |
   +--------------------+------------------------+
O & P                          CIP Program Manager
Standard Owners/SMEs           Standard Owners/SMEs
```

Reliability Council – provides leadership, guidance, and direction

Chief Compliance Officer – overall responsibility for NERC Compliance program

CIP Senior Manager – executive responsible for NERC CIP Standards

O&P Senior Manager – executive responsible for NERC O&P Standards

Reliability Compliance Dept. – implements direction set by *Reliability Council*

Standard Owners – Responsible for compliance with assigned Standards

Grant County **PUBLIC UTILITY DISTRICT**

NERC NORTH AMERICAN ELECTRIC RELIABILITY CORPORATION
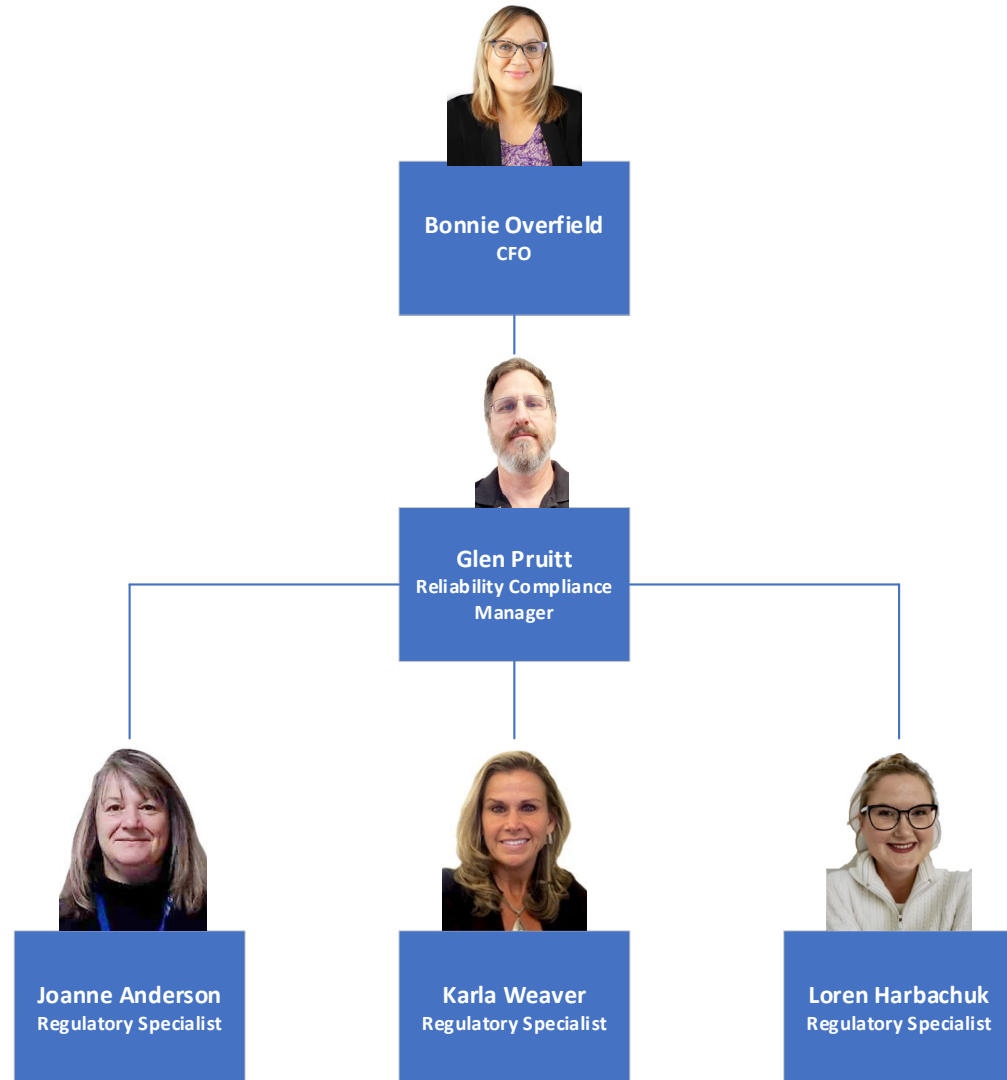
Self-Report Process

1) Compliance concern is identified

2) Compliance concern is evaluated to determine if a potential noncompliance (PNC) exists

3) If PNC exists, a Root Cause Evaluation is performed

4) PNC is reported to WECC (Self-Report)

5) Stages:

   1) Compliance concern

   2) Potential noncompliance

   3) Pending Self-Report

   4) Open Enforcement Action (filed Self-Report)

   5) Dispositioned (Self-Report closed by WECC and NERC)

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Open Enforcement Actions (filed Self-Reports)

8 Open PNC's

- 2 Audit Findings   – 2020 awaiting final disposition
- 2 Self-Reported PNCs   – 2020 awaiting final disposition
- 1 Self-Reported PNC   – 2022 awaiting final disposition
- 2 Spot Check Finding   – 2023 awaiting final disposition
- 1 Self-Reported PNC   – 2024 awaiting final disposition

8 'Potential Non-Compliances'

Filing Self-Reports is a positive indicator to WECC that a utility is monitoring its compliance activities

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RC Work Plan Focus Areas – 2024

1) NERC Compliance Deliverables

   – Self-Certification (due 3/1/2024) – Completed March 2024

   – New EMS System Compliance Commissioning - Ongoing

   – Continue work on Internal Controls Development - Ongoing

   – Refine RC Department Tools and Documentation - Ongoing

   – Internal Compliance Program Document – Completed May 2024

   – Standard Owner Engagement and Training - Ongoing

   – RC Staff Development & Training Opportunities - Ongoing

   – Routine tracking, monitoring, and reporting of deliverables - Ongoing

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Ongoing RC Work Plan Areas Details

1) NERC Compliance Deliverables

– New EMS System Compliance Commissioning
  – Meeting with WECC regularly
  – EMS work is ongoing
  – Consultants have been engaged to ensure continuing compliance

– Continue work on Internal Controls Development
  – Coordinating with enterprise Internal Controls Program
  – CIP Internal Controls are complete and testing is ongoing
  – O&P Internal Controls being developed

– Refine RC Department Tools and Documentation
  – Coordinated project with IT to rebuild Access authorization and revocation workflows
  – New Reliability Standard process has been implemented and being used currently
  – Self-Report process is being revamped to make more efficient and reduce time from discovery to submittal and from submittal to disposition

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Ongoing RC Work Plan Areas Details

1) NERC Compliance Deliverables

- Standard Owner Engagement and Training
  - Performing "deep-dive" into O&P Reliability Standards
  - Performing Standard Owner training
  - Engaging key departments to ensure ongoing understanding of compliance requirements
  - Developing Standard Owner onboarding and continuing training process

- RC Staff Development & Training Opportunities
  - Reliability Compliance staff assigned external training – completion on schedule
  - Working with SMEs to gain training opportunities

- Routine tracking, monitoring, and reporting of deliverables
  - Developed Reliability Compliance Metrics to track deliverables
  - Updating Reliability Compliance Council regularly on metrics

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Annual CIP Training

1) Approximately 300 people assigned training

2) CIP Access voluntarily removed for 21 employees/contractors

3) 4 extended dates due to short-term leave

4) All assigned training completed on time

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RELIABILITY CORPORATION

QUESTIONS

Strategic Pillars

Complete	Implementation of the Department
Develop	Carrier Class Capabilities
Construct and Implement	Comprehensive Customer Service Model
Create	Work Management Framework
Build and Retain	Skilled Employees
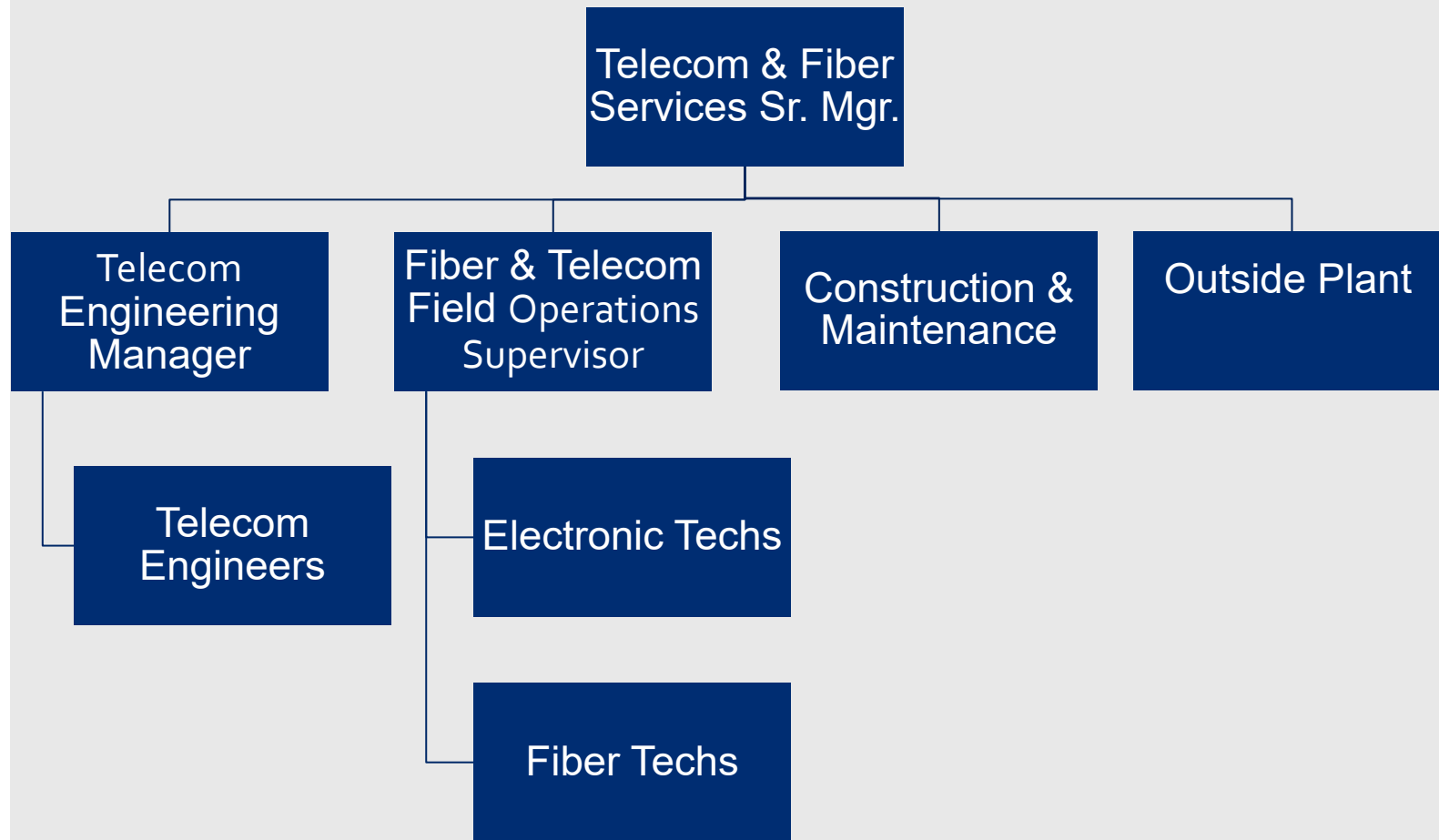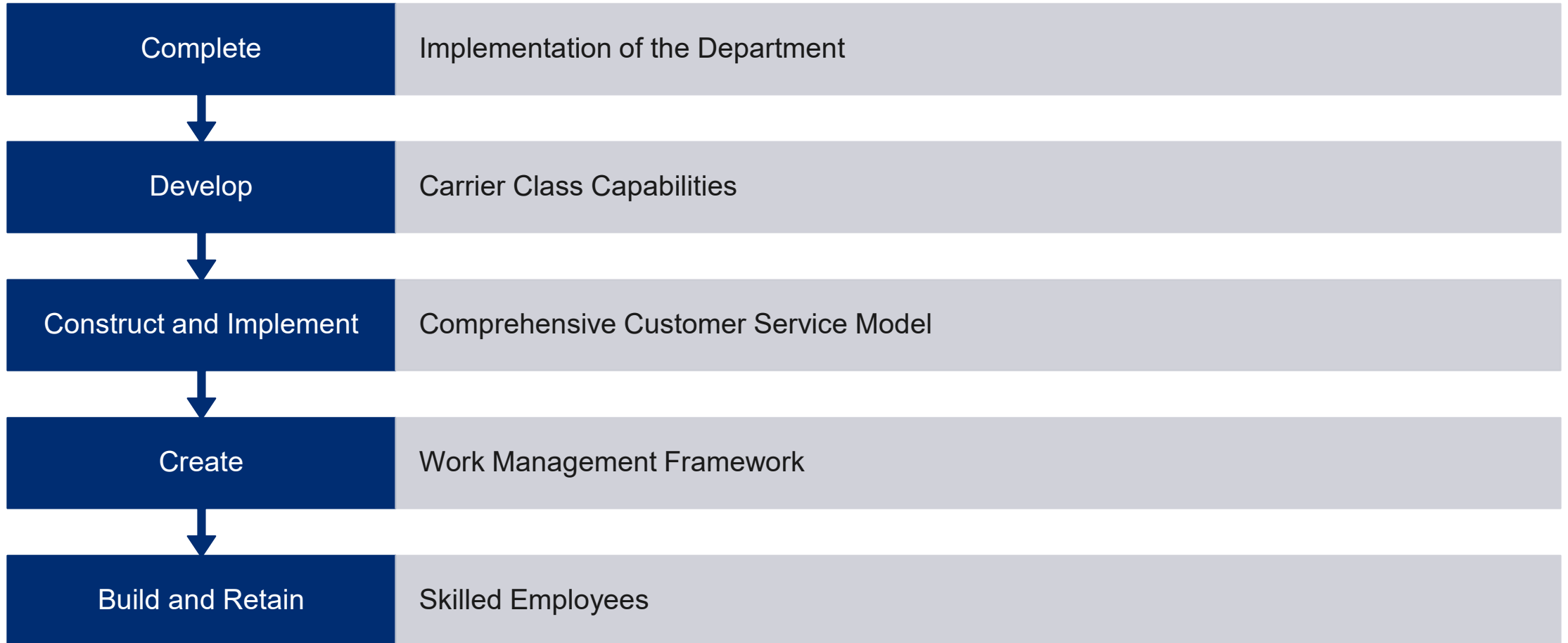
Telecom Engineering and Electronic Technician Workload

Information Technology (IT) systems	Operational Technology (OT) systems	Fiber Technology (FT)
Israel Lima Joel Curry Isaac Martinez	Open Kendall Zaugg	Troy Holt Eugene Anderson Kevin McKee Mara Hornsby
Foreman – Steve Argo	Foreman – Ted Harris	Foreman – Bill Harrison
David Jones, Paul Cline, Bart Knoll,	Silver Flores, Joe Farmer, Dave Boggs, Igor Babak, Brandon White	Rene Vela, Rob Haley, JD Bowkett

• Business Routers, Switches, and Networks
  • Business Wireless and Business Wired Networks
• Phone Systems
  • Telephony, Cisco UCCX, headsets, voicemail systems, cell phone booster etc…
• Avtech Dispatch Console
• Data Center Coordinator(manages the labor effort associated in said location)
• Mobile Radio Systems
• Business Firewalls
• Security Systems, Genetec
• A/V and PA systems
• DC plants for IT
	• SCADA
	• RTUs/Telemetry
	• OT Transport/ICON and Transfer Trip Comms
	• OT Firewalls
	• Energy Management System (EMS)
	• GMS
	• Power Production Coordinator
	• DC plants for OT
	• Microwave Systems
	• Water Quality and Air Quality monitoring
		• The FTTH System
		  • ONTs/Gateways
		  • Hut/Hub
		  • Electronics
		  • DC Plants
		• Distribution
		• Backbone Electric System fiber
		• AMI media convertors, Transport/Nokia
		• Wholesale Wireless

Telecom Engineering and Electronic Technician Workload Highlight

Telecom Engineer – Israel Lima
Electronic Tech Foreman – Steve Argo
Electronic Techs – Bart Knoll, David Jones, Paul Cline

- Cisco Call Unified Manager Publisher (Moses Lake and Ephrata)
- CUBE Cisco Unified Border Element (Moses Lake and Ephrata)
- Intrado Location Database
- Cisco Emergency Responder (CER)
- Avtec Dispatch Console
- Eventide (Dispatch Recording)
- Cisco Contact Center
- Cisco Unity / Voicemail
- Analog Phones (Fax, ATA, VGs,)
- Satellite Phones (mobile and base)
- Paging
- Tait Truck and Mobile Radios
- Cellular Signal Amplifiers

Construction and Maintenance

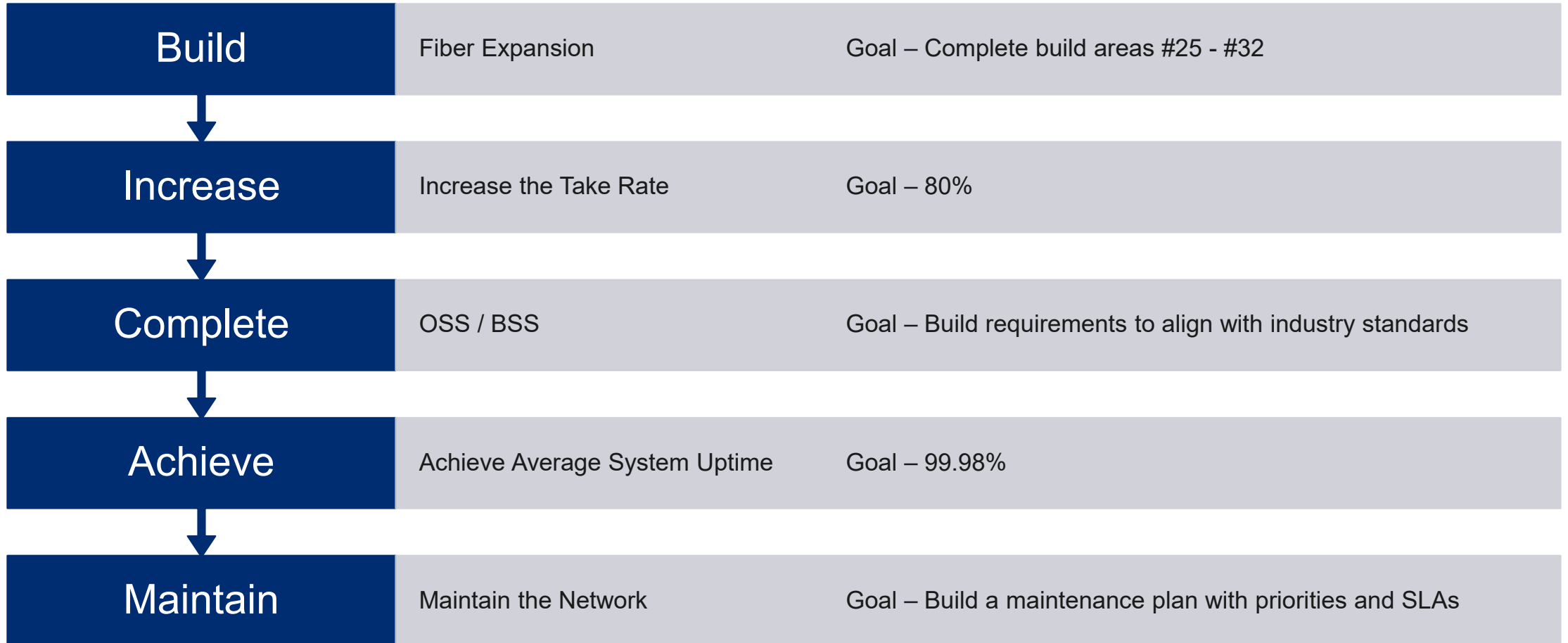| Date	Project	Departments
April	WN1 Expansion	Fiber Techs
	ML5 Maple Landing PH2	Fiber Techs
	Dov-Hub11 Termination	Electronic Techs
May	SND Power Upgrade	Electronic Techs
	Soap Lake Sub Comm Move	Electronic Techs and Fiber Techs
	WN1 Lamb Weston 12ct	Fiber Techs
	12ct Fiber Reroute	Fiber Techs
June	Hub 165 Rattle Snake	Fiber Techs
	Hub 41 Polo Ridge PH 2&3	Fiber Techs
	Hub219 Outage	Electronic Techs and Fiber Techs

Strategic Plan – Objective 7

Develop A Sustainable Fiber Optic Network

We are committed to expanding and maintaining our wholesale fiber optic network to all the people of Grant County. We seek to identify and offer services that meet customers' needs and increase network revenue for the utility. As with all utility services, we make decisions that best serve present and future generations of customers.
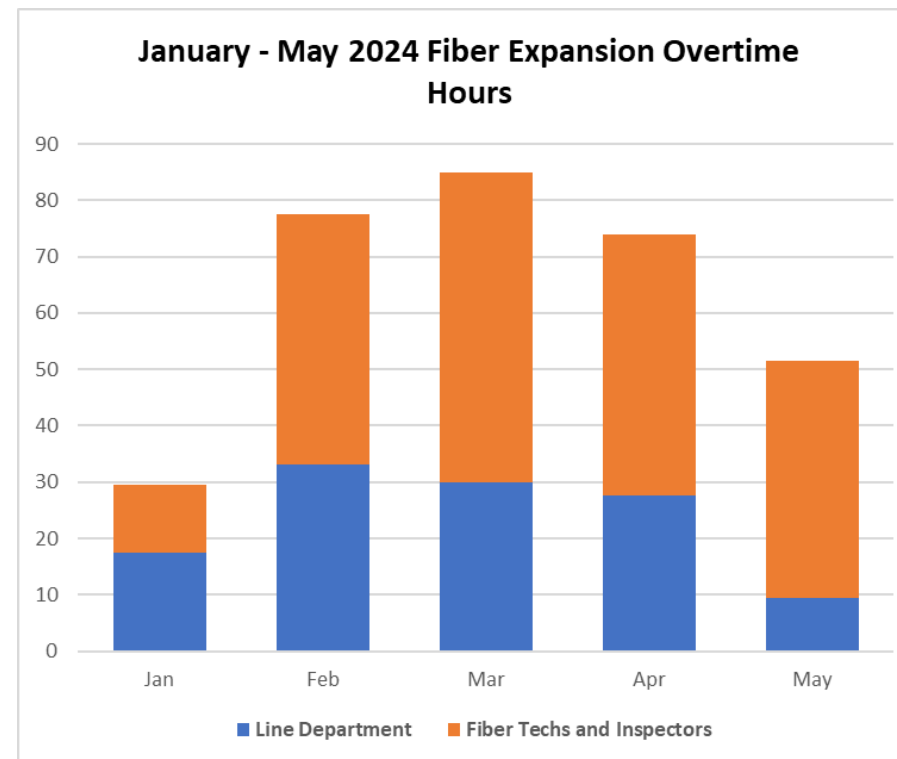
Wholesale Fiber Priorities

Build	Fiber Expansion	Goal – Complete build areas #25 - #32
Increase	Increase the Take Rate	Goal – 80%
Complete	OSS / BSS	Goal – Build requirements to align with industry standards
Achieve	Achieve Average System Uptime	Goal – 99.98%
Maintain	Maintain the Network	Goal – Build a maintenance plan with priorities and SLAs

Fiber Expansion

Schedule

Area	Location	Make Ready Remaining	Release Date
29	Jericho	Complete	2/26/2024
30	Dodson to Frenchman	Complete	3/11/2024
31	Wahluke Area East to Mattawa	Complete	4/29/2024
32	Desert Aire to Rd O	Complete	4/19/2024
33	I-90 Rd U NE/SE	Complete	5/21/2024
34	Hwy 281 N. of I-90 to Rd. 3	Complete	6/6/2024
35	Stratford/Summer Falls/Billy Clapp	Complete	6/24/2024
36	Adams Road NW to Winchester Wasteway N. of I90 to Rd. 7	72	7/1/2024
37	Braden to George and Black Sands	33	7/15/2024
38	Ruff	68	8/29/2024
39	Wilson Creek Area	45	10/3/2024
40	Sagebrush Flats/Johnson Rd. NW	40	10/31/2024

Fiber Expansion Labor Hours by Departments

January - May 2024 Fiber Expansion Regular Hours

Legend: Real Estate Services, Line Department, Fiber Techs and Inspectors, OSP, Telecom Engineering, PMO

January - May 2024 Fiber Expansion Overtime Hours

Legend: Line Department, Fiber Techs and Inspectors
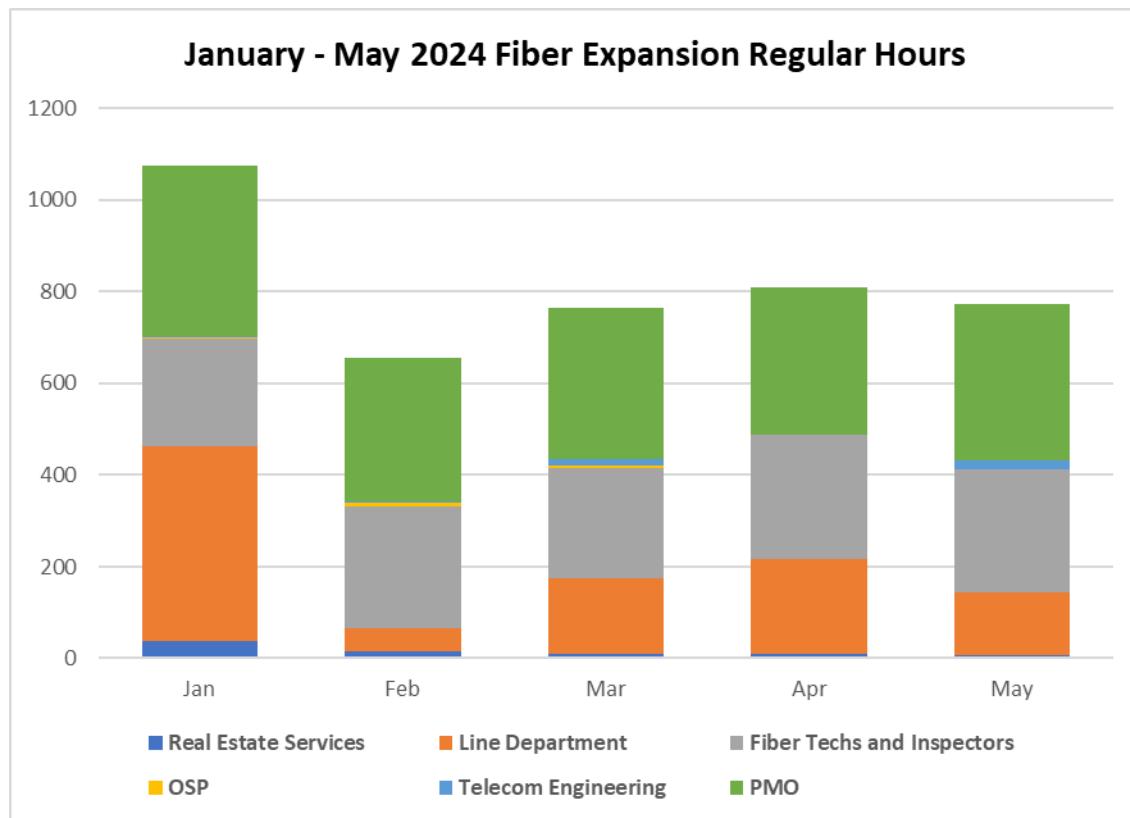
Source: Capital

Actuals

Connect the Customer Labor Hours by Departments

January - May 2024 Connect the Customer Regular Hours

January - May 2024 Connect the Customer Overtime Hours
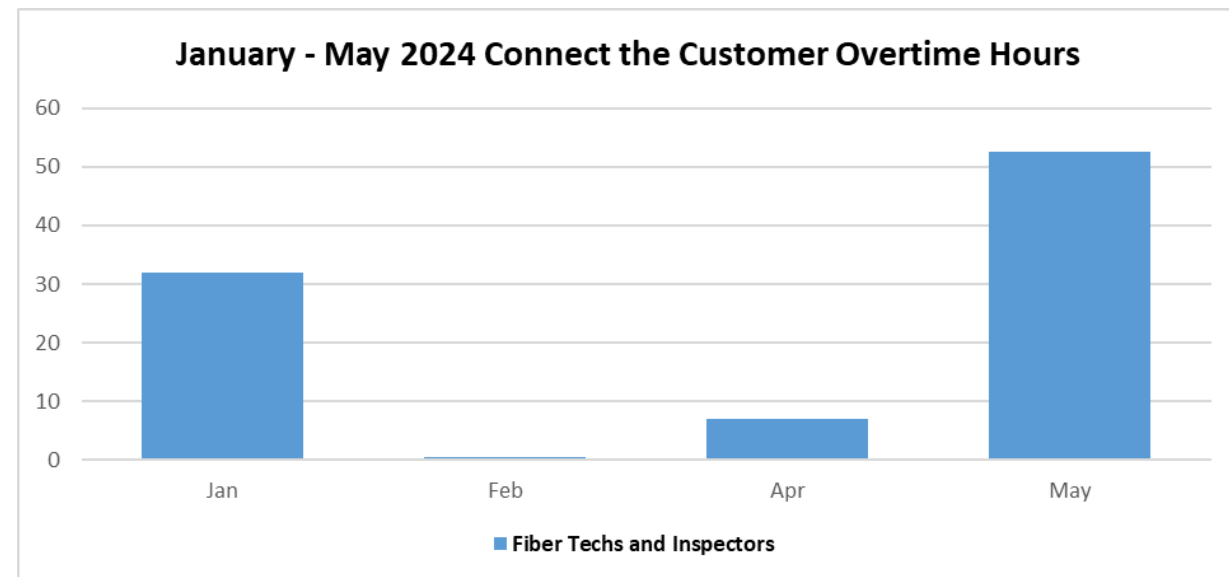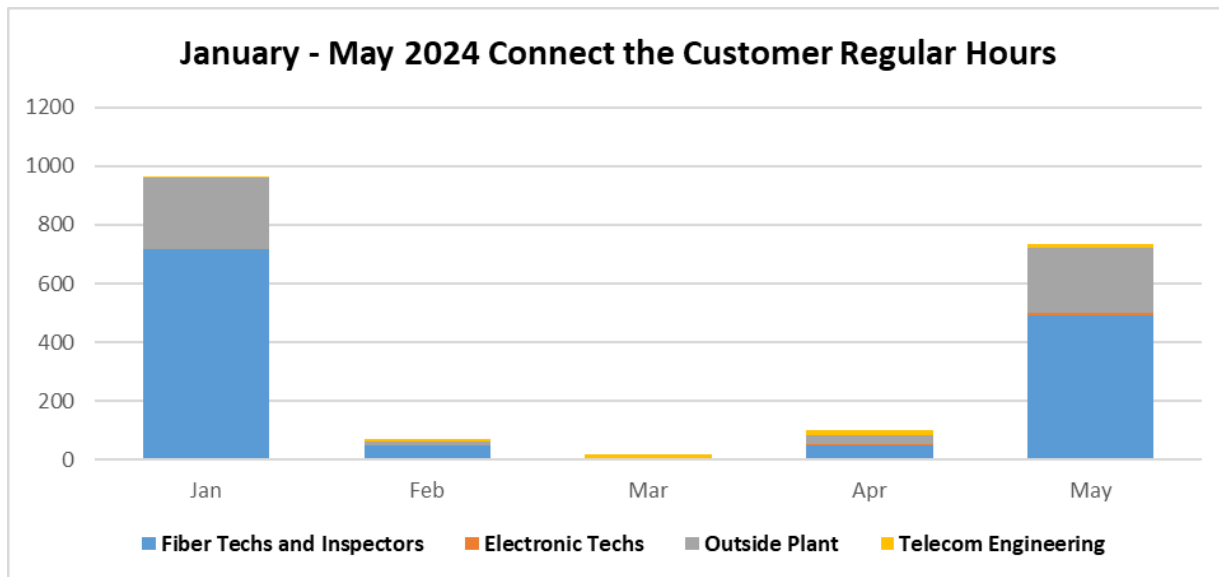
Source: Capital
Actuals

Active Wholesale Fiber Participation

As of May 31, 2024

Area	Potential Subscribers	Actual Subscribers	Participation Actual
Coulee City	985	601	55%
Desert Air	1,142	1,148	97%
Electric City	767	507	66%
Ephrata	5,309	3,981	75%
Grand Coulee	663	425	63%
Hartline	181	119	66%
Mardon	683	483	69%
Mattawa	1,859	1,570	84%
Moses Lake	18,291	13,550	74%
Quincy	4,036	3,285	80%
Royal City	1,685	1,165	66%
Soap Lake	2,541	1,681	65%
Warden	1,523	900	59%
Wilson Creek	163	101	61%
George-Burke	1,052	945	87%
	40,880	30,461	75%

Source:
Participation
Report

January - April 2024 Wholesale Fiber Capital, & O&M Billed Revenue

Sources: Capital Actuals, Budget Report, Billed Revenue
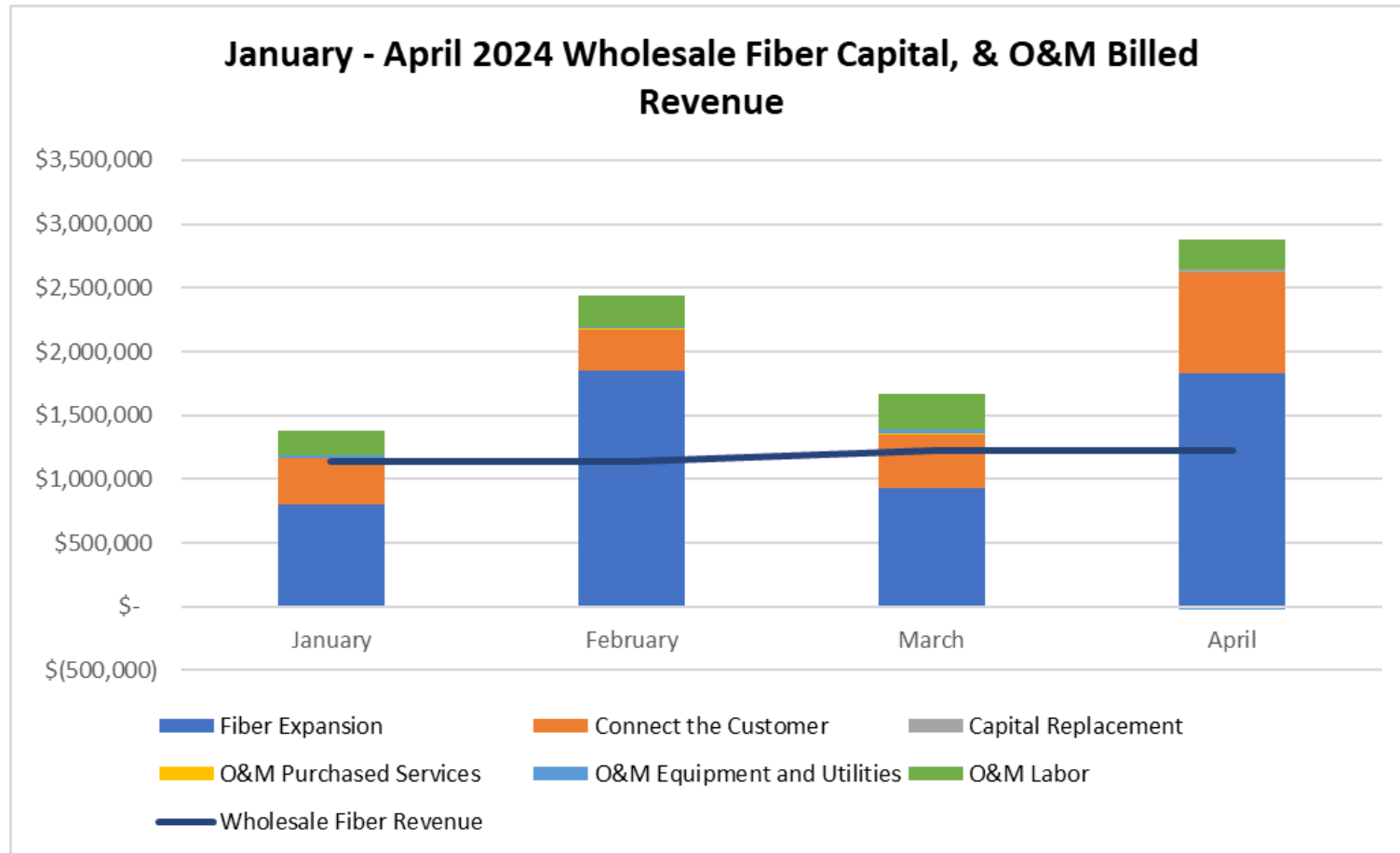
2024

Questions

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Agenda

Home Electrification and Appliance Rebate (HEAR) Program

- Commerce Program Review

- Grant PUD's Goals

- Request approval for Interlocal Agreement

Energy Services

HEAR Program
WA State Commerce Grant

Commerce's HEAR Program:

In 2024, Washington State Department of Commerce (Commerce) introduced the Home Electrification and Appliance Rebates Program (HEAR) which provides grants to third-party administrators to purchase and install energy efficient appliances to low-income households and small businesses.

Commerce has made approximately $77,600,000 from the State Climate Commitment Act (CCA) account available for eligible entities. $37 Million of the total fund has been offered to Local Governments, including Cities, Counties, and Municipally Owned Utility Providers . This is a state funding opportunity that is separate from the Federal home energy rebate program funded by the Inflation Reduction Act.

Key Takeaways:

- Funded by the Washington State CCA Funds
- $37 Million in grant money is available for Utilities
- Separate from the Federal Home Energy Rebate Program that is funded by the Inflation Reduction Act

FUNDED BY WASHINGTON'S
CLIMATE COMMITMENT ACT

Washington State Department of **Commerce**

Energy Services

HEAR Program
WA State Commerce Grant

Customer Eligibility:

- *Low-income Households:*
  - At or below 80% of the Area Median Income (AMI)
- *Moderate-income Customers:*
  - 80% to 150% of the Area Median Income (AMI)
- *Small Businesses:*
  - Must Meet the Requirements of RCW 39.26.10(22)
  - Sole Proprietorship, Corporation, Partnership, or Non-Profit
  - 50 or Fewer Employees

Eligible Equipment:

- Ducted or Ductless Heat Pumps
- Heat Pump Water Heaters
- Heat Pump Clothes Dryers
- Induction Cooking Equipment
- Electric Panel and Wiring Upgrades When Required

Issuing Rebates:

- Third-party administrators pay full cost of equipment and installation for available equipment
- Up to 15% of awarded funds can be used for administration costs including staff and/or contractor fees

Compliance and Reporting:

- *Reporting Invoices:*
  - Not More Often than Monthly or Less than Quarterly
- *Invoices Shall Describe and Document:*
  - Description of Work Performed
  - Progress of Each Project and Associated Fees
  - Expensed Invoices and Detailed Breakdown of Appliances
  - Receipt of purchase

HEAR Program
WA State Commerce Grant

Grant PUD's Work To Date:

Energy Services applied for the HEAR grant in April 2024 and received an award offer from Commerce in the amount of $1,100,000. Energy Services and Grant PUD Stakeholders have worked together to review the program contract and create internal process and procedures.

Contract Requirements:

Grant PUD and Commerce are entering into this agreement in accordance with Chapter 39.34 RCW, Interlocal Cooperation Act.

Key Takeaways:

- ***Application Date:*** *Applied for HEAR Grant in April 2024*
- ***Grant Funds:*** *Award Offer of $1,100,000*
- ***Interlocal Agreement:*** *Contract is an Interlocal Agreement requiring approval by Commission*
- ***Grant PUD Costs:*** *No appliance or labor cost to Grant PUD for this program*
  - ○ *Admin costs will not be covered by the grant money*

HEAR Program
WA State Commerce Grant

High-level of Grant PUD's Program:

The HEAR funds allocated to Grant PUD will provide energy efficient appliances or ductless heat pumps in the homes of income qualified, underserved, and vulnerable customers within Grant County, with no out-of-pocket expense to them. Our goal is to reach 8.5% of the approximately 4,781 low-income households and 30 small businesses in Grant County to reduce their energy consumption with energy efficient equipment.

Potentially utilize the energy savings to count towards Grant PUD's I-937 biennial conservation targets to maintain compliance; the potential to leverage the HEAR program to become compliant with CETA; and improve our underserved and vulnerable customers' quality of life, build a more sustainable future, and increase the capacity on Grant PUD's electrical system.

Grant PUD's Program Goals:

- *Low-income Household Goals:*
  - Install Energy Efficient Appliances in 381 Homes
    - Spend $535,000 of Grant Money
  - Install Ductless Heat pumps in 30 Homes
    - Spend $300,000 of Grant Money
- *Small Business Goals:*
  - Install Energy Efficient Appliances and Ductless Heat Pumps in 30 Small Businesses
  - Spend $100,000 of Grant Money

Key Takeaways:

- *Assistance:* Reach 411 Low-income Households and 30 Small Businesses
- *I-937 Program:* Potentially utilize the kWh Savings towards the I-937 biennial target
- *CETA Program:* Potentially leverage the HEAR program to become compliant with CETA

Energy Services

HEAR Program
WA State Commerce Grant

Request to Commission:

Energy Services is requesting Commission approval of Interlocal Agreement 130-12389 with the Washington State Department of Commerce, providing Grant PUD with $1,100,000 in grant funding to participate in the Home Electrification and Appliance Rebates (HEAR) Program.

Energy Services

Thank You

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